

Levy and consultation FAQs

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11. What’s the last date for submissions?
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2012/13 Frequently Asked Questions – Motorists

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2012/13 Frequently Asked Questions – General

| Question | Answer |
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| <p>Q1 - What levy changes is ACC proposing?</p> | <ul style="list-style-type: none"> • We're proposing a 22% decrease in the combined average work levy from \$1.47 for every \$100 of 'liable earnings' to \$1.15 for every \$100 of liable earnings, although some individual industries may see increases. We anticipate no further levy rises in the average levy rate in the foreseeable future, assuming everything goes as expected. • We're proposing no increase at all in the average motor vehicle levy. • We're proposing a 17% decrease in the earners' levy from \$1.78 for every \$100 of 'liable earnings' to \$1.48 for every \$100 of liable earnings. We expect to be able to maintain this levy rate for the foreseeable future. |
| <p>Q2 - What does ACC consider when setting levies?</p> | <p>In setting our levy rates we take into account:</p> <ul style="list-style-type: none"> • the projected claim costs • the returns from our investments • projected earnings on which levies are assessed • the funding policy • the number of registered motor vehicles and the amount of petrol consumed (for the Motor Vehicle Account) |
| <p>Q3 - What does 'outstanding claims liability' mean?</p> | <p>The outstanding claims liability is the estimated amount ACC still needs to pay for existing claims as at a particular point in time (for example, the end of a financial year). In other words if ACC stopped accepting claims on that date it would still be required to pay the amount of the outstanding claim liability to the claims it already has.</p> |
| <p>Q4 - What does 'lifetime claim cost' mean?</p> | <p>These are the costs spent on a claim over its life or total duration. The life of a claim can vary from 1 day to 30 – 40 years.</p> <p>For example, if a man in his 30s becomes a tetraplegic in a car crash today, we might need to provide different types of support to him and his family for the next 40 years. Our estimate of the total 'lifetime cost' in this case could be as high as \$30 million.</p> |
| <p>Q5 - What's ACC's current financial position?</p> | <p>In the past year we've seen improved Scheme performance in terms of claim numbers, claim costs and/or claims duration, and these factors have limited the growth of our liabilities (the future costs of ACC claims). We've also seen good growth in our assets (investments).</p> <p>Preliminary financial results for the 2010-11 year show a forecast net surplus of about \$2.5 billion – this is \$1.5 billion greater than ACC's budget projection. That means the Corporation's net deficit will fall from last year's \$10.3 billion to about \$7.8 billion.</p> <p>The proposed levy rates and the funding profile we've adopted are intended to put the Accounts in a fully funded position by 2019.</p> <p>You can get this information by going to the How we're funded section of our website, www.acc.co.nz.</p> |

| Question | Answer |
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| <p>Q6 - Why do we need to pay for claims that happened before 1999?</p> | <p>The ongoing costs of injuries that happened before 1 July 1999 are paid for by the ‘residual portion’ of the levy.</p> <p>The ‘residual levy portion’ exists because, until 1999, we took a ‘pay-as-you-go’ funding approach. This meant that the levies paid each year covered only the claim costs expected in that year - they didn’t cover the ongoing costs of claims made in previous years. For example, we didn’t collect money up-front to cover the costs of claims for very serious injuries, which can last for 30-40 years.</p> <p>The final amount needed to fund these pre-1999 claims has now been calculated and ‘locked in’. It won’t be recalculated each year, as was done until now.</p> <p>We have to collect this final amount by 31 March 2019 (or 30 June 2019 in the case of the Motor Vehicle Account).</p> |
| <p>Q7 - Why do you have a goal of every levy payer contributing their fair share to Scheme costs – how does this fit with the principle of ‘no-fault’ for the Scheme?</p> | <p>Fairness is about ensuring that people with low risks don’t subsidise those with high risks. So it’s mainly about how much you pay in levies. If people with high risks have to pay more that might also change their behaviour.</p> <p>‘No-fault’ means you can be covered even if you were to blame, irrespective of how much you pay in levies.</p> |
| <p>Q8 - What if I can’t afford to pay?</p> | <p>If you own a businesses or are self-employed, we can offer you a number of payment options – so if you think you might have trouble paying your levies, simply contact the ACC Business Service Centre to discuss your situation.</p> <p>Their contact details are:</p> <ul style="list-style-type: none"> • ACC Business Service Centre PO Box 795 Wellington 6140 • Phone: 0800 222 776 • Email: business@acc.co.nz |
| <p>Q9 - How do I get copies of the consultation documents and supporting material?</p> | <p>You can get these documents by:</p> <ul style="list-style-type: none"> • downloading them from www.acc.co.nz/levyconsultation • calling us on 0800 222 728 • emailing levyconsultation@acc.co.nz • writing to: Levy Consultation ACC PO Box 242 Wellington 6140 |
| <p>Q10 - How do I make a submission on the levy proposals?</p> | <p>All submissions must be in writing.</p> <p>You can send your submission by:</p> <ul style="list-style-type: none"> • emailing: levyconsultation@acc.co.nz • faxing: (04) 816 5581 • posting: Levy Consultation ACC PO Box 242 Wellington 6140 |

| Question | Answer |
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| Q11 - What's the last date for submissions? | All written submissions must be with ACC by 5pm on Tuesday, 16 2011 |
| Q12 - Can I get an extension for sending a submission? | Unfortunately, no. Once consultation finishes we have to work to a set timeframe to get new levy rates approved before the next cover year starts in 2012. |

2011/12 Frequently Asked Questions – Self-employed people and employers

| Question | Answer |
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| <p>Q1 - What levies are employers required to pay?</p> | <p>All employers pay a work levy to cover work-related injuries affecting their employees.</p> <p>The amount of the work levy is based on how much the employer pays in wages (their payroll) and the type of industry in which the business operates (its industrial classification unit).</p> <p>As a guide, businesses with employees have to pay ACC WorkPlace Cover levies, which have two parts:</p> <ol style="list-style-type: none"> 9. A levy for 2012/13 work claims (the ‘current levy portion’): this pays for the current and future costs of work-related injury claims that happen during the 2012/13 levy year 10. A ‘residual levy portion’: this pays for the ongoing costs of claims for work injuries that happened before 1 July 1999, and non-work injuries that happened before 1 July 1992. The levy is designed to collect enough money to cover these claims by 31 March 2019; it also establishes reserves to pay all the ongoing costs for these claims after 31 March 2019. |
| <p>Q2 - What levies are self-employed people required to pay?</p> | <p>The amount self-employed people pay is based on their liable earnings and the type of work they do (their industrial classification unit).</p> <p>Self-employed people pay:</p> <ul style="list-style-type: none"> • a ‘work levy’ (for ACC CoverPlus or ACC CoverPlus Extra) which covers claims for work-related injuries and has two parts: <ol style="list-style-type: none"> 1. A levy for 2012/13 work claims (the ‘current levy portion’): this pays for the current and future costs of work-related injury claims that happen during the 2012/13 levy year 2. A ‘residual levy portion’: this pays for the ongoing costs of claims for work injuries that happened before 1 July 1999, and non-work injuries that happened before 1 July 1992. The levy is designed to collect enough money to cover these claims by 31 March 2019; it also establishes reserves to pay all the ongoing costs for these claims after 31 March 2019. • an ‘earners’ levy’, which covers people in paid employment who are injured outside work. (Note that self-employed people who earn income subject to PAYE, are not invoiced for this portion of the levy.) |

| Question | Answer |
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| <p>Q3 – How does experience rating work?</p> | <p>Experience rating is a system for modifying the current portion of a business’s work levy based on its claims history. Experience rating means employers that have better-than-average injury and return-to-work rates will receive a discount on the current portion of their work levy, while those with worse-than-average claims experience will receive a loading on the current portion of their work levy.</p> <p>The Experience Rating programme applies to business groups whose current portion of the ACC work levy in each year of the three year period (known as the experience period) is equal to or more than \$10,000.</p> <p>The No-Claims Discount programme applies to employers (including non-PAYE shareholder employees and self-employed) whose annual work levy is less than \$10,000 in any of the previous three levy years will receive a 10% no-claims discount or a 10% high claims loading on the current portion of their work levy or no change.</p> <p>You can get more information on experience rating and how it will impact you by going to the Experience Rating section of our website www.acc.co.nz/er.</p> |
| <p>Q4 - How does experience rating impact the proposed levy changes?</p> | <p>Under Experience Rating the current portion of a business’s work levy could increase or decrease by up to 50% depending on its claims history.</p> <p>Before Experience Rating was introduced businesses with good workplace safety were carrying the cost of other companies within the same industry that were less safe. This new system of experience rating is about better aligning ACC levies with risk and rewarding individual employers with good safety records.</p> <p>Under Experience Rating employers with a better-than-average injury and return-to-work rates will receive a discount on the current portion of their work levy, while those whose safety record is worse-than-average will get a loading.</p> <p>To determine this rate a business’ past claims history is measured over a three year period. Larger firms paying more than \$10,000 a year in workplace levies, in each of the three years, will get a discount or loading of up to plus or minus 50%, whereas smaller firms will simply benefit from a 10% no-claims discount. It is expected that around 200,000 small businesses and self-employed will receive a discount as a consequence of this policy as compared to around 7,000 who will receive a loading.</p> |

| Question | Answer |
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| <p>Q5 - What's the 'residual levy portion' and why do employers and self-employed people have to pay it?</p> | <p>The 'residual levy portion' covers the ongoing costs of work-related injuries to employees that happened before 1 July 1999, and non-work injuries that happened before 1 July 1992.</p> <p>It exists because, until 1999, we took a 'pay-as-you-go' funding approach. This meant that the levies paid each year covered only the claim costs expected in that year – they didn't cover the ongoing costs of claims made in previous years. For example, they didn't cover the costs of claims for very serious injuries, which can last for 30-40 years.</p> <p>The final amount needed to fund these pre-1999 claims has now been calculated and 'locked in'. It won't be recalculated each year, as was done until now.</p> <p>We have to collect this final amount by 31 March 2019.</p> <p>If we collect levy before we need to spend it on treatment, rehabilitation or income replacement then ACC can invest the funds and use the returns to pay for some of the future costs. This means over a person's lifetime they will pay ACC less than if we still collected on a pay-as-you-go basis.</p> |
| <p>Q6 - What's the proposed average employer and self-employed levy rate for 2012/13?</p> | <p>We propose reducing the average combined 2012/13 work levy rate to \$1.15 for every \$100 of liable earnings. This is a 22% reduction.</p> <p>This is made up of two parts:</p> <ol style="list-style-type: none"> 1. The current levy portion (which pays for the current and future costs of work-related injury claims that happen in the 2012/13 levy year): we propose decreasing this from \$1.06 to \$0.84 for every \$100 of liable earnings. 2. The residual levy portion: we propose decreasing this from \$0.41 to \$0.31 for every \$100 of liable earnings. |
| <p>Q7 - What impact will the proposed levy changes have on the average business?</p> | <p>For the typical small business where seven people are employed on a salary of \$50,000 each, this would mean that from April 2012 the employer would pay \$1,120 less a year in ACC levies.</p> <p>Different industries would pay different levies depending on the level of risk and the number of claims. For example, a forestry business with seven employees would pay \$5,000 less a year in ACC levies and an insurance company of a similar size would pay \$315 less a year.</p> |
| <p>Q8 - How much will these proposed levy reductions save a typical self-employed person earning \$80,000 per year?</p> | <p>Self employed people pay work levies to cover themselves if they are injured at work. They also pay earners' levies which are used to pay for any injuries they get outside of work, for example an injury at home or on the sports field.</p> <p>For the typical self-employed person earning a salary of \$80,000 a year, the proposed levies for 2012/13 would mean savings to both the earners' and the work levy they pay.</p> <p>The work levy they would pay would be \$1.15 (excluding GST) per \$100 of liable earnings, which is \$256 less a year in ACC levies. Levies for individual companies will depend on their industry classification and experience rating.</p> <p>The earners levy they would pay would be \$1.70 (including GST) per \$100 of liable earnings which is \$5.23 less a week and \$272 less a year in ACC levies.</p> <p>This is a total saving of \$528 from April 2012.</p> |

| Question | Answer |
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| <p>Q9 - Why is ACC proposing to decrease the average levy rate for current year work-related claims?</p> | <p>In the past year we've seen improvements in the variables that impact claim costs, such as claims numbers, the average cost of entitlements and rehabilitation, and we've also seen good growth in our assets (investments).</p> <p>The proposed decrease in levy rates reflects the improved performance by ACC.</p> |
| <p>Q10 - Why is ACC proposing to decrease the average levy rate for pre-1999 (residual) claims?</p> | <p>We're proposing the decrease because:</p> <ul style="list-style-type: none"> • levy collection and administration costs are no longer allocated to this component of the Work Account • this rate will allow us to collect the remaining residual amount by 2019. |

| Question | Answer |
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| <p>Q11 - What else is ACC proposing as part of the work levy consultation?</p> | <p>Levy classification units and Levy Risk Groups - we're proposing to:</p> <ul style="list-style-type: none"> • maintain the number of levy risk groups for the 'current portion' of the work levy at 143 • introduce a new classification unit to cover 'horticultural contracting and labour supply services', because this employer group is not adequately described or accurately levied within the current classification schedule • maintain the 41 levy risk groups and their relativities for the pre-1999 residual claims levy • change the name of one classification unit so that 'marina operations for recreational boating' is more appropriately classified. <p>For the 2012/13 levy year we're proposing the following capping rules:</p> <ul style="list-style-type: none"> • increases will be capped at +10% or 2 cents (whichever is the greater) • decreases will be capped at -25% in addition to the change in the average rate. <p>Minimum and maximum liable earnings limits for levies – We're proposing to increase:</p> <ul style="list-style-type: none"> • the maximum liable earnings limit for employees and private domestic workers under the current portion of the Work Account from \$111,669 in 2011/12 to \$113,768 in 2012/13 • the maximum liable earnings limit for employees and private domestic workers under the residual portion of the Work Account from \$110,018 in 2011/12 to \$111,669 in 2012/13 • the maximum liable earnings limit for self-employed under the Work Account from \$110,018 in 2011/12 to \$111,669 in 2012/13 • the minimum earnings amount (on which levy is paid) from \$26,520 in 2011/12 to \$27,040 in 2012/13. This is in line with increases in the minimum wage. <p>ACC Partnership Programme - we're proposing to:</p> <ul style="list-style-type: none"> • decrease the Partnership Discount Plan discount for the one-year claims management option from 50.4% and 50% • increase the Partnership Discount Plan discount for the two-year claims management option from 58.2% and 58.5% • increase the Partnership Programme administration fee to 2.7% of the standard levy (from 2.1% for 2011/12) • increase the primary health cost fee to 1.3% (from 1.2% for 2011/12) • increase the bulk-funded public health care cost fee to 3.25% of the standard levy (from 2.4% from 2011/12). <p>ACC incentive programmes – we're proposing to:</p> <ul style="list-style-type: none"> • maintain the work levy discounts we offer for the workplace incentive programmes (Workplace Safety Management Practices and Workplace Safety Discounts) • make the Workplace Safety Discounts programme available to all industries • increase the maximum liable earnings criterion for entry to the Workplace Safety Discounts programme from \$499,000 to \$519,000 • enable cross crediting of the audits for the Workplace Safety Management Programme with other industry-based compliance audit results |

| Question | Answer |
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| <p>Q12 – Why is ACC proposing a new and separate classification unit for the horticultural contracting industry?</p> | <p>We’ve undertaken an analysis of the risk within the horticultural contracting industry, and determined that it is lower than that of the other contractors they are currently classified with.</p> <p>For pricing purposes, we are proposing that they are placed in the same risk group as the horticultural growers - vineyards, orchards and kiwifruit growers.</p> <p>ACC is also proposing to include those horticultural contractors who operate on a labour supply basis in the new classification unit, to ensure that all those who are undertaking the same tasks in this industry are grouped together.</p> |
| <p>Q13 - Are the levy rates for employers and self-employed people the same?</p> | <p>The average levy rates for employers and self-employed are merged and the individual classification levy rates are the same for both groups.</p> |
| <p>Q14 - How do I work out what my own levy rate will be?</p> | <p>To work out your own levy rate, you’ll first need to know your classification unit code. You can see the proposed levy rate for your classification by:</p> <ul style="list-style-type: none"> • using our online levy calculators • searching through the list of all classification units in the supplementary document, Proposed 2012/13 Work levy rates (PDF 423K) • reading the risk group document specific to your industry (see Proposed Levy Risk Groups for 2012/13). The title page of each risk group document has a list of the classification units that it covers. |
| <p>Q15 - What changes is ACC proposing for the workplace incentive programmes?</p> | <p>We’re proposing to:</p> <ul style="list-style-type: none"> • maintain the work levy discounts we currently offer (see Q18 below for these levels) • make the Workplace Safety Discounts programme available to all industries • increase the maximum liable earnings criterion for entry to the Workplace Safety Discounts programme from \$499,000 to \$519,000 • enable cross crediting of the audits for the Workplace Safety Management Programme with other industry-based compliance audit results. |
| <p>Q16 – Why does ACC apply capping rules to levy rates?</p> | <p>To smooth the financial impacts of any significant changes to individual levy rates, we apply capping rules.</p> |
| <p>Q17 – Why is ACC proposing to change the capping levels this year?</p> | <p>The capping levels were reduced last year from 25% to 15% to smooth the introduction of experience rating. Now that experience rating has been introduced the capping can be restored to the same levels as in previous years. If the capping levels are too low, it would take many years before industries were charged the true rate that represents the costs of their claims.</p> |
| <p>Q18 - What’s the long-term outlook for the work levy rate?</p> | <p>Provided we continue to see good Scheme performance, the combined average work levy is likely to be reduced over the next five years.</p> <p>The ‘residual levy portion’ will be retained until 1 April 2019, when we’ll have enough funding to pay all the related claim costs.</p> |

| Question | Answer |
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| <p>Q19 - What levy discounts are available for my business?</p> | <p>We offer a number of products and programmes through which you can earn discounts on the levies you pay. These include:</p> <ul style="list-style-type: none"> • ACC Workplace Safety Discounts (WSD) if you work in the agriculture, forestry, construction, motor trades, road transport, fishing or waste management sectors. The discounts are available to self-employed people and businesses that have an annual payroll of less than the proposed \$519,000, or 10 or fewer full-time staff. The programme currently offers 10% off the standard work levy if you can show sound health and safety practices. We are consulting on making the Workplace Safety Discounts programme available to all industries. • ACC Workplace Safety Management Practices (WSMP): There are no fixed rules about who can apply for this programme, but it's generally suited to medium to large businesses. The programme offers three proposed levy discount levels: <ul style="list-style-type: none"> - Primary level: 10% discount - Secondary level: 15% discount - Tertiary level: 20% discount • ACC Partnership Programme: Through this programme, large employers who are willing and able to take responsibility for their own workplace health and safety and the management of workplace injuries can qualify for significant levy discounts. • Experience Rating was introduced on 1 April 2011 and is a system for modifying the current portion of the work levy based on a business's claims history. If a business is eligible for experience rating and has a better than average injury and return to work rate then they can receive a discount of up to 50% on the current portion of their work levy. For full details on how experience rating will impact you visit the Experience Rating section on our website www.acc.co.nz/er. |
| <p>Q20 – How do I find out more about the proposal to increase choice in the provision of workplace accident insurance and extensions to the Accredited Employers Programme?</p> | <p>A discussion document setting out these proposals will be available on the Department of Labour's website until 15 July 2011.</p> <p>A brief summary from the Minister for ACC can be viewed at the following link on the NZ Government's official website. www.beehive.govt.nz/speech/increasing-choice-workplace-accident-compensation.</p> |
| <p>Q21 – How do I make a submission on the increased choice and Accredited Employers Programme proposals?</p> | <p>Submissions on these proposals are open until 15 July 2011.</p> <p>The next steps are for the Government to consider the views expressed during consultation. Final decisions and legislation on introducing choice will occur after the 2011 General Election and will be subject to a mandate from the public.</p> |

2012/13 Frequently Asked Questions – Motorists

| Question | Answer | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Q1 – Are there any proposed increases to the Motor Vehicle levies for 2012/13? | No. ACC is proposing no increase at all in the average motor vehicle levy for 2012/13. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Q2 – What will the average motor vehicle levy for 2012/13 be? | The average composite motor vehicle levy for 2012/13 will remain at \$334.52. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Q3 – What will the petrol levy for 2012/13 be? | The average petrol levy for 2012/13 will remain at 9.90 cents per litre. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Q4 – What will the motor vehicle licence fee levy rates for 2012/13 be? | <p>The following table shows our proposed licence fees (incl. motorcycle safety levy).</p> <table border="1"> <thead> <tr> <th rowspan="2">Vehicle description</th> <th colspan="2">Petrol-powered</th> <th colspan="2">Non-petrol powered</th> </tr> <tr> <th>Current 2011/12 levy (petrol levy 9.90c/L)</th> <th>Proposed 2012/13 levy (petrol levy 9.90c/L)</th> <th>Current 2011/12 levy</th> <th>Proposed 2012/13 levy</th> </tr> </thead> <tbody> <tr> <td>Passenger vehicles (cars, buses, taxis, mini vans) and hearses</td> <td>\$198.46</td> <td>\$198.46</td> <td>\$311.38</td> <td>\$311.38</td> </tr> <tr> <td>Vintage/veteran vehicles</td> <td>\$69.46</td> <td>\$69.46</td> <td>\$108.98</td> <td>\$108.98</td> </tr> <tr> <td>Mopeds</td> <td>\$129.24</td> <td>\$129.24</td> <td>\$163.12</td> <td>\$163.12</td> </tr> <tr> <td>Motorcycles up to 600cc</td> <td>\$327.70</td> <td>\$327.70</td> <td>\$361.58</td> <td>\$361.58</td> </tr> <tr> <td>Motorcycles 601+cc</td> <td>\$426.92</td> <td>\$426.92</td> <td>\$460.08</td> <td>\$460.08</td> </tr> <tr> <td>Goods service vehicles – trucks, vans and utility vehicles</td> <td>\$238.15</td> <td>\$238.15</td> <td>\$467.08</td> <td>\$467.08</td> </tr> </tbody> </table> | Vehicle description | Petrol-powered | | Non-petrol powered | | Current 2011/12 levy (petrol levy 9.90c/L) | Proposed 2012/13 levy (petrol levy 9.90c/L) | Current 2011/12 levy | Proposed 2012/13 levy | Passenger vehicles (cars, buses, taxis, mini vans) and hearses | \$198.46 | \$198.46 | \$311.38 | \$311.38 | Vintage/veteran vehicles | \$69.46 | \$69.46 | \$108.98 | \$108.98 | Mopeds | \$129.24 | \$129.24 | \$163.12 | \$163.12 | Motorcycles up to 600cc | \$327.70 | \$327.70 | \$361.58 | \$361.58 | Motorcycles 601+cc | \$426.92 | \$426.92 | \$460.08 | \$460.08 | Goods service vehicles – trucks, vans and utility vehicles | \$238.15 | \$238.15 | \$467.08 | \$467.08 |
| Vehicle description | Petrol-powered | | Non-petrol powered | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Q5 - What levies do motorists have to pay? | <p>The licence fee levy has two parts:</p> <ol style="list-style-type: none"> A levy for 2012/13 (the ‘current levy portion’): this pays for the costs of injuries that happen during the 2012/13 levy year A levy for claims made before 1999 (the ‘residual levy’): this pays for the ongoing costs of claims for injuries that happened before 1999 (when we changed the way we collected levies). The levy is designed to collect enough money to cover these claims by 30 June 2019. <p>ACC collects these levies in different ways depending on what fuel is used to power the vehicle.</p> <p>For petrol-powered motor vehicles, the levy you pay is made up of:</p> <ul style="list-style-type: none"> a ‘licence fee levy’, which is paid when a vehicle is licensed a ‘petrol levy’, which is included in the retail price of petrol. <p>For diesel powered motor vehicles, we charge you the entire levy when you pay your annual licence fee. ACC does not have a levy on diesel because only a fraction sold in New Zealand is used for powering vehicles that travel on public roads. The rest is used to power generators, boats, trains and for other industrial purposes.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer |
|---|--|
| <p>Q6 - Why do motorists need to pay a levy for claims made before 1999?</p> | <p>This ‘residual levy portion’ covers the ongoing costs of injuries to road users prior to 1 July 1999.</p> <p>It exists because, until 1999, we took a ‘pay-as-you-go’ funding approach. This meant that the levies paid each year covered only the claim costs expected in that year – they didn’t cover the ongoing costs of claims made in previous years. For example, they didn’t cover the costs of claims for very serious injuries, which can last for 30-40 years.</p> <p>The final amount needed to fund these pre-1999 claims has now been calculated and ‘locked in’. It won’t be recalculated each year, as was done until now.</p> <p>We have to collect this final amount by 30 June 2019.</p> <p>If we collect levy before we need to spend it on treatment, rehabilitation or income replacement then ACC can invest the funds and use the returns to pay for some of the future costs. This means over a person’s lifetime they will pay ACC less than if we still collected on a pay-as-you-go basis.</p> |
| <p>Q7 – How affordable is the motor vehicle levy?</p> | <p>ACC monitors affordability of the average levy excluding the residual levy portion charged to motor vehicle owners. Since 2005 the average levy has been equal to or less than 15% of the average weekly wage.</p> <p>When ACC sets class rates the affordability of the rate is weighted against the need to set a price that reflects the risk of the vehicle type. This process resulted in a top licence levy for motorcycles of 140% that of a car. To fully fund the cost of claims for ACC for injuries to riders and pillion riders of these large bikes would require a levy set at 1500% that of a car. This is clearly unaffordable and so ACC moderated it to 140%.</p> |
| <p>Q8 - What does ‘cross-subsidisation’ mean?</p> | <p>Currently, a number of groups of vehicle owners are paying more in levies than the risk they represent (for example, they may have a good history of safe driving). This means they are cross-subsidising other groups of vehicle owners, who end up paying lower levies than the risk they represent.</p> |
| <p>Q9 - What is ACC doing about cross-subsidisation?</p> | <p>As part of our commitment to removing cross-subsidisation as much as possible, ACC is:</p> <ul style="list-style-type: none"> • continuing to review the levy classification system • currently developing an optional product that targets commercial fleets (refer to Q34 for more information) <p>Through these initiatives, we aim to ensure that the costs of claims are more fairly shared among the vehicle classes that are responsible for those costs.</p> |
| <p>Q10 - What does relativity mean?</p> | <p>The ‘relativity’ for each vehicle is the cost of injury per vehicle ‘relative’ to a standard passenger vehicle.</p> <p>For example: If the cost of injury per vehicle for a ‘Class A’ vehicle is \$2,500 and the cost of injury per vehicle for standard passenger vehicles is \$1,500, the Class A vehicle relativity would be 167% ($2500 \div 1500 \times 100\%$).</p> <p>Relativities for each class of vehicle are set using:</p> <ul style="list-style-type: none"> • information about road crashes attended by the Police • ACC’s own claim information • information on the number of registered vehicles from the Ministry of Transport. |

| Question | Answer |
|---|---|
| <p>Q11 - What's the long-term outlook for the average motor vehicle levy rate?</p> | <p>The Motor Vehicle Account is currently projected to be 73% funded at the end of June 2012 and as such we still need to continue to build-up reserves to reach the selected mid-point of the target funding band (116% within a target funding band of 100% to 140%). Over the long-term ACC expects the levy to decrease as the reserves are built up.</p> <p>For more information about our Funding Policy read the 'Introduction' section.</p> |
| <p>Q12 - If I own two cars, why do I have to pay two ACC levies?</p> | <p>Currently we set levies according to type of motor vehicle. This ensures that the types of vehicle that contribute more costs (through injuries) to the ACC Scheme pay a larger share of the levy. It's about being fair, and providing incentives to the people best placed to prevent injuries to change their behaviour.</p> <p>And remember, the levy you pay also provides cover to:</p> <ul style="list-style-type: none"> • other people in your household or friends who might drive your vehicle • passengers in your vehicle (so if four people are injured in your car, they are all covered by your levy) • other road users should you be involved in a road crash. <p>If you're a passenger in someone else's vehicle and are injured in a road crash, the levy for that vehicle will provide you with cover.</p> |
| <p>Q13 – Why does ACC not subsidise motor vehicle owners who own more than one motor vehicle, especially when they can only drive one motor vehicle at any given time?</p> | <p>ACC requires owners of motor vehicles to pay \$1,060 million towards the levies required for 2012/13. If this amount is collected from unique owners rather than from each vehicle then the amount per owner will be higher than the current levies.</p> <p>ACC is a comprehensive, 24 hour, no-fault Scheme and is not required to attribute costs to accident cause or to assign fault. However risk-rating in ACC's levy Accounts helps to ensure that people pay levies according to their likelihood of sustaining an injury. The levies you pay as an owner of a motor vehicle cover everyone that may be injured by, or in, your vehicles.</p> |
| <p>Q14 - How can ACC charge a different levy for different vehicles when ACC is a 'no-fault' Scheme?</p> | <p>Charging different levies is about being fair.</p> <p>Fairness is about ensuring that people with low risks don't subsidise those with high risks. So it's mainly about how much you pay in levies. If people with high risks have to pay more that might also change their behaviour.</p> <p>'No-fault' means you can be covered even if you were to blame, irrespective of how much you pay in levies.</p> |
| <p>Q15 - What's ACC doing to reduce injuries to road users?</p> | <p>We've invested in a number of programmes to help bring down the number and severity of motor vehicle injuries. For example:</p> <ul style="list-style-type: none"> • as motorcyclists are disproportionately over-represented in claim statistics, we're continuing to work with the NZ Transport Agency (NZTA) and community groups to raise awareness of the need to look out for motorcyclists • we are developing levy classes and optional products that recognise safer choices and practices in order to encourage these choices and practices • we are working with the NZTA to encourage parents of new drivers to spend longer in vehicles with their children to better prepare them for travel on our roads. |

| Question | Answer | | | | | | | | | | | | |
|--|--|----------------------|------|--|-----------------------|------|--|-----------------------|------|--|----------------------|-------|--|
| Q16 - Do people living on superannuation get a discount on their motor vehicle levies? | No. The ACC motor vehicle levy is charged on a vehicle basis, not an owner or driver basis. | | | | | | | | | | | | |
| Q17 - Can I choose a different insurer for personal road injury cover? | No – the ACC Motor Vehicle Account covers all people who are injured on New Zealand’s public roads. All road users share the costs of these injuries through paying their ACC licence fee and petrol levies. | | | | | | | | | | | | |
| Q18 – Why doesn’t ACC collect levies from those who participate in sporting and other recreational activities, instead of targeting the likes of motorcyclists? | ACC currently collects levies for non-work levies from earners and from the Government. To date ACC has not been able to establish a cost-effective mechanism for levying high-risk, non-work activities, but there remains on-going work in this area. <u>Note</u> <ul style="list-style-type: none"> • the current ACC Earner levy proposals would collect \$680 (incl GST) from a \$40,000 wage earner to fund high-risk and other non-work injuries – far more than the proposed motorcycle levy • professional sportspeople already pay significant levies (up to \$8,000 per year) based on their earnings. | | | | | | | | | | | | |
| Q19 – What data sources have been used in the preparation of Levy Consultation 2012/13? | ACC uses a range of information that includes, but is not limited to:- <ul style="list-style-type: none"> • ACC’s own claim information • information about road crashes attended by the NZ Police • information on the number of registered vehicles from the Ministry of Transport and NZ Transport Agency. Unlike most insurers, ACC’s methodology is subject to scrutiny by external actuarial practices to ensure its appropriateness and accuracy. | | | | | | | | | | | | |
| Q20 - What is the true relativity between mopeds or motorcycles and passenger vehicles? | <table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 60%;">• Passenger vehicles</td> <td style="width: 20%;">100%</td> <td style="width: 20%;"></td> </tr> <tr> <td>• Mopeds</td> <td>250%</td> <td></td> </tr> <tr> <td>• Motorcycles 0-600cc</td> <td>900%</td> <td></td> </tr> <tr> <td>• Motorcycles 601cc+</td> <td>1500%</td> <td></td> </tr> </tbody> </table> | • Passenger vehicles | 100% | | • Mopeds | 250% | | • Motorcycles 0-600cc | 900% | | • Motorcycles 601cc+ | 1500% | |
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| • Motorcycles 0-600cc | 900% | | | | | | | | | | | | |
| • Motorcycles 601cc+ | 1500% | | | | | | | | | | | | |
| Q21 - What are the proposed relativities for the motorcycle sub-groups that are used for setting levy rates? | <table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 60%;">• Mopeds</td> <td style="width: 20%;">45%</td> <td style="width: 20%;"></td> </tr> <tr> <td>• Motorcycles 0-600cc</td> <td>105%</td> <td></td> </tr> <tr> <td>• Motorcycles 601cc+</td> <td>140%</td> <td></td> </tr> </tbody> </table> | • Mopeds | 45% | | • Motorcycles 0-600cc | 105% | | • Motorcycles 601cc+ | 140% | | | | |
| • Mopeds | 45% | | | | | | | | | | | | |
| • Motorcycles 0-600cc | 105% | | | | | | | | | | | | |
| • Motorcycles 601cc+ | 140% | | | | | | | | | | | | |
| Q22 - Why doesn’t ACC use the true relativities to set the levy rate for mopeds and motorcycles? | We use the relativities to determine the share of the total levy that each class of vehicle pays. However, if the relativity factor results in too large a levy, we ‘cap’ the relativity so that it still provides a signal of risk but remains affordable (refer to Q7). | | | | | | | | | | | | |

| Question | Answer |
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| <p>Q23 – Why do petrol-powered and non petrol-powered motorcycles (over 600cc) pay higher levies than petrol-powered and non petrol-powered mopeds and motorcycles (600cc or less)?</p> | <p>ACC uses data from its claims system, together with data from the Ministry of Transport’s crash recording system to determine whether the risk for various sizes of motorcycles is similar, as well as estimate the future costs of claims. This information is then used to build various relativity factors as explained in Q20 and Q21.</p> <p>While smaller mopeds or motorcycles (0 – 600cc rating) that travel slowly, may have a high injury rate, there is a low cost per injury, resulting in a low cost of injury per vehicle type. Larger bikes (601+cc rating) which have a smaller rate of injury (though not in all cases) generally have a much higher cost per injury, resulting in a correspondingly high cost of injury per vehicle type.</p> |
| <p>Q24 - What is the Motorcycle Safety Levy (MSL)?</p> | <p>The Motorcycle Safety Levy was introduced in new Zealand as part of the 2010/11 ACC motorcycle levy. Its introduction is based on international best practice and modelled on a successful programme in Victoria, Australia. The collection amount is \$30 and is an annual levy paid by motorcycle and moped owners as part of their licence fee. It’s held in a separate fund and can only be used to improve motorcycle safety.</p> |
| <p>Q25 – Who manages the Motorcycle Safety Levy funds?</p> | <p>ACC manages the fund. However, an independent Motorcycle Safety Levy Advisory Council has been set up to oversee the Motorcycle Safety Levy funds. Members of the council include motorcyclists with considerable riding experience and valuable expertise in motorcycle safety. ACC can only use the MSL fund for projects recommended by the Advisory Council.</p> <p>For more information go to www.motonz.org.nz.</p> |
| <p>Q26 – Why does ACC not subsidise motorcycle owners who own more than one motorcycle, especially when they can only drive one at any given time?</p> | <p>This factor is relevant for all types of vehicle, not just motorcycles. ACC requires owners of motorcycles to pay \$30 million towards the levies required for 2011/12. If this amount is collected from unique owners rather than from each vehicle then the amount per owner will be higher than the current levies.</p> <p>ACC is a comprehensive, 24 hour, no-fault Scheme and is not required to attribute costs to accident cause or to assign fault. However risk-rating in ACC’s levy Accounts helps to ensure that people pay levies according to their likelihood of sustaining an injury. The levies you pay as an owner of a motorcycle, cover everyone that may be injured by, or on, your motorcycles.</p> |
| <p>Q27 – Why does ACC not recognise the ecological benefits of motorcyclists and mopeds in particular, and charge levies that promote their use?</p> | <p>ACC is aware of the ecological benefits of motorcycle and moped use versus other vehicles. The reduced amount of petrol consumption by motorcycles does mean that motorcycles pay less in petrol levies. In addition the environmental benefit of motorcycles has to be balanced against the social cost of injuries to riders of motorcycles both in terms of what ACC pays and the hidden costs on the families and workplaces of those involved in crashes.</p> <p>For more information on how levies are calculated refer to ‘Additional information about the ACC Motor Vehicle Account’ section.</p> |

| Question | Answer | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|-------------------------------------|--------------------|--|--------------|--|----------------------|-------------------------------------|------|------|-----|-------|-----|------|------|-----|-------|-----|------|------|-----|-------|-----|------|------|-----|-------|-----|------|------|-----|-------|-----|
| <p>Q28 – Are accidents involving cyclists, or vehicles that are used off road (quad bikes) covered by the Motor Vehicle Account?</p> | <p>No. If you are injured while cycling or engaging in any recreational activity using an off road vehicle, you are covered by 1 of the following Accounts:</p> <ul style="list-style-type: none"> the ACC Work Account covers work-related injuries, e.g. on the farm; levies are paid into this Account by employers and self-employed people the ACC Earners' Account covers non-work injuries to earners; levies are paid into this Account by earners through PAYE the ACC Non-Earners' Account covers non-work injuries to non-earners; levies are paid into this Account by the Government. <p><u>Entitlement claims accepted for cover by ACC that identify the injured person as riding on or hit by a motorcycle</u></p> <table border="1" data-bbox="635 613 1449 1014"> <thead> <tr> <th rowspan="2">Year ending 30 June</th> <th colspan="2">Claims paid for by</th> <th rowspan="2">Total claims</th> <th rowspan="2">% of claims paid by the Motor Vehicle levies</th> </tr> <tr> <th>Motor Vehicle levies</th> <th>Other levies (eg Earners' and Work)</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>1053</td> <td>776</td> <td>1,829</td> <td>58%</td> </tr> <tr> <td>2007</td> <td>1283</td> <td>827</td> <td>2,110</td> <td>61%</td> </tr> <tr> <td>2008</td> <td>1355</td> <td>853</td> <td>2,208</td> <td>61%</td> </tr> <tr> <td>2009</td> <td>1345</td> <td>876</td> <td>2,221</td> <td>61%</td> </tr> <tr> <td>2010</td> <td>1148</td> <td>832</td> <td>1,980</td> <td>58%</td> </tr> </tbody> </table> <p>For more information refer to 'Additional information about the ACC Motor Vehicle Account'.</p> | Year ending 30 June | Claims paid for by | | Total claims | % of claims paid by the Motor Vehicle levies | Motor Vehicle levies | Other levies (eg Earners' and Work) | 2006 | 1053 | 776 | 1,829 | 58% | 2007 | 1283 | 827 | 2,110 | 61% | 2008 | 1355 | 853 | 2,208 | 61% | 2009 | 1345 | 876 | 2,221 | 61% | 2010 | 1148 | 832 | 1,980 | 58% |
| Year ending 30 June | Claims paid for by | | Total claims | % of claims paid by the Motor Vehicle levies | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Motor Vehicle levies | Other levies (eg Earners' and Work) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 2010 | 1148 | 832 | 1,980 | 58% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Q29 – Why charge motorcycles on an engine capacity basis, when cars are not rated in the same way?</p> | <p>The differences between motorcycles based on engine size are very clear. If the data was available ACC would review using power to weight ratio as this may be a better indicator of risk.</p> <p>ACC has done some preliminary investigations into the use of engine capacity for passenger vehicles. These investigations have not revealed an appropriate grouping by engine capacity that can be used to assess levies. ACC is investigating other mechanisms to group passenger vehicles to provide more homogenous risk groups.</p> <p>Given the different characteristics and use of different types of vehicles it is not surprising that a single approach to grouping vehicles (such as engine capacity) is not suitable for all types of vehicles. For example, weight of vehicle provides homogenous risk groups for goods service vehicles.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Q30 – What vehicle class do vintage motorcycles come under?</p> | <p>Vintage motorcycles fall under 'vintage/veteran' classes of vehicles (class 3 for petrol-powered, and class 7 for non-petrol powered). They are not classed under the normal motorcycle classes.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Q31 – What is a goods service vehicle?</p> | <p>Utility vehicles, vans and trucks are classed as goods service vehicles that are primarily designed to transport goods irrespective of the actual use of the vehicle. The Ministry of Transport and the NZ Transport Agency (NZTA) set the vehicle categories of different vehicles in legislation. ACC must align its information with that of NZTA to ensure consistency and a greater understanding of the injury risks associated with each vehicle group.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question | Answer |
|--|---|
| <p>Q32 - Why do goods service vehicles pay higher levies than passenger vehicles?</p> | <p>According to NZ Police records of road crashes and our own data on the injuries from those crashes, the cost of injuries per goods service vehicle is higher than that for passenger vehicles.</p> <p>For this reason, we ask owners of goods service vehicles to pay a larger share (on a per vehicle basis) of the total levy than owners of passenger vehicles.</p> |
| <p>Q33 - Why do drivers of diesel vehicles* pay more in annual licensing fees than drivers with petrol-driven vehicles? (*includes other non-petrol vehicles)</p> | <p>For petrol-powered vehicles, ACC charges both a licence fee and a fee on each litre of petrol sold. For diesel vehicles ACC only charges a licence fee. ACC does not receive a levy through the sale of diesel or through Road User Charges.</p> <p>ACC sets its rates to ensure that the average levy collected for diesel vehicles equates to the combined average of the petrol levy and licence fees for petrol vehicles. This means that, on average, drivers and owners of diesel vehicles pay a similar amount in ACC levies as drivers and owners of equivalent petrol vehicles.</p> |
| <p>Q34 – Is ACC looking to develop any products that will assist reducing injuries on New Zealand roads?</p> | <p>ACC is developing an optional incentive programme that is aimed at owners of commercial fleets to encourage safer behaviours on the NZ roads if demonstrable and proven safety practices are carried out. ACC will seek the support of the Government in place after the 2011 General Election, for a change in legislation that will allow this product to function as currently designed, prior to a proposed roll out date of 1 July 2013.</p> |
| <p>Q35 – How will this impact all road users?</p> | <ul style="list-style-type: none"> • For heavy and light truck users it will mean that they will pay fairer levies according to the risks they represent on New Zealand roads • For all other motor vehicles users it will mean that they will benefit from lower road injuries, and in the long term a lower aggregate levy rate. |
| <p>Q36 - Where do hybrid vehicles fit?</p> | <p>A hybrid vehicle such as the Toyota Prius is assessed by the New Zealand Transport Agency (NZTA) who determines vehicles' main mode of power. In cases such as the Prius, a petrol engine is used to power the electricity generator and as such NZTA classes a Prius as a petrol-powered vehicle for the purposes of ACC levies.</p> |

2012/13 Frequently Asked Questions – Earners’

| Question | Answer |
|---|---|
| <p>Q1 - What levies are earners required to pay?</p> | <p>Earners levies have two parts:</p> <ol style="list-style-type: none"> 1. A levy for 2012/13 (the ‘current levy portion’): this pays for the costs of injuries that happen during the 2012/13 levy year 2. A levy for claims made before 1999 (the ‘residual levy portion’): this pays for the ongoing costs of claims for non-work injuries that happened to earners between 1 July 1992 and 30 June 1999. The levy is designed to collect enough money to cover these claims by 31 March 2019. |
| <p>Q2 - Why do earners need to pay a levy for claims made before 1999?</p> | <p>The ‘residual levy portion’ covers the ongoing cost of non-work related injuries to employees that occurred between 1 July 1992 and 30 June 1999.</p> <p>It exists because, until 1999, we took a ‘pay-as-you-go’ funding approach. This meant that the levies paid each year covered only the claim costs expected in that year – they didn’t cover the ongoing costs of claims made in previous years. For example, they didn’t cover the costs of claims for very serious injuries, which can last for 30-40 years.</p> <p>The final amount needed to fund these pre-1999 claims has now been calculated and ‘locked in’. It won’t be recalculated each year, as was done until now.</p> <p>We have to collect this final amount by 31 March 2019.</p> <p>If we collect levy before we need to spend it on treatment, rehabilitation or income replacement then ACC can invest the funds and use the returns to pay for some of the future costs. This means over a person’s lifetime they will pay ACC less than if we still collected on a pay-as-you-go basis.</p> |
| <p>Q3 - What’s the proposed levy rate for 2012/13?</p> | <p>The proposed levy rate is made up of two parts:</p> <ul style="list-style-type: none"> • the levy for 2012/13 (the ‘current levy portion’): we propose to reduce this from \$1.73 for every \$100 of payroll or income from self-employment to \$1.44 for every \$100 of liable earnings • the levy for pre-1999 claims (the ‘residual levy portion’): we propose reducing this from \$0.05 to \$0.04 for every \$100 of liable earnings. <p>Together, these add up to a proposed decrease of 30 cents for every \$100 of liable earnings, [from \$1.78 to \$1.48 (excluding GST)].</p> |
| <p>Q4 - What impact will the proposed levy changes have on the average employee?</p> | <p>Under the proposed levy rates, the levy rate an employee would pay would be \$1.70 (including GST) per \$100 of their taxable earnings, which is a 17% reduction on their current levy.</p> <p>For the typical (full-time) employee, who earns \$50,000 a year, this would mean that from April 2012 they would pay \$3.27 less a week or \$170 less a year in ACC levies.</p> |

| Question | Answer |
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| <p>Q5 - How much will these proposed levy reductions save a typical self-employed person earning \$80,000 per year?</p> | <p>Self employed people pay earners' levies which are used to pay for any injuries they get outside of work, for example an injury at home or on the sports field. They also pay work levies to cover themselves if they are injured at work.</p> <p>The earners levy they would pay would be \$1.70 (including GST) per \$100 of liable earnings which is \$5.23 less a week and \$272 less a year in ACC levies.</p> <p>For the typical self-employed person earning a salary of \$80,000 a year, the proposed levies for 2012/13 would mean savings to both the earners' and the work levy they pay.</p> <p>The work levy they would pay would be \$1.15 (excluding GST) per \$100 of liable earnings, which is \$256 less a year in ACC levies. Levies for individual companies will depend on their industry classification and experience rating.</p> <p>This is a total saving of \$528 from April 2012.</p> |
| <p>Q6 - Why is ACC proposing to reduce the earners' levy?</p> | <p>Over the last year, claim costs have been lower than we expected and we have achieved better investment returns than we projected. As a result, we have collected more reserves to fund past claims and can reduce the levy and still be on track to achieve our funding target by 2019.</p> |
| <p>Q7 - What's the long-term outlook for the earners' levy rate?</p> | <p>We expect to be able to maintain the new proposed rate until 2019 as the Earners' Account becomes fully funded.</p> |
| <p>Q8 - How do I pay my earners' levy?</p> | <p>Employees pay their earners' levy through PAYE.</p> <p>For self-employed people and non-PAYE shareholder-employees, your annual ACC levy invoice will include your earner levy.</p> |