



**Submission to
Accident Compensation Corporation
on the
Levy Consultation 2016/17**

30 October 2015

EXECUTIVE SUMMARY

1. The Tourism Industry Association New Zealand (TIA) welcomes the opportunity to comment on the proposed levy rate changes set out in the ACC Levy Consultation 2016/17.
2. TIA welcomes the proposed reductions in levies for most ACC risk levy groups involved in tourism, which accurately represents the level of risk to workers in these groups, and the significant work the tourism industry has done to better manage workplace safety.
3. We are concerned to see that the proposed 2016/17 levy rates for some adventure and outdoor activity sectors are increasing. Before these proposed 2016/17 levies are formalised, ACC should consult with affected sectors and/or businesses.
4. TIA is of the opinion that although levy stability is preferred, it is important that ACC levies represent actual costs associated with accidents, even when this might lead to a reduction or an increase in levies over time.
5. TIA generally supports and endorses the BusinessNZ submission on the proposed 2016/17 levies, especially the comments and recommendations on ACC's proposed smoothing policy.

RECOMMENDATIONS

6. 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.
7. TIA welcomes the reduction in proposed 2016/17 levies for most ACC risk levy groups involved in tourism and believes the new rates accurately represent the level of risk applying to workers in these groups, as well as the significant work the tourism industry has done to better manage workplace safety.
8. TIA is concerned to see that the proposed 2016/17 levy rates for some adventure and outdoor activity sectors, such as *Alpine and White Water Recreation Activities Snow Skiing and Air Operations* (e.g. helicopters, small aeroplanes, parachuting), are increasing. Before these proposed 2016/17 levies are formalised, ACC should consult with affected sectors and/or businesses.
9. We welcome the proposed 4% reduction in the average Earner's levy and the proposed 11% reduction in the average Work levy.

INTRODUCTION

10. The Tourism Industry Association (TIA) is the peak body for the tourism industry in New Zealand. With around 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.
11. 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.
12. Any enquiries relating to this paper should in the first instance be referred to Nienke van Dijken, TIA Policy Analyst at nienke.vandijken@tiaz.org.nz or by phone on 04 494 1842. Correspondence can also be sent to PO Box 1697, Wellington, 6140.

COMMENT

Tourism 2025

13. Tourism 2025 (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.
14. The Tourism 2025 framework is based around five key themes which are:
 - Insight - this is at the core of the framework recognising that having timely, accessible and relevant insight is what will help tourism businesses with the information they need to support operational and strategic decision making.
 - Connectivity - focusing on growing sustainable air connectivity is critical for an island nation that relies on 95% of its visitors arriving on a commercial aircraft.
 - Productivity - making more money from the investments we already have but finding new solutions to seasonality (the tourism industry's perennial challenge) and regional dispersal.
 - Visitor experience - we can derive more value by creating outstanding visitor experiences that meet the needs of a changing visitor mix and recognising the end to end visitor experience, the need to improve facilitation and be measuring dissatisfaction.
 - Target for Value - the identification of targeted opportunities that, if taken up, will deliver the greatest economic benefit.

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15. Over the last couple of years, TIA and its members have developed a good working relationship with ACC. This engagement has helped the Association and its members to better understand the ACC system and how they can better manage their workplace risks.
16. 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 sector, a situation that was compounded by a challenging trading period.
17. During consultation with our members on the proposed ACC levies, we noticed that many businesses are unaware of the proposed ACC levy changes. 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.
18. There is a strong desire in the tourism industry, especially in the adventure and outdoor activity sector, for transparency on ACC policies and ACC levies.

General levies

19. TIA welcomes the reduction in proposed 2016/17 levies for most ACC risk levy groups involved in tourism and believes the new rates accurately represent the level of risk applying to workers in these sectors, as well as the significant work the tourism industry has done to better manage workplace safety.
20. We welcome the proposed 4% reduction in the average Earner's levy and the proposed 11% reduction in the average Work levy.

Adventure and outdoor activity sector

21. In the past, TIA has worked closely with ACC on a comprehensive review of how the work levies are set for tourism operators working in the adventure and outdoor activity sector. This review was initiated following extensive input made by these operators who felt the levies did not accurately reflect the actual risk taking place in these businesses.
22. The outcome of the review was that levies for businesses for some adventure and outdoor activity sectors, such as *Alpine and White Water Recreation Activities* and *Snow Skiing* decreased for the 2013/14 financial year. This decrease was directly linked to the risks and historical claims made by businesses in this sector.
23. TIA is concerned to see that the proposed 2016/17 levy rates for some adventure and outdoor activity sectors, such as *Alpine and White Water Recreation Activities*, *Snow Skiing* and *Air Operations* (e.g. helicopters, small aeroplanes, parachuting), is increasing. Before these proposed 2016/17 levies are formalised, ACC should consult with affected sectors and/or businesses.

ACC funding policy

24. TIA is of the opinion that although levy stability is preferred, it is important that ACC levies represent actual costs associated with accidents, even when this might lead to a reduction or an increase in levies over time.
25. We agree with the points made in the BusinessNZ submission regarding the suggested 10 year smoothing period: *While it's appropriate to discount (or smooth) "one-off" events (such as extraordinarily high, or low, investment returns) for perhaps 2 or 3 years, smoothing over 10 years could result in unnecessary fudging of premium rates faced by levy payers, distorting the scheme's real costs.*

Endorsement of the BusinessNZ submission

26. TIA generally supports and endorses the BusinessNZ submission on the proposed 2016/17 levies, especially the comments and recommendations on ACC's proposed smoothing policy. TIA is an affiliated industry to BusinessNZ and agrees with the recommendations proposed in the BusinessNZ submission, and general contents of this submission. We urge ACC to give careful consideration of the recommendations in the BusinessNZ submission and to implement them in an orderly manner.

BACKGROUND

27. Tourism for New Zealand is big business as the country's second 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.
28. The tourism industry delivers the following value to New Zealand's economy:
- Tourism in New Zealand is an \$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.