MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVERSHEET

Minister	Hon Matt Doocey	**Portfolio**	ACC
Title of Cabinet paper	ACC Financial Sustainability – levies and performance improvement	**Date to be published**	13 December 2024

List of documents that have been proactively released		
Date	**Title**	**Author**
28 August 2024	*Consultation on 2025/26 – 2027/28 ACC levies*	*Office of the Minister for ACC*
28 August 2024	*ECO-24-MIN-0174 - 2025/26 – 2027/28 ACC Levies: Approval to Consult*	*Cabinet Office*
25 November 2024	*ACC Financial Sustainability – levies and performance improvement*	*Office of the Minister for ACC*
25 November 2024	*CBC-24-MIN-0118 – Cabinet Business Committee Minute of Decision*	*Cabinet Office*
25 November 2024	Appendix 5 – Cost Recovery Impact Statement 2025/26, 2026/27, 2027/28 ACC Levies	*MBIE*
25 November 2024	Appendix 6 – RIS New classification unit for home improvement stores and sports and physical recreation	*MBIE*
25 November 2024	Appendix 7– RIS Removing ACC's No Claims Discount	*MBIE*
25 November 2024	Appendix 8 – RIS Reviewing motorcycle groupings to enable levy rates to better reflect crash and claim data	*MBIE*
25 November 2024	Appendix 9 – RIS ACC's Ride Forever programme	*MBIE*
25 November 2024	Appendix 10 – RIS Levy portion for plug-in hybrids and battery electric vehicles	*MBIE*
25 November 2024	Appendix 11 – RIS ACC's Fleet Saver	*MBIE*
25 November 2024	Appendix 12 – RIS ACC interest rates and bad debt	*MBIE*

Information redacted **YES / NO** *(please select)*

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Regulatory Impact Statement: Review of the Fleet Saver product

Coversheet

Purpose of Document	
Decision sought:	This document provides analysis on three options to remove the Fleet Saver product from ACC's levy collection system. These changes ensure that the levy collection remains cost-effective, levies are fair, and that ACC delivers the policy intent behind the product (encouraging safer choices and safer behaviours on our roads). The following options are considered: • Option One: Remove the product from 1 July 2025. • Option Two: Close the product for entry and renewal from 1 July 2025. Then exit product when the last customer leaves (estimated to be 2029). • Option Three: Undertake a minimal investment to keep the product in the market.
Advising agencies:	MBIE (with input from ACC as operational agency)
Proposing Ministers:	Minister for ACC
Date finalised:	19 October 2024

Problem Definition
In response to a disproportionately high rate of heavy goods service vehicle[1] related harm, ACC introduced the optional Fleet Saver levy product (the product) designed for fleet owners with five or more heavy goods vehicles in 2013. The product includes an audit of the business' safety and vehicle management practices against a set of standards developed by ACC. The different levels of practice results in different levels of discount funded by higher levies for other heavy vehicle owners. The product had good initial uptake, but a lack of product management oversight has seen customer numbers fall steadily and a slower paced reduction of vehicle numbers in the product due to fleet amalgamation over the COVID period. As of February 2024, there are 37 businesses registered with FleetSaver, with a total of 11,360 heavy vehicles receiving a total of $2.15m in discounts over three years (using 2021 pricing). 56% of these vehicles are owned by one business. In 2019 an internal product review found that the Fleet Saver product was no longer fit for purpose and there are significant costs associated with the continuation of a product that benefits few levy payers, ACC have advised that a minimum investment of $300,000 is

[1] Vehicles weighing more than 3,500kg

required to maintain the required technology to a minimum standard, which would be equivalent to $8,200 per customer. If ACC were to progress the required investment to continue the product, this would not provide adequate return on investment (money spent on programmes compared to the money that would be otherwise required to fund future ACC claims).

Executive Summary

As noted above, an internal product review found that the Fleet Saver product was no longer fit for purpose and there are significant costs associated with the continuation of a product that benefits few levy payers. The internal review recommended the Fleet Saver product be removed.

The following options have been considered:

- Option One: Status quo
- Option Two: Remove the product from 1 July 2025.
- Option Three: Close the product for entry and renewal from 1 July 2025. Then exit product when the last customer leaves (estimated to be 2029).

Option One provides a further 3 years to the industry and regulators to develop a viable alternative which ACC can transfer the levy incentive to in 2027. However, an investment of $375k is required to make the minimum change required to maintain the product with system updates, resolve file transfer challenges, automate account specific information issues, and resolve other operational issues.

These changes do not improve the efficacy of the product or make it more cost-effective. With 35 customers in the product at present this investment represents $8,572 for each customer to continue to receive a lower levy at the expense of the other heavy vehicle fleet vehicle owners who are funding the discounts.

Option Two removes administrative cost and technical debt. It does not require any investment to keep the system active and removes unwarranted costs for other fleet owners that fund the discount. Thus, improving fairness of the levy given there is no harm reduction benefit. However, it removes current customers access to lower levies from 1 July 2025 which they may believe is a breach of promise by ACC as the product design allows for 4 years of levy discounts after the audit is passed. Option Two also has a restricted timeframe for product users to prepare for product removal. It may also expose ACC to legal challenges from product users and the road transport industry.

Option Three is recommended as it enables ACC to manage its reputation with planned exit communications to impacted customers. It also reconfirms ACC’s commitment to ensure investments return value for ACC and New Zealanders, and signals ACC’s consideration for the upcoming partnership programme NZTA are developing with the road transport industry. Option Three honours the customers that are expected to be in the product in July 2025 and reduces then removes costs to administer the product. Option Three also maintains the incentive structure in the regulations through to at least the 2028/29 financial year which will provide an easier transition to a levy incentive for an industry based/developed programme if a suitable one is developed over the next 3-4 years.

Limitations and Constraints on Analysis

The options considered in this RIS focus only on the optimal method to remove the Fleet Saver product from ACC's levy collection system. A decision was taken to pause the review of the Fleet Saver product to provide time for industry and NZTA to develop a programme together. The 2024 levy consultation provides an opportunity to reassess the future of the Fleet Saver product.

Responsible Manager(s) (completed by relevant manager)

Bridget Duley
Manager, Accident Compensation Policy
Ministry of Business, Innovation and Employment

Quality Assurance (completed by QA panel)

Reviewing Agency:	Ministry of Business, Innovation and Employment
Panel Assessment & Comment:	MBIE's Regulatory Impact Analysis Review Panel has reviewed the Regulatory Impact Statement (the Statement) prepared by MBIE. The panel considers that the information and analysis summarised in the Statement meets the Quality Assurance criteria.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

How ACC is funded

1. ACC is funded through a mixture of levies and government appropriations, and the *Accident Compensation Act 2001* (the AC Act) sets out that the Minister for ACC is responsible for setting the appropriate levy to maintain the Accounts in a fully funded state.

2. ACC operates five accounts: Work, Earners', Motor Vehicle, Non-Earners' and Treatment Injury. The Non-Earners' Account (NEA) and a portion of the Treatment Injury Account are funded through appropriation. The Work, Earners', Motor Vehicle, and a portion of the Treatment Injury Account (collectively the levied Accounts) are funded through levies.

3. The Motor Vehicle Account is funded through levies received through annual vehicle licensing and levy on petrol that are charged at the pump. The Account covers injuries that involve motor vehicles on public roads.

4. The levied Accounts and the NEA operate on a fully funded principle. Full funding ensures that the Accident Compensation Scheme (the Scheme) is sufficiently funded for the lifetime (100-year) cost of claims arising from that funding period. This ensures intergenerational equity, so that costs of injuries are not transferred to future generations.

Fleet Saver Product Overview – Explaining the Status Quo

5. The Fleet Saver product audits heavy vehicle (3,500kg or more) fleet business' safety practices and keeps monitoring their safety compliance to calculate ongoing levy

discounts. Accredited businesses automatically receive levy reductions from their annual motor vehicle license renewal fee for each vehicle.

Joining Fleet Saver

6. Fleet owners submit an online application, creating a ‘snapshot’ of their current on-road and workplace health and safety practices. An ACC auditor assesses the vehicles eligibility to join against 9 audit standards per level of accreditation.
7. Once accepted by ACC, a customer’s data including the corresponding discount rate is passed to the New Zealand Transport Agency (NZTA) and NZTA apply the discount to the audited vehicles’ annual registration, for a duration of four years.

Cross credited standards for AEP’s

8. Existing Accredited Employers Programme (AEP) members need only to complete an additional 2 standards per accreditation level, and non-AEP members need to meet 9 standards per accreditation level.

Rewarding compliance

9. There are three levels of accreditation and discounts.
   - Bronze - Indicates safety management policies and procedures that demonstrate commitment to continuous improvements in on-road and workplace safety, and injury prevention.
   - Silver - Continuous improvement and progression towards best practice.
     Indicates safety management systems in place to enable continuous improvements through training and other means.
   - Gold - Advanced best practice framework.
     Indicates advanced safety management systems and continuous improvements in on-road and workplace health and safety.

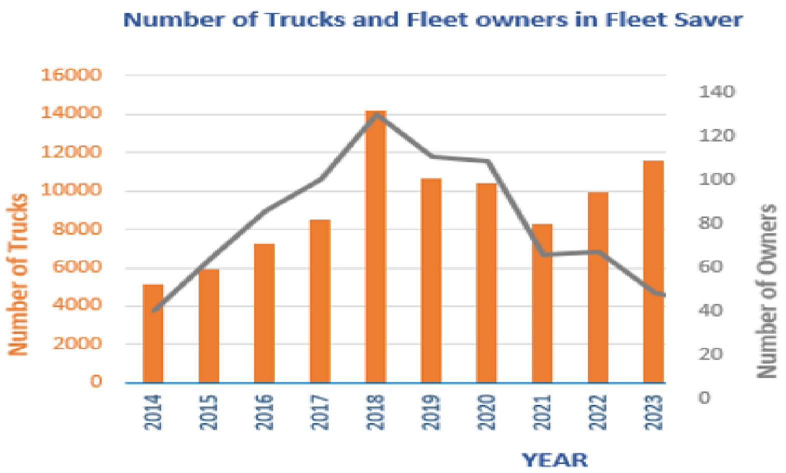
Non-Petrol		
Accreditation level	Reduction on ACC levy	Levy rate ($)
Not in fleet saver	None	260.93
Broze	10%	234.83
Silver	25%	195.69
Gold	40%	156.55

Petrol		
Accreditation level	Reduction on ACC levy	Levy rate ($)
Not in fleet saver	None	243.45
Broze	10%	219.10
Silver	25%	182.58

Gold	40%	146.07

Fleet owners and vehicles

10. The number of fleet owners choosing to participate in the Fleet Saver Programme has trended downwards since 2018, however the number of participating heavy trucks has climbed steadily from 2021. With the data showing that fleets owners in the programme for 8+ years continue to increase the size of their fleets.



Review of the Fleet Saver product

11. In response to a disproportionately high rate of heavy goods service vehicle related harm, ACC introduced the optional Fleet Saver levy product designed for fleet owners with five or more heavy goods vehicles in 2013.

12. The product includes an audit of the business' safety and vehicle management practices against a set of standards developed by ACC. The different levels of practice results in different levels of discount, which are funded by higher levies for other heavy vehicle owners not in the programme.

13. The product had good initial uptake, but a lack of product management oversight has seen customer numbers fall steadily and a slower paced reduction of vehicle numbers in the product due to fleet amalgamation over the COVID period.

14. Today, there are 35 fleet owners who between them have 11,360 vehicles using the Fleet Saver product and 56% of those vehicles are owned by one customer.

15. In 2019 an internal product review recommended the Fleet Saver programme be removed and an alternative product be found to attach the levy incentive to. NZTA had identified an opportunity to introduce a partnership programme with the road transport industry based on one established in Australia (Home | TruckSafe AU). A decision was taken to pause the review of the Fleet Saver programme to provide time for industry and NZTA to develop a programme together.

16. The 2024 levy consultation provides an opportunity to reassess the future of the Fleet Saver product.

Relevance to strategic goals

17. Active stewardship of the levy regulations and levy-based products contribute to the cost-effective delivery of the levy collection systems. In reviewing the Fleet Saver product, ACC are ensuring that levy collection remains cost-effective, the levies are fair, and that ACC delivers the policy intent behind the product.

18. Consideration of the best path forward for the product ensures that ACC maintains effective behavioural change products in the market that drive towards the desired strategic outcomes of lower harm in NZ communities and that our resources are effectively deployed to achieve these goals.

19. The proposed changes to the Motor Vehicle Account levy system will not impact the objectives of encouraging safer choices and safer behaviours on our roads, in the 2020-2030 Road to Zero Strategy. As ACC has an active grant in the transport sector to support prevention outcomes, one of which is HARM free, which is being delivered through the industry rather than an audit programme with a levy incentive.

What is the policy problem or opportunity?

The Fleet Saver product does not lower harm in the targeted businesses.

20. Two reviews in 2019 found that while customers liked the product and felt the assessment and audit standards helped change health and safety practices, there was no evidence of an effect in ACC's claims data. ACC's intent for the product was to determine whether an audit programme could drive behaviour change enough to lower the cost of injury in the Motor Vehicle Account.

21. The audit was based on AS/NZ4801 standards (now superseded by ISO45001), and bespoke vehicle standards developed by a vehicle expert with industry input. Early gains were made by the Fleet Saver product, but the value of audits diminished over time as business management practices focussed on passing an audit to access the lower levy rates, rather than enduring change of practices in the business.

What objectives are sought in relation to the policy problem?

22. In considering the viability of the future of the Fleet Saver product the following objectives are sought:

    - ensuring that levy collection remains cost-effective,
    - levies are fair, in that levy payers are being fairly charged for the risk they are exposed to, and
    - that the policy intent behind the product (encouraging safer choices and safer behaviours on our roads) is delivered.

Section 2: Deciding upon an option to address the policy problem

What criteria will be used to compare options to the status quo?

23. The options have been assessed against the following criteria:

    - Cost-effectiveness: enhance the cost-effectiveness of levy collection
    - Impact on customers: minimise the impact on customers

- Timeliness: reasonable timeframes to prepare for product removal
- Risks: risk of unintended consequences and perverse outcomes is minimised

What scope will options be considered within?

24. Options have been considered within the scope of whether the Fleet Saver product should remain, with investment, or if not, how the programme should be transitioned out.

25. Changes to the programme to attract further customers, or changes to how the programme is run (e.g. what standards are used) have not been considered.

What options are being considered?

26. The following options have been considered:

    - Option One: Status Quo
    - Option Two: Remove the product from 1 July 2025.
    - Option Three: Close the product for entry and renewal from 1 July 2025. Then exit product when the last customer leaves (estimated to be 2029).

Option One – Status Quo

27. The status quo would involve the continuation of the Fleet Saver programme in it's current form.

28. The 2013 implementation was built on technology that has now depreciated substantially. There continues to be ongoing platform and infrastructure issues. Feedback from applicants is that the programme platform is not user friendly and often has out of date references.

29. An investment of $300k would be required to make the minimum change required to maintain the product with system updates, to resolve file transfer challenges, automate account specific information issues and resolve other operational issues. These changes do not improve the product or make it more cost-effective.

30. With 35 customers in the product at present, this investment represents $8,572 for each customer to continue to receive a lower levy at the expense of the other heavy vehicle fleet vehicle owners who are funding the discounts. This is not seen as a sufficient return on investment when comparing the total spend to the likely reduction in ACC claim cost reduction.

31. There has been no active management for Fleet Savers audit standards since their introduction in 2013. The product cross-credits some of the standards under the Accredited Employer Programme (essentially a form of self-insurance where employers opt out of ACC directly managing claims) which have been updated, and no longer align to the standards published in the Motor Vehicle Account regulations.

32. A clear alternative audit standard has not been identified to date and, should the programme continue, ACC would need to accept the risk associated with setting standards that businesses rely upon to demonstrate good safety management practices in the transport sector.

33. A review of the fleet-based section of the audit standards require development by an external expert and consultation across industry at an estimated cost of $50-75,000.

Option Two: Remove the product from 1 July 2025.

34. This option completely removes Fleet Saver from 1 July 2025. This would remove the administrative cost for ACC immediately as it would not require any investment to keep systems active, and would remove unwarranted costs for other fleet owners that currently subsidise this benefit.

35. The option would improve the fairness of the levy system given there is little-no harm reduction benefit that is being delivered through the programme.

36. However, given that existing customers would immediately lose access to lower levies from 1 July 2025, which they may have been otherwise expecting, they may believe is a breach of promise by ACC as the programme allows for 4 years of levy discounts after the audit is passed.

37. Option 2 also has a restricted timeframe for product users to prepare for product removal, particularly if a business is relying on this in the immediate future to assist their financial position.

38. As an example, 37 businesses are currently registered with FleetSaver, with a total of 11,360 heavy vehicles (representing 6.7% of the heavy vehicle fleet in New Zealand) receiving a total of $2.15m in discounts over three years (using 2021 pricing). 56% of these vehicles are owned by one large business, with a number of others being smaller, local businesses.

39. The exact impact on businesses within Fleet Saver is unavailable given the commercially sensitive nature of the information.

40. The immediate removal of Fleet Saver may also expose ACC to legal challenges from those currently in the programme, and the road transport industry.

Option Three: Close the product for entry and renewal from 1 July 2025. Then exit product when the last customer leaves (estimated to be 2029).

41. This option closes Fleet Saver for entry and renewal from 1 July 2025 and completely removes Fleet Saver when the last customer leaves, as their safety accreditation is up for renewal, which is estimated to be in 2029.

42. Option 3 honours the customers that are expected to be in the product in July 2025 and reduces then removes costs to administer the product. This will also provide those in the Fleet Saver programme to prepare for the removal of the levy discount. The levy discount is below:

43. Non-Petrol		
Accreditation level	Reduction on ACC levy	Levy rate ($)
Not in fleet saver	None	260.93
Broze	10%	234.83
Silver	25%	195.69

Gold	40%	156.55

Petrol		
Accreditation level	Reduction on ACC levy	Levy rate ($)
Not in fleet saver	None	243.45
Bronze	10%	219.10
Silver	25%	182.58
Gold	40%	146.07

44.

45. The transport sector is developing its own programmes. These address safety and wider concerns of the transport sector and regulators.

46. Evidence from across health and safety jurisdictions shows that industry developed and driven programmes achieve more in terms of safety improvements than government developed ones. ACC has seen this through its prevention investment in the forestry and construction industries.

47. Trucking firms who reduce workplace injury through participation in other programmes will benefit from lower levies through experience rating.

How do the options compare to the status quo/counterfactual?

	Option One – Status Quo	Option Two – Remove the product from 1 July 2025	Option Three – Close the product for entry and renewal from 1 July 2025. Then exit product when the last customer leaves (estimated to be 2029)
Cost-effectiveness	An investment of $300k is required to make the minimum change required to maintain the product with system updates, to resolve file transfer challenges, automate account specific information issues and resolve other operational issues. -	Removes administrative cost and technical debt. Doesn't require any investment to keep systems active. Removes unwarranted costs for other fleet owners that fund the discount (improves fairness of the levy given there is no harm reduction benefit). + +	Option 3 honours the customers that are expected to be in the product in July 2025 and reduces then removes costs to administer the product. Option 3 achieves the benefits of Option 2, but gradually, as Option 3 proposes to remove the product when the last customer leaves (estimated to be in 2029). + +
Impact on customers	Honours the customers that are expected to be in the product. +	Removes current customers access to lower levies from 1 July 2025 which they may believe is a breach of promise by ACC as the product design allows for 4 years of levy discounts after the audit is passed. -	Honours the customers that are expected to be in the product in July 2025 and reduces then removes costs to administer the product. Enables considered product exit communications to impacted customers. Removes new and renewing customers access to lower levies from 1 July 2025. + +
Timeliness	Provides a further 3 years to the industry and regulators to develop a viable alternative ACC can transfer the levy incentive to in 2027. +	Restricted timeframe for product users to prepare for product's removal. -	Accommodates for product users to prepare for the product's removal. +

Risks	Other fleet owners continue to subsidise the discounts received by those in the product. -	May expose ACC to legal challenges from product users and the road transport industry. -	Other fleet owners continue to subsidise the discounts received by those in the product. -
Overall assessment	Option 1 honours the customers that are expected to be in the product. However, an investment of $300k is required to make the minimum change required to maintain the product with system updates, resolve file transfer challenges, automate account specific information issues, and resolve other operational issues. 0	Option 1 is cost effective but could have a negative impact on customers and, as such, ACC's reputation. It can also expose ACC to legal challenges. -	Option 2 enables us to manage ACCs reputation with planned exit communications to impacted customers. Option 2 is also cost-effective and accommodates for product users to prepare for the product's removal. + + + +

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

48. Option Three is recommended as this option enables ACC to manage its reputation with planned exit communications to impacted customers. It also reconfirms ACC's commitment to ensure investments return value for ACC and New Zealanders, and signals ACC's consideration for the upcoming partnership programme NZTA are developing with the road transport industry.

49. Option Three honours the customers that are expected to be in the product in July 2025 and reduces then removes costs to administer the product.

50. Option Three maintains the incentive structure in the regulations through to at least the 2028/29 financial year which will provide an easier transition to a levy incentive for an industry based/developed programme if a suitable one is developed over the next 3-4 years.

Consultation feedback

51. The consultation undertaken by ACC allowed feedback to be given in a number of different ways, including just indicating sentiment by giving a 'thumbs up' to the proposal. The majority (73%) of sentiment feedback supported the proposal.

52. Written feedback was more mixed with more support for keeping Fleetsaver. A general theme was that incentive programmes what reward safety performance should be encouraged, and that Fleetsaver was not adequately supported and promoted. However, some submitters also acknowledged that incentives that fail to perform should be removed.

53. By removing the programme gradually, this will allow industry-based programmes to be developed. Evidence from across health and safety jurisdictions shows that industry developed and driven programmes achieve more than government developed ones. ACC has seen this through its prevention investment in the forestry and construction industries.

54. Transport related businesses that reduce workplace injury will continue to benefit from lower Work Account levies through their individual experience rating.

What are the marginal costs and benefits of the option?

Affected groups *(identify)*	**Comment** *nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.*	**Impact** *$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.*	**Evidence Certainty** *High, medium, or low, and explain reasoning in comment column.*
Additional costs of the preferred option compared to taking no action			
Regulated groups	There are 37 customers (11k trucks) who are directly impacted and will lose discounts to the value of $2.15m	Medium	High. ACC's Governance paper provides evidence.

	over three years (per 2021 pricing figures). With the removal of the discounts the levies for non-members will decrease to the same value as they have been funding the discounts to date.		
Regulators	Some negative feedback.	The indicative cost of exiting the product is $5k. The cost is expected to reduce from 1 July 2025 onwards and then the costs are removed to administer the product.	High. ACC's Governance paper provides evidence.
Others (eg, wider govt, consumers, etc.)	No additional costs.	No additional costs.	High. ACC's Governance paper provides evidence.
Total monetised costs		The indicative cost of exiting the product is $5k. The cost is expected to reduce from 1 July 2025 onwards and then the costs are removed to administer the product.	High. ACC's Governance paper provides evidence.
Non-monetised costs	Some negative feedback from customers.	Low.	High. ACC's Governance paper provides evidence.
Additional benefits of the preferred option compared to taking no action			
Regulated groups	Removes unwarranted costs for other fleet owners that fund the discount (improves fairness of the levy given there is no harm reduction benefit).	High.	High. ACC's Governance paper provides evidence.
Regulators	The benefit of removing Fleet Saver is cost-effectiveness through avoiding the	High.	High. ACC's Governance paper provides evidence.

	deferred technology cost and reduced administrative costs.		
Others (eg, wider govt, consumers, etc.)	No additional benefits.	No additional benefits.	High. ACC's Governance paper provides evidence.
Total monetised benefits	Ongoing cost reductions and high benefits.	Ongoing cost reductions and high benefits.	High. ACC's Governance paper provides evidence.
Non-monetised benefits			

Section 3: Delivering an option

How will the new arrangements be implemented?

55. ACC will be responsible for closing the product for entry and renewal from 1 July 2025, and then for the exit of the Fleet Saver Product when the last customer leaves (estimated to be 2029). ACC will provide direct communications to the impacted customers once a final decision has been reached and the ACC website will be updated accordingly.

56. The Minister for ACC will intends to make a press announcement once final decisions have been made by Cabinet.

How will the new arrangements be monitored, evaluated, and reviewed?

57. Existing monitoring arrangements by the Treasury and stewardship of the legislation and regulatory scheme by MBIE will suffice to ensure that implementation of the new arrangements are monitored, evaluated, and reviewed as required.
58. ACC's actuarial team will monitor the new arrangements to ensure that future claims data support this change e.g. there is not a sudden increase in claims from heavy vehicles. If the data shows that the new arrangements are not achieving the aforementioned policy objectives, ACC will recommend changes to the Motor Vehicle Account Levies Regulations as part of the next levy consultation process which is due to occur in 2028-2031.
59. Option Three maintains the incentive structure in the regulations through to at least the 2028/29 financial year which will provide an easier transition to a levy incentive for an industry based/developed programme if a suitable one is developed over the next 3-4 years.