



**Submission to ACC  
on the  
ACC levy consultation 2017/18 - 2018/19**

**Date: 19 October 2016**

**TOURISM INDUSTRY AOTEAROA**

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Tourism Industry Aotearoa (TIA) welcomes the opportunity to comment on the proposed levy rate changes set out in the ACC Levy Consultation 2017/18 – 2018/19.

## EXECUTIVE SUMMARY

1. TIA welcomes the reduction in proposed levies for most ACC risk levy groups involved in tourism. We believe the reduction acknowledges the significant work the tourism industry has done to better manage workplace safety.
2. ACC need to provide detailed data to support their recommendations of increasing or reducing work levies. Without this information, we cannot determine whether the change is fair and equitable.
3. TIA is greatly disappointed to see that despite the existing positive relationship ACC has with the tourism industry and despite its own commitment to do so, it has not consulted with the operators that will see an increase in ACC levies.
4. ACC talks a lot about consulting and making improvements, but does not provide any detailed data to support their recommendations or concrete proposals for businesses to comment on. TIA urges ACC to consult on actual proposals and to include detailed data and examples to demonstrate these proposals including potential costs and benefits. This would provide businesses the opportunity to determine whether the changes are fair and equitable on the basis of evidence.

## INTRODUCTION

5. Tourism Industry Aotearoa (TIA) is the peak body for the tourism industry in New Zealand. With over 1,500 members, TIA represents a range of tourism-related activities including hospitality, accommodation, adventure and activities, attractions and retail, airports and airlines, as well as related tourism services.
6. 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.
7. Any enquiries relating to this paper should in the first instance be referred to Nienke van Dijken, TIA Policy Analyst at [nienke.vandijken@tia.org.nz](mailto:nienke.vandijken@tia.org.nz) or by phone on 04 494 1842.

## COMMENT

### Tourism 2025

8. Tourism 2025 ([www.tourism2025.org.nz](http://www.tourism2025.org.nz)), 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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9. The Tourism 2025 framework is based around five key themes which are insight, connectivity, productivity, visitor experience and target for value.
10. This framework has recently been reviewed ([Tourism 2025-two years on](#)). While the five themes of the framework remain unchanged, the emphasis in some focus areas has shifted.

### General

11. Over the last couple of years, TIA and its members have tried to develop a good working relationship with ACC. This engagement has helped TIA and its members to better understand the ACC system and how they can better manage their workplace risks.
12. As noted in previous submissions on levy consultation made by TIA, there have been quite 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.
13. In last year's submission on ACC levies, one of TIA's recommendations was:

*TIA feels that it is important for ACC to better engage with the wider tourism industry and future consultation with the tourism industry is encouraged, especially if the proposed levy change means an increase to a classification unit.*

14. ACC's feedback on this specific recommendation was:

*ACC acknowledges that it should have been more proactive with all members of the tourism industry on this matter, whilst making it aware that the consultation period is the most appropriate forum to provide feedback.<sup>1</sup>*

15. This year, the tourism air operators that were significantly affected last year are again heavily being impacted by a significant increase in levy fees. When TIA asked what was done differently this year and whether ACC had actually been more proactive with affected tourism operators, the reply from ACC was:

*From the staff I've spoken to, ACC has not approached affected customers about the increase in levy rate or approached tourism operators and nothing has been done differently than last year for consultation.<sup>2</sup>*

16. TIA is strongly disappointed to see that despite the existing positive relationship ACC has with the tourism industry and despite its own commitment to do so, it has not consulted with these affected operators.

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<sup>1</sup> The Levy Consultation Team (email, 21 December, 2015)

<sup>2</sup> Sue Walton, Relationship manager – Intermediaries, ACC (email, 12 October, 2016)

17. This lack of transparency and consultation in the ACC levy consultation, year after year, is appalling.
18. ACC talks a lot about consulting and making improvements, but does not provide any detailed data to support their recommendations or concrete proposals for businesses to comment on. TIA urges ACC to consult on actual proposals and to include detailed data and examples to demonstrate these proposals including potential costs and benefits. This would provide businesses the opportunity to determine whether the changes are fair and equitable on the basis of evidence.

### **Levy Consultation Process changing from yearly to biannual**

#### Our understanding of the issue

19. TIA understands that ACC will still go through the levy consultation process on an annual basis but will only adjust the levy accounts on a two-yearly cycle. ACC will recommend a single 'average levy rate' for each Account and apply that for the two years.
20. In exceptional circumstances, such as if the ACC Accounts' financial position changes significantly and impacts the sustainability of the scheme, the ACC Board and Government may decide to recommend that levies be re-set for the second year of the levy period. In this case the ACC Board will consult on and recommend new average levy rates in between the two years.

#### Impact on tourism industry

21. Changing the ACC Levy Consultation Process from yearly to biannual will give members an element of certainty over their ACC spend.
22. The Work Levy had been tracking downwards over the last three years except for the 2015-16 financial year. ACC increased the Work Levy on average by 28% for higher risk industries. As an example, the "93400 Amusement and Recreation" levy classification increased by 27%.
23. For the next two years, ACC is proposing a spread ranging from a 27% saving to a 16% increase across the levy codes most relevant to TIA members. Having this locked in for a two year cycle could be of benefit to some operators, but others such as air operators will see an increase in their cost base.
24. It is unclear whether this change prevents ACC from introducing new initiatives/changes or amend existing products during the two year cycle that have not come through the consultation process.

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## Recommendation

25. ACC should clarify whether new initiatives can be introduced or existing schemes can be modified outside the two-yearly consultation process.

### **Work levy to decrease on average by 10%**

#### Our understanding of the issue

26. ACC are proposing to decrease the Work Levy by 10% on average (reducing from \$0.80 to \$0.72 per \$100 of payroll). This is despite the fact that workplace claims increased by 2.2%. This increase is made up of an increase in claim frequency and the time taking to rehabilitate workers. ACC have been able to offset the increase in claims with favourable investment returns resulting in the Work Levy decreasing. The increase in claims is what in part is driving ACC's position on aligning the health & safety discount schemes to be more outcome focused.

#### Impact on tourism industry

27. TIA members represent 22 key Levy Classification Units. Although many tourism operators will see a reduction in Work Levy Rates (per \$100 payroll), there are operators that will see a hefty increase, including but not limited to:

- a. Air Operations (133 or 135 and 101, 103-106, 115)(CU: 64040 & 64050)  
+16.3%
- b. Air Transport (125) (CU: 64010): +6.8%
- c. Transport (CU: 65090): +4.2%

28. ACC has not provided any detailed data to support their recommendation of changing the work levy. As such we cannot determine whether these changes fair and equitable based on evidence.

29. TIA is informed by its member tourism air operators such as skydiving operators that they have continually made gains in safety levels and commitment to reducing accident rates. Regardless of this, they keep seeing their ACC levies increase year after year.

30. Tourism air operators are also concerned to see their activities being lumped into the same class as other air operators. For example, parachuting has been a leader in safety standards for years and is unfairly lumped in with other aviation activities that have a much higher injury rate.

## Recommendations

31. TIA welcomes the reduction in proposed levies for most ACC risk levy groups involved in tourism. We believe the reduction acknowledges the significant work the tourism industry has done to better manage workplace safety.

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32. ACC need to provide detailed data to support their recommendations of increasing or reducing work levies. Without this information, we cannot determine whether the change is fair and equitable.
33. ACC should recognise the efforts, gains and commitment made by tourism air operators in safety levels and this should be reflected in a decrease in ACC levy rates; not an increase.
34. ACC should re-assess their air operator classifications to make sure that aviation activities with very different injury rates are not being lumped into the same class.

### **Changes to the Health & Safety Discount Scheme**

#### Our understanding of the issue

35. TIA understands that from 1 April 2017, Workplace Safety Discounts (WSD) and Workplace Safety Management Practices (WSMP) schemes will discontinue. ACC is providing the opportunity for all eligible businesses to apply to extend their contract through to 2019 (but no later than 30 June 2019).
36. ACC is developing a three-pronged approach to how they will help businesses create healthy and safe workplaces:
- Align initiatives designed to stop workplace injuries happening.
  - Introduce incentives that will encourage businesses to invest in health and safety.
  - Focus on levy-based rewards for businesses that reduce the number and severity of their workplace accidents and support the rehabilitation of their workers.
37. The current discount schemes primary focus is on compliance rather than outcomes. This focus has failed to meet the objectives of reducing incident numbers. Occupational Health will be a key focus of any new scheme.

#### Impact on tourism industry

38. This change impacts all members who are already in one of the two schemes and it impacts those considering applying for either scheme.

#### Recommendations

39. We recommend that ACC provides clearer guidelines as to when a new scheme is likely to be introduced and how this will interact with the incumbent schemes.
40. ACC should provide clearer guidelines on how it intends to formalise a new scheme. For instance, is ACC anticipating that the Safety Star Rating Scheme (which has been piloted) will form the basis of a new scheme? Is ACC intending to create a completely new scheme?

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## **Proposed changes to the Experience Rating Scheme**

### Our understanding of the issue

41. ACC's focus will be on creating healthy and safe workplaces and this will include occupational health as a key area. ACC wants to align initiatives designed to stop workplace injuries happening with new incentives that will encourage businesses to invest in health and safety improvements. Furthermore, ACC wants to reward businesses that reduce the number and severity of their workplace accidents.
42. The existing Experience Rating scheme came into place on 1 April 2011. A common downfall of this scheme is the lack of responsiveness on the rating as a result of businesses making changes to reduce the risk of injury. There is currently an 18 month time lag before a claim shows up on Experience Rating.
43. The proposed changes will remove the use of the Industry Modifier that currently makes up 15% of the 75% penalty or loading and 15% of the 50% discount. The Industry Modifier prevented the maximum discount of 50% being attainable (arguably 40% is not attainable either). This provides a misleading framework for businesses as ACC is sharing an incentive that cannot in fact be achieved.

### Impact on tourism industry

44. The impact on tourism operators has to be balanced by the lack of understanding of the existing scheme. Most employers do not understand the Experience Rating framework well enough as it is. This challenges the premise on which the scheme was built being a motivating tool for businesses to take ownership over their claim activity. For this to be the case, business owners have to understand it before it becomes a motivator. Equally the current scheme is not transparent as ACC does not share the full data on how the Experience Rating is calculated.
45. ACC's wording that they wish to encourage businesses to invest more in health and safety can be interpreted that compliance costs will increase. What does this actually mean in practice? What specifically does ACC want businesses to invest in? Will the focus be on occupational health including pre-employment testing and health monitoring?
46. Changing the levy period (as proposed) can be both positive and negative. Positive because any positive behaviour in claims and claim duration will improve that business' rating. A negative is any adverse behaviour will directly relate to a worse rating. The net result is greater volatility in the rating.

### Recommendations

47. For the Experience Rating scheme to be used by ACC as a motivating tool it does need to be modified (simplified). Businesses have to buy into the scheme in order for it to be a motivator. This means a business has to understand it.

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48. The Experience Rating scheme needs to have clear rating bands whereby a business has clear expectations that if event A happens, this will result in outcome B on their Experience Rating. This will allow for clear objectives to be set (a requirement under the current WSMP and proposed Safety Star Rating Scheme) which can be measured and monitored.
49. The Experience Rating scheme should focus solely on the business without being compared to their wider risk group. A business has no control or influence on the wider risk group so why use it as a measurement tool?

### **Proposed Discount Programme to replace the WSD/WSMP**

#### Our understanding of the issue

50. The uptake of the current WSD and WSMP was at less than 2% of businesses that are eligible. The WSD and WSMP will stop for new entrants from 1 April 2017. Existing clients will run the course of their savings period. ACC has indicated that a new scheme(s) will take its place and that occupational health will be a focus, as will rewarding businesses who reduce their incident rates and manage the return-to-work better. It is unclear of what timeframe ACC is tending to do this.

#### Impact on tourism industry

51. ACC has not got a new scheme(s) to replace the WSD and WSMP. If a business has not got the accreditation in place than it is unsure of when a new scheme will be launched i.e. will it commence from 1 April 2017 in-line with the current schemes finishing?
52. This may be unfavourable to a number of members who were looking to enter into the scheme but now find themselves in a position where they cannot and have no clarity of what the alternative will be or timeframes of when this will be introduced.
53. Under the old framework, ACC tailored the WSD specifically for smaller employers. It is unclear whether this is likely to happen under the new scheme.
54. There has not been any clarity provided on how a new scheme will operate in conjunction with the old framework. Is ACC's intent to run two schemes or migrate the old scheme into the new framework?

#### Recommendations

55. It will be advantageous for ACC to share further information on how any new scheme will impact employers. This should include timelines, transition periods, etc.
56. As mentioned before, the uptake of the current WSD and WSMP was at less than 2% of businesses that are eligible. ACC should share further information of what it is

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trying to achieve, detailed examples of how new proposals would affect businesses and indicate how the new proposal will improve overall outcomes.

## **Reductions in Motor Vehicle and Petrol Levies**

### Our understanding of the issue

57. The motor vehicle levy (motor vehicle licence fee) will reduce on average by 13% (reducing from \$130.26 to \$113.94). The petrol levy will reduce by 13% (reducing from \$0.069 to \$0.06 per litre). These changes will be in place for the new two-year cycle.

58. The Motor Vehicle Account covers all claims on public roads involving vehicles. Injuries involving vehicles such as quad bikes, tractors and off-road bikes (not on public roads) are covered by the Work Accounts.

### Impact on tourism industry

59. The savings in registration costs will be welcome to members with larger fleets.

60. The cost of motor vehicle claims (work, non-work) is met out of the motor vehicle account. The motor vehicle account is not subject to experience rating meaning that claims relating to motor vehicles should not be loaded against an employer.

61. ACC have advised that "Work Related Motor Vehicle Account claims do not count under the Work Account Experience Rating. However, there are some circumstances that could change the classification. These are around who supplied the motor vehicle e.g. employer supplied/owned or public transport (bus/taxi), also is the injured person/employee the driver or a passenger? Depending on this, it could alter the classification of injury costs between the Motor Vehicle and Work Account and that would follow that Experience Rating may also be impacted.

62. Businesses would not know that 'some' motor vehicle related claims should not sit under their Experience Rating. ACC rules are ambiguous in this space and will benefit from being clarified.

### Recommendations

63. ACC should clarify its position on what motor vehicle claims sit under the Work Account and which sit under the Motor Vehicle Account.

64. ACC should clarify its position on the escalation process should a motor vehicle claim be allocated incorrectly to the Work Account and thereby impacting a business' Experience Rating.

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## **Earners Levy to increase by 3%**

### Our understanding of the issue

65. ACC are proposing to increase the Earners Levy by 3% (increasing from \$1.21 to \$1.25 per \$100 of payroll). The rationale for this is that there was a 6.2% increase in claims cost that ACC did not anticipate.
66. From 1 April 2018, ACC also wants to align the Earners' Levy Regulations with the PAYE rule changes. This is on the back of Cabinet agreeing to make some changes to PAYE and GST as part of the 'Making Tax Simpler' consultation.

### Impact on tourism industry

67. The ACC impact will not be noticed by employers other than a small increase in the PAYE due each month however that will be offset by a corresponding reduction in net wages. Employees will notice a small decrease in take home pay.

### Recommendation

68. As hardly any employee in New Zealand is aware that they will see a small decrease in take home pay, we strongly suggest ACC would communicate this better to employees before this change is formalised..

### FOLLOW-UP PROCESS

69. 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.

### CONCLUSION

70. TIA welcomes the reduction in proposed levies for most ACC risk levy groups involved in tourism. We believe the reduction acknowledges the significant work the tourism industry has done to better manage workplace safety.
71. ACC need to provide detailed data to support their recommendations of increasing or reducing work levies. Without this information, we cannot determine whether the change is fair and equitable.
72. TIA is greatly disappointed to see that despite the existing positive relationship ACC has with the tourism industry and despite its own commitment to do so, it has not consulted with the operators that will see an increase in ACC levies.
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benefits. This would provide businesses the opportunity to determine whether the changes are fair and equitable on the basis of evidence.

## BACKGROUND

74. 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.

75. The tourism industry delivers the following value to New Zealand's economy:

- Tourism in New Zealand is a \$81.6 million per day and \$29.8 billion a year industry.
- The tourism industry directly and indirectly supports 12.1% of the total number of people employed in New Zealand. That means 295,908 people – one in eight – are working in the visitor economy.
- Tourism is one of New Zealand's biggest export industries, earning \$11.8 billion or 17.4% of New Zealand's foreign exchange earnings (year ended March 2015).

End.

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