In confidence

Office of the Minister for ACC

2017/18 AND 2018/19 ACC LEVIES

PROPOSAL

1. This paper seeks your agreement to:

   a) 2017/18 and 2018/19 Accident Compensation Corporation (ACC) average levy rates for the Earners', Work and Motor Vehicle Accounts;

   b) other levy related proposals relating to the Motor Vehicle Account, including reducing levies for Electric Vehicles (EVs) as an interim measure to support the Government's Electric Vehicle Programme [CAB-16-MIN-0108.01 refers];

   c) technical updates to regulations for the Earners' and Work Accounts.

EXECUTIVE SUMMARY

ACC levy rates for 2017/18 and 2018/19

2. I seek agreement to ACC levy rates for 2017/18 and 2018/19 years. This paper considers two alternative options.

3. The first option is to set levy rates in line with those consulted on by ACC, and recommended to me by the ACC Board, as shown below.

Table 1: Levy rates consulted on by ACC

	Earners' Account Average levy rate per $100 of liable earnings (excl. GST)[1]	**Work Account** Average levy rate per $100 of liable earnings (excl. GST)	**Motor Vehicle Account** Average levy per vehicle
Current 2016/17 rates	$1.21	$0.80	$130.26
Proposed 2017/18 and 2018/19 rates	$1.25	$0.72	$113.94
Percentage change	3.3% increase	10% reduction	12.5% reduction
Levy reduction (per annum)			$76.7m

4. These rates were recommended to me by the ACC Board and are consistent with the Government funding policy, and have regard to the principles of financial responsibility as specified in the Accident Compensation Act 2001 (AC Act).

5. The second option would be to hold the Earners' levy at current levels ($1.21) rather than increasing it as proposed ($1.25), while applying the levy reductions to the other Accounts, as per the table above.

6. This option has regard to the principles of financial responsibility, but balances and trades-off these principles slightly differently to the first option.

[1] While these amounts are exclusive of GST, the recommendation is expressed as GST inclusive ($1.44) to provide Inland Revenue with clarity on the rate required for implementation.

7. The key difference between the two options is that the proposed rate increase (option 1) would provide for a smoother levy path – relatively small adjustments at each levy round, whereas holding the Earners' levy stable now (option 2) would be likely to result in less gradual (i.e. more pronounced) upward levy adjustments in future levy years (i.e. from 2019/20). This is because, by not increasing now, the levy rate is set further below underlying costs which would 'draw down' surplus funds more quickly – the funding positions of all accounts are above the Government's funding target. As these funds are returned more quickly, levies must also rise more quickly to reflect expected costs.

8. s 9(2)(j) [redacted]

9. The proposed rates are averages; levies paid by individuals will vary with individuals' risk ratings and claims experience. Policy proposals that affect individuals' relative levy rates are also discussed in this paper.

Other policy proposals

10. I also recommend a number of levy-related proposals. These include:

    a) reducing the petrol levy by 13 percent, in line with the proposed reduction to the average Motor Vehicle levy, and maintaining the vehicle licence levy for motorcycles at current levels

    b) reducing the levies applied to electric vehicles (EVs), as an interim measure, to support the Government's Electric Vehicle Programme

    c) updating the classifications of businesses and levy bands assigned to some vehicles under the Vehicle Risk Rating (VRR) programme to reflect changing risk profiles, and updates to levy calculations to reflect wage inflation.

Regulations required to implement new levy rates

11. To enable the collection of levies at the new levy rates from 1 April 2017 for the Work and Earners' Accounts, and 1 July 2017 for the Motor Vehicle Account, regulations must be made by 2 March 2017 and 1 May 2017 for the respective Accounts.

Announcement

12. I intend to announce the new average 2017/18 and 2018/19 levy rates immediately after they are agreed by Cabinet.

BACKGROUND

The accident compensation scheme

13. ACC is a Crown agent providing comprehensive, no-fault personal injury cover to all New Zealand residents and visitors to New Zealand. ACC coverage is managed under

five separate Accounts. This paper considers the levies that fund the Work, Earners', and Motor Vehicle Accounts as outlined in Table 2 below[2].

Table 2: Summary of the ACC Accounts

Account	Funded by	Pays for
Work Account	Levies on employers and self-employed	Work-related injuries
Earners' Account	Levies on earners through PAYE (or invoiced directly by ACC for self-employed people)	Earners' non-work injuries (not including motor and treatment injuries)
Motor Vehicle Account	Levies on motor vehicle owners	Accidents on public roads involving moving vehicles
Non-Earners' Account	Government appropriation	Non-earners' injuries (not including motor and treatment injuries)
Treatment Injury Account	Contributions from the Earners' and Non-Earners' Accounts	People injured as a result of medical treatment

The basis for setting 2017/18 and 2018/19 levies

Cabinet makes final levy decisions

14. The *Accident Compensation Act 2001* (the Act) provides that the cost of all claims under the levied Accounts are to be fully funded by meeting the outstanding claims liability in respect of the claims by offsetting an adequate level of assets to fund the cost of those claims (fully funded Accounts).

15. The Act requires the Minister for ACC (and Cabinet) when setting levy rates, to have regard to the following principles of financial responsibility:
    - the levies derived for each Account should meet the lifetime cost of claims in relation to injuries that occur in a particular year
    - if an Account has a deficit of funds to meet the costs of claims or has accumulated surplus funds, that deficit or surplus should be corrected by the setting of levies at an appropriate rate for a subsequent year or years
    - large changes in levies should be avoided.

The Government funding policy statement and levy setting process

16. The Minister for ACC issued the Government funding policy statement in May 2016, which was agreed by Cabinet in December 2015 [CAB-15-MIN-0283 refers] (see **Appendix 1**). The funding policy is required to be consistent with the above principles.

17. ACC is required to give effect to the funding policy when it makes levy recommendations, after carrying out public consultation.

[2] The appropriation for the Crown-funded Non-Earners' Account is considered during the Budget process each year. The Treatment Injury Account is funded through the Earners' and Non Earners' Accounts.

18. Key elements of the funding policy are:
    - Basing levies, in the first instance, on the expected lifetime cost of claims in the coming levy period. This connects levies to the actual cost of providing injury cover, which supports equity between levy payers across generations and enables scrutiny on ACC's management of underlying costs; trends in underlying costs are not subsumed in future years' levy calculations.
    - After reflecting the above new year injury costs, an adjustment is made to levies to return the funding position to 105% of reported liabilities (the midpoint of the target funding band of 100% - 110%) over a 10 year horizon. This means the adjustment is sufficient to collect or return about 10% of any deficit or surplus funding in the following year[3].

19. When an account is over or under-funded, the lifetime costs approach combined with the funding policy's relatively long time horizon to return accounts to target funding, produces relatively small adjustments to levies at each levy round to reflect changes in underlying costs and move the funding position gradually towards target.

20. This approach imparts a longer term focus by placing greater weighting on smoother levy paths (levy stability) and a strong link between levies and underlying costs, rather than achieving the target funding position more quickly. In other words, the surplus (or deficit) in an over-funded account is returned to (or recovered from) levy payers over a number of years to mitigate large movements in levies.

21. The funding policy provides the basis for ACC's levy recommendations, which I must consider before recommending levies to Cabinet.

22. Responsibility for setting levy rates to achieve fully funded Accounts lies with the government of the day. The Government has discretion as to whether to adopt the rates recommended by ACC in accordance with the funding policy, provided that its decision accords with the requirements of fully funded Accounts and has regard to the principles of financial responsibility (see paragraph 14 and 15 above).

23. Following levy decisions, ACC is required to publish a report detailing the effect that the prescribed levies are expected to have on the relevant Accounts, including future levy and solvency rates.

PROPOSED AVERAGE 2017/18 AND 2018/19 LEVY RATES

24. I seek your agreement to set average ACC levy rates for 2017/18 and 2018/19. Two options are considered.

25. The first option is to set average levy rates as shown in Table 3 below.

[3] This does not mean that the funding position is guaranteed to reach the midpoint of the funding band in 10 years. There are two reasons for this. First, funding adjustments are not set into the future, since they need to be set at each levy round in response to the actual and projected funding position at the time, which will almost certainly be different from that projected. Second, even if projections were realised, the adjustment at each levy round would get smaller and smaller since the 10 year horizon would be reapplied each time (10% of a smaller and smaller difference to the midpoint).

Table 3: Option 1 – 2017/18 and 2018/19 average levy rates compared to 2016/17 rates

	Earners' Account Average levy rate per $100 of liable earnings (excl. GST)	**Work Account** Average levy rate per $100 of liable earnings (excl. GST)	**Motor Vehicle Account** Average levy per vehicle
Current 2016/17 rates	$1.21	$0.80	$130.26
Proposed 2017/18 and 2018/19 rates	$1.25	$0.72	$113.94
Percentage change	3.3% increase	10% reduction	12.5% reduction

26. These rates adopt those recommended to me by ACC. They are consistent with the Government funding policy, and have regard to the principles of financial responsibility. Prior to recommending these levy rates, ACC considered public feedback received in public consultation. This is summarised in the attached Regulatory Impact Statement (RIS).

27. The second option would be to hold the Earners' levy at current levels ($1.21) rather than increasing it as ACC recommend ($1.25), while applying the levy reductions for the other Accounts, as per Table 3. This option also results in fully funded Accounts and has regard to the principles of financial responsibility, but balances and trades-off the principles slightly differently from the ACC recommendation. These differences are discussed below from paragraphs 35 – 37.

Underlying drivers of the levy rates proposed by ACC (option 1)

Table 4: Underlying drivers of the proposed average levy rates[4]

		Earners' Account (per $100 liable earnings excluding GST)	**Work Account** (per $100 liable earnings excluding GST)	**Motor Vehicle Account**[5] (per vehicle excluding GST)
Current 2016/17 rate	Expected costs[6]	$1.33	$0.91	$151
	Funding adjustment	-$0.12	-$0.11	-$20
	Total	**$1.21**	**$0.80**	**$130.26**
Proposed 2017/18 and 2018/19 rate	Expected costs	$1.41	$0.93	$154
	Funding adjustment	-$0.16	-$0.21	-$40
	Total	**$1.25**	**$0.72**	**$113.94**
Percentage change		3.3% increase	10% reduction	12.5% reduction
Estimated change in levy revenue (per annum)		$49.5m increase	$69.6m reduction	$56.6m reduction
Total change in levy revenue (per annum)				**$76.7m reduction**

[4] Due to rounding, figures may not add up exactly.
[5] Note that Motor Vehicle Account levies are expressed as dollars per vehicle, while Work and Earners' levies are a percentage of earnings. Motor Vehicle Account levies should be expected to increase each year at least in line with wages.
[6] Since last year, expected costs for the 2016/17 year have slightly increased in the Work and Earners' Accounts and decreased in the Motor Vehicle Account.

28. At a high level, the levy rates in Table 4 reflect that:

- expected costs for each account are increasing –
  - o worsening claims experience is putting upward pressure on levies – claims cost (number of claims per person and average claim size) is higher than previously expected across all Accounts. This reflects recent experience.
  - o economic factors, particularly reductions in inflation forecasts, have partially offset increases in claims costs.
- the favourable funding adjustment more than offsets increasing costs in the Work and Motor Vehicle Account (and moderates the increasing costs in the Earners' Account) –
  - o since last year, the funding position (asset to liability ratio) of all Accounts has improved - this is putting downward pressure on levies.
  - o all Accounts hold surplus assets above target funding (105% of reported liabilities) - this allows levies to be set below expected costs to gradually move Accounts towards their funding target over time, in line with the funding policy[7].

29. The better than expected funding positions allow for levy reductions in the Work and Motor Vehicle Accounts and moderates the levy increase in the Earners' Account. Nonetheless, there have been large recent increases in injury costs and moderate growth is expected into the future, which puts upward pressure on levies. Actions ACC has underway to address cost pressures, and my expectations in this area are discussed from paragraph 43 - 52.

30. These strong funding positions – 123%, 125%, and 111% for the Work, Earners' and Motor Vehicle Accounts respectively (based on March 2016 information) have since deteriorated (June 2016), and then largely rebounded (October 2016). Put another way, funding positions will almost certainly deviate from the projected path when expectations are updated at the next levy round.

31. This financial volatility is inherent to the ACC scheme and cannot be avoided. However, a systematic approach to levy setting helps manage the extent to which this volatility generates levy volatility over time. In particular, correcting for surplus and deficit funding positions over a 10-year funding horizon significantly reduces levy volatility. This is appropriate given the long term nature of the scheme.

Independent quality assurance of levies

32. An independent quality assurance of ACC's actuarial forecasts and assumptions has been undertaken by Finity Consulting Pty Limited (Finity). Finity's conclusion was that it would be reasonable to accept ACC's proposals. In Finity's opinion, "ACC's cost estimates for the 2017/18 and subsequent accident years are a plausible extrapolation of recent experience. The funding adjustment reflects the current funding policy and the funding ratio at the date ACC prepared its estimates. The levy setting process, including application of the funding policy, allows any differences between actual and expected experience to be reflected next time ACC estimates levy rates."

33. The independent actuarial advice also concluded that sustained increases in claims costs mean it is now more important for ACC to explicitly consider claim cost drivers in

[7] Specifically, after reflecting expected costs, an adjustment is made to levies to return the funding position to 105% of reported liabilities (the midpoint of the target funding band) over a 10 year horizon, meaning the adjustment seeks to collect or return about 10% of any under or over-funding in the following year.

the estimated levies. In particular, Finity concluded that ACC's analysis does not explicitly incorporate factors it has identified as possible material drivers of claims costs, such as the performance of the economy. Finity also noted that analysis of claimant characteristics, and how they may be changing over time, is also not considered. This suggests that a more in-depth understanding of such cost drivers could have provided for both higher and lower levy rates.

34. ACC is considering ways to improve its modelling of cost drivers for the next levy round. This is discussed from paragraph 53 – 54.

Key differences between the two options

35. Option 1 (4c increase to Earners' levy) and option 2 (maintaining Earners' levy at the current rate) both result in fully funded Accounts and have regard to the principles of financial responsibility, but balance and trade-off the principles in a slightly different ways.

36. The key difference is that the small increase to the Earners' levy rate (option 1) provides for a smoother levy path – relatively small adjustments at each levy round. Holding the Earners' levy stable now at $1.21 would mean the upward adjustments expected to be required to the levy in future would be less gradual (expected to result in an 11c increase at the next levy round, rather than the proposed 4c increase today, followed by an expected further 6c in two years' time). These differences are illustrated graphically in **Appendix 2**.

37. In other words, by setting the levy slightly further below the expected lifetime cost of claims, the second option places less weighting on avoiding large changes in levies (the third principle) by correcting for surplus funds more quickly (the second principle). There is an inherent trade-off between reaching target funding levels more quickly, and limiting large, and volatile, changes in levies.

s 9(2)(j) [redacted]

38. s 9(2)(j) [redacted]

39. s 9(2)(j) [redacted]

40. s 9(2)(j) [redacted]

s 9(2)(j) [redacted]

s 9(2)(j) [redacted]

41. s 9(2)(j) [redacted]

42. s 9(2)(j) [redacted]

Future work on managing cost pressures

43. While volatility in economic factors, particularly discount rates, will always have a major bearing on ACC's financial position and hence levy setting, worsening claims experience is putting upward pressure on levies (number of claims and average cost of those claims). Moderate increases in claims costs is expected to continue, albeit at lower levels than recent experience.

44. In particular, there have been increases in the number of people accessing weekly compensation, and the length of time people spend receiving weekly compensation. The costs of some other short term claim payments have also increased.

45. Additionally, health sector inflation has historically shown a clear tendency to exceed growth in the levy base (by 1-2% per annum), largely due to medical costs, especially elective surgery. This places ongoing upward pressure on levies.

46. Changes in costs can be reflected by changing levies. But levies are not the only mechanism of response. For instance, ACC has some ability to respond through injury prevention activities, management of claims and other actions (ACC's approach to estimating levies provides for this by assuming reversion to a long term average).

47. ACC is continuing to implement initiatives to limit claims frequencies and improve rehabilitation rates. This includes injury prevention initiatives and working closely with partners and providers to improve rehabilitation outcomes in a cost effective way, with a focus on designing and implementing alternative treatment options for clients. For example, improved diagnosis of injuries (earlier and more streamlined) is expected to reduce treatment costs (particularly for elective surgery).

48. ACC's Transformation Programme, which commenced in 2014, includes a number of initiatives to improve client experience and outcomes. This will reshape the case management model to ensure clients receive the support they need in an efficient and effective way. This will include a formal regime for monitoring and measuring the

effectiveness of changes to claims management in improving operational, financial and client outcomes.

49. Some of the results achieved to date include:

- Public trust and confidence in ACC has increased from 45% in December 2012 to 61% in September 2016.
- Client satisfaction has increased from 70% in 2012 to 76%.
- Privacy breaches have reduced – since June 2012 average monthly privacy breaches have fallen from 68 to 13.
- Simplified levy invoices for business customers were implemented from 1 July 2016.

50. The second stage of the Programme starts in early 2018. This stage will build on the enhanced digital access provided to business customers in the first stage, and will give clients and providers the necessary tools and information to improve rehabilitation and return to work outcomes.

51. s 9(2)(f)(iv) [redacted]

52. Holding levies below true costs is only a short term solution, which simply defers costs to future years unless the underlying reality changes. Future cost savings would be reflected in future levy rates, once there is a reasonable expectation that those benefits will materialise.

Improved modelling of the drivers of costs

53. ACC has work underway in the following matters and for the next levy round will be:

- Where appropriate, drawing more explicitly on existing business intelligence to inform analysis of levies (we understand that currently this information is considered too limited and/or not readily transferrable for pricing purposes)
- Improving its modelling of the link between the economy and new claims to help explain recent increases in claims costs, and use this to inform analysis of future costs (levy rates).
- Giving consideration to the costs and benefits of significant initiatives in the levy periods to which they relate to provide greater transparency and accountability of decision-making. For example, reflecting the expected future benefits of ACC's injury prevention investments explicitly (rather than implicitly) in levy rates.
- Making greater use of scenario testing to illustrate the range over which levies could reasonably vary, in-line with the funding policy (i.e., providing both a pessimistic and an optimistic view of future costs). Prior to levy consultation, ACC provided its Board with a more pessimistic scenario of costs in the Earners' Account (i.e., marginally higher levy increase) to help inform its decision; but this could be done on a more systematic basis.

54. Together, this should allow ACC to better predict and develop interventions to influence the future cost of claims. It will also provide for more informed decision making in respect of future levy decisions and ACC's prioritisation of cost management.

The impact of the proposed levy rates on households and individuals

55. Table 6 below shows the impact that option 1 (ACC's recommended rates) and option 2 (holding the Earners' levy) would have on different levy payers. In general, motorists would benefit from an average reduction of about $16 in the Motor Vehicle levy, while under option 1 this benefit would be somewhat (or fully) offset by the 4c increase to the Earners' levy. For most people, the net effect of this is likely to be small. Under option 2 (no change to the Earners' levy) levy reductions are therefore slightly larger.

Table 6: Impact to different Earners' and Motor Vehicle levy payers (per annum)[8]

	Household with average income and two cars	**One minimum wage Earner and one car**	**One average income earner and one car**	**One earner above maximum liable earnings (no car)**
Current levy rates	$1,360.14	$514.07	$685.21	$1476.96
Impact of option 1 (4c increase to Earners' levy)	+$3.71	-$3.63	+$2.03	+$49.62
Impact of option 2 (no change to Earners' levy)	-$32.64	-$16.32	-$16.32	No change

The impact of the proposed levy rates on businesses

56. High level impacts of the recommended 8c reduction to the Work Account levy are outlined in Table 7 below. Circumstances will vary as Work Account levies paid by individual businesses are determined by the claims experience of their classification unit, and loadings or discounts based on their individual claims experience (experience rating).

[8] The average annual household income (wages and salaries) is $90,878, Household Economics Survey: Year ended June 2015, Statistics NZ. The average weekly income for an individual (wages and salaries) is $882, New Zealand Income Survey: June 2015 quarter, Statistics NZ. The current minimum wage that applies for employees aged 16 or over is $610 for a 40-hour week ($15.25 an hour). The average motor vehicle levy reduction of about $16 has been used; actual figures would vary depending on which risk rating band a person's car falls in. For petrol vehicles, a portion of the Motor Vehicle Account levy is paid through a petrol levy so the actual levy paid is also dependent on fuel consumption.

Table 7: Average levy reductions for businesses of various sizes[9]

Business size	Indicative payroll	Percentage of businesses	Reduction in annual levy paid	
			Current levy rate	*Proposed levy reduction*
Small (1-19 employees)	$100,000	90%	$800	-$80
	$250,000		$2,000	-$200
	$500,000		$4,000	-$400
Medium (20-49 employees)	$1,000,000	6.5%	$8,000	-$800
	$2,000,000		$16,000	-$1,600
Large (50+ employees)	$5,000,000	3.5%	$40,000	-$4,000
	$10,000,000		$80,000	-$8,000
	$100,000,000		$800,000	-$80,000

OTHER LEVY RELATED POLICY PROPOSALS

The Motor Vehicle Account

Update of Vehicle Risk Rating regulations

57. Through Vehicle Risk Rating (VRR), levies are based on how well light passenger vehicles protect their passengers and others on the road if they're involved in a crash. Vehicles are assigned to one of four risk rating bands according to their relative risk of injury in a crash.

58. I do not intend to make any significant changes to the VRR programme, but recommend updates to VRR bands assigned to some vehicles as a result of the regular update of crash data used to generate these ratings. The changes are based on the most up-to-date data available, and ensure the integrity of the VRR framework is maintained.

59. The levy for each VRR band will also be adjusted to reflect changes to the average Motor Vehicle levy rate.

60. Public submissions were supportive of the VRR framework, although there were mixed views on some details, for example, the ratings of specific vehicles and whether capping movements across bands should be applied. ACC will be reviewing this feedback to identify improvements to the VRR framework, which could be considered as part of the next levy round in two years' time.

The petrol levy

61. The Motor Vehicle Account levy is collected from petrol vehicle owners through two sources: the vehicle licence and the petrol levy. The petrol levy is paid on every litre of petrol purchased for use on public roads, and therefore represents a form of risk rating insofar that petrol consumption increases with time spent on the road, and in turn, accident risk.

62. Currently, petrol vehicle owners pay a petrol levy of 6.9 cents per litre, which accounts for approximately 57% of the total Motor Vehicle levy. Owners of petrol driven cars currently contribute the other 43% through the vehicle licensing fee.

[9] Note these are based on reductions to the average Work Account levy rate. A business' actual rate will depend on their industry and may be subject to an experience rating adjustment.

63. I recommend reducing the petrol levy from 6.9 cents per litre to 6 cents per litre. This is a 13 per cent decrease in the petrol levy, consistent with the recommended levy decrease to the average Motor Vehicle levy of about 13 per cent. Because of changes in the level of petrol consumption across the New Zealand fleet this proposal would marginally increase the proportion of the Motor Vehicle Levy collected through petrol to approximately 60% (from 57%).

64. A number of submitters were in favour of collecting a higher proportion through the petrol levy. However, until a more accurate (and cost effective) form of distance based levy mechanism is available, I would caution against placing greater weight on mileage through use of a higher petrol levy. There is limited evidence of how well distance explains accident risk due to the many factors that contribute to risk, e.g. driver ability, driving conditions and speed, and that said, variations in fuel efficiency mean petrol consumption is an imperfect proxy for time spent on the road.

65. A higher petrol levy also reduces the amount of the total Motor Vehicle levy that is based on the safety performance of the vehicle. If the petrol levy were held at 6.9 cents, the average petrol vehicle would contribute 69% of their levies through petrol and the VRR Band 4 levy (safest vehicles) for 2017/19 would reduce to only $7.64.

Maintaining motorcycle levies at current levels

66. I recommend maintaining the license levy for motorcycles at current levels, while the average Motor Vehicle Account levy is reduced[10]. This would increase the relative contribution motorcyclists make to Motor Vehicle Account levies and better align levies for motorcycle owners with the true cost of injuries to the Scheme.

67. In the Motor Vehicle Account levies are generally set based on the expected cost of claims for vehicles in each group. In the case of motorcyclists, their levy has been set at a significantly lower level than claims costs would justify. For the 2017/18 levy year ACC expect it will cost $131 million to cover motorcycle-related injuries. Motorcycle levies cover $28 million of this cost, less than 22%, and the other $103 million is covered by other motorists.

68. Although, there was strong disagreement in submissions on the Motorcycle levy proposal, it is worth noting that there is limited scope to reduce this cross subsidisation much further, simply by holding motorcycle levies at current levels. Unless significant levy reductions are provided to other motorists in future, motorcyclists can only contribute relatively more through actual increases to their levies.

Maintaining the Motorcycle Safety Levy at $25

69. I recommend maintaining the Motorcycle Safety Levy (MSL), which funds injury prevention initiatives for motorcyclists, at $25 for 2017/18 and 2018/19. This follows the reduction from $30 last year.

70. The MSL fund balance currently sits around $16 million and a total investment of $3.8 million is projected for the 2016/17 financial year. The ACC and Motorcycle Safety Advisory Council (MSAC) have a shared motorcycle strategy with five main focus areas: improving rider skills; addressing driver and rider attitudes and behaviours that contribute to crashes; encouraging uptake of anti-lock braking systems; increasing the uptake of personal protective equipment; and improving road design to make roads more motorcycle friendly.

[10] To maintain alignment between contributions of petrol and non-petrol motorcyclists, a small reduction (about $5) is made to non-petrol motorcycles license fees to recognise the decrease in the petrol levy from 6.9 cents to 6 cents per litre.

71. Investment in the Ride Forever skills training programme has seen 7,950 riders participate in the skills training programme since 2013. Preliminary results are very encouraging with a 50% reduction in entitlement claims and a 24% reduction in medical fees, per 1,000 riders.

72. ACC is developing a proposal to expand the reach and breadth of the skills training programme. I expect ACC to report back to me on this proposal by the end of the year.

73. The majority of submitters were supportive of maintaining the MSL levy at the current rate and generally supportive of MSL initiatives, in particular the Ride Forever rider safety programme. The AA, Motor Trade Association, Motor Industry Association supported maintaining the levy at the proposed rate to enable initiatives to bed in.

Levies applied to Electric Vehicles (EVs), including plug-in hybrid EVs

74. On 21 March 2016, Cabinet directed officials to work with MBIE to investigate how the ACC levy overcharge by plug-in hybrid electric vehicles (PHEVs) might be addressed, and to report back to Cabinet by 1 October 2016 with recommendations [CAB-16-MIN-0108.01 refers].

75. PHEVs (a form of EV that uses petrol as well as electric batteries) are classed as 'non-petrol' vehicles for ACC levy collection, and charged higher ACC levies through their vehicle licensing fees than conventional petrol powered vehicles (because ACC levies are not payable on diesel). Owners of PHEVs are therefore likely making additional ACC levy contributions when purchasing petrol.

76. There are currently about 800 PHEVs affected by this overcharge (of about 2,200 EVs, about 800 are PHEVs). Based on the recommended petrol levy rate of 6c per litre, and assumptions about PHEV's petrol usage, the additional contribution PHEVs make is estimated to be about $10 to $20 per annum[11].

77. At present, there is no reliable external way of differentiating between PHEVs and "pure" EVs (which use no petrol at all). In light of the operational challenges with differentiating PHEVs from pure EVs, I consulted on whether all EVs ('pure' EVs and PHEVs) should be included in the petrol category for levy purposes, meaning that all EVs would contribute lower license fee levies, in line with what petrol powered vehicles pay.

78. Submitters generally urged ACC to be ready for the coming era of EVs and incentivise their uptake. A number of major submitters cautioned against using objectives unrelated to injury risk (eg environmental objectives) to inform ACC levies, noting the windfall benefits 'pure' EVs would receive as a result.

79. On balance, I recommend that EVs be included in the petrol category for levy purposes, as it the best option to immediately address the small overcharge for PHEV owners.

80. In the longer term, I have asked MBIE and ACC officials to investigate, in consultation with the Ministry of Transport and NZTA, opportunities to improve the Motor Vehicle levy framework (including for EVs and dual fuel vehicles such as PHEVs, as well as vehicles using other emerging technologies). A collective review of these issues will allow for future proofing of the regulatory framework, including how vehicles are grouped and defined, changes to the way levies are collected and operational changes to the way vehicle data is collected and recorded (eg, IT system changes).

[11] This is an estimate only, and not based on formal ACC levy calculations. It is also worth noting that the amount of any overpayment can be no more than about $68, which is the difference in licensing fees between 'petrol' and 'non-petrol' vehicles.

81. Officials will report back on any proposed changes to the motor vehicle levy framework in time to inform the next levy round in two years' time.

The Work Account – Forthcoming changes to ACC's economic incentive programmes

82. Under the Health and Safety at Work Act, ACC's statutory ability to offer the Workplace Safety Management Practices (WSMP) and Workplace Safety Discount (WSD) programmes ends on 1 April 2017[12].

83. Customers in WSMP and WSD before 1 April 2017 will continue to receive levy discounts for their current term (two or three years), but no later than 30 June 2019[13]. This means most businesses will not be affected for the upcoming levy period, however, in two years' time some businesses will see increases to their levies as a result of the removal of these discount programmes. Those not participating in these programmes will likely see reductions to their levies once the component of the Work Account levy that funds the discounts ($0.03) is removed in 2019. Additionally, a small loading applied to the Work levy rate for certain industries to fund WSD, will no longer be required. ACC is proactively contacting businesses who are likely to be adversely affected by this.

84. ACC is also continuing its engagement with businesses next year on future proposals to enhance and redesign the Experience Rating system to incentivise better health and safety outcomes and ultimately reduce the incidence and severity of injury.

TECHNICAL UPDATES TO REGULATIONS FOR THE WORK, EARNERS', AND MOTOR VEHICLE ACCOUNTS, AND EXPERIENCE RATING

85. I propose a number of other, mainly technical, changes be made to maintain the efficiency and effectiveness of the levy regime. The details of the proposals are outlined below.

Capping of levy changes in the Work Account

86. Increases to Work Account levies resulting from movements in classification units need to be managed to try and avoid large spikes to affected industries. I am therefore following the approach we have taken in previous years, of capping the changes resulting from movements in classification units to an increase of 25% or 4 cents per $100 of liable earnings per annum, whichever is greater, or a reduction of 25% per annum (in addition to the change in average rate). If the calculated change in levies is outside the range then ACC spreads the cost difference over all other classification units.

Levy classification structure – changes to the way businesses are classified

87. The levy that each business pays to the Work Account is determined by the claims experience of their levy Classification Unit (CU). Each business is placed into one or more CUs based on the types of work they do. These CUs are further grouped into insurance pools or Levy Risk Groups (LRGs) that are large enough to allow reasonable statistical credibility and stability of levy rates. There are more than 500 individual CUs grouped into 142 LRGs.

[12] The removal of the WSMP and WSD incentive programmes were part of the reforms to New Zealand's health and safety system introduced under the Health and Safety at Work Act 2015 and the Accident Compensation Amendment Act 2015.

[13] Businesses must renew their participation in these programmes by end-February 2017 in order to continue receiving these levy discounts until the end of the 2019/20 levy year. A small number of businesses (392) are not eligible to renew and will therefore exit the programmes prior to this.

88. I recommend changing the LRG of eight CUs, renaming two LRG, and re-mapping the CU of one Business Industry Classification (BIC). This is detailed in **Appendix 2**. These changes better match changing risk profiles and ensure the system remains fair to levy payers.

Updating the maximum and minimum liable earnings and the Experience rating period

89. I recommend the technical updates summarised in Table 7 and 8 below to reflect increased earnings and changes to the minimum wage rate:

    a) Maximum liable earnings: ACC sets a maximum liable earnings figure for calculating weekly compensation entitlements for claimants. As these entitlements increase each year with changes to the Labour Cost Index maximum liable earnings should increase on the same basis[14].

    b) Minimum liable earnings for self-employed people: The Minimum Wage Order 2016 increased the minimum wage rate to $15.25 per hour applicable to workers over the age of 16 years (except for those eligible for a training minimum wage or starting out wage). This needs to be reflected when calculating levies.

    c) Experience rating: Experience rating looks at performance over a three year period before the current levy year. The three year period needs to be updated and also needs to reflect the minimum wage rate during this period.

Table 8: Adjustments to maximum liable earnings

	2016/17 (from)	2017/18 (to)	2018/19 (to)
Employees and private domestic workers (Work and Earners' Accounts)	$122,062.85	$124,052.50	$126,285.25
Self-employed people (Work and Earners' Accounts)	$120,069.95	$122,062.85	$124,052.50

Table 9: Adjustments due to changes in minimum wage

	Current 2016/17		Recommended for 2017/18 and 2018/19	
Minimum liable earnings for self-employed	$30,680		$31,720	
Experience rating	*Experience period*	*Minimum liable earnings*	*Experience period*	*Minimum liable earnings*
	2012/13	$27,040	2013/14	$28,080
	2013/14	$28,080	2014/15	$28,600
	2014/15	$28,600	2015/16	$29,640

Minor updates to the ACC Fleet Saver programme

90. The ACC Fleet Saver programme seeks to reduce the high incidence and cost of heavy truck accidents by offering levy reductions to businesses that own a "fleet" of heavy vehicles (generally trucks) and can demonstrate strong safety management practices. Through the programme, businesses can reduce their ACC motor vehicle levies by 10 – 40%.

[14] Updates to the maximums, in respect of 2018/19 levies, are based on forecasts of the relevant LCI movements (as the actual LCI movements will not yet be available when levy decisions are made).

91. Although it affects Motor Vehicle Account levy contributions, there are nine critical elements that make up the ACC Fleet Saver audit standards – two are specific to fleet owners but seven cover more general workplace health and safety practices. As such, I recommend that the audit standards used to determine a business' levy discount under Fleet Saver be updated to align with the Health and Safety at Work Act 2015.

92. Moreover, I recommend a minor change to the group eligible to join the Fleet Saver programme to include companies with 100% common ownership. This is to ensure companies that operate a common health and safety system are not prevented from receiving the benefits of Fleet Saver due to their business structure (e.g. where one company owns trucks and leases them to another company of the same ownership).

Definition of goods service vehicles

93. I propose a technical amendment to align the terminology used in the ACC motor vehicle levies regulations with the term used in other transport legislation.

94. The proposal would see "goods service vehicle", which is used to define a group of vehicles for levy purposes, to "goods vehicle", the more widely used term.

95. This will clarify terminology used for levying these vehicles, but will not affect levy payers or levy rates.

Minor changes to Earners' regulations to align with PAYE rule changes

96. Cabinet has agreed to standardise the rules about how legislated rate and threshold changes are applied across different PAYE income payments and social policy initiatives administered through the PAYE system, to reduce complexity for businesses [EGI-16-MIN-0136 and CAB-16-MIN-0283 refer].

97. This policy will be implemented in tax legislation to be introduced to Parliament in early 2017 and will mean that, from 1 April 2018, income tax rates and thresholds to be applied to PAYE income payments will be those that are in force on the date payment is made.

98. I recommend applying this PAYE rule change to the payment of Earners' levies, to ensure the full benefits of alignment and reduced complexity for businesses are realised. This will contribute to the Government's efforts to reduce complexity for businesses.

CONSULTATION

99. Section 331 of the AC Act requires the ACC Board to undertake public consultation on proposed levy rates for each of its levied Accounts prior to recommending rates to the Minister for ACC. Public consultation was undertaken over 30 days from 21 September 2016 to 19 October 2016. ACC received 1,081submissions, which included representations from all the major parties who regularly contribute. A summary of the submissions is included in the attached Regulatory Impact Statement.

100. Following public consultation, the ACC Board provided its levy recommendations to me on 16 November 2016. These will be posted on ACC's website and publicly notified in the New Zealand Gazette as required.

101. ACC, The Treasury, Inland Revenue, Ministry of Health, Ministry of Social Development, Ministry of Women's Affairs, New Zealand Customs, Ministry of Transport, New Zealand Transport Agency (NZTA), and Te Puni Kōkiri were consulted. The Department of Prime Minister and Cabinet was informed.

Treasury Comment

102. Treasury prefers the option of keeping the Earners' levy at $1.21. We welcome ACC's increasing focus on cost pressures; however, we think there is still considerable scope to understand and seek to manage the drivers of claims costs, and incorporate ACC's responses into levy proposals, before a levy increase is warranted, especially given that solvency remains well above the funding target. If cost increases persist and are necessary to improve ACC claimants' outcomes, they can be post-funded, either through levy increases or potentially by allowing solvency to fall.

FINANCIAL IMPLICATIONS

103. s 9(2)(f)(iv) [redacted]

104. s 9(2)(f)(iv) [redacted]

Information on the financial implications of the proposed approach to average 2017/18 and 2018/19 levy rates and other policy proposals is included in the Regulatory Impact Statement.

HUMAN RIGHTS

105. These proposals are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

LEGISLATIVE IMPLICATIONS

106. For the *Accident Compensation (Work Account) Regulations*, *Accident Compensation (Earners' Accounts) Regulations* and *Accident Compensation (Experience Rating) Regulations*, any changes to levy rates are required to be made prior to 1 April 2017.

107. Any changes to the *Accident Compensation (Motor Vehicle Account) Regulations* are required to be made prior to 1 July 2017.

REGULATORY IMPACT ANALYSIS

108. The Regulatory Impact Analysis (RIA) requirements apply to the proposal in this paper and a Regulatory Impact Statement (RIS) has been prepared and is attached.

109. Treasury's Regulatory Quality Team has reviewed the RIS prepared by MBIE and associated supporting material, and considers that the information and analysis summarised in the RIS *meets* the quality assurance criteria.

GENDER IMPLICATIONS

110. There are no gender implications from the changes to ACC levies and the related policy.

DISABILITY PERSPECTIVE

111. There are no direct implications for disabled people from the changes to ACC levies and the related policy.

PUBLICITY

112. I intend to announce the 2017/18 and 2018/19 levy rates in December 2016, following Cabinet agreement. At the same time, this paper will be made available to the public on the Ministry's website.

RECOMMENDATIONS

I recommend that the Cabinet Economic Growth and Infrastructure Committee:

Average 2017/18 and 2018/19 levy rates

1 **agree** to

EITHER

1.1 set levies for the 2017/18 and 2018/19 years in line with ACC's levy recommendations:

Earners' Account Average levy rate per $100 of liable earnings (incl. GST)	**Work Account** Average levy rate per $100 of liable earnings (excl. GST)	**Motor Vehicle Account** Average levy per vehicle
$1.44	$0.72	$113.94

AND

note that the average levy rates in recommendation 1.1:

1.2 reflect the Government's new funding policy issued in May 2016 and agreed by Cabinet in December 2015 [CAB-15-MIN-0283 refers];

1.3 represents levy reductions of about $76.7 million per annum over the 2017/18 and 2018/19 levy periods;

OR

1.4 set the following levies for 2017/18 and 2018/19:

Earners' Account Average levy rate per $100 of liable earnings (incl. GST)	**Work Account** Average levy rate per $100 of liable earnings (excl. GST)	**Motor Vehicle Account** Average levy per vehicle
$1.39	$0.72	$113.94

AND

note that the average levy rates in recommendation 1.4:

1.5 reflect the Government's new funding policy issued in May 2016 and agreed by Cabinet in December 2015 [CAB-15-MIN-0283 refers], except that the Earners' Account levy remains at existing 2016/17 rates;

1.6 represents levy reductions of about $126.2 million per annum over the 2017/18 and 2018/19 levy periods;

Effect of levy rate decision

2 **note** that in accordance with section 331 of the *Accident Compensation Act 2001*, ACC must publish, at the time regulations prescribing the rates of levies are made, a report detailing the effect the prescribed levy rates have on the relevant Accounts;

3 s 9(2)(j) [redacted]

4 **note** that individual rates paid by levy payers are a combination of changes to the average rate, any adjustments to industry classification units, vehicle classifications based on claims experience, and decisions on the petrol levy at recommendation 8;

Motor Vehicle Account proposals

5 **agree** that the levy rates for light passenger vehicles under the Vehicle Risk Rating programme be updated, in line with changes to the average Motor Vehicle levy rate:

Vehicle classification for light passenger vehicles	2017/18 and 2018/19 average levy rate for each levy band (for petrol and non-petrol)
Band 1	$149.14
Band 2	$122.03
Band 3	$105.72
Band 4	$86.50

6 **agree** that levy bands, in line with recommendation 5, assigned to some vehicles under the Vehicle Risk Rating programme be updated as a result of regular update of crash data used to generate these ratings;

7 **agree** that vehicle licence levies for motorcycles remain at existing 2016/17 rates;

8 **agree** that the petrol levy be reduced from 6.9 cents per litre to 6 cents per litre and to adjust individual vehicle classification levy rates accordingly;

9 **agree** that the motorcycle safety levy be maintained at $25 per annum;

10 **agree** that, as an interim measure to support the Government's Electric Vehicle Programme, the levy imposed as part of annual vehicle licensing by electric vehicle owners be reduced in line with petrol powered vehicles;

11 **note** that officials are investigating opportunities to improve the Motor Vehicle levy framework and will be reporting back to the Minister for ACC in time to inform levy consultation, and decisions, on levies at the next levy round;

Forthcoming changes in the Work Account – economic incentives

12 **note** that ACC's statutory ability to offer the Workplace Safety Management Practices (WSMP) and Workplace Safety Discount (WSD) programmes ends on 1 April 2017;

13 **note** that recommendation 12 will not be affect customers in WSMP and WSD for the upcoming levy period, but will mean some businesses will see increases and decreases to their levies as a result of the removal of these discount programmes from the 2019/20 levy year;

14 **note** that ACC will continue its engagement with businesses next year on future proposals to design an enhanced Experience Rating system to drive improved health and safety outcomes, which could be considered by Cabinet at the next levy round;

Technical updates to levy regulations

15 **agree** that 'capping' rules applied to individual classification units' Work levies be maintained:

15.1 increases are capped at +25% or $0.04 per annum, whichever is greater;

15.2 decreases are capped at -25% per annum in addition to the change in the average rate;

16 **agree** that changes be made to Work Account Classification Units and Levy Risk Groups to better match changing risk profiles and ensure the system remains fair to levy payers;

17 **agree** that maximum liable earnings that self-employed people and businesses pay Work levies on, and self-employed people and employees pay Earners' levies on, be increased in line with changes to the Labour Cost Index:

	2016/17 (from)	2017/18 (to)	2018/19 (to)
Employees and private domestic workers (Work and Earners' Accounts)	$122,062.85	$124,052.50	$126,285.25
Self-employed people (Work and Earners' Accounts)	$120,069.95	$122,062.85	$124,052.50

18 **agree** that the minimum liable earnings that self-employed people pay Work and Earners' levies be increased to $31,720 in 2017/18 and 2018/19 (from $30,680 in 2016/17), in line with changes to the minimum wage;

19 **agree** that the three year experience period, used for the Experience Rating programme, be moved forward one year and the Accident Compensation (Experience Rating) Regulations 2016 be updated to reflect updates to the minimum wage:

	Current 2016/17		Recommended for 2017/18 and 2018/19	
Minimum liable earnings for self-employed	$30,680		$31,720	
Experience rating	*Experience period*	*Minimum liable earnings*	*Experience period*	*Minimum liable earnings*
	2012/13	$27,040	2013/14	$28,080
	2013/14	$28,080	2014/15	$28,600
	2014/15	$28,600	2015/16	$29,640

20 **agree** that the Earners' Account Regulations be updated to align with forthcoming PAYE rule changes in tax legislation;

21 **agree** that the Motor Vehicle Regulations be updated to align with terminology used in wider transport legislation in respect of 'goods vehicle';

22 **agree** that the fleet saver programme audit standards be updated to align with the Health and Safety at Work Act 2015;

23 **agree** that the 'financial group' eligible to join the Fleet Saver programme include companies with 100% common ownership;

Drafting and decisions

24 **authorise** the Minister for ACC to make decisions on minor or technical matters that are consistent with the policy outlined in the recommendations;

25 **invite** the Minister for ACC to issue drafting instructions to Parliamentary Counsel Office to implement these decisions;

Announcements

26 **invite** the Minister for ACC to announce these decisions.

Approved for lodgement

Hon Nathan Guy
Acting Minister for ACC

Appendix 1: Funding Policy Statement in relation to the funding of ACC’s levied Accounts

Funding Policy Statement in relation to the funding of ACC’s levied Accounts

This statement has been issued under section 166B of the *Accident Compensation Act 2001* (the Act). In accordance with section 331(3) of the Act, the Accident Compensation Corporation (ACC) must give effect to this statement when recommending the making of regulations prescribing the rates of levies to the Minister for ACC.

Purpose

The purpose of this statement is to set out the Government’s policy with respect to the funding of ACC’s levied Accounts—

- the Earners’ Account (including any part of the Earners’ Account required to fund the Treatment Injury Account in accordance with section 228 of the Act)
- the Work Account
- the Motor Vehicle Account.

Accident compensation is by nature a long term activity with liabilities that stretch over decades. In setting levies, it is necessary to consider the long term nature of the claims they will fund as well as provide levy payers with reasonable stability of levy rates over time. This statement informs ACC of the Government’s expectations with regard to these two factors. In particular the statement is intended to improve:

- transparency around funding decisions, by making it clear how today’s funding decisions will impact the scheme over future periods
- consistency and stability in decisions over time, by imparting a longer-term focus.

Principles of financial responsibility in relation to Accounts

This policy statement is consistent with the principles of financial responsibility outlined in section 166A of the Act. Specifically, section 166A requires the cost of all claims under the levied Accounts to be fully funded. This means adequate assets must be maintained to fund the costs of claims. To achieve full funding when setting levies, section 166A requires the Minister for ACC to have regard to the following principles:

- The levies derived for each levied Account should meet the lifetime costs of claims made during the levy year.
- If an Account has a deficit or surplus of funds to meet the costs of claims incurred in past periods, that surplus or deficit is to be corrected by setting levies at an appropriate level for subsequent years.
- Large changes in levies should be avoided.

It is acknowledged that there may necessarily be trade-offs between the principles of financial responsibility. The statement below reflects the Government’s weighting of those principles.

Funding Policy Statement

Consistent with the principles of financial responsibility, ACC must recommend levies for each levied Account according to the following requirements:

a. ACC must base the average levy rate on the expected lifetime cost of claims in relation to injuries occurring in the period for which ACC is recommending levies ("expected lifetime injury costs in the levy period").

b. Each Account must target a funding band of between 100% and 110% of reported liabilities (including additional liability for work-related gradual process claims not yet made).

c. ACC must include an adjustment to the average levy rate that takes the Account's funding position to the funding band midpoint (105%) smoothly over a 10 year horizon. This is to be achieved by setting the adjustment at a fixed proportion of expected lifetime injury costs in the levy period, and for each such period, over the 10 year horizon.

d. Any increase to the average levy rate for each Account must not exceed 15% (in addition to inflation adjustments for the Motor Vehicle Account).

Hon Nikki Kaye

Minister for ACC

____/____/____

Appendix 2: Difference in Earners' levy paths between the two options

Figure 1: Proposed Earners' Account Levy rate increase

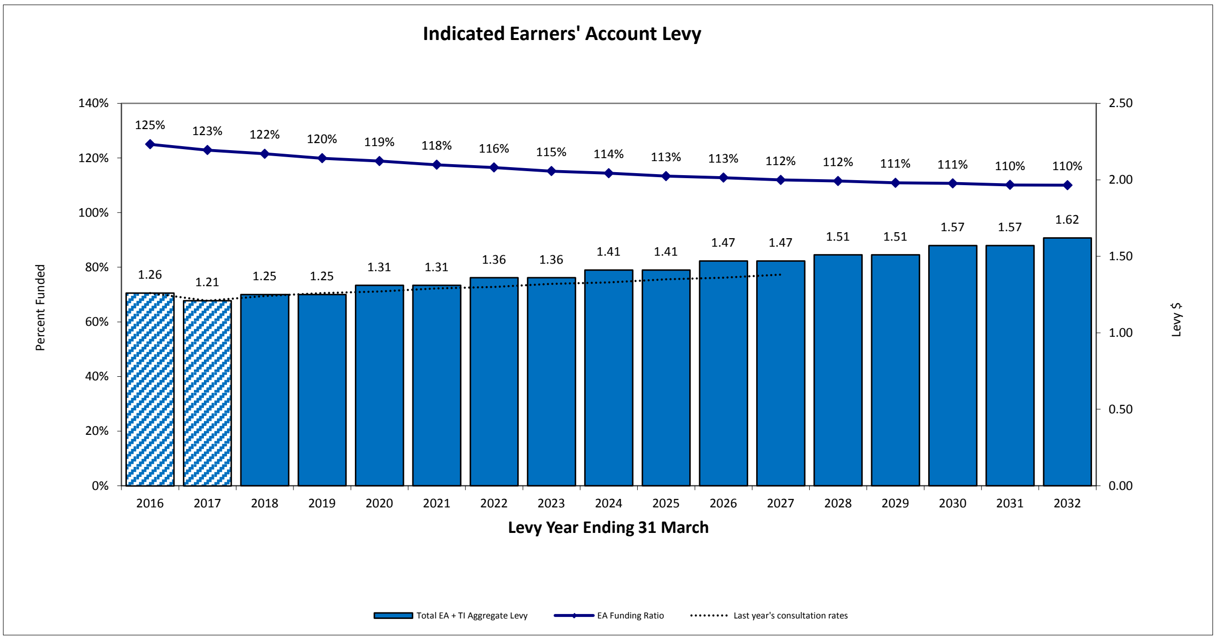
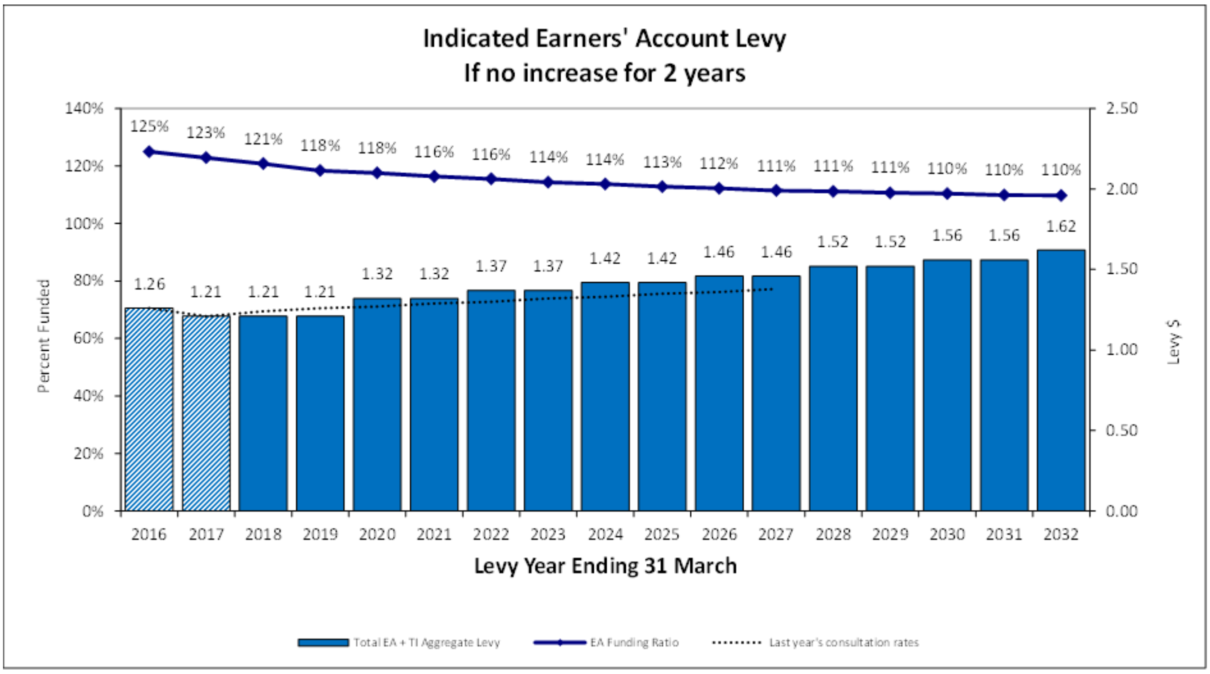


Figure 2: Indicative Earners Account Levy rate if no increase for 2 years



Appendix 3: Proposed changes to Work Account Classification Units and Levy Risk Groups

Table 1: Proposed changes to Levy Risk Group membership

Classification Unit (CU) name	Proposed new Levy Risk Group (LRG)	Relative levy shift	Actual CU levy change for 2017/18
CU 28130 – Automotive electrical components manufacturing is currently placed within LRG 233 Automotive and transport manufacturing	LRG 231 - Aviation, Electronic and Electrical Manufacturing	CU 28130 – Decrease Old: LRG 233 – Increase New: LRG 231 – No impact	Decrease $1.03 to $0.70
CU 45210 - Petroleum product wholesaling (including product ownership to retail point-of-sale) is currently placed within LRG 331 Petroleum product and specialty wholesaling	LRG 371 – Wholesale Trade (low-risk group)	CU 45210 – Increase Old: LRG 331 – Decrease New: LRG 371 – Increase	Decrease $0.30 to $0.27
CU 84500 - Sports and physical recreation instruction is currently placed within LRG 915 Sporting and recreational activities (medium-risk group)	LRG 911 - Sporting and Recreational Activities (lower-risk group)	CU 84500 – Decrease Old: LRG 915 – Increase New: LRG 911 – Increase	Decrease $1.9 to $1.29
CU 46120 - Professional and scientific goods wholesaling CU 46130 - Computer and computer peripherals wholesaling CU 46160 - Telecommunication goods wholesaling CU 47920 - Jewellery and watch wholesaling CU 47930 - Toy and sporting goods wholesaling All of the above are currently placed within LRG 331 Petroleum product and specialty wholesaling	LRG 341 - Electrical and Electronic Goods Wholesaling (All CUs from LRG 331 - Petroleum product and Specialty Wholesaling moved to LRG 341, except for CU 47991 - Wholesaling-commission-based or excluding storage and handling of goods)	Impact on CUs – Decrease Old: LRG 331 – Increase New: LRG 341 – Decrease	Decrease $0.21 to $0.15

Table 2: Proposed Levy Risk Group name change

Current LRG name	Proposed LRG name	Reason
LRG 341 - Electrical and Electronic Goods Wholesaling	Electrical, Electronic and Specialty Goods Wholesaling	Name change required to better reflect the descriptors of the CUs in this LRG, as a result of moving CUs from LRG 331 to 341
LRG 331 Petroleum product and specialty wholesaling	Commission-based wholesaling	Name change required to better reflect that only a commission based CU remains in this LRG, after all other CUs have been moved into LRG 341 or LRG 371.

Table 3: Classification Unit change

Business Industry Classification (BIC) code	New CU	Impact on levy rate/reason
BIC code M699950 – Translation Service currently placed in CU 78291 – Professional, scientific, and technical services (not elsewhere classified)	CU 78630 – Document Preparation Services	Levy decrease, re-mapping BIC code to new CU to better match risk profile