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Levy Consultation
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ACC levy consultation 2010/11

Introduction

The NZ Federation of Motoring Clubs (FOMC) is an incorporated society representing over 125 clubs with individual membership of some 20,000 enthusiasts who collectively own approximately 30,000 special interest vehicles comprising cars, motorcycles, trucks and military vehicles, tractors and traction engines, and vintage machinery spanning all years of production.

Our comments on the Levy Rates for Motorists portion of the consultation follow.

Overview

Before we comment on the proposals, we have some general comments.

1. The levy proposals are based on the principle of fully-funding historic (pre-1999) ACC injury costs by 2014. These are currently less than half funded, despite the gradual process towards funding these commencing in 1999. Hence the rapid increase in levies to complete the process in the next 5 years. We say this is too much, too soon, and at the very least we support changing the legislation to extend the timetable for fully-funding pre-1999 for another 5 years (to 2019), or beyond. We are also not convinced that the historic claims should even be fully funded. The future costs cannot be fully determined; they may change or claimants circumstances may change (they could recover, move overseas, or die). Either way, delaying the timetable to fully funding historic claims, or only estimating forward funding for, say, ten year intervals, or abandoning it altogether, will reduce the amount of the ACC levies and the level of future increases.
2. In the case of motorcycles (all sub-classes), the proposed increases are unprecedented and unexpected.

Page 28 of the consultation documents notes that while ACC wants to move the levies for each vehicle class closer to their true relativities, they also aim to be set at levels that do not *“result in vehicle owners choosing not to licence and warrant their vehicles each year.”* We submit that there is a very real risk with such a rapid and significant rise, that owners will indeed avoid payment.

Whilst not all car owners own motorbikes, it probably is truer to say most motorbike owners also own cars. They cannot use both at the same time, so the first thing many such bikers will do is register their 'bikes for a shorter period, maybe six months instead of twelve, to coincide with the seasons of the year when the bike is used more often. Or they will register it month by month as needed. Others, who own more than one 'bike will register one at a time rather than each one for a full a year, effectively sharing the cost of one annual licence across their collection. Still others, who maybe ride their 'bikes daily, will be tempted to avoid paying the levy altogether. After all, the annual levy far exceeds the \$200 fine for non-registration; a biker would need to be caught 4 times a year before the fine exceeds the cost of the licence. What are the chances bikers, who otherwise do not bring attention to themselves, will be pulled over by the police 4 times a year?

All this means that ACC will not collect as much money from motorcycle levies as it expects, therefore failing to meet the funding targets which brought on these increases.

3. The FOMC strongly supports the continuation of the 35% relativity rating for veteran and vintage motor vehicles. This is entirely appropriate and fair, as such vehicles are driven sparingly and thus are under-represented in motor vehicle accidents. As a consequence, their owners typically drive other, more modern vehicles for which a full levy is paid. A vintage vehicle is defined in law as being 40 years of age or older, but there are many special interest vehicle owners whom the FOMC's member clubs represent, which own enthusiast vehicles under 40 years of age, but which are additional to a vehicle which could be defined as their 'day-to-day' transport. As explained earlier, many motorcycle owners will be tempted not to register such 'bikes at all, or for only part of the year, but others, and especially car owners whose ACC levy is lower, may want to register it for a full year in order to enjoy the vehicle at any time, albeit still use it infrequently.

For those people, it is iniquitous to pay a full registration fee – car or 'bike – for additional vehicles despite only being able to use one at a time. Even for vintage and veteran vehicles, it could be argued that 35% of the ACC levy is still too much given their exposure to accident risk is no more than if they only owned and registered one modern vehicle.

Therefore, the FOMC suggests the maximum age criteria for 'vintage' vehicles should be lowered, perhaps to 30 or even 20 years. While that is specified under other legislation (and we will raise this suggestion with the appropriate authorities), since the registration system recognises 40-year-old vehicles for the purposes of charging a lower levy, there is no reason that this could not be amended to a younger age.

This would lessen the impact of the levy increases for owners of multiple enthusiast vehicles which do not meet the current 40-year age limit, and would especially appease motorcycle enthusiasts. Under this proposal, owners of two or more 'bikes may actually face lower re-licence costs even under the new ACC rates than they currently face for registering each 'bike for 12 months at \$321 apiece.

However, we recognise there needs to be some kind of age cut-off (20 years would probably be the lower limit) to identify the vehicle as an enthusiast vehicle, rather than one entity registering several 'modern' vehicles which are used by other members of the family as regular transport.

4. Concurrently, the FOMC is developing a Vehicle Identity Card system for enthusiast vehicles (of any age) to identify them as such for the purposes of facilitating WoF and compliance checks (the scheme will be administered alongside the Vintage Car Club's identity card which is already recognised by the NZTA). Perhaps such a card could be

used as proof of the owners' entitlement to a lower ACC levy in the above scenario (irrespective of the age of the vehicle).

5. We understand ACC takes the view that multiple vehicles owned by one person could be used by others and hence those vehicles should pay the full registration fee (except for vintage). But the very fact vintage vehicles pay less demonstrates that ACC accepts there are some enthusiast owners who should not be unduly penalised, and we simply suggest this policy be extended.

Furthermore, if ACC requires all other vehicles to pay a full fee in case they are driven by someone other than the owner, then that suggests we should move instead to a driver licence-based ACC levy system. While that may be difficult to implement (for a start, drivers licences are only issued 10-yearly), that is no reason to penalise genuine enthusiast owners of multiple vehicles. The FOMC would support investigating whether a driver-based ACC levy could be developed in place of the current vehicle-based levies.

Under this scenario, a Class 1 licence holder would pay the motor car levy, a person with Class 1 and 6 would pay the higher motorcycle levy. This would also have other benefits for ACC and accident prevention by graduating ACC levies according to risk profile; certain demographic groups (sex, age) have a greater or lesser accident risk, and can be charged accordingly.

Avoidance of driver-levies (and therefore not keeping the licence up-to-date) is also less likely than non-payment of registration. It is also fairer than a vehicle-based levy because every driver contributes to ACC including those who don't own a vehicle, but do drive.

The current ACC motor vehicle levy is a very blunt instrument and does not recognise the risk of the driver or rider, only the class of vehicle. There are some motorcyclists with large capacity 'bikes who have an excellent riding record and lower risk than other bikers. Similarly, a driver-based levy could take into account their licence and accident record. Those with a history of driving infringements would pay a higher levy – ensuring the costs fall where they should lie and good drivers/riders do not subsidise the bad (although the levies would need to be reviewed down some interval after the infringements have expired). This is how compulsory personal insurance schemes operate in other countries, and there would be less opposition here to high ACC levies if they were imposed on those who deserved them most. Furthermore, the type of vehicle could be an additional factor in the fee (as it is overseas); if a high-risk driver/rider also owns a high-risk vehicle, then that compounds the fee (i.e. encourages them to purchase or use a 'safer' vehicle until their accident risk falls with maturity or the passage of time).

6. In a similar vein, the FOMC would encourage discounted ACC levies for those owners who have undertaken advanced driver or rider training courses. There should be some incentive to encourage people to improve their car or 'bike handling and observational skills and in so doing reduce their risk of accident exposure. The ACC should not merely be an ambulance at the bottom of the cliff, but invest some of its revenue in helping reduce accidents, especially for higher-risk groups like motorcyclists. Target training to demographic groups based on the main accident causes. Given the choice, I'm sure bikers would be more willing to contribute to reducing their likelihood of an accident than to fund the cost of recovering from one. That's what insurance schemes do. People don't pay hundreds of dollars a year insuring their pride and joy because they expect it to be stolen or destroyed in a fire. It probably never will but they insure against the risk anyway. ACC doesn't insure against the risk – it insures against the cost of a seemingly inevitable accident which is why many people resent paying – because they don't believe they'll

have one based on *their* profile. And they may be right, so the ACC fee structure should recognise driver factors, just as insurance premiums do.

Motor vehicle levy rates for 2010/11

The FOMC understands the methodology behind the proposals to raise levies for motor vehicles, and even the large increase in moped and motorcycle levies, our comments on postponing the full-funding of pre-1999 claims above notwithstanding.

Nevertheless, we consider that the increase in motorcycle levies is too large a step in a single year. We propose that if motorcycle levies must increase to pay their share, then this should be a more gradual process, spread over several years, and supported by a publicity campaign (such as flyers issued with registration notices) explaining the accident risk, cost and associated fees for each vehicle class. We expect few motorcyclists would be aware that their ACC levies hitherto have been subsidised by motorists, or that the fee of \$735+ for large 'bikes is still subsidised. They need the facts. While the breakdown of registration fees is provided on their renewal form, there is no supporting information on how the ACC fees are calculated and how they compare to the actual costs for that vehicle class (other than in these discussion documents).

For that matter, there is no supporting information on how New Zealand's ACC costs compare to other countries' personal injury insurance for those classes. Its no wonder bikers are upset at the proposed levy increases, when they have had no warning that they were 'under paying', what their accident risk is, or how much they would pay under a compulsory insurance scheme.

In regards to splitting the motorcycle class according to engine capacity, the FOMC supports a flat fee for all motorcycles regardless of engine size, although based on accident data for mopeds it may be appropriate that they be merged with motorcycles. Without detailed data on the types of 'bikes that are incurring the higher ACC costs in the 601+cc class, we are concerned that some large-engined but modestly-performing 'bikes, particularly older models or cruisers, will be lumped in with the high-performance superbike variety.

A better methodology may be to create sub-classes according to power-to-weight ratio, although we recognise this data is not collected in the motor vehicle register. The FOMC would support investigating the feasibility of apportioning ACC levies according to actual performance and not merely engine capacity, but in the absence of such a system a flat fee may be fairer for the majority of 'bikes which are over 601cc and thus reduce the net levy for their owners.

As noted above, using the cc rating is discriminatory for modestly-performing but big-engined 'bikes, and while the levy is reduced to 35% for vintage models, this still equates to \$257 which is significantly more than what owners currently pay, remembering that these are secondary, enthusiast vehicles and therefore used infrequently (exposing the rider to little risk).

Therefore, the FOMC proposes that 'vintage' bikes (or any other age criteria as proposed above) should only pay 35% of the lowest motorcycle levy (e.g. vehicle class 4a), regardless of their engine capacity.

Finally, the FOMC supports the proposal to raise the petrol levy to 12.87 cents per litre, with an attendant reduction in the fixed ACC component of registration fees. The petrol levy is an appropriate way to collect more funds from road users who spend more time travelling, and therefore have a greater chance of being involved in an accident. As our members do not travel substantial annual mileages in or on their enthusiast vehicles, this will modestly reduce the impact of the ACC levy increases. We do note however the methodology for calculating

the motorcycle levies assumes they consume very little fuel (and thus pay little petrol tax). While true, this assumes the 'bike is the owners' primary mode of transport and they are not contributing greater petrol levies through other vehicles they own and drive.

Yours sincerely,

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