



NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

**Submission of the
New Zealand Council of Trade Unions
Te Kauae Kaimahi**

to the

Accident Compensation Corporation

on the

ACC Levy Consultation 2014/15

P O Box 6645

Wellington

15 October 2013

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Summary of recommendations

1. That there should be further additions to the welcome increase in injury prevention expenditure, that such spending should be undertaken in close consultation with WorkSafe and consistent with WorkSafe’s strategies and priorities and the workplace health and safety strategy, taking as broad an interpretation as possible of the requirement that such measures should “result in a cost-effective reduction in actual or projected levy rates”.
2. That given the weak evidence for the effectiveness of experience rating, the lack of any evidence regarding the effectiveness of the current scheme, and the probability of harm from adverse side effects, experience rating should be abandoned. At the very least, the proposed changes should not proceed.
3. That a substantial rethinking is required of the incidence of ‘employer’ levies under the varied employment relationships present in New Zealand workplaces, especially given that the Government has accepted the principle of health and safety duties being placed on the ‘person conducting a business or undertaking’ (PCBU) in new workplace health and safety law. As recommended by the Independent Taskforce on Workplace Health and Safety, consideration should be given to redesigning levies to align with these duties in order to ensure they take full account of, for example, exposure hours, contract workers, labour hire workers and casual employees.

4. That given that experience rating creates an incentive to outsource to labour hire agencies in New Zealand, such agencies should be investigated as part of any review to determine the appropriate levy structure for them and the extent to which they adequately monitor and engage with workplace health and safety practices at the workplaces in which their employees are expected to work.
5. That the current review departmental review of experience rating should be opened to public consultation as to its terms of reference; the effect of experience rating on workers' health and safety, claims suppression, claims shifting, and non-reporting; the adequacy of compensation; and worker satisfaction with the return to work process.
6. That much heavier reliance on lead indicators should be part of any move to use of incentives.
7. That reductions in levies should not be to the extent proposed, and reserves in the case of the Work Account and the Earners Account should not be built up to the extent proposed which are beyond even the Corporation's stated targets. Instead recommendations should be made by the Corporation to the Government to broaden entitlements and restore previous cuts, and the Corporation should review its practices which require claimants to take unsatisfactory jobs and/or return to work before they are ready, and which take a narrow view of the interpretation of entitlements.
8. That while we support moves to increase the safety of our vehicle fleet, we urge that the proposed risk-rating of cars be monitored for indications that it is leading to hardship among those who cannot afford lower-risk cars.
9. That the Corporation utilise its experience with motor vehicle related injuries by collecting information that would contribute to increasing the accuracy of risk-rating of the vehicles on New Zealand roads.

1. Introduction

- 1.1. This submission is made on behalf of the 37 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU). With 340,000 members, the CTU is one of the largest democratic organisations in New Zealand.
- 1.2. The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga) the Māori arm of Te Kauae Kaimahi (CTU) which represents approximately 60,000 Māori workers.
- 1.3. The most significant issues for us in this consultation are the intensification of experience rating and the further significant reduction in levies.
- 1.4. We have opposed the introduction of experience rating since it was proposed prior to its introduction in 2011. We are very concerned that it has side effects which adversely affect health and safety in workplaces due to pressure not to report harm, and can lead to workers being pressured into not claiming, not receiving their full entitlements, or returning to work earlier than is good for their health. The extent of benefits is contested internationally, but any benefits are outweighed by these disadvantages.
- 1.5. We have consistently argued that the history of levy reductions demonstrates that extreme caution should be taken in setting levies to ensure that funding shortages do not drive reductions in entitlements and that instability in levies and funding do not undermine confidence in the scheme. We have also argued for a generous prudential margin.
- 1.6. We have also noted previously that the cost of restoring fairness (both in terms of entitlements and the administration of them) should be factored into the projected ACC costs, in particular in relation to: the requirement in ILO Convention 17 that all necessary treatment should be provided for people who are injured in accidents at no cost to the injured person; and the requirement in ILO Convention 42 to provide the same compensation to

workers incapacitated by occupational disease as is provided to workers incapacitated by industrial accidents.

- 1.7. The CTU has supported enhancements to the scheme such as: cover for a mental injury caused by exposure to a sudden traumatic event in the course of employment; changes to the provisions for work-related gradual process, disease, and infection, to provide more clarity around whether cover is available and how it is determined, and to remove some existing barriers to cover; changes that allow greater flexibility to amend the list of occupational diseases provided in schedule 2; removal of the age-limits for eligibility for vocational rehabilitation; and better compensation for seasonal workers. These changes are fully justified. For instance, we believe that the greater support for occupational disease treatment indicates that there have been and still are significant costs for workers who suffer from occupational disease. We are concerned at the loss of entitlements in the last four years.
- 1.8. While we support a generous prudential margin we do not support full funding to cover the lifetime costs of treatment and rehabilitation and have repeatedly expressed our concerns that its requirements had led to much higher levies than would otherwise be required. The scheme now appears suddenly to be in the position that full funding has been reached in all but the Motor Vehicle Account, which is only two years from full funding. Our concern is now that this is in part a result of the reduction in entitlements, more “black letter” administration of entitlements to the detriment of claimants and confidence in the scheme, and unduly rushed rehabilitation.
- 1.9. We are also very aware of how volatile the Corporation’s apparent financial position can appear. Changes in investment valuations and returns and changes in discount rates all have the ability to create major variations in its paper position from year to year and even over shorter periods. In the recent past that has been used to justify higher levies, increased pressure on claimants and reduced entitlements.
- 1.10. The CTU takes an interest in all of the ACC Accounts but in particular the Work, Residual and Earner Accounts.

- 1.11. Workplace health and safety is a core issue for unions and workers. In the context of ACC levies, reducing workplace injuries and occupational disease is not only a matter of safe workplaces and prevention of injury or death, but also a way to contain costs and hence levy increases. Both the tragedy of Pike River and the Independent Taskforce on Workplace Health and Safety have highlighted the appalling state of health and safety in New Zealand workplaces. ACC will be intimately involved in the implementation of the recommendations, particularly those from the Independent Taskforce. We urge the Corporation to ensure its actions take account of the full intent and package of recommendations in the Taskforce's report and the Government's "Working Safer" implementation document, and in particular ensure its activities are coherent with the strategies and approaches adopted by WorkSafe and the new Workplace Health and Safety strategy to be developed. That goes beyond the current predominant focus in injury prevention of reducing the costs of claims, although of course any reduction in injury and occupational disease will lead to savings to ACC and the health and welfare system more generally.
- 1.12. The CTU with the support of ACC is a major provider of workplace health and safety training. The primary motivation of this training is to reduce the numbers of deaths and injuries of workers. But effective training that can reduce the incidence of injury also contributes towards minimising the costs of accident compensation. Due to funding cuts, training has had to be reduced whereas in fact the need is for increased provision to reduce injuries. Changes are needed in the light of the above reviews which give greater recognition and expanded roles to health and safety representatives and workers generally. The CTU supports a review of the health and safety representative training programme with the objective of providing an expanded programme.

2. Injury Prevention

- 2.1. In previous years we repeatedly stated our concern that, given New Zealand's poor work health and safety record, the Corporation's spending on injury prevention was too small and steadily reducing.

- 2.2. We are very pleased to see that it is projecting an increase in overall injury prevention spending in this financial year from \$22.4 million in 2012/13 to a forecast \$40 million in 2013/14. The spending on workplace injury prevention is to rise from \$10.0 million for 2012/13 (reported in last year's Levy Consultation documents) to \$15.3 million this financial year and \$20.9 million in 2014/15 according to the current Work Account consultation document. It appears that spending from the Work Account, Motor Vehicle Account and Earners Account on injury prevention will total \$57.1 million in 2014/15, again a very welcome increase.
- 2.3. We note however that in real terms – that is, after CPI inflation – even \$40 million is less than the levels spent in 2007/08 and 2008/09: in March 2013 dollars it is \$39.4 million in 2013/14 compared to \$44.8 million and \$43.1 million in 2007/08 and 2008/09 respectively (using Reserve Bank inflation forecasts).
- 2.4. A substantial increase is thus well over due, particularly given New Zealand's continuing high injury rates, the renewed emphasis being placed on workplace health and safety, and the long term effort required to see the results from injury prevention work. We urge the Corporation to make a further substantial increase, particularly with regard to work-related injuries and occupational disease.
- 2.5. While greater spending is needed, it also must be properly directed. We understand that injury prevention spending will be undertaken in close consultation with WorkSafe, and strongly support that. It must also be consistent with WorkSafe's strategies and priorities as they develop, and with the new workplace health and safety strategy when it comes into being.
- 2.6. In the past, the Corporation has taken a far too literal and short term interpretation of one of its 'primary functions', to "promote measures to reduce the incidence and severity of personal injury" (s.263(1) of the Accident Compensation Act 2001).
- 2.7. We urge the Corporation to take a much broader view.

- 2.8. The requirement under s.263(3) that “the Corporation must undertake or fund such measures only if (a) satisfied that such measures are likely to result in a cost-effective reduction in actual or projected levy rates...” clearly does not require a narrow approach, as is indicated by the fact that under s.263(2) it can undertake a wide variety of preventative activities such as research, campaigns, exhibitions, and the promotion of safety management practices which are unlikely to have identifiable effects on levy rates in any limited time period, but are likely to over a longer time. There are many such activities that need to be undertaken.
- 2.9. There is ample room for an increase in injury prevention spending by decreasing levies by only slightly less than proposed, or by being less extravagant in increasing reserve levels above their already excessive targets.

3. Experience rating

- 3.1. The CTU did not support the introduction of experience rating in 2011 on the basis that it is likely to have adverse results for workers. The proposed extension to the experience rating loading on individual businesses is likely to increase the pressure on these businesses, which may result in even more severe problems.
- 3.2. Experience rating applies to larger businesses (those which pay a levy of \$10,000 or more per year) which are not in the Accredited Employers Programme. Those subject to experience rating were estimated to cover 31 percent of liable earnings, so it is likely approximately a third of workers are affected by it. The scheme judges employers’ safety on the basis of three years of claims ending two years before the current year (e.g. the three years to March 2012 for the current year end March 2014).
- 3.3. Employers can have their levies discounted by up to 50 percent or loaded by up to 50 percent based on their performance over those three years.
- 3.4. The Corporation proposes to increase the loading to 75 percent, while leaving the discount at 50 percent. In fact the loading has two parts. One of

15 percentage points is related to the industry the employer is in, reflecting its performance relative to others in its 'levy risk group'. The remaining 35 percentage points reflect the individual employer's performance relative to their industry.

- 3.5. It is this second part that the individual employer has most control over and which ACC proposes to increase from 35 percent to 60 percent – an even larger proportionate increase than the headline 50 percent to 75 percent.
- 3.6. It is also in this second part that the main dangers in experience rating reside.
- 3.7. ACC says it is making this proposal in part because it would increase the incentives to “businesses with worse-than-average claims experience to improve their workplace safety performance”.
- 3.8. It says the proposal is also because the proposed reduction in the levies would “reduce the absolute amount of any loading and consequently the financial incentive” for better safety performance.
- 3.9. If the reasoning is based in part on recommendations for stronger incentives in levies by the Independent Taskforce on Workplace Health and Safety, it should be noted that it also recommended stronger lead indicators as well as lag indicators. The CTU is concerned that there is no proposal to strengthen lead indicators. Such indicators are critically important because they are more likely to result in the introduction of tangible injury prevention measures. The Taskforce recommended a more effective risk and performance rating levy regime, but said that such a regime should have specific measures developed in cooperation with industries to counter any avoidance and evasion practices. These recommendations do not appear to have been considered.
- 3.10. We do not believe a proposal like this one by the Corporation should be made in such an ad hoc way, apparently strongly influenced by the reduction in levies. It should, as the Taskforce recommended, be undertaken with due care as to the side effects and to the most effective design.

- 3.11. An important prerequisite before changing such a scheme – and especially before intensifying its incentives – is to determine whether it has been having the desired effects and whether it has been having any undesired side effects. However the existing scheme has not been evaluated.
- 3.12. The CTU made a request to ACC for any information the Corporation holds which evaluates its experience rating scheme since its inception. We were provided with an internal memo to ACC Chief Executive Ralph Stewart, on the subject ‘Experience Rating assessment’, dated 9 September 2013 (an update of one of 4 December 2012) that “...examines payments on claims incurred during the 2011/12 levy year in order to check whether an employer’s experience rating modification is a predictor of future claims experience”. The memo says that it is not possible to tell if experience rating has had an impact on claims experience nor is it possible to tell if there has been a discernible change in injury prevention efforts or return to work efforts on the part of employers.
- 3.13. In sum, ACC doesn’t know if experience rating is working in terms of reducing harm, or if it is having any adverse side effects. It therefore has no sound basis for embarking on an extension to the individual component of the experience rating loading.
- 3.14. A recent cabinet paper refers to a review of experience rating which is currently underway. The CTU is concerned that there has been no consultation with worker representatives regarding the terms of reference for the review. A lopsided review that fails to ask the relevant questions about the effect of the scheme on workers’ health and safety will lack all credibility. As well as examining the effect on rates of harm (and not simply on claim rates), it should include a full investigation of possible claims suppression; the impact of responses which encourage non-reporting such as competitions to reduce Lost Time Injuries, targets and bonuses; cost shifting to labour hire agencies and other undesirable consequences. Injury reporting and injury prevention systems would also require proper investigation.

- 3.15. In addition, the linkage of experience rating to frequency and duration of claims has caused more pressure on employers to get workers back to work faster. The creation of 'make work' jobs to get workers back on site as soon as possible was recognised as an abuse of the system in South Australia (Purse, 2012).
- 3.16. Any review in the New Zealand context should investigate worker satisfaction with the return to work process, as well as adequacy of compensation. It is worth bearing in mind that generally, financial incentive schemes worsen the overall situation of injured workers to the extent that they take money out of the compensation system and out of the hands of injured people (Aversa, 2009).
- 3.17. In ignoring the negative consequences of experience rating in the current proposal, ACC is working counter to its current objective to restore public trust and confidence. At the time of its introduction, ACC intended to ameliorate some of the potential adverse consequences of experience rating. The precise measures that may have been implemented, and any impact of these, are (at the time of writing) unknown.
- 3.18. The historical origin of experience rating systems is as an economic and marketing tool for private insurers. Safety and injury reduction are *not* the primary motivations of experience rating (Clayton, 2002). It is well covered ground that a reduction in claim numbers and duration is not the same thing as preventing injuries, and that employers may keep claim numbers down by encouraging workers not to lodge claims, or to disguise workplace injuries as non-work injuries or as a secondary claim. This issue should be subject to an in-depth review in New Zealand, as has been the case in many overseas jurisdictions.
- 3.19. Scandinavian research shows that experience rating coupled with safety inspections reduced the *number* of injuries, but it did not reduce the *severity*. This is because experience rating systems simply suppress small claims (Tompa, Trevithick & McLeod). This is supported by Netherlands research

which also suggests that "...the reduction in the incidence rate is driven by more aggressive claims management by employers..."(Koning, 2005).

- 3.20. It is generally accepted that that experience rating encourages employers to suppress claims. There is international evidence that some employers manage minor injuries outside the system, by allowing illegal practices, such as workers taking company sick leave for injuries or recovering at home with full pay (Koning, 2005).
- 3.21. It is common in New Zealand that employers manage claims by offering prizes or rewards to departments that report the lowest number of lost time injuries. Such contests reinforce the idea that reporting injuries is undesirable behaviour and needs to be actively discouraged (Aversa, 2009).
- 3.22. Even safety professionals are beginning to speak out about claims suppression. Mark Taylor, director of Safety Matters, published an article in the September issue of *Industrial Safety News* titled 'Are We Cheating On Safety?' where he concludes:

"If we continue to use these (LTI) indicators to monitor and measure safety performance and fudge them for personal gain or as ammunition for winning tender bids, I fear health and safety in general will always suffer as a result!"
- 3.23. In addition, media stories have been emerging on claims suppression. The article "McConnell Dowell workers allege 'appalling' safety culture" appeared on Stuff on 25 August this year. Former workers claimed that:

"... shift supervisors and health and safety mangers would regularly advise people to return to work on 'light duties' after accidents and say they were injured at home or playing sport so it wouldn't have to be recorded as a workplace accident."
- 3.24. Our own experience through affiliate unions and direct contact with claimants is similar and a recurring theme in some industries and firms.

- 3.25. As just one example, a recent case showed financial incentives and costs appearing to undermine the proper investigation of a work injury which was serious enough to cause the claimant significant ongoing pain and put him off work waiting for treatment to be approved. This involved a large Accredited Employer. An email provided to the claimant and his representatives as part of his claim file showed at least five non-claim related management personnel to whom it was addressed had become involved in the determination of the claim at an early stage in its investigation. The writer appeared more concerned with the possible outcomes of accepting or declining the claim than with its fair and objective investigation or the welfare of the claimant. The email weighed the possibility of declining the claim against the costs of accepting the claim, including “coverage of pay for lost time as well as any treatment costs (ongoing)”. This was despite acknowledging that a decision to decline the claim would likely be reversed on appeal.
- 3.26. In the month following this email, medical evidence was obtained by the company that fully supported acceptance of a work related injury (in the form of three medical reports). Nevertheless, a file note shows that the company elected to delay their decision and the claim was finally accepted almost three months after the evidence was available. No medical or other reasoning is evident from the file to justify that delay. In light of the above, and other aspects of the management of this case, it would seem their motivation was related to employment and financial considerations.
- 3.27. On the subject of contracting out, a recent Canadian study has found that experience rating rules create a market for outsourcing risky jobs to labour hire agencies. These agencies cannot properly manage injury prevention and return to work, and allow the avoidance of financial risk due to cost transfer, lower premium rates and influencing accident reporting practices (MacEachen et al., 2012).
- 3.28. The Experience Rating Regulations 2011 in New Zealand attribute the levy risk group to labour hire services as medium risk for labour supply services (on-hired staff – both office and non-office work – minimum 30 percent office

work). On the face of it, these agencies could absorb the experience rating costs of dangerous work, or escape it due to their size, and could attract the outsourcing of risky jobs.

- 3.29. In principle, the experience rating for labour supply services should be applied to the client employer who controls the conditions of work. This is because it is simply unconscionable to allow this cost shifting in relation to incentives that are touted as being in the interests of worker health and safety.
- 3.30. It highlights the need for a substantial rethinking of the incidence of 'employer' levies under the varied employment relationships present in New Zealand workplaces. The Government has accepted the principle of duties being placed on the 'person conducting a business or undertaking' (PCBU) in new workplace health and safety law. As recommended by the Independent Taskforce on Workplace Health and Safety (paragraph 361 of their report), consideration should be given to redesigning levies to align with these duties in order to ensure they take full account of, for example, exposure hours, contract workers, labour hire workers and casual employees.
- 3.31. Labour hire agencies in New Zealand should be investigated as part of any review to determine the appropriate levy structure for them and the extent to which they adequately monitor and engage with workplace health and safety practices at the workplaces in which their employees are expected to work.
- 3.32. Any experience rating scheme encounters the perennial problems associated with smaller employers who are less able to control workplace safety, and with long latency claims.
- 3.33. There is no cause and effect in the experience rating device for gradual process and occupational disease claims as experience rating evaluates claims rates after a short period of time that does not take into account all the costs attributable to the employer relating to significantly longer claim periods. Some of the costs (and poor performance) may in fact be attributable to a previous employer or employers.

- 3.34. In fact there may be a perverse incentive on employers to be less concerned about exposing workers to potential diseases, as the employers are unlikely to be accountable for them (Armstrong & Bunn, 2012).
- 3.35. Even when employers are found to be accountable for accidents through experience rating, they are more likely to launch a legal challenge to the worker's claim (Purse, 2012).
- 3.36. Evidence for the effectiveness of experience rating in improving health and safety performance is at best weak even though the quality of recent studies is higher than previous studies (Tompa, Cullen, & McLeod, 2012).
- 3.37. In South Australia in 2010, WorkCover decided to phase out its experience rating scheme as there had not been:
- “...much evidence that the Bonus/Penalty Scheme has either reduced injury rates or made workplaces safer. If anything it appears to have had some adverse side effects, such as encouraging stakeholders to focus excessively on claim costs, the claim costs window and coding” (Purse, 2012, p.49).
- 3.38. When weak evidence for effectiveness is weighed against the probability of harm from adverse side effects, we consider that experience rating should be abandoned. At the very least, the proposed changes should not proceed.

4. Work Levies

- 4.1. A significant reduction in the employers' levy for the Work Account is proposed. Average levies would fall from \$1.15 per \$100 liable earnings in 2013/14 to \$0.95, or by 17.0 percent in 2014/15 (excluding GST).
- 4.2. The part of the levy used to fund current year claims would fall by \$0.20 from \$0.84 per \$100 liable earnings to \$0.64 or by 24 percent and that for the residual claims portion of the Work Account stay at \$0.31. The proposed reduction is therefore completely due to funding of current year claims.

- 4.3. Regarding the levy to fund the current year (2014/15) claims, in effect the full \$0.20 fall to \$0.64 is due to the “funding adjustment” being reduced from positive \$0.05 to negative \$0.15. This is the amount required to raise ACC’s investment funds to the level required for full funding of all current claims. It is negative because of “improved” claims experience and good returns on investments.
- 4.4. The part of the levy for funding the cost of actual new claims will increase by just 2 percent (from \$0.53 in 2013/14 to \$0.54 in 2014/15). The part used to fund “scheme costs” (including administration and injury prevention) will remain static at \$0.18 and that for “incentive programme funding” (experience rating etc) will fall by 19 percent – a \$0.02 reduction to \$0.06.
- 4.5. As already mentioned we are very concerned that the reduction in levy is in part a result of increased rejection of claims and pressure put on claimants to return to work too quickly and/or to unsatisfactory jobs. In 2011 we documented our concerns extensively. They have been validated by our continuing experience and cases that have reached the news media. This is a situation that may suit employers as levy-payers, but brings the ACC system into disrepute among its primary clients – claimants and potential claimants, many of whom we represent.
- 4.6. It is a situation that undermines trust in the system and is not socially or politically sustainable.
- 4.7. We therefore do not support the reductions to the extent proposed. Instead recommendations should be made by the Corporation to the Government to broaden entitlements and restore previous cuts, and the Corporation should review its practices which require claimants to take unsatisfactory jobs and/or return to work before they are ready, and which take a narrow view of the interpretation of entitlements.
- 4.8. For the last two years we have expressed our opposition to the proposal to build up reserves beyond what is strictly needed for full funding. In the case of the Work Account, it is policy for reserves to rise to 117.5 percent of funding requirements, and then operate within a band of 100 to 140 percent

of requirements. While we understand the risk considerations that have led to this policy, the additional 17.5 percent is in practical terms yet another unnecessary loading on levies. Running the large reserves that have been built up for full funding at between 82.5 percent and 120 percent of actuarial requirements would entail a tiny to vanishing risk of the Corporation running out of money (which is in any case guaranteed by the government).

- 4.9. We note that the present proposal is to exceed even the 117.5 percent and for reserves to rise to 125 percent by 2019 and reduce only slowly, being projected to be at 124 percent in 2022.
- 4.10. Even in terms of the Corporation's own rationale, this appears excessive and unnecessary and we oppose it. The funding raised for this purpose could and should be used to improve rehabilitation, compensation and injury prevention.

5. Earner Levies

- 5.1. The proposal is for the Earners' Levy to fall by 15 percent from \$1.48 in 2013/14 to \$1.26 in 2014/15 (excluding GST) for every \$100 of liable earnings. Again, the \$0.22 fall is due to a large fall in the funding adjustment, by \$0.26 – from \$0.24 to a negative \$0.02. The part of the levy to fund new claims increases from \$0.91 to \$0.95 or 3.9 percent.
- 5.2. We support the proposed rise from \$14.5 million to \$21.0 million for injury prevention.
- 5.3. Reserves in this Account are proposed to rise to 115.5 percent of funding requirements, and then operate within a band of 100 to 135 percent of requirements (though the forecast is for them to peak at 114 percent).
- 5.4. In fact it is already at 119 percent and is projected to rise to 123 percent of funding requirements before falling gradually, but even in 2022 it will still be at 117 percent of requirements. Again, we submit that this funding could be better used.
- 5.5. We have similar concerns about the funding policies to those we hold regarding the Work Account.

6. Motor Vehicle Levies

- 6.1. The proposal is for the average Motor Vehicle Levy to fall by 15 percent to \$280.00 from \$330.68. Most of the reduction is, as for the Work Account, a result of a decrease in the 'funding adjustment' from \$112.27 to \$58.10. The funding adjustment increased by 20 percent in the 2012/13 year, showing the volatility in the calculation of this element.
- 6.2. The portion to fund the cost of claims during the current year rises by 3.4 percent and that to fund scheme costs falls by 1 percent.
- 6.3. However it is also proposed to introduce risk-rating of cars based on the safety of the make and model of vehicle. For example, the petrol-powered vehicles rated as having the lowest risk would pay a levy of \$98.65 while those with the highest risk-rating would pay \$198.65, which is the same levy as the current year. Similar reductions in dollar terms would apply for non-petrol powered (including pure electric) vehicles such as an approximate \$100 reduction for the lowest risk-rated vehicles (\$222.53 compared to \$321.59).
- 6.4. We support moves to increase the safety of our vehicle fleet. We do have concerns that these risk-rated levies will tend to hardest hit low-income people who cannot afford newer cars which have lower risk-rating. While we understand the Corporation has investigated this, and recognise that levies will not increase for even the highest risk-ratings, we urge that this situation be monitored for indications that it is leading to hardship.
- 6.5. We also suggest that the Corporation utilise its experience with motor vehicle related injuries by collecting information that would contribute to increasing the accuracy of risk-rating of the vehicles on New Zealand roads.
- 6.6. Motorcycle levies (mopeds, and motorcycles under and over 600cc) are proposed to remain unchanged.

- 6.7. Also proposed to be unchanged are the motorcycle safety levy introduced in 2010 at \$30, the petrol levy at 9.90 cents per litre, and the residual portion of the levies, for injuries that occurred before July 1999, at \$77.07.
- 6.8. Reserves in this Account are further behind full funding than the other accounts, and are proposed to rise to 116 percent of funding requirements, and then operate within a band of 100 to 140 percent of requirements. We note that, unlike the Work Account, the proposal is to rise just to that 116 percent target.
- 6.9. We have similar concerns about these funding policies to those we hold regarding the Work Account.

7. Conclusion

- 7.1. We are strong supporters of the no fault ACC scheme and its principles of prevention, rehabilitation and compensation, and of it being one of the community responsibility mechanisms that government can provide and do so more efficiently than the private sector. We are concerned however at a number of the developments that are eroding these strengths and unnecessarily affecting both the level and potential volatility of levies.
- 7.2. We oppose experience rating for sound reasons which are founded in both our own experience and research. We do not support the proposal to intensify it.
- 7.3. We are particularly concerned at the aggressive approach being taken to claims entitlements and to rehabilitation.
- 7.4. We are pleased to see the increase in funding for injury prevention and urge further increases with careful consideration as to how it is spent, in line with workplace health and safety strategies generally.
- 7.5. We have noted that we believe full funding policies and the proposals related to them are unnecessary and costly and the funding could be better spent elsewhere.

- 7.6. We support reductions in levies, but not to the extent proposed given the concerns we have presented about rushed rehabilitation, denial of claims and still underfunded injury prevention. Money could be well spent on improvements to the ACC scheme and restoration of entitlements.

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