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Media Release

## ACC Releases 2010/11 Levy Recommendations

ACC has today made public the 2010/11 levy rates it has recommended to the Minister for ACC.

“We received a record number of public submissions on our proposed levies this year, which was to be expected given the scale of the increases. Many were of a very high standard”, said ACC Chairman John Judge.

“Ultimately though, the levy rates we have recommended to the Minister largely reflect what we initially proposed. The only change is that we have slightly lowered our recommendation for the motor vehicle levy, based on updated projections for funding future years’ claims”.

“There are several reasons why we have generally stuck to our original figures. Most importantly, we believed that if the levies were set at lower levels then ACC’s difficult financial situation would only be worsened. ACC’s deficit has grown at an unsustainable rate and that demands we take action to address both the organisation’s income (i.e. levies) and its expenditure.”

“We have set targets for each levy Account (work, earner, motor vehicle) to bring all of them to solvency within a reasonable period. The levies we have recommended will achieve this target. Anything less will not only extend the duration of the deficits but increase their size, much as any other debt grows with time”.

“Of course we’re also looking closely at our expenditure. ACC’s costs in a range of areas have grown rapidly in recent years and we’re working hard to pull those back. Costs like physiotherapy and high-tech imaging have grown by around 100% in the last five years, far more than you would expect from inflation, population growth or any other factor. Some progress has been made in achieving cost savings but it will not be enough to prevent the need for serious levy increases”.

“ACC is also working to improve its rehabilitation performance and again there has been progress, but it would not be prudent to factor these savings into the levy setting process at this early stage.”

“The point is this. The levies we have recommended, along with a programme of cost savings and improved performance will enable us to address the broader financial issues and ensure the future of the ACC Scheme. If one of these elements is neglected then the whole outcome is called into doubt.”

“It is clear that these increases will be unpalatable, especially in the current economic climate. But if New Zealand is to retain the ACC Scheme then I believe they are necessary.”

It should be noted that ACC’s recommendations are not binding on the Minister, who will obtain further advice before making his own recommendations to Cabinet. Also, the Government’s intention to push out the date for fully funding ACC’s residual claims (i.e. pre-1999 claims still on its books) will enable some levies to be less than proposed.

A summary of the actual levy rates recommended to the Minister for ACC is on the following page. The detailed recommendations can be downloaded from [www.acc.co.nz/consultation](http://www.acc.co.nz/consultation).

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***The ACC Board levy recommendations are summarised as follows (GST exclusive)***

<b><i>Who pays?</i></b>	<b><i>Levy component</i></b>	<b><i>Current 2009/10 rate</i></b>	<b><i>2010/11 rates consulted on</i></b>	<b><i>2010/11 rates recommended to the Minister</i></b>
<b><i>Employers and self-employed people*</i></b> (invoiced directly by ACC)	Levy rate for work claims in 2010/11	\$0.75	\$1.18	\$1.18
	Levy rate for injury claims prior to 1999	\$0.56	\$0.71	\$0.71
	<b><i>Combined average levy rate per \$100 liable earnings</i></b>	<b><i>\$1.31</i></b>	<b><i>\$1.89</i></b>	<b><i>\$1.89</i></b>
	Percentage change from current year			<b><i>+44%</i></b>
Note: These are average rates. Individual rates for industry groups may increase or decrease based on recent experience. Individual rates will be finalised and incorporated into levy regulations once the Government has set the average rates.				
<b><i>Earners**</i></b> (through PAYE)	Levy rate for non-work claims in 2010/11 per \$100 liable earnings	\$1.4320	\$2.3154	\$2.3606
	Levy rate for pre-1999 non-work claims	\$0.0790	\$0.1735	\$0.1283
	<b><i>Composite non-work levy rate per \$100 liable earnings</i></b>	<b><i>\$1.5110</i></b>	<b><i>\$2.4889</i></b>	<b><i>\$2.4889<sup>^</sup></i></b>
	Percentage change from current year			<b><i>+65%</i></b>
<b><i>Motorists</i></b> (through licensing fees & petrol levy)	Average motor vehicle levy for 2010/11 claims	\$119.08	\$204.60	\$182.27
	Average motor vehicle levy for pre-1999 claims	\$167.92	\$212.68	\$212.68
	<b><i>Average combined levy per vehicle</i></b>	<b><i>\$287.00</i></b>	<b><i>\$417.28</i></b>	<b><i>\$394.95</i></b>
	Percentage change from current year			<b><i>+38%</i></b>

\* ***Self-employed people and non-PAYE shareholders also pay the composite earners' non-work levy***

<sup>^</sup> ***The recommended non-work levy rate for 2010/11, including GST is \$2.80 (\$1.70 in 2009/10)***

The ACC Board's 2010/11 levy recommendations to the Minister for ACC must be based on the legislation currently in force. The above rates do not include any effects of the Injury Prevention, Rehabilitation and Compensation Amendment Bill (2009) that is currently before Parliament.