



**ROAD TRANSPORT FORUM NEW ZEALAND INC  
SUBMISSION  
ON  
Accident Compensation Corporation Levy  
Consultation 2013/2014**

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## **SUBMISSION BY ROAD TRANSPORT FORUM NEW ZEALAND TO ACC ON LEVY CONSULTATION FOR 2013/2014**

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### **1.0 Road Transport Forum New Zealand**

1.1 Road Transport Forum New Zealand is a nationwide organisation of voluntary members drawn from the road transport industry and includes owner-drivers, fleet operators and providers of services to freight transport operators. The Forum provides services to and public policy advocacy for its members.

1.2 The Forum's Constituent Associations include:

- National Road Carriers (Inc)
- NZ Road Transport Association Region 2 (Inc)
- Central Area Road Transport Association (Inc)
- NZ Road Transport Association Region 4 (Inc)
- Combined Owner Drivers Association (S.I.) Inc (Trading as NZ Trucking Association)
- NZ Road Transport Association Region 5 (Inc)

1.3 The Forum's Associations have in excess of 4,000 members and associate members who operate approximately 17,000 trucks over 3,500 kg or 80% of the hire and reward truck fleet in New Zealand.

1.4 The Forum is the authoritative voice of New Zealand's road transport industry which employs 22,600 people (3.0% of the workforce), has a gross annual turnover of \$6 billion and carts over 80% of New Zealand's land based freight.

### **2.0 Comment**

2.1 We welcome the opportunity to comment on the 2013/2014 ACC levy rate proposals.

- 2.2 We are particularly pleased with some of the more recent additions to ACCs range of claims reduction techniques and are particularly eager to discuss some of the latest claim reduction and incentive programs.

## **FORUM SUBMISSION**

### **3.0 LRG 463**

We have very little to contribute in respect to the proposed levy rates for LRG 463 (road freight transport) as covered in the Employer, pre-1999 work claims, self-employed and partnership discount plan discussion documents. We notice that the rates proposed for the 2013/14 year have been reduced. This is pleasing as this is a likely indication that LRG 463 claims costs have significantly reduced. This in turn suggests that LRG 463 workplaces are becoming safer.

- 3.1 However, given the paucity of supporting data to confirm this LRG 463 participants are to some extent obliged to blindly accept that the levies proposed correctly translate the costs within this group. This situation is less than ideal and is counter to basic consultation principles.

### **Workplace Safety Discounts**

- 4.0 ACC currently provides two optional incentive programmes to businesses which recognise and reward good health and safety systems and practices. These programmes are Workplace Safety Management Practices (WSMP) and the Workplace Safety Discounts (WSD). Through these programmes, businesses receive levy discounts in return for putting structures in place to manage and improve workplace safety.

- 4.1 The WSD is currently available only to small businesses (10 or fewer full-time staff) and self-employed people and is limited to seven high-risk industries<sup>[1]</sup>.

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<sup>[1]</sup> agriculture, construction, fishing, forestry, motor trades, road freight and waste management

- 4.2 ACC are proposing to make the WSD programme available to all industries. We support this proposal but are aware that the WSD is one of a number of injury prevention tools and is reliant on other systems, some of which are developing. Part of the concern with this is that the WSD has no link to actual injury occurrence.
- 4.3 Some changes may be required to increase WSD effectiveness once the programme is made more widely available.
- 4.4 Experience rating appears to have become a stronger mechanism for improving workplace performance. As an outputs based system experience rating makes no assumptions in respect to employer audit outcomes. The WSD is purely systems based.
- 4.5 For that reason, although we support the suggestion to extend the WSD to all industries we suggest creating an outcomes based approach to premium setting. Doing so would provide a direct relationship between injury rates and premium setting and create a more transparent premium setting regime.

## **MOTORISTS ACCOUNT**

### **5.0 RUC collection proposal**

In the "Additional Information about the ACC Motor Vehicle Account" discussion document (page 4) it is mentioned that investigative work is continuing regarding the ability to collect ACC levies as part of road user charges.

- 5.1 There are two main possibilities with this suggestion:
- Levy contribution could be based on travel distance
  - ACC levies could be collected through the RUC payment regime rather than the current method whereby levies are collected upon vehicle re-licensing.

- 5.2 The road freight transport industry does not support any distance based levy contribution through the RUC system. Unlike other road user groups travel distance increases don't correlate to increased risk exposure for heavy vehicles. It has been reliably demonstrated that while the heavy vehicle fleet travel distance has increased while over the same period of time crash incidence has reduced.
- 5.3 The RUC system was principally implemented to provide revenue for the Land Transport Fund. The Land Transport Fund's purpose is to provide reserves for road maintenance and repair. One of the major hurdles attached with any suggestion to collect levies through the RUC system relates to Section 13 of the Land Transport Management Act's provisions. Section 13 of the Act defines the contributions to the Land Transport Fund. Nowhere in that funding stream have contributions to ACC been accounted for.
- 5.4 This would require significant amendment of primary land transport legislation and we do not believe that this measure is supported by officials or Government.

6.0 **Cross-subsidisation**

The purpose of the levy setting regime is to apportion claims cost to individual sectors in the Motorists account. A large amount of cross-subsidisation still exists in the motorists account as motorcyclists have comparatively larger injuries resulting in larger claims costs yet motorcyclist levies are similar to proposed heavy vehicle levies. At some point motorcyclists will have to bear their own costs.

**Political interference**

- 6.1 This situation highlights deeper seated problems with the levy setting system: Ministerial interference. The Minister rejected the ACC Boards recommendations for 2011/2012 and the Motorcyclists levy rate was revised downward presumably to placate a vociferous lobby group in election year.

6.2 This interference does not enable ACC to achieve its goals of ensuring consistency, the full funding of its accounts or the collection of revenue to cover claim costs. There have been long running concerns regarding cross-subsidisation within the motorists account. Ministerial interference has exacerbated this situation.

## 7.0 **Work account**

In prior discussions it has been suggested that work related motoring injury claims should not be covered by the Motorists account. The Work account covers claims for most work-related injuries.

7.1 A vehicle is considered a place of work and employees who are mobile are covered by the HSE Act. HSE Act fundamentals haven't fully transferred to ACC policy as heavy vehicle crash injury and rehabilitation claims continue to be logged against the Motorists account. As a workplace, heavy vehicle crash related claims should be contained within the Work account.

7.2 Section 29 of the Accident Compensation Act's provisions clearly sets the guidelines for differentiating between work related personal injury and motor vehicle injuries<sup>[2]</sup>.

7.3 We do not believe that ACC are meeting their obligations according to the Act. As we understand it a number of claims that should be interpreted as work related are being funded from the Motorists account.

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<sup>[2]</sup> an injury is a work-related personal injury, and is not a motor vehicle injury, if it—

(a) falls within the definitions of both work-related personal injury and motor vehicle injury; but

(b) is suffered in the circumstances described in section 28(1)(c) or (d) that relate to travel to or from employment or a place of treatment.

**8.0 Fleet Safety Incentive Program**

We do not oppose the proposal to introduce a fleet safety incentive program but do believe that as currently proposed the FSIP will not deliver maximum value.

8.1 The FSIP is an optional safety incentive offering, which targets fleet operators who invest in workplace health and safety, and work with their employees to reduce the number and severity of on-road crashes and workplace injuries. FSIP aims to shift current behaviour by fleets from compliance with regulations to implementing best practice fleet management practices.

8.2 The ultimate goal of the incentive program is to create a safety culture for fleets so they acquire the education, skills and resources necessary to protect themselves and other motorists from harm on New Zealand's roads.

8.3 This safety culture will be managed by transport managers and will ultimately be delivered by vehicle drivers.

8.4 Unfortunately, the FSIP will only be offered to operators/managers of less than 20% of the heavy vehicle fleet. The FSIP proposal is targeted towards businesses with 5 trucks or more. There are approximately 4552 transport operators in New Zealand. 80% of these have five or fewer trucks.

8.5 Therefore, as currently proposed the FSIP will only be offered to a minority of businesses. ACC have recognised this and are also enabling individual operators that have less than five trucks to voluntarily group together for audit purposes.

8.6 While smaller operators are being provided with the opportunity to band together to create FSIP groups the reality is that such behaviour is unlikely. The road freight transport industry is extremely competitive and safety related inter-business cohesion is minimal. The group

suggestion does have some merit but it may be beneficial to target contractors' principals to create groups rather than leaving it to groups of individual operators.

### **Policy**

- 8.7 The FSIP policy has been developed around audit processes. This is understandable as ACC intend to absorb auditing costs.
- 8.8 The proposed policy does very little to recognise those operators that are making conscious efforts to operate more safely. Nor does it recognise that drivers will deliver the benefits being sought. Policy should be developed with that in mind.
- 8.9 Our suggestion is to offer the FSIP to transport operators that have five or more drivers rather than basing it on the number of vehicles that an operator has at their disposal.
- 8.10 In a number of transport operations truck owners employ multiple drivers to drive the same vehicle. It is entirely possible that an owner of three trucks that are double shifted would employ more staff than a five truck operator with one driver designated to each truck.
- 8.11 In a number of cases trucks are used seasonally, or occasionally rather than on a regular daily basis. This supports the suggestion to consider fleet size according to driver numbers.
- 8.12 It is also entirely possible to offer both large and small (five + or less than five truck operators) the opportunity to pay for, or to have partially funded, their audit. It may be that the benefits of operating to FSIP principles would exceed audit costs. However, as we are unsure of audit costs or reputed benefits we would prefer to hold further discussions on this as it would be of more benefit to offer the FSIP to the entire industry rather than just to larger transport operations.

### **Commercial road freight operators**

8.13 If the purpose of the FSIP is to target commercial transport operators vehicle mass should also be considered as entry criteria. We suggest that 6,000kg should be the lower limit rather than the proposed 3,500 kg. This is in line with other heavy vehicle related policies and is discussed further in Section 9 of our submission.

### **Crash responsibility**

8.14 Through the ACC Scheme, New Zealanders receive comprehensive insurance if they're injured in accidents, whether or not they're at fault. Truck drivers are responsible for less than half of the crashes involving trucks so it will be necessary to take crash responsibility into account.

### **9.0 Proposal to introduce GSV sub-classes**

ACC is proposing to split the existing GSV classifications for Motor Vehicle Account levies by vehicle weight into the following two sub-classes:

- 'light' GSVs (vehicles with a gross vehicle mass of 3,500 kg and under)
- 'heavy' GSVs (vehicles with a gross vehicle mass of 3,501 kg and over)

9.1 ACC expect that the GSV split proposal will more accurately reflect the respective ACC costs resulting in an injury from light and heavy GSVs.

9.2 One aspect of the proposed GSV split that may require further thought is that the proposed levy relativity between petrol and non-petrol powered vehicles is similar although these groups are quite dissimilar in size and exposure.

9.3 The proposal to split the GSV classifications at 3,500kg may also require further thought. As we understand it the purpose of the GSV split is to differentiate between commercial and non-commercial

transport operations. 3,500kg is regarded as the mass at which a vehicle is considered to be a heavy vehicle. This does not reflect the mass at which heavy vehicles are operated commercially.

9.4 Transport operations in New Zealand are considered as commercial entities if vehicles are being operated at masses above 6,000kg. 6,000kg is the lower boundary limit at which transport operators are required to hold a license to operate commercially (the transport service license).

9.5 The recently revised road user charges regulations also support this as lower mass heavy vehicles charges have been designed around the 6,000kg mass level.

## **CONCLUSION**

The ACC's 2013/14 levy discussion documents present submitters with a range of topics to comment on.

We are particularly pleased with the levy rates proposed for Levy risk Group 463. However, our contribution of comment on these proposals has been limited by the lack of substantiating data driving the 2013/14 levy rates.

Offering the WSD system to all industries is a sensible proposition. However we would prefer the WSD to become more outcomes based as doing so would create a direct relationship between injury rates and levy setting

Proposals in the Motorists account which provide incentives for freight transporters to operate with greater regard for safety are in principle sensible. However the Fleet Safety Incentive programme might be under-utilised if rolled out as proposed.

The suggestion to split the GSV classification into light and heavy sectors is also sensible. However, the 3,500kg mass limit suggested for making this

split probably won't assist with identifying commercial heavy vehicle operators. We suggest making the split at 6,000kg.

The data surrounding the GSV split may also be unsound considering that the levy relativity between petrol and non-petrol vehicles is similar although these vehicle groups are quite dissimilar in respect to operating mass and vehicle numbers.

We welcome further discussion on our submission and would welcome the opportunity to assist with developing and implementing proposals within the range of discussion documents.