

SUBMISSION ON

ACC Levy Consultation

9 October 2024

To: Accident Compensation Corporation

Name of Submitter: Horticulture New Zealand

Contact for Service:

Sarah Cameron

Senior Policy Advisor

Horticulture New Zealand

PO Box 10-232 WELLINGTON

Ph: 021446281

Email: sarah.cameron@hortnz.co.nz

OVERVIEW

Submission structure

- 1 Part 1: HortNZ's Role
- 2 Part 2: Submission

Our submission

Horticulture New Zealand (HortNZ) thanks the Accident Compensation Corporation (ACC) for the opportunity to submit on the ACC Levy Consultation and welcomes any opportunity to continue to work with ACC and to discuss our submission.

The details of HortNZ's submission are set out below.

HortNZ's Role

Background to HortNZ

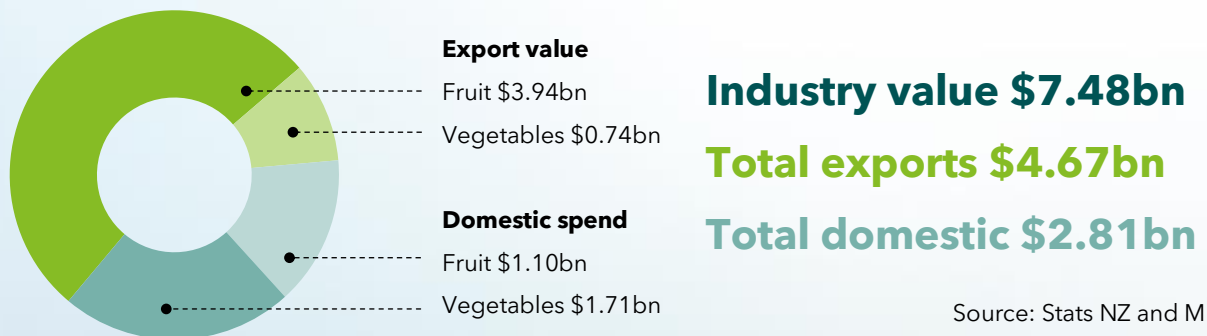
HortNZ represents the interests of approximately 4,200 commercial fruit and vegetable growers in New Zealand who grow around 100 different fruits and vegetables. The horticultural sector provides over 40,000 jobs.

There are approximately 80,000 hectares of land in New Zealand producing fruit and vegetables for domestic consumers and supplying our global trading partners with high quality food.

It is not just the direct economic benefits associated with horticultural production that are important. Horticulture production provides a platform for long term prosperity for communities, supports the growth of knowledge-intensive agri-tech and suppliers along the supply chain; and plays a key role in helping to achieve New Zealand's climate change objectives.

The horticulture sector plays an important role in food security for New Zealanders. Over 80% of vegetables grown are for the domestic market and many varieties of fruits are grown to serve the domestic market.

HortNZ's purpose is to create an enduring environment where growers prosper. This is done through enabling, promoting and advocating for growers in New Zealand.



Submission

The New Zealand economy and in particular the horticulture sector have faced numerous challenges in recent years. These include natural disasters, the COVID-19 pandemic, low crop yields, labour shortages, a cost-of-living crisis and a recession. Employers have also been burdened by rising costs including increases in the minimum wage and expanded sick leave entitlements. Some small businesses are barely meeting bottom lines and any increase has a significant impact.

While HortNZ advocates for a fair levy system, it is concerned that ACC is proposing to increase levies to subsidise injury rates and costs, rather than adopting a comprehensive government approach to address the underlying causes.

1. Motor vehicle increases

We propose increasing the average levy rate for motor vehicles from \$113.94 to \$122.84 next year and then gradually increasing it to \$141.69 over the following two years. Let us know what you think about the proposed increases.

With around \$1 billion collected from motor vehicle levies each year, it's important to ask: where is the investment in prevention? Instead of primarily focusing on how the levy will fund future claims, employers need to see ACC targeting the core issue - preventing these injuries from happening in the first place.

HortNZ does not support the increase for the following reasons:

Increased financial burden on vehicle owners

Compliance costs for the horticulture industry have increased through environmental and climate change regulatory requirements and the inflated costs of petrol, machinery, fertiliser and seed/seedlings. Some small businesses are barely meeting bottom lines and any increase has a significant impact. The motor vehicle levy is proposed to increase by 22.6% by the 2026/27 financial year. The current rate of inflation is 3.3%¹ therefore the proposed increase of 7.8% for the 2025/26 year will exceed the current rate of inflation by 33%.

Impact on transport dependent industries

Horticulture businesses often rely on large fleets of vehicles, including trucks, tractors, and other machinery, to run their operations. Increased levies on these vehicles would raise operational costs and reduce profit margins and making farming less sustainable. This may also contribute to higher prices for fruit and vegetables for the consumer.

Limited impact on accident prevention

While we understand the motor vehicle levy is designed to cover the costs of treating injuries, rehabilitation, and compensating victims of road accidents, the levy system is more reactive than proactive, with much of the funding allocated to managing the aftermath of accidents rather than preventing them.

A significant portion of the levy fund is used to settle claims, rather than directly supporting programs aimed at reducing road accidents. Investments in education, driver

¹ <https://www.rbnz.govt.nz/monetary-policy/about-monetary-policy/inflation>

safety training, infrastructure improvements or vehicle safety advancements often fall under the responsibility of other government agencies, limiting the levy's role in prevention.

While some preventive initiatives exist (e.g., public awareness campaigns), they often receive a relatively small share of the ACC's total budget. This means that the funds collected through the motor vehicle levy are not fully utilised to reduce the frequency or severity of road accidents in a meaningful way.

ACC's injury prevention efforts are often dependent on collaboration with external agencies, such as local councils, the NZ Transport Agency and police. As a result, the effectiveness of prevention strategies may be constrained by these partnerships and competing budget priorities, further diluting the impact of the levy on preventing injuries.

While the levy is collected from all vehicle owners, it does not specifically target high-risk drivers, who are statistically more likely to be involved in accidents. This "one-size-fits-all" approach fails to focus resources where they could have the most significant impact on preventing road injuries.

Road safety and injury prevention are long-term efforts, requiring sustained investments in infrastructure, education, and policy changes. Levy increases, even if used for these purposes, might not result in immediate improvements in accident rates or injury prevention, leading to a perception that the funds are not being effectively used to reduce risks.

The motor vehicle levy, as currently structured, is more focused on covering the financial consequences of accidents rather than reducing their occurrence. To have a greater impact on injury prevention, a larger portion of these funds should be allocated to proactive road safety initiatives, driver education and infrastructure improvements. Without this shift, the levy's role in preventing accidents will remain limited.

1.2 Other comments

HortNZ supports a multi vehicle discount for multi vehicle registration - the risk is not any greater if a driver has more than one vehicle as they can only drive one vehicle at a time.

Rural and transport dependent businesses who often rely on multiple vehicles for different purposes (e.g., trucks, utility vehicles, tractors), would particularly benefit from this discount, helping alleviate some of the financial pressure associated with vehicle ownership.

2. Small Business and Self Employed

What do you think of our proposal to increase the minimum and maximum liable earnings?

Increasing the liable earnings for employers will result in increased costs for businesses. Small businesses, in particular, will struggle with the added financial burden.

HortNZ does not support the proposal to increase the minimum and maximum liable earnings for employers for the following reasons:

Limited incentive for injury prevention

Raising the minimum and maximum earnings does not necessarily incentivise businesses to invest more in workplace safety or injury prevention programs. Instead, it may feel like an arbitrary increase in costs, with no direct link to actual risk reduction.

Increased financial burden on employers

Small businesses will struggle with the increased financial burden, as they typically have less capacity to absorb additional costs.

The below example provides an increase to a horticulture business payroll based on the proposed changes.

Table one: average work levy rate increase per \$100

Year	Current rate per \$100	Proposed Increase
2024/2025	\$0.63	
2025/2026	\$0.63	\$0.66
2026/2027	\$0.63	\$0.69
2027/2028	\$0.63	\$0.72

Leaving the levy unchanged will enable employers to focus on workplace safety without the worry of additional costs. This stability allows businesses to allocate their resources towards implementing effective safety measures, training programs, and employee well-being initiatives, ultimately fostering a safer work environment. By maintaining the current levy structure, employers can concentrate on their core operations and enhance productivity without the distraction of fluctuating expenses. This approach not only supports their workforce but also contributes to the overall goal of reducing workplace injuries and accidents across industries.

Conclusion

It is crucial to prioritise investment in preventive measures rather than solely focusing on funding future claims. HortNZ opposes the increases to the motor vehicle and employer levy due to the added financial burden it places on vehicle owners and business owners, particularly within the horticulture sector, where rising compliance costs, the continued high cost of living and inflation are already straining small businesses.

Additionally, the impact on transport-dependent industries cannot be overlooked; increased levies would heighten operational costs and potentially lead to higher prices for consumers. Furthermore, the current levy system has proven to be reactive rather than proactive, with insufficient funds directed toward effective accident prevention strategies.