



## COVERSHEET

<b>Minister</b>	Hon Iain Lees-Galloway	<b>Portfolio</b>	ACC
<b>Title of Cabinet paper</b>	Accident Compensation (Motor Vehicle Account Levies) Regulations 2019	<b>Date of release</b>	5 June

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
24 April 2019	Accident Compensation (Motor Vehicle Account Levies) Regulations 2019	Office of the Minister for ACC
30 April 2019	LEG-19-MIN-0040 Cabinet Minute	Cabinet Office

### Information redacted

No information has been redacted.

In Confidence

Office of the Minister for ACC  
Chair, Cabinet Legislation Committee

## **ACCIDENT COMPENSATION (MOTOR VEHICLE ACCOUNT LEVIES) REGULATIONS 2019**

### **Proposal**

1. This paper seeks authorisation for submission to the Executive Council of the *Accident Compensation (Motor Vehicle Account Levies) Regulations 2019* (the Regulations).

### **Executive Summary**

2. The Regulations give effect to Cabinet's 10 December 2018 decisions for the ACC Motor Vehicle levy [CAB-18-MIN-0619 refers]. Cabinet agreed to:
  - 2.1. maintain the average ACC Motor Vehicle Account levy at \$113.94 per vehicle per year for 2019/20 and 2020/21;
  - 2.2. remove Vehicle Risk Rating, and to charge all light passenger vehicles a flat fee according to whether they are a petrol or non-petrol vehicle;
  - 2.3. hold Fleet Saver discounts at the current rate;
  - 2.4. maintain the motorcycle safety levy at \$25 per annum, as this is the level of funding required to implement ACC's motorcycle safety strategy's initiatives, such as Ride Forever.
3. To allow New Zealand Transport Agency (NZTA) to send out advance notices of levies payable to operators of large fleets in advance of the new levy year, the Regulations will need to be gazetted in early May 2019.

### **Policy**

4. ACC is the Crown agent responsible for providing comprehensive, no-fault personal injury cover to all New Zealand residents and visitors to New Zealand. ACC cover is managed under five separate Accounts that are funded through levies, government appropriation, or a combination of both. Three of the Accounts – the Work Account, Earners' Account and the Motor Vehicle Account – are funded solely through levies.
5. Cabinet decisions on levy rates are implemented through regulations to enable ACC to collect levies from levy payers.
6. Under sections 331(5A) and 331(5B) of the Accident Compensation Act 2001, ACC must prepare a report in relation to the rates prescribed detailing the effect the prescribed levies are expected to have on the Motor Vehicle Account (including

future levy and solvency rates). This must be published at the same time the regulations prescribing the rates of levies are made in the Gazette.

### *Motor Vehicle Regulations*

7. Owners of registered motor vehicles (including cars, trucks, mopeds and motorcycles) currently pay levies via:
  - 7.1. their motor vehicle licence fee (different vehicle types pay different rates based on their claims experience and petrol usage);
  - 7.2. a fuel levy if they are a petrol vehicle, which is offset by a reduced licence fee paid by petrol vehicles.
8. Light electric passenger vehicles pay the same motor vehicle licence levy as petrol-powered passenger vehicles [CAB-16-MIN-0659 refers]. Plug-in hybrid vehicles also pay a small amount of the fuel levy at the pump.
9. Light passenger vehicles currently pay different levy amounts under the Vehicle Risk Rating programme (VRR) according to which of four risk rating bands they are grouped in, based on how well passengers and other road users are protected during a crash.
10. Owners of trucks and rental fleets can receive levy discounts based on the outcome of safety audits under ACC's Fleet Saver programme.
11. Owners of motorcycles and mopeds pay a motorcycle safety levy which funds road safety initiatives for these vehicles.

### *Cabinet decisions on the 2019/20 and 2020/21 levies to be implemented through the Motor Vehicle Account Levies Regulations*

12. The Regulations give effect to Cabinet's 10 December 2018 decision to maintain the average Motor Vehicle Account levy (per vehicle, per year) at \$113.94 for 2019/20 and 2020/21 [CAB-18-MIN 0619 refers].
13. Approval was not sought to change the fuel levy rate and it will remain at 6 cents per litre.
14. Cabinet noted that individual rates paid by levy payers are a combination of changes to the average rate, any adjustments to industry classification units, and vehicle classifications based on claims experience and fuel consumption.
15. In the Motor Vehicle Account, this sees motor vehicle licence levies changing despite the overall levy rate being maintained at \$113.94. Maintaining the fuel levy at the current rate will mean that less will be collected at the pump due to increased fuel efficiency across the entire fleet. Along with the impact of updated claims experience data, many vehicles classes will see increases in their motor vehicle licence levies.
16. I was authorised to make decisions on minor and technical matters that are consistent with the policy outlined in the Cabinet paper [CAB-18-MIN-0619 refers].

17. An appendix that contained the motor vehicle licence levies in the Cabinet paper [CAB-18-MIN-0619] included a rate for passenger vehicles 3,500 kg and over. With the removal of Vehicle Risk Rating (VRR), this rate no longer applies and therefore the rate can be disregarded. This does not impact the average rate of \$113.94 being maintained.

#### *Removal of Vehicle Risk Rating*

18. On 10 December 2018, Cabinet agreed to [CAB-18-MIN-0619 refers]:
  - 18.1. remove Vehicle Risk Rating, and to charge all light passenger vehicles a flat fee according to whether they are a petrol or non-petrol vehicle;
19. The pricing aspect of VRR was removed on the basis that there was no evidence that it changes overall fleet composition through either accelerating the removal or reducing the importation of less safe cars. Further considerations included the impact for those on lower incomes as they are less likely to purchase safer vehicles, academic evidence and the administrative complexity of the programme.
20. The removal of VRR requires a series of minor consequential changes to be made to the Regulations. The definitions of “light passenger vehicle”, “light passenger service vehicle” and “vehicle year”, which were introduced with VRR, are no longer needed as the existing “passenger vehicle” and “passenger service vehicle” definitions ensure that these vehicles pay the appropriate motor vehicle licence levy.
21. Due to the removal of the “light passenger vehicle” definition, the definition of “light electric vehicle” was updated as it referred to this vehicle class.
22. A descriptive reference to the “risk rating” of Fleet Saver vehicles was removed in order to avoid potential confusion with the removal of VRR.

#### *Other Motor Vehicle Account policy decisions*

23. The Regulations also give effect to Cabinet’s decisions [CAB-18-MIN-0619 refers] that:
  - 23.1. the motorcycle safety levy be maintained at \$25 per annum, as this level of funding is required to implement ACC’s motorcycle safety strategy initiatives, such as Ride Forever;
  - 23.2. to hold Fleet Saver discounts at current rates.

#### *Other changes during drafting*

24. The following technical changes were made at the drafting stage for maintenance reasons.
25. The definitions of “moped”, “motorcycle”, “motorcycle safety levy” and “trade plate” were removed from the Regulations to ensure consistency with the definitions in the Accident Compensation Act 2001 and to ensure effective levy collection.

26. Due to the end of the Workplace Safety Management Practices programme, a section in Schedule 3 of the Regulations regarding Fleet Saver was removed as it is now redundant.

### **Timing and 28-day rule**

27. The Regulations are required to come into force on 1 July 2019 when the 2019/20 levy year begins.
28. To meet the requirements of the 28 day rule and to allow New Zealand Transport Agency (NZTA) to send out advance notices to operators of large fleets around two months in advance of the new levy year, the Regulations will need to be gazetted in early May 2019.
29. At the same time the regulations prescribing the rates of levies are made in the Gazette, ACC is required under section 331(5A) and 331(5B) of the Accident Compensation Act 2001 to publish a report in relation to the rate of levies prescribed in accordance with generally accepted practice within the insurance sector in New Zealand. This report must also include the long-term projections for solvency rates, levy rates, Account balances, and the lifetime costs of claims in relation to injuries that occur in the relevant levy year, and the key assumptions on which the projections are based. This report must be published in the Gazette and on ACC's website.
30. ACC has indicated that the report could be published in the Gazette on 7 May 2019.
31. No waiver of the 28-day rule is required.

### **Compliance**

32. Sections 330 and 331 of the AC Act have been complied with and the necessary requirements regarding consultation for classifications, risk rating, or treatment injury, and the making of regulations relating to levy setting have been met.
33. The proposed regulations comply with each of the following:
  - 33.1. the principles of the Treaty of Waitangi;
  - 33.2. the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;
  - 33.3. the principles and guidelines set out in the Privacy Act 1993;
  - 33.4. relevant international standards and obligations;
  - 33.5. the Legislation Guidelines (2018 edition), which are maintained by the Legislation Design and Advisory Committee.

## **Regulations Review Committee**

34. There are no anticipated grounds for the Regulations Review Committee to draw the Regulations to the attention of the House of Representatives under Standing Order 319.

## **Certification by Parliamentary Counsel**

35. The draft regulations were certified by the Parliamentary Counsel Office (PCO) as being in order for submission to Cabinet.

## **Impact Analysis**

36. Regulatory Impact Assessments for levy rates and VRR were prepared in accordance with the necessary requirements, and were submitted at the time the policy decisions were made on the levy rates and other levy matters for 2019/20 and 2020/21 [CAB-18-MIN-0619].

## **Publicity**

37. On 10 December 2018, I announced Cabinet's agreed 2019/20 and 2020/21 ACC levy rates. ACC, as the operational agency, will be carrying out a plan to communicate this with levy payers. This plan will be developed in consultation with the Office of the Minister for ACC.
38. NZTA will communicate changes resulting from these Regulations to the public.

## **Proactive Release**

39. I intend to proactively release this Cabinet paper in full on MBIE's website within 30 business days of the final decision being made by Cabinet.

## **Consultation**

40. The following government agencies were consulted on the previous Cabinet Economic Development Committee paper regarding the 2019/2020 and 2020/21 ACC Levies: the Treasury, Ministry of Transport, Ministry of Justice, Ministry of Health, Ministry of Social Development, Te Puni Kōkiri, the Inland Revenue Department, New Zealand Customs Service, Ministry for Pacific Peoples, Ministry of Women's Affairs, New Zealand Transport Agency, ACC and WorkSafe. The Department of Prime Minister and Cabinet was informed.
41. ACC, the Ministry of Transport, the New Zealand Customs Service and NZTA have been consulted on the Accident Compensation (Motor Vehicle Account Levies) Regulations 2019.

## Recommendations

I recommend that the Cabinet Legislation Committee:

1. note that on 10 December 2018 Cabinet made decisions on the 2019/20 and 2020/21 Motor Vehicle Account levies that require the introduction of the *Accident Compensation (Motor Vehicle Account Levies) Regulations 2019* (the Regulations), that:
  - 1.1. maintain the Motor Vehicle levy rate at an average rate of \$113.94 per vehicle, excluding GST;
  - 1.2. remove Vehicle Risk Rating, and to charge all light passenger vehicles a flat fee according to whether they are a petrol or non-petrol vehicle;
  - 1.3. maintain the motorcycle safety levy at \$25 per annum, as this level of funding is required to implement ACC's motorcycle safety strategy's initiatives, such as Ride Forever;
  - 1.4. hold Fleet Saver discounts at the current rates;
2. note that these Regulations do not change the fuel levy rate of 6 cents per litre;
3. note that the motor vehicle licence levy included in the Cabinet Paper for "Passenger vehicles >3,500kg" no longer applies due to the removal of Vehicle Risk Rating;
4. note that the requirements under section 330 of the Accident Compensation Act to consult relevant persons and organisations for regulations relating to classifications, risk rating, or treatment injury, and under section 331 that levy payers are consulted by the Accident Compensation Corporation for regulations relating to levy setting prior to the Corporation making recommendations to the Minister have been met. This allows the Minister to recommend the making of these Regulations;
5. note that the *Accident Compensation (Motor Vehicle Account Levies) Regulations 2019* will give effect to the decisions referred to in paragraph 1 above;
6. note that the *Accident Compensation (Motor Vehicle Account Levies) Regulations 2019* come into force on 1 July 2019;
7. authorise the submission to the Executive Council of the *Accident Compensation (Motor Vehicle Account Levies) Regulations 2019*.

Authorised for lodgement

Hon Iain Lees-Galloway

Minister for ACC