



**ROAD TRANSPORT FORUM NEW ZEALAND INC
ON
Accident Compensation Corporation Levy
Consultation 2014/2015**

Contact:

Mark Ngatuere
Policy Analyst
Road Transport Forum NZ
PO Box 1778
Wellington

Ph: (04) 471 8285
Fax: (04) 471 2649
E-mail: mark@rtfnz.co.nz

OCTOBER 2013

SUBMISSION BY ROAD TRANSPORT FORUM NEW ZEALAND TO ACC ON LEVY CONSULTATION FOR 2014/2015

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 ACC should be congratulated on the \$4.9 billion surplus they have managed to amass this year. Evidently this is the result of better performance by ACC's rehabilitation services which reduced estimated future costs by \$1.2 billion. Rising interest rates have reduced the current value of future costs (or "outstanding claims liability") by \$1.2

billion. Investments have also generated \$920 million more than predicted.

- 2.2 We welcome the prospect of ACC being managed on a long-term sustainable basis with more affordable levy rates.

Fleet Saver Programme

- 3.0 Originally it appeared that the Fleet Saver Programme would be accessible to all transport operators in New Zealand. The scheme is now limited to transport operators with five or more heavy vehicles.

- 3.1 Part of the reason for that relates to prohibitive auditing costs. ACC surpluses could have partially funded those costs.

- 3.2 That surplus may also have helped retain the “virtual business¹” opportunity that had earlier been proposed for transport operators with four or less vehicles in their fleet.

- 3.3 Instead, those transport operators with four or less trucks now have to sit by and watch as ACC proposes to offer the discounts that they are not eligible for to rental truck owners.

- 3.4 Transport operators that operate four or less trucks (80% of the total transport operators representing 20% of the fleet) have genuine reason to be aggrieved that they are not being offered the opportunity to take advantage of the FSP incentives, especially if they are making genuine attempts to ensure their vehicles are being maintained and operated as safely as their FSP benefitting counterparts.

- 3.5 We are also unsure how transport operators with five or more vehicles will react if they lose FSP benefits in the event of their vehicles (and employees) being involved in not-at-fault crashes with other vehicles.

¹ It was originally proposed that groups of transport operators that owned four or less vehicles could band together to access FSP benefits.

- 3.6 That is one problem with having a “no fault system”. 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 they are involved in. It makes sense to apportion blame to at fault parties.
- 3.7 The Motorists Account should be broadened out to recognise and apportion that blame accordingly.
- 3.8 Health and Safety legislation considers truck cabs to be places of work. It therefore seems more appropriate to place truck crash costs within the Work Account.

Cross subsidisation within the Motorists Account

- 3.9 Proposed changes to the vehicle classification system will enable costs to be apportioned more accurately within the Motorists Account.
- 3.10 No amount of re-jigging of those accounts will account for the cross subsidisation that exists within the Motorists Accounts though. Motorcyclists are not paying enough for the costs they impose on the Motorists Account and there is no rational explanation for the continuation of this distortionary practice.
- 3.11 The Consultation Documents highlight that subsidisation between transport modes is significant and unjustified.

Political interference

- 4.0 This leads us to the political interference that has in the past plagued the levy setting regime. Motorcyclists are not paying their fair share of costs. This is the direct result of past political intervention.
- 4.1 During the 2011/2012 levy setting process the Minister rejected the ACC Board’s recommendations for increasing motorcyclist fees. The motorcyclists levy rate was revised downward to placate a vociferous lobby group in election year. This sort of behaviour is unacceptable to

the much larger group of levy payers who are forced to absorb this subsidy by paying higher levies than is warranted.

- 4.2 This interference has negatively influenced ACC's ability to achieve its goals of ensuring consistency, the full funding of its accounts or the collection of revenue to cover claim costs. Basic principles of fairness have been cast aside for short term political expedience.
- 4.3 There needs to be greater transparency in the levy setting regime. If the Minister is going to ignore the ACC's Boards recommendations and the actuarial advice that that advice is founded on, clear technical reasoning should be provided for doing so.

Competition

- 5.0 For a number of years we have highlighted the virtues of introducing competition into the provision of Accident Compensation services. A more competitive accident compensation environment will reduce costs while also improving service provision.
- 5.1 A competitive market would regulate those costs and services. Those that perform unsatisfactorily would lose market share. The introduction of private insurers into the market would also be likely to increase insurer investment.
- 5.2 Increased investment would benefit claims management and expedience. Innovation is also a benefit of free market enterprise. Undoubtedly, in the interests of reducing costs, more efficient approaches to injury prevention, administration and case management could be introduced to the accident compensation regime.
- 5.3 It is in the financial interests of competing insurers to constantly introduce more effective approaches to administration, injury prevention, case management and rehabilitation to get better

outcomes. In addition, insurers would likely provide add on benefits to meet their customer's particular needs.

- 5.4 Such an arrangement would also reduce risks to the crown and is likely to reduce incidence of continued political interference.

Conclusion

It is inequitable that transport operators that have four or less heavy vehicles in their fleet cannot take advantage of the Fleet Saver Programme benefits. This is especially so for those operators that incorporate safety and maintenance practices into their businesses that meet or exceed the programme's requirements.

Motorcycles are being subsidised by other motorists within the Motorists Account. Motorcyclists should be meeting their accident and compensation costs.

We believe that introducing competition into the accident compensation market will improve rehabilitation rates while also regulating costs and service provision.