



**Submission to
Accident Compensation Corporation
On the 2018 Levy Consultation Proposals
For the 2019-2021 Levy Period**

Date: 25 October 2018

Tourism Industry Aotearoa (TIA) welcomes the opportunity to comment on the ACC 2018 Levy Consultation Proposals for the 2019-2021 Levy Period.

This submission is filed without prejudice to TIA's future position. Our ability to prepare a comprehensive submission responding to the consultation document relied on the provision by Accident Compensation Corporation (ACC) of information relevant to the connection between the consultation document and the benefits that would accrue. If any information is provided at a later date, TIA reserve the right to comment further.

EXECUTIVE SUMMARY

1. TIA welcomes the reduction in the proposed work levy rates for most ACC risk levy groups involved in tourism.
2. ACC needs to improve its provision of detailed data to support recommendations of increasing work levies. Without this information, we cannot determine whether the change is fair and equitable.
3. ACC should improve its stakeholder management processes. For some years now TIA has requested improvements in ACC consultation and stakeholder management. However, there appear to be few gains made.

INTRODUCTION

4. Tourism Industry Aotearoa (TIA) is the peak body for the tourism industry in New Zealand. With around 1,600 members, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure and other activities, attractions and retail, airports and airlines, transport, as well as related tourism services.
5. The primary role of TIA is to be the voice of the tourism industry. This includes working for members on advocacy, policy, communication, events, membership and business capability. The team is based in Wellington and is led by Chief Executive, Chris Roberts.
6. Any enquiries relating to this paper should in the first instance be referred to Steve Hanrahan, TIA Advocacy Manager, at steve.hanrahan@tia.org.nz or by phone on 027 9122 624.

COMMENT

Tourism 2025

7. [Tourism 2025](#), an industry-led, government supported economic growth framework was launched in New Zealand in 2014 and has set an aspirational goal of reaching \$41 billion in annual tourism revenues by 2025. The industry's focus is on growing value faster than volume.

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8. The Tourism 2025 growth framework is based around five key themes which are Insight, Connectivity, Productivity, Visitor Experience and Target for Value. This growth framework was reviewed ([Tourism 2025-two years on](#)) in 2016. While the five themes of the framework remain unchanged, the emphasis in some focus areas has shifted. This year, TIA is working on a Tourism 2025 reset that includes: integrating sustainable tourism, in particular the Tourism Sustainability Commitment; articulating a longer-term view of tourism in coordination with central government; and identifying new priority actions to be addressed over the next 1-3 years.

Our understanding of the issue

9. ACC covers everyone in New Zealand who is injured in an accident, regardless of who is responsible for causing it, including visitors to New Zealand. New Zealanders pay into the ACC scheme in different ways through levies, such as levies on liable earnings through personal and business income, and petrol and vehicle registration. ACC also receives Government funding.
10. The levies paid are distributed into five accounts, and each account covers a specific group of injuries and related treatment costs. These accounts operate independently and cannot cross-subsidise each other.
 - a. Work Account – for injuries that happen at work
 - b. Earners’ Account – for injuries that happen during everyday activities
 - c. Motor Vehicle Account - for people injured on public roads involving a moving vehicle
 - d. Non-earners Account - e.g. children, super annuitants, beneficiaries, students, or visitors to New Zealand
 - e. Treatment Injury Account – funds injuries that are caused by medical treatment
11. ACC rates are determined by the number and severity of accidents ACC treats, and the costs involved in that treatment. Other factors affect levy rates too. For example, the riskier the industry the more expensive the Work Account levy becomes. Economic factors, such as changes to interest rates and share market movements, can also have a big impact on the levy rates.
12. ACC is consulting on its levies for the 2019-2021 Levy Period. ACC is experiencing several pressures on its system, such as the growth in the number of claims for injuries, the introduction of free doctor visits for under 14s and the increase in weekly compensation claims.
13. ACC is offsetting growing costs through a number of programmes including investment in injury prevention, and modernising the way ACC works.
14. ACC are proposing to decrease the average Work Levy by 6.9% (reducing from \$0.72 to \$0.67 per \$100 of liable earnings). The main reason for this decrease is that ACC currently has more money in reserves than it needs to cover the costs of work injuries

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already on its books. The projected solvency ratio at the start of the 2019-2021 levy period is 118% and ACC needs to get back to its 105% target.

Previous consultations

15. As noted in previous submissions on levy consultation made by TIA, there were significant levy increases in 2010/11 and 2011/12 which were felt hard by the tourism industry, a situation that was compounded by a challenging trading period.
16. In its 2016 submission, TIA welcomed the reduction in proposed levies for most ACC levy risk groups involved in tourism. We believe the reduction acknowledges the significant work the tourism industry has done to better manage workplace safety.
17. At the time we also noted our disappointment that there was a lack of industry consultation and engagement with the tourism industry in regards to proposed fee increases, despite its own commitment to do so. Unfortunately this situation has not improved in this recent round of consultation.

Some tourism operators will see increases in ACC levies

18. TIA members represent 22 key Levy Classification Units. Although most operators will see a reduction in Work Levy Rates or Self-employed CoverPlus Extra Rates (per \$100 payroll), there are some operators that will see an increase. The main classification increase is the Alpine and White Water Recreation Activities (Levy Risk Group 917; CU 93410). Operators under this classification will see an increase in Work Levy, from \$2.62 (2018/19) to \$2.68 (2019/21) per \$100 payroll (+2.3%). The Self-employed CoverPlus Extra Rate will increase from \$3.25 (2018/19) to \$3.36 (2019/21) per \$100 payroll (+3.4%)
19. Although this may appear to be a small increase in percentage terms, ACC has not provided any detailed data to support the recommendation to increase this levy. While we acknowledge that ACC classifies them as a medium-high risk group, without consultation or further information we cannot determine whether these changes are fair and equitable based on evidence.
20. The Alpine and White Water sector operate under strict adventure safety rules and guidelines. These operators are continually making gains in safety levels and commitment to reducing accident rates. Regardless of this they are one of a small number to see ACC levies increase.
21. We are pleased to see that tourism air operators, such as skydiving operators, who continuously have seen their ACC levies increase year after year, will see a reduction in ACC levies for the 2019-2021 ACC levy period. For some operators, this reduction is quite substantial – for example, Air Operations (133 or 135 and 101, 103-106, 115; CU 64040 and 64050) will see a 25% decrease in ACC Work Levy rates. Others, for example Air Transport (125) (CU 64010) will only see a small decrease in ACC Work Levy Rates (-2%).

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Motor vehicle levy to increase by 12.1%

22. The motor vehicle levy will increase on average by 12.1% (from \$113.94 to \$127.68). The rationale for this includes increased social rehabilitation costs of road crash victims following accidents, an increase in lifetime costs of treating injuries and a higher volume of compensation claims than expected.
23. The increase in registration costs will be felt by members with larger fleets, such as rental vehicle operators. These operators will most likely pass these costs on to their clients, resulting in higher costs for visitors to rent a vehicle. Although the motor vehicle levy will increase, the proposed new levy fee is still lower than what it was in 2016.

Follow up process

24. TIA wishes to participate further in any follow-up process, including any formal meetings, to ensure that the potential impacts on tourism are adequately represented.

BACKGROUND

25. Tourism for New Zealand is big business as the country's largest export sector. It is a major contributor to the New Zealand economy that will always be here and won't easily go offshore. Tourism takes the lead in promoting New Zealand to the world. The brand positioning built by a vibrant tourism industry has become an important source of national confidence and identity and a front window for "Brand New Zealand". Indeed, the clean and pure offer that is synonymous with New Zealand tourism has been widely adopted and used to promote New Zealand exports in a range of other industries as well.
26. The tourism industry delivers the following value to New Zealand's economy:
- Tourism in New Zealand is a \$99 million per day and \$36 billion a year industry. Tourism delivers around \$40 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another \$59 million in economic activity every day.
 - The tourism industry directly and indirectly supports 14.5% of the total number of people employed in New Zealand. That means 399,150 people are working in the visitor economy.
 - Tourism is New Zealand's biggest export industry, earning \$14.5 billion or 20.7% of New Zealand's foreign exchange earnings (year ended March 2017).

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