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WHEEL TORQUE

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ACC levies rising – but not as much as first proposed

After much brouhaha, the Minister of ACC, Nick Smith, announced in early December the official Cabinet-approved increases to annual ACC motor vehicle levies, due to come into effect from July 2010. The announcement followed a public consultation by ACC in October, which proposed to raise car levies by \$130 – and motorcycle levies by as much as \$500!

The Government's final figures will see annual car registrations rise by \$30, and moped and motorcycle registration fees increase between \$70–\$174 depending on cc rating. The introduction of a differential levy according to motorcycle engine capacity is new, and was much opposed by the motorcycle sector. Included in the latter levy however is a \$30 fee dedicated to setting up a motorcycle injury prevention programme.

The final levies are considerably lower than originally proposed by ACC, perhaps in part due to the widely-publicised protests by motorcyclists, but mostly due to a planned law change which defers the deadline for "fully funding" the future costs of past accidents. This legislated requirement to pay off the ongoing ACC costs of all pre-1999 accidents by 2014 – also much criticised in recent months despite being introduced a decade ago – was responsible for about half of the proposed motor vehicle levy. With this deadline extended until 2019, the burden on the motor vehicle levy is reduced by about 25%, with Cabinet cutting the proposed increases even further. Since 1999, in theory, the annual levy was meant to cover the future ACC costs of accidents that occur in that year. It is this full-funding principle – unlike pay-as-you-go for superannuation for example – that led ACC to controversially claim it has a \$21 billion forward deficit in spite of \$9b in reserves, hence its proposals to significantly raise levies.



Bikers protesting ACC levy rises at Parliament.
PHOTO: DominionPost

The table below illustrates the old and new fees for the main vehicle classes.

Table 1: ACC motor vehicle registration levies
(excl. other charges)

Vehicle class	Current levy	2010/11 levy
Passenger car – petrol	\$168	\$198
Passenger car – diesel	\$279	\$311
Vintage vehicle – petrol	\$59	\$69
Vintage vehicle – diesel	\$98	\$109
Moped	\$59	\$129
Motorcycle 0-600cc	\$253	\$328
Motorcycle 601cc +	\$253	\$427

FOMC submission

There's been much public debate and anger about ACC's original proposals, and a considerable amount of propaganda from all sides. The Federation carefully studied the proposals, data and current legislation, and took a mature, balanced and constructive approach to our submission to ACC.

The FOMC submission comprised two parts: one pointed out the folly of trying to impose such large levies on a section of the community, and noted that any fees that are legally mandated must also be affordable and fair – and we suggested the motorcycle levies were not.

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We also opposed differentiating the motorcycle levy according to cc rating which we said was inherently unfair, particularly for older big 'bikes, and suggested instead a power-to weight ratio although this data is not collected.

The second part of our submission focussed on what we saw was a particular anomaly for motoring club members, whether they own 'bikes or cars. That is, regardless of the size or fairness of the levy, those who own multiple vehicles pay more than their fair share by paying multiple registrations when they can only ride or drive one vehicle at a time. While vintage vehicles (40 years or older) only pay 35% of the levy – which we strongly support – we suggested this should be extended to younger enthusiast vehicles additional to the owners 'primary' transport. Consequently, we also supported ACC's wish to add more of the levy onto petrol tax (there is no excise on diesel or RUC which is why diesel-powered vehicle registration fees are higher). This is currently limited under the governing legislation, although the Government plans to remove this cap. Our view is that collecting ACC on fuel is fairer as then it doesn't matter how many vehicles you own, you pay according to how much you drive which is a proxy for exposure to accident risk.

Alternatively, we argued that a fairer system for multiple vehicle owners would be to impose ACC levies on the driver rather than the vehicle, although ACC have considered this and conclude it would be inequitable for poorer families or retired couples with one vehicle but several drivers. Either way, multiple vehicle owners in particular are over-charged under the current vehicle-based levy, a fact which was acknowledged by the chair of ACC John Judge, who said: "It's a completely valid point. It's certainly the sort of thing I want to bring to the notice of the [scheme review]."

Hopefully the FOMC's pragmatic solutions offered in our submission will generate some future amendments to the levy setting process which will help reduce ACC costs for our motoring club members, even if those costs continue to rise in future.

International comparison

As part of our research into the proposed levies, the Federation was interested to understand how the cost of accident insurance in NZ compares to that faced by motor vehicle enthusiasts in other countries. While NZ is unique in having a state-administered 'no fault' (i.e. costs are averaged across groups) personal accident insurance regime, other countries mandate private accident insurance which generally varies according to the individual. For example, Australia is similar to NZ in compelling vehicle owners to take out personal accident insurance, while third party property insurance is optional (except in NSW and Queensland), whereas in the United Kingdom, both third party personal and property insurance are mandatory as part of the annual vehicle registration fee.

For comparison, the table below shows the cost of comparable compulsory personal accident insurance for owners of classic and modern 'bikes and cars in the two countries we often benchmark ourselves against. In each case, the quotes were obtained from random insurers via websites, with the *lowest* quote listed. The premiums do not include the cost of insuring the vehicle itself.

Table 2: Examples of ACC costs in other countries:

<i>United Kingdom:</i>	Rego tax¹	Accident insurance²	
		<i>male age 50</i>	<i>male age 25</i>
1965 Triumph Bonneville 650	£66.00	£95	£423
2009 Harley Davidson 1600	£66.00	£124	£2949
1965 Jaguar MKII 3.4	£190	£120	£234
2009 Ford Mondeo 2.0	£215	£434	£3283
<i>Australia (NSW):</i>	Rego tax³	Accident insurance⁴	
		<i>male age 50</i>	<i>male age 25</i>
1965 Triumph Bonneville 650	A\$107	A\$399	A\$652
2009 Harley Davidson 1600	A\$107	A\$381	A\$547
1965 Jaguar MKII 3.4	A\$285	A\$407	A\$637
2009 Ford Mondeo 2.0	A\$285	A\$412	A\$558

¹ includes emissions-based charge for cars which varies according to fuel consumption

² note third party cover only (legal minimum), which includes personal injury and property damage to other parties only, plus optional personal injury insurance

³ for cars, varies according to weight. Figure taken for 1,155–1,504kg range

⁴ excludes compulsory third party property insurance. Unlike UK, premiums do not distinguish between make and model

Note that other countries' personal insurance schemes can discriminate on the basis of age, whereas ACC does not – levies for older motorbike riders in NZ would probably be lower if it did (although that may not be desirable for younger enthusiasts).

However, the Government is considering legislation which will enable ACC to 'risk rate' motor vehicle levies according to owner or vehicle factors. This could see the introduction of differing levies according to owner age, gender and accident or infringement history, or scaled registration fees based on vehicle safety ratings. This would bring our 'no fault' ACC insurance scheme even closer to the private insurance schemes operating in other countries, and see the introduction of wide-ranging levies like those in the examples above.

Note also that car registration tax and third party/personal injury insurance costs, even for older drivers, are higher in the UK than NZ, while the motorcycle fees for mature UK riders are, at the current high kiwi exchange rate, less than the new ACC rates because they don't average costs across all age groups as in NZ. The UK premiums also illustrate the disadvantage of privately-run client-tailored personal insurance schemes versus a Government-administered averaged scheme; at least in NZ young riders could afford to register a 'bike. Likewise, the Australian (NSW) premiums don't discriminate as much on the basis of age and thus are more affordable, albeit still much higher than in NZ.

EDITORIAL

ACC a difficult balancing act

Motorcyclists were rightly up in arms about proposals to hike the ACC component of registration fees – in some cases by as much as 300%, before the Government stepped in and backed off on ACC's proposals.

The Federation of Motoring Clubs took a firm line on the proposals, but we also trod a fine line as there was a risk that merely opposing the plans outright and demanding lower levies for one group of our membership (motorcyclists) could have undesirable consequences for another group (car owners). If we were to take the unhelpful stance of several motorcycle commentators that the fee increases were outrageous and won't be tolerated, then there was a small chance that ACC would relent – and collect the money from elsewhere. That 'elsewhere' is the same place Government goes whenever they need some easy money – NZ's 2.5 million-plus motorists. What isn't paid by motorcyclists will be paid by car owners instead – who already pay more than their share. Some argue that might be fair, given some motorcycle accidents are caused by drivers. But then again, not all car accidents are caused by drivers, but they are expected to pay regardless.

The Federation took the view that our car club members would not welcome suggestions from us that passenger car ACC levies should go up even further than the \$130 increase proposed for them. Those who own and register several cars would not thank us if we supported lower motorcycle fees in exchange for an extra \$30 or so per car per year. Small change perhaps, but if you had, say, a fleet of three cars would you want to pay another \$100 a year on top of the extra \$390 you could have paid under the original proposals?

Unfortunately, there are some unpalatable facts about over-representation by some road users in accidents, the future liabilities of those accidents, and the corresponding ACC levies, that may be difficult for some to swallow.

So, instead of debating the quantum of the proposed fees and the fairness of the ACC regime, the Federation instead focused on the old bug-bear of the heritage vehicle sector: motorbike *and* car collectors who own and register several vehicles yet can only ride/drive one at a time. Regardless of the validity or otherwise of the ACC levies (which are cheap by international standards) – and who is subsidising who – our members typically *do* pay more than their fair share.

Therefore, in our submission to ACC on the levy review, we proposed a system which would charge owners of multiple (classic) vehicles a lower levy for all subsequent vehicles they register in addition to the first. In essence, we suggested the ACC levy should be imposed per driver, not per vehicle.

This has the potential to benefit not only motorcyclists, but virtually all of the members of the Federation's constituent clubs. But in the case of motorcyclists, it may even lead to lower rego fees than they pay now. Take the example of someone who presently registers three bikes

at a combined cost (based on current levies) of over \$750 a year, not including admin fees. Under our proposal, they need only register one, representing a saving of up to \$852 (if the 'bikes are over 600cc) under the forthcoming levies.

But getting back to that levy. Our submission also pointed out the difficulty ACC faced if they attempted to impose such high levies on motorcyclists. One is that bikers will simply refuse to register (all) their 'bikes, or only register them for 6 months instead of 12 to coincide with the seasons they use them most. Thus ACC would earn less money than they expected – which they say is not enough and hence why fees are going up. And finally, we argued cost increases would be kept to a minimum if ACC was not "fully funded" as is currently legislated. Fortunately the Government has listened to the concerns of motorcyclists in particular and relented on the fee increases as well as amending legislation to reduce costs further, although even the minister says this does not solve ACC's looming funding shortfall.

Alas, the Federation doesn't have answers to all these problems, but at least the pragmatic solutions we did offer have the potential to save, rather than impose, costs for all the members our clubs represent.

It also seems to us that the greatest threat to motoring clubs lies not in future ACC levy increases, but rather a move to privatisation or introducing commercial-style insurance levies according to individual risk. While that might reward older, safer riders and drivers, as can be seen from the British and Australian examples, it will price young motoring enthusiasts off the road, and that will have a detrimental effect on the future of club memberships.

FOMC SUBSCRIPTIONS NOW DUE

Member clubs will shortly be receiving AGM notices and subscription renewal forms for the 2010-11 financial year, which are due by May 2010. Please note the FOMC does not issue invoices – the fee schedule according to your club size is included on the subscription notice. Don't forget also to include any revised contact details, including email addresses.

The FOMC is a non-profit volunteer organisation, and contributions from members clubs are essential to continue the Federation's work on behalf of special interest and heritage vehicle enthusiasts. Annual subscriptions start at as little as \$33.

If you don't have a subscription renewal form, contact the FOMC, or download a copy of the form from our website: www.fomc.co.nz/join.html

- *Thanks also to those clubs who send us copies of their newsletters, and especially to those clubs who have reprinted FOMC articles in their club magazines for the benefit of their members, it is much appreciated. We rely on your support to help promote the work of the Federation to the wider enthusiast vehicle sector. Remember, if you would like text copies of Wheel Torque articles, email editor@fomc.co.nz*

FOMC HELPS MARCOS OWNER PASS CERTIFIER IMPASSE

A keen new Kiwi brought his much prized classic Marcos from the United Kingdom to New Zealand. But attempts to meet our vehicle compliance requirements had already cost him more than \$10,000 and were at an impasse when the FOMC was asked to take up his case. Roy Hughes explains:

One of about 170 produced, the 1986 Marcos Mantula is a Rover-engined sports coupe which could be bought either factory-built or in kit form. So when submitted to be approved for use on the road in New Zealand it was deemed to be a kit car rather than a production vehicle, which could have been admitted under the 20-year rule, and was instead referred to a low volume vehicle certifier. And the Marcos owner was then presented with a long list of required repairs and upgrades.

Not entirely satisfied with the service provided by the first entry certifier, after having what he thought were all the faults rectified, the owner had it compliance checked by another certifier. But instead he was presented with a new list of problems to be fixed.

Surprisingly the two entry certifiers came up with significantly different catalogues of "faults found", and about the only item common to both lists was "no high stop light". But in fact the Marcos had arrived in New Zealand with a visible and fully functioning high stop light!



The newly-certified Marcos with its happy owner

A different low volume vehicle certifier called in by the second entry certifier required the supervised re-welding of chassis repairs originally done by a qualified British engineer in 1996. But then the entry certifier declined to pass the Marcos because the regulations require any re-welding to be checked and approved by an authorised repair certifier. And none of the authorised repair certifiers in Christchurch would approve the repairs because detailed plans and specifications for the car were unobtainable.

After nearly three years and paying out more than \$10,000 on repairs and two entry and two Low Volume Vehicle fees, the Marcos owner was no closer to being allowed to drive his car on New Zealand roads and he was, in fact, facing further substantial costs for more repairs with no reassurance of a positive outcome.

An approach to then Transport Safety Minister Harry Duynhoven had drawn a sympathetic and positive reply but still no resolution before the Minister was sent into involuntary retirement. And that was about when the Federation of Motoring Clubs was asked to help.

The problem was that everybody involved was following the rules as they were written. But those who write the rules often overlook just how they

might impact adversely on the odd or unique vehicles classic car connoisseurs like to own and drive.

After we brought the predicament to the attention of key contacts in the Low Volume Vehicle Technical Association they were able to negotiate a way to meet the requirements of the NZ Transport Agency without involving repair certifiers.

So a now "much improved" Marcos has finally graced the roads of the South Island and a new resident has acquired a far more extensive knowledge of our complicated compliance requirements than many Kiwi motoring enthusiasts.

- *The message here is to do your homework before importing a specialist vehicle, or applying for certification for an imported or restored vehicle. And if you still run into problems contact the Federation.*

LEGISLATION UPDATE

Road Safety Strategy 2020

In addition to the detailed submission on ACC levies, the Federation also completed a response to the Ministry of Transport's *Safer Journey's* Road Safety Strategy to 2020 discussion document.

This document contained some 60 wide-ranging proposals to reduce road trauma, not all of which the Government said it would introduce, but which it wanted to know what had the most public support. The main proposals, which are more likely to be adopted, focussed on 'high priority' areas such as alcohol and drug-impaired driving, young drivers, safer roads and roadsides, safer speeds, and motorcycling. Options to address these areas included reducing the blood alcohol limit, raising the minimum driving age, warranting mopeds and licensing their riders, and improving rider training.

The FOMC's submission supported several of the initiatives including improving motorcycle safety through such things as targeting motorcycle blackspots and introducing a power to weight ratio limit for learner riders, however we said WoF tests for classic mopeds were impractical. We also recommended requiring high visibility vests to be worn at all times.

We opposed suggestions that the safety of the light vehicle fleet could be improved by compulsorily scrapping certain older vehicles or age-restricting imports, as this would unfairly target classic vehicles which generally do not contribute to accident statistics.

Our submission was also critical of suggestions to raise the minimum driving age to 16 or 17 as this could disadvantage young enthusiasts and rural communities, but other proposals we did support included reducing the permitted drink/drive limit and adding more 40km/h school zone speed limits.

- *copies of our submissions are available on:*
www.fomc.co.nz