MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVERSHEET

Minister	Hon Matt Doocey	**Portfolio**	ACC
Title of Cabinet paper	ACC Financial Sustainability – levies and performance improvement	**Date to be published**	13 December 2024

List of documents that have been proactively released		
Date	**Title**	**Author**
28 August 2024	*Consultation on 2025/26 – 2027/28 ACC levies*	*Office of the Minister for ACC*
28 August 2024	*ECO-24-MIN-0174 - 2025/26 – 2027/28 ACC Levies: Approval to Consult*	*Cabinet Office*
25 November 2024	*ACC Financial Sustainability – levies and performance improvement*	*Office of the Minister for ACC*
25 November 2024	*CBC-24-MIN-0118 – Cabinet Business Committee Minute of Decision*	*Cabinet Office*
25 November 2024	Appendix 5 – Cost Recovery Impact Statement 2025/26, 2026/27, 2027/28 ACC Levies	*MBIE*
25 November 2024	Appendix 6 – RIS New classification unit for home improvement stores and sports and physical recreation	*MBIE*
25 November 2024	Appendix 7– RIS Removing ACC's No Claims Discount	*MBIE*
25 November 2024	Appendix 8 – RIS Reviewing motorcycle groupings to enable levy rates to better reflect crash and claim data	*MBIE*
25 November 2024	Appendix 9 – RIS ACC's Ride Forever programme	*MBIE*
25 November 2024	Appendix 10 – RIS Levy portion for plug-in hybrids and battery electric vehicles	*MBIE*
25 November 2024	Appendix 11 – RIS ACC's Fleet Saver	*MBIE*
25 November 2024	Appendix 12 – RIS ACC interest rates and bad debt	*MBIE*

Information redacted **YES / NO** *(please select)*

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Regulatory Impact Statement: Reviewing motorcycle groupings to enable levy rates to better reflect crash and claim data

Coversheet

Purpose of Document	
Decision sought:	This document provides an analysis of proposals to be put to Cabinet on motorcycle groupings and cross-subsidisation, which will be implemented through new regulations setting levies for ACC's Motor Vehicle Account. Considering the issues of the motorcycle groupings and cross-subsidisation will: • demonstrate to levy payers that we responsive to levy payer feedback • aligns to the ACC's desire to reduce cross-subsidisation. • provides an opportunity for ACC to improve the quality and focus of consultation.
Advising agencies:	MBIE (with input from ACC as operational agency)
Proposing Ministers:	Minister for ACC
Date finalised:	20 November 2024

Problem Definition
The level of subsidisation of motorcycle claim costs, currently at 73 percent from other motor vehicle types, was developed in the 2014/15 levy round by adopting an expedient no change approach to levy rates. This means that when applying the aggregate (average) levy rate across all motor vehicles, owners of other motor vehicles are paying a higher aggregate levy rate than motorcyclists, as the claims made by motorcyclists are heavily subsidised and hence, the levy revenue received from motorcyclists does not accurately reflect the cost to ACC for covering motorcyclist claims. One of the key levy principles is the fairness to levy payers, in that they should be paying a levy which is commensurate to the risk they are exposed to. Where changes are made to reflect this, consideration of the affordability of levies needs to be considered, or balanced against a level of acceptance that there will be avoidant behaviour. Alongside this, the underlying risk relativities across all motorcycles and mopeds has not been reviewed for 13 years. This is in part because of the feedback from motorcyclists at the time and the position of ACC Accounts have meant that there is no strong need to revisit how risk is spread across the Account.

In the 2021 levy round motorcycle owners requested ACC to review the underlying risk relativities for motorcycles for several levy rounds as they believe the levies are unfairly high.

The analysis undertaken by ACC actuaries has shown that there are opportunities to improve the alignment between the levies charged to groups of motorcycle owners and the risk they present to the Motor Vehicle Account.

Executive Summary

Cross-subsidisation

Cross-subsidisation for the Motor Vehicle Account refers to the relative discount that is provided to a smaller group of vehicle owners, because other vehicle owners are currently paying a higher than required ACC levy portion to cover the claim costs of the smaller group. In this instance, other vehicle owners are paying an extra $24.91 to subsidise motorcyclists and provide lower ACC levy portions.

When considering this in terms of levy revenue, this means that $440.3m is required to cover claims of motorcyclists, but only $123.9m is collected directly from motorcyclists with the additional $316.4m coming from other vehicle owners.

To address the problem identified, the following options on cross-subsidisation are considered:

- **Option One (Status quo):** Base the degree of cross-subsidisation on the level that ensures the average levy for all mopeds and motorcycle is 150% that of a Class 2 vehicle (standard car).
- **Option Two: Increase the contribution from motorcyclists to 37% of injury costs .** The level of contribution from owners of motorcycles to the cost of injuries to motorcyclists would be increased from 28% to 37% . This will result in a higher ACC levy portion being paid by motorcyclists.
- **Option Three: Determine the contribution level by setting the maximum motorcycle levy to an affordability metric.** ACC would propose the maximum levy capped to 25 hours of earnings for a median household (after housing expenses) – an increase of 2.5 hours (or 11%).

Option One is simple and familiar to levy payers. It does not require additional actuarial analysis for consultation. However, Option One continues with a pricing setting that has no justification in terms of risk or customer acceptance. Option One results in the loss of the opportunity to reshape the conversation in motorcycle levies to shared contribution which will be important should collection shift to distance-based levying through mechanisms such as Road User Charges.

Option Two moves the contribution from motorcycle levies to what is a minimum justifiable level according to accident data. Depending on the size of the motorcycle engine, this will result in a levy increase of $25.19 to $157.31, with further increases likely due to other proposals including an increase to the aggregate levy across the Motor Vehicle Account (this is addressed in a separate Cost-Recovery Impact Statement). However, Option Two risks considerable negative feedback as the degree of cross-subsidisation is a sensitive topic for motorcyclists who often see that there are a large portion of claims that are due to the fault of other vehicle owners. We know that this previously has resulted in nationwide protests, culminating at Parliament. It may be perceived as an aggravating position to take for motorcycle owners given the cumulative impact of levy increases being proposed across the Motor Vehicle Account, particularly those targeting motorcyclists

Option Three links the cost of motorcycle levies to a formal approach to considering the pressure households are under. However, Option Three could result in levy payers challenging ACC to articulate the rationale as the underlying metric (equivalised household disposable income after housing costs) is not easily understood. Any increase in the proportion of contribution from motorcycle owners has a significant impact on levy rates on top of the expected maximum increase in aggregate levy rate as determined under the Funding Policy Statement.

Recommendation

Option Two is recommended as it best meets the objectives of creating a more equitable levy system, and focusses on using real data to determine the minimum amount of levies motorcyclists are asked to pay – the proportion of costs they fund directly.

Motorcycle groupings

For the purposes of annual registration, motorcycles are categorised into three different groups based on their engine size. Injury data shows a direct correlation between engine size and the cost of an injury. These groups comprise of: mopeds and scooters, small and medium motorcycles with an engine size of 600cc or less, and large motorcycles with an engine size of over 600cc. This can mean that given the broad groupings, owners of motorcycles with smaller engines are subsidising motorcycles with larger engines. The analysis covers the following options on motorcycle groupings:

- **Option One: Status quo:** Maintain the current sub-classes of Mopeds, 0-600cc motorcycles, and 601+cc motorcycles
- **Option Two: Keep two sub-classes of motorcycles and split at 750cc.** Maintain the mopeds sub-class. Change the motorcycle sub-classes to 0-750cc and 751+cc.
- **Option Three: Move to three sub-classes of motorcycles.** Keep the mopeds sub-class. Change motorcycle sub-classes to 0-250cc, 251-750cc and 751+cc.

Option One is familiar to levy payers and will result in no increase in levy rates for large motorcycles through this proposal. However, there is little difference between 600cc and 750cc bikes and by continuing this approach, it may be perceived as unreasonable to keep these groups of bikes separate.

Option Two improves the alignment of risk to levies for the 11,000 601-750cc bikes, and lowers levies for 0-750cc bikes. However, Option Two results in a significant levy increase (11%) for the 40,000 larger bikes.

Option Three is the best option in terms of alignment to the risk profile of groups of motorcycles, this means that levies will better reflect the higher rates of injuries suffered by those that ride motorcycles with larger engines, when compared to injury rates amongst motorcyclists riding smaller motorcycles. It aligns with perceptions shared by motorcycle owners with ACC and lowers levies for 0-250cc and 601-750cc bikes. However, Option Three results in a significant levy increase (11%) for the 40,000 larger bikes, as outlined in the table below.

Class	Change in registration levy
Mopeds	No Change
0-250cc	Reduction of $63.38
251-600cc	Increase of $9.37
601-750cc	Reduction of $89.90
751cc+	Increase of $44.06

Recommendation

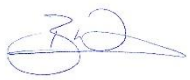
Option Three is recommended as it provides the best alignment to risk across motorcycles as well as aligning to expectations of the motorcycling community.

Limitations and Constraints on Analysis

The options considered in this RIS focus only on motorcycle groupings and cross-subsidisation. When considering affordability criteria, ACC does not hold income data for motorcycle owners so assumptions have to be made regarding the household impact.

Further analysis on impacts is hindered due to the tight timeframes between the close of consultation and final advice being provided to Ministers, this is due to implementation timelines to make required system changes prior to new regulations coming into force.

Responsible Manager(s) (completed by relevant manager)



Bridget Duley
Manager, Accident Compensation Policy
Ministry of Business, Innovation and Employment

Quality Assurance (completed by QA panel)

Reviewing Agency:	Ministry of Business, Innovation and Employment
Panel Assessment & Comment:	The Regulatory Impact Analysis (RIA) panel consisting of representatives from the Ministry of Business, Innovation and Employment has reviewed the *Reviewing motorcycle groupings to enable levy rates to better reflect crash and claim data* Regulatory Impact Statement (RIS). The panel has determined that the RIS ***meets*** the quality assurance standards for regulatory impact analysis.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

How ACC is funded

1. ACC is funded through a mixture of levies and government appropriations, and the *Accident Compensation Act 2001* (the AC Act) sets out that the Minister for ACC is

responsible for setting the appropriate levy to maintain the Accounts in a fully funded state.

2. ACC operates five accounts: Work, Earners', Motor Vehicle, Non-Earners' and Treatment Injury. The Non-Earners' Account (NEA) and a portion of the Treatment Injury Account are funded through appropriation. The Work, Earners', Motor Vehicle and a portion of the Treatment Injury Account (collectively the levied Accounts) are funded through levies.

3. The levied Accounts and the NEA operate on a fully funded principle which ensures that the Scheme is sufficiently funded for the lifetime (100-year) cost of claims arising from that funding period, in effect this means that a particular Account should be collecting sufficient revenue for that financial year to cover the cost of claims received in that year. This ensures intergenerational equity, so that costs of injuries are not transferred to future generations.

Accounts fund particular claims

4. The Motor Vehicle Account is funded through levies from vehicle owners, levy on petrol use and motor vehicle licencing and covers injuries that involve motor vehicles on public roads.

5. Whereas the Earners' Account funds all non-work injuries (excluding motor vehicle and treatment injuries) and the Work Account funds all work-related injuries.

Background

6. Motorcycles (including mopeds) account for a disproportionately high percentage of the cost and severity of motor vehicle injuries in New Zealand each year. Although motorcycles only make up around 2 percent of the total number of motor vehicles on the road, crash statistics from the Ministry of Transport (MoT) show that motorcyclists are more than 21 times more likely to be killed or injured in a crash than a person driving a car for the same distance.

7. While cars do contribute to many of the motorcycle injuries, crash analysis data shows 37% of motorcycle claims come from crashes where only a single motorcycle was involved and Police assessed that the rider's actions contributed, at least in part, to the crash.

8. Due to the severity of the injuries sustained by motorcyclists, levy rates based purely on the cost of accidents are extremely high. As a result, cross-subsidisation within the Motor-Vehicle Account occurs whereby other vehicle owners' levies make a significant contribution toward funding the treatment of motorcycle injuries.

9. There are currently three motorcycle levy classes:

   - Mopeds;
   - Motorcycles with engine sizes under 600cc; and
   - Motorcycles over 600cc.

10. All three of these groups are paying lower levies than the equivalent cost of their accidents. If there are changes to the class groupings, consideration will need to be given as to how the rates and, the level of cross-subsidy changes.

Cross subsidisation - Why are levies from other vehicles contributing to the costs of motorcycle injuries?

Non-motorcycle ACC levies include $24.91for motorcycle costs on average

11. When setting an average levy rate for an Account, the projected revenue take is forecast across the number of participants (in this case, vehicle owners). The individual

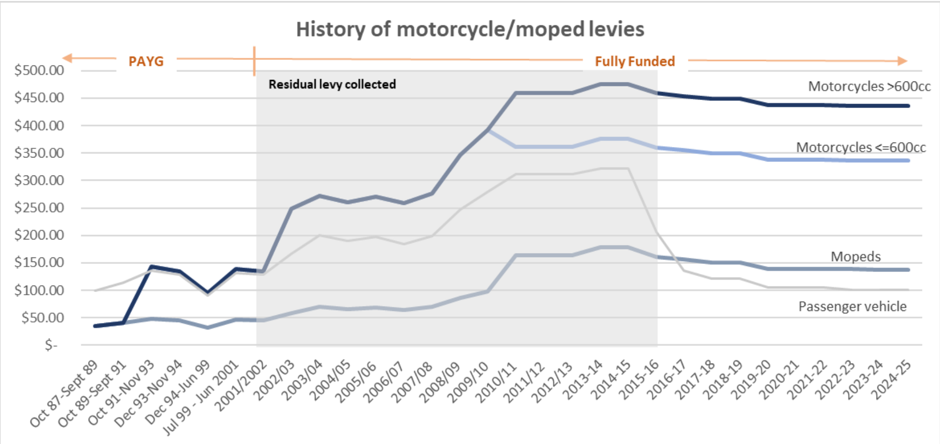
levy rate is then set to reflect the risk profile of a particular group (in this case, motorcyclists).

12. Pricing analysis to support the 2025-2028 levy round showed that an average of $24.91 of the levy charged to a passenger vehicle was used to fund the cost of injuries sustained by motorcyclists or their pillions. As the contribution towards motorcycle injury costs is based on the vehicle's relative risk, the contribution per vehicle is higher for light and heavy goods vehicles and lower for vintage vehicles or tractors given that these vehicles travel at lower speeds and over shorter distances on average.

	Status quo
Levy contribution required from motorcyclists to cover their injuries	$440.3m
Amount collected from motorcyclists	$123.9m
Amount funded from other vehicle levies	$316.4m
Percentage of contribution from motorcycles	28%
Average subsidy per vehicle	$24.91

The current level of cost contribution from motorcycle owners was set expediently rather than by objective measurement of affordability

13. ACC has adopted a principle that each risk-rated group of levy payers should fund the costs of injuries for that group. This principle applies to the Work and Motor Vehicle Accounts. ACC can opt to trade-off this self-funding principle to meet levy affordability (consideration of the ability of the levy payer to pay the levy) or levy stability (no significant changes year on year) objectives. Changes to the classification of levy payers that require the change in levy rate can be smoothed over time (e.g., a new classification of levy payers is added, or the make-up of a risk group changes significantly).



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Higher levies increase the risk of levy avoidance

14. A key consideration made by ACC and Government of the day, when setting levy rates, includes reasonableness of the proposal e.g. what this will mean in terms of affordability and whether an increase in levies could lead to levy avoidance. In terms of the Motor Vehicle Account, this could stem from vehicles not being registered, or only being registered for short periods of time e.g. if a motorcycle is only registered during the summer period.

15. This is a reasonable concern, as a mix of data and anecdotal evidence collected over the past 10 years indicates that owners of motorcycles have changed their licensing behaviours (fewer full year vehicle licensees). Other levy avoidance behaviours are increasing, such as plate swapping on motorcycle fleets or riding when placing the vehicles licence on hold (or using a restoration license). With the detection of these behaviours being unlikely and the consequence in terms of a fine being low there are few system settings in place to discourage levy avoidance behaviours.

Other vehicle levies are insensitive to changes in contribution level from motorcycle owners

16. Changes in the degree of contribution towards motorcyclists' injury costs from other vehicles has a small impact compared to any change in the level of contribution for motorcycle levies. The table below shows that doubling the contribution from motorcycles would only reduce the levy for a car by $6.64.

	Proportion	Motorcycle levy rates (excl MSL)			Car levy (incl petrol)		
Change in M/C contribution	subsidised	Mopeds	0-600cc	601+cc	Levy	Xsub	Change
0% (Baseline)	73%	$ 99.33	$ 297.91	$ 397.18	$ 101.16	$ 17.57	$ -
Increase contribution by 25%	66%	$ 124.16	$ 372.39	$ 496.48	$ 99.50	$ 15.91	-$ 1.66
Increase contribution by 50%	59%	$ 149.00	$ 446.87	$ 595.77	$ 97.84	$ 14.25	-$ 3.32
Double contribution	45%	$ 198.66	$ 595.82	$ 794.36	$ 94.52	$ 10.93	-$ 6.64

What is the policy problem or opportunity?

Motorcycle Groupings & Cross-subsidisation

17. The level of subsidisation of motorcycle claim costs, currently at 73 percent from other motor vehicle types, was developed in the 2014/15 levy round by adopting an expedient no change approach to levy rates.

18. The underlying risk relativities across all motorcycles and mopeds has not been reviewed for 13 years. A more objective and/or community agreed approach to setting the degree of contribution towards motorcycle injury costs for owners of other vehicle types is needed as ACC frequently hears from levy payers that the levies set for motorcycles are unfair and do not accurately acknowledge the influence of other road users in causing crashes where motorcycles are involved. This belief has led to motorcycle owners requesting ACC to review the underlying risk relativities for motorcycles over several previous levy rounds as they do not believe they are being charged fairly.

19. Adopting risk aligned (fair) and affordable (equitable collection across a community) levies are underlying principles of good stewardship for the Motor Vehicle Account.

20. In response to these requests, analysis has been undertaken by ACC Actuarial Services, who provide all pricing and forecasting support, which has shown that there are opportunities to improve the alignment between the levies charged to groups of motorcycle owners and the risk they present to the Motor Vehicle Account. As mentioned above, 37% of motorcycle claims come from crashes where only a single motorcycle was involved and Police assessed that the rider's actions contributed, at least in part, to the crash.

21. This data suggests the minimum contribution to the cost of motorcycle injuries that could reasonably be expected from motorcycle owners is 37% as this will mean that in

relative terms, motorcyclists are at least funding the cost of crashes that are caused solely by them. This means, that there is relative fairness in the additional costs being covered through ACC levy portions paid by other road users if they are at fault in causing the injuries.

What objectives are sought in relation to the policy problem?

22. The following objectives are sought in relation to the policy problem for motorcycle groupings and cross-subsidisation:

- Ensuring that the levy collection for the Motor Vehicle Account is affordable and has an equitable levy collection across the community, and
- Minimises unintended consequences and perverse outcomes.

Section 2: Deciding upon an option to address the policy problem

What criteria will be used to compare options to the status quo?

23. The options have been assessed against the following criteria:
    - Risk aligned (fair) Levies should be risk aligned (fair).
    - Affordable (equitable collection across a community).
    - Cost-effectiveness and implementation: Minimise the cost to ACC and be easy to implement.
    - Risks: Risk of unintended consequences and perverse outcomes is minimised.

What scope will options be considered within?

24. The options will be considered within the scope of that there needing to be a level of cross-subsidisation that remains within the Motor Vehicle Account as without this, levies for certain groups will be substantially higher. This means that options need to be considered within the existing parameters, such as the levy will continue to be collected within the vehicle registration fee and that there is a level of acceptance that some motorcycle owners may actively make decisions to not pay vehicle registration fees or may only register their motorcycle to better reflect summer riding patterns.
25. Changes to the pricing model e.g. using a distance-based charging tool, are outside of scope and have not been considered.

What options are being considered?

What is the ideal level of cross-subsidisation of motorcycle levies?

26. The following three options have been considered to address the issue of the degree of cross-subsidisation.
    - Option One - Status Quo
    - Option Two – Increase the contribution from motorcyclists to 37% of injury costs
    - Option Three – Determine the contribution level by setting the maximum motorcycle levy to an affordability metric.

Option One – Status Quo

27. The status quo would leave the degree of cross-subsidisation on a level that reflects the average levy for all mopeds and motorcycles is 150% of a standard passenger vehicle.
28. This option is simple and familiar to levy payers, as there will be no specific changes to the ACC levy portion paid during the vehicle registration process which is attributed to the cross-subsidisation of the Motor Vehicle Account.
29. This will not address concerns from motorcyclists that their levies are unfairly high as they are paying more than what they believe they cost the scheme in claims.
30. This option will negatively impact other vehicle owners, as they will continue to need to pay a higher levy in order to support a lower levy for motorcycle owners (currently an average subsidy of $24.91 per vehicle).

Option Two – Increase the contribution for motorcycles to 37% of injury costs

31. This option would increase the contribution for motorcycles to 37% of injury costs, which reflects crash analysis data held by NZTA and NZ Police, which shows that 37% of crashes are single vehicle crashes where the motorcyclist is at fault.

32. This would mean that the remaining 63% of claim costs would be covered by other vehicle owners, who are at fault.

33. This would address concerns previously raised by motorcyclists in terms of the fairness of their contribution to crash costs as this approach can be validated through more current crash data then what was applied during the 2021 levy consultation.

34. Aligning levy rates more closely to risk relativities will also enable the degree of cross-subsidisation to be set transparently through a public consultation phase and will likely support future work in transitioning levy collection to a distance-based charging model.

35. While this will improve risk-alignment, it is likely that this could have negative impacts on the affordability of levies. However, motorcycle owners do have a level of control on how this may impact them as there is an ability to only licence their vehicle for shorter periods.

36. This is a common occurrence in the system already, where a number of motorcyclists will only register for the summer periods. Using data from the Ministry of Transport, we know that there are 220,000 motorcycles in the vehicle fleet but data provided by NZTA shows that there are only 93,000 motorcycles that are registered for full time use. This means that there is a high number of motorcycles that likely follow shortened licensing times.

37. Levy avoidance in this instance is something that is considered when ACC are making pricing decisions and is considered when setting prices.

Option Three - Determine the contribution level by setting the maximum motorcycle levy to an affordability metric.

38. This option would have the maximum levy capped to 25 hours of earnings for a median household (after housing expenses). On current rates, this would require an increase of 2.5 hours (or 11%).

39. This would specifically address concerns relating to affordability for motorcycle owners and would consider any cost-of-living pressures that households may be under.

40. The underlying rational for this approach would not be easily understood and would need to be carefully communicated to the public. This could mean that this option is challenging to implement.

41. This option would not address concerns relating to fairness, as vehicle owners would not have the same consideration applied to their ACC levies, while also requiring the continued subsidisation and subsequent higher levy rates.

How should ACC group motorcycles in the Motor Vehicle Account levy regulations?

42. The following three options have been considered to address the issue of motorcycle groupings:

- Option One: Status Quo
- Option Two: Keep two sub-classes of motorcycles and split at 750cc
- Option Three: Move to three sub-classes of motorcycles

Option One: Status Quo

43. Option One maintains the current sub-classes of Mopeds, 0-600cc motorcycles, and 601+cc motorcycles. This has a proven stability of the levy groups over times and is well understood by stakeholders.

44. To determine relativity, ACC compares data for claim frequency and cost per motorcycle for each exposure to the risk with Class 2 vehicles (petrol powered cars). If

the risk of injury from an accident in a car is 100%, then a moped is three times more likely (321%) to have an accident-causing injury and injury costs are three times as high (307%). As the engine size increases so does the average claim cost per vehicle, even while the number of claims per vehicle (claim frequency) remains similar for each engine rating over 126cc.

45. As part of each levy round ACC is expected to review the risk relativities of existing levy payer groups across all Accounts and to evaluate whether the current groupings align with claims experience. This means that in updating risk relativities, but in maintaining current groups, motorcycles with larger engine sizes will be subsidised by smaller motorcycles or mopeds.

46. This option would mean that mopeds and smaller motorcycles would be paying more, which would impact more motorcycle owners as these motorcycles are typically used by students or for commuting.

Option Two: Keep two sub-classes of motorcycles and split at 750cc

47. This option would maintain the existing moped sub-class, while introducing changes to the motorcycle classes to 0-750cc and 751+cc.

48. Affordability will be increased for motorcycles with engine sizes between 0-750cc and will improve the risk-alignment for 11,000 601-750cc motorcycles, though they will be paying more than they currently cost the scheme. However, this will significantly increase levies (by 11%) for 40,000 751cc motorcycles.

49. It is unclear if this option could be easily implemented using NZTA systems. If there are system changes required to support this, it is likely that this would need to be funded by ACC.

Option Three: Move to three sub-classes of motorcycles

50. This option would involve keeping the existing moped sub-class and changing motorcycle sub-classes to 0-250cc, 251-750cc and 751cc+.

51. This best algins with risk profiles of motorcycles and will mean that motorcycles for 0-250cc and 601-750cc will pay lower levies, those under 0-250cc are typically used for commuting so will positively impact those that use these motorcycles year-round.

52. Splitting the sub-classes will align with concerns that have been raised by motorcyclists during previous levy rounds.

53. Motorcycles with engine sizes between 251-600cc will have a levy increase and there is a risk that this could increase levy avoidance, however a level of avoidance is considered when setting levy rates.

How do the options compare to the status quo/counterfactual?

Cross-subsidisation of motorcycle levies

	Option One: Status quo.	Option Two: Increase the contribution from motorcyclists to 37% of injury costs .	Option Three: Determine the contribution level by setting the maximum motorcycle levy to an affordability metric.
Risk aligned (fair)	Continues with a pricing setting that has no justification in terms of risk or customer acceptance. 0	Acknowledges the concern of motorcyclists that the risk relativities relating to their levy portion need to be addressed. +	Links the cost of motorcycle levies to a formal approach to considering the pressure households are under. +
Affordable (equitable collection across a community)	Will not address concerns raised by motorcycle owners. 0	The increase to a cross-subsidisation of 37% will mean motorcyclists are covering the cost of claims for accidents where they are at fault. Motorcyclists have licensing options (e.g. monthly vehicle registrations) which can mitigate wider affordability concerns. + +	Will better reflect cost pressures that households are facing in the immediate future but could be impacted if there are less favourable economic conditions in the future. 0
Cost-effectiveness and implementation	It does not require additional actuarial analysis for consultation. Simple and familiar to levy payers. 0	Will lead to increased costs for motorcycle owners. Will require no immediate system changes to implement. +	May lead to increased costs for ACC and motorcycle owners. Will require no immediate system changes to implement. +
Risk of unintended consequences	Lost opportunity to reshape the conversation in motorcycle levies to shared contribution. 0	Option 2 risks negative feedback as the degree of cross-subsidisation will result in levy increases. Can be mitigated through vehicle licensing options. -	Option Three could result in levy payers challenging ACC to articulate the rationale as the underlying metric (equivalised household disposable income after housing costs) is not easily understood. -
Overall assessment	Option 1 does not meet the policy objectives.0	Option 2 meets the policy objectives and the benefits outweigh the risks. +++	Option Three meets the policy objectives but risks challenges from levy payers. +

Motorcycle groupings

	Option One: Status quo.	Option Two: Keep two sub-classes of motorcycles and split at 750cc.	Option Three: Move to three sub-classes of motorcycles.
Risk aligned (fair)	Means that smaller bikes will be charged less as their risk has decreased. 0	Option Two improves the alignment of risk to levies for the 11,000 601-750cc bikes. +	Option Three is the best option in terms of alignment to the risk profile of groups of motorcycles as it best reflects crash analysis data. and e aligns with perceptions shared by motorcycle owners with ACC. + +
Affordable (equitable collection across a community).	Will result in the smallest increase in levy rates for large motorcycles. proven stability of the levy groups over time. 0	Lowers levies for 0-750cc bikes (the largest population) and increases levies for 40,000 larger motorcycles. +	Lowers levies for 0-250cc and 601-750cc bikes (a significant portion of the motorcycle fleet) but results in an increase in levies for 251-600cc bikes. + +
Cost-effectiveness and implementation	Would not lead to any additional cost. Easy to implement for ACC. 0	Would not lead to any additional cost. Relatively easy for ACC to implement. 0	Would not lead to any additional cost. Relatively easy for ACC to implement. 0
Risk of unintended consequence	Levy payers may perceive it unreasonable to keep these groups of bikes separate, as there is little difference between 600cc and 750cc bikes. 0	No additional risks have been identified. 0	No additional risks have been identified. 0
Overall assessment	Although this option meets the policy objectives, it creates a perceived view of being unfair on certain groups of motorcycles. 0	Meets the policy objectives. + +	Meets the policy objectives, and is the best option in terms of alignment to the risk profile of groups of motorcycles. + + + +

Example key for qualitative judgements:

++	much better than doing nothing/the status quo/counterfactual
+	better than doing nothing/the status quo/counterfactual
0	about the same as doing nothing/the status quo/counterfactual
-	worse than doing nothing/the status quo/counterfactual
- -	much worse than doing nothing/the status quo/counterfactual

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

54. The recommended options below will:

- demonstrate to levy payers that we are responsive to levy payer feedback and,
- align to ACC's desire to reduce cross-subsidisation

Cross-subsidisation of motorcycle levies

55. Option Two is recommended as it presents a simpler approach for levy payers and focusses the consultation on the key element in price setting that determines the levies motorcyclists are asked to pay – the proportion of costs they fund directly.

Consultation feedback and reaction

56. ACC, on behalf of the Minister for ACC, undertook a period of public consultation from 11 September to 9 October 2024. During this period, ACC released a number of videos on social media to publicise the consultation, as well as carrying out newspaper advertisements and media engagements.

57. As a result, 8,748 submissions were received either through the ShapeYourACC website, or through individual submissions received via email by industry stakeholders.

58. Almost all submitters (91%) disagreed with the proposal to increase motorcycle owners' share of levy contribution. Common concerns included:

- the way ACC attributes risk is unfair and that ACC should levy the rider, not the bike
- the increased registration costs will lead to levy evasion and people not registering their bikes
- the increase in the levy unfairly disadvantages motorcyclists by imposing a higher financial burden on them than other road users
- the proposal is at odds with the 'no fault' principle of the ACC Scheme.

59. MBIE and ACC are satisfied that, despite this feedback, that the proposed level of contribution from motorcycle owners is reasonable as it is equivalent to the proportion of costs of injuries from single vehicle motorcycle crashes. If the level of cross-subsidisation was not addressed, this would mean that other vehicle owners are funding a portion of claims that they are not responsible for.

60. However, there are reasonable grounds to consider the phasing of the proposed transition to the 37% contribution, in light of cost pressures, and the opportunity to further encourage greater uptake of advanced rider training (which will attract a levy discount). To respond to feedback received during consultation, it is intending to introduce the increase in phases which will result in an increase to 33% from 1 July 2026 and to 37% from 1 July 2027.

61. As noted by submitters, the Motor Vehicle Account has a surplus of assets and ACC is proposing to use $827millon over the next three years to offset levy increases. A further $503million of revenue is being offset to help keep the levy increases as low as proposed over the three years. All vehicle owners will benefit from the use of surplus assets.

62. The Minister for ACC has met with the Motorcycle Advisory Group New Zealand, who represent a number of individual motorcyclists to explain the rationale behind this proposal.

63. It is likely that there will be a level of levy avoidance, however this has been anticipated and ACC typically makes allowances for this when setting levy rates.

Motorcycle groupings

64. Option Three is recommended as it provides the best alignment to risk across motorcycle engine sizes.

Consultation feedback and reaction

65. ACC, on behalf of the Minister for ACC, undertook a period of public consultation from 11 September to 9 October 2024. During this period, ACC released a number of videos on social media to publicise the consultation, as well as carrying out newspaper advertisements and media engagements.

66. As a result, 8,748 submissions were received either through the ShapeYourACC website, or through individual submissions received via email by industry stakeholders.

67. Over two-thirds of submitters (70%) disagreed with the proposed changes to the classification of motorcycles. Most written submissions considered that classification using capacity (cc) as a measure of risk is overly simplistic, unfair, and inaccurate. Examples were given of smaller capacity smaller bikes capable of high speeds being dangerous and of large capacity bikes being lower powered and more stable than medium capacity bikes.

68. A smaller number of submitters (which included industry stakeholders such as NZ Automobile Association, Motor Industry Association, Ia Ara Aotearoa Transporting New Zealand, and Motorcycle Safety Advisory Council) agreed with the proposed classification changes of increasing the number of classes, but not the actual classes proposed. Some motorcyclists suggested aligning the changes with LAMS (Learner Approved Motorcycle Scheme) criteria that looks at the power-to-weight ratio.

69. Given the introduction of the discounts for motorcycle owners who have successfully completed a recognised advanced rider training course is proposed to be introduced from 1 July 2026 (and the increase in motorcyclists contribution is also now being recommended to be phased in from this date) it is proposed that the implementation of classification changes be delayed until 1 July 2026.

What are the marginal costs and benefits of the option?

Affected groups *(identify)*	**Comment** *nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.*	**Impact** *$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.*	**Evidence Certainty** *High, medium, or low, and explain reasoning in comment column.*
Additional costs of the preferred option compared to taking no action			
Regulated groups	Ongoing and negative There will be a known amount of levy avoidance and this is priced into levies.	The cost impact will vary depending on the engine size of motorcycle, and the application of other levy proposals.	High, this will impact on all motorcycle owners.
Regulators	Neutral. The cost impact on ACC (the regulator) is neutral.	Neutral. The cost impact on ACC (the regulator) is neutral. There may be minimal implementation costs passed on by NZTA.	High, these will only result in minor system changes..
Others (eg, wider govt, consumers, etc.)	Neutral	Neutral	Low.

			Analysis was not conducted on the impact to others such as wider government.
Total monetised costs	Varied	Varied	High, the financial impact will be covered by all levy payers in the Motor Vehicle Account.
Non-monetised costs	Varied	Low	Medium
Additional benefits of the preferred option compared to taking no action			
Regulated groups	Will benefit future generations as will ensure adequate levy collection in the immediate future.	High, ensures that the different risk profiles are being accurately funded.	High.
Regulators	Ongoing and positive. Improves fairness in Accounts and demonstrates that issues that are raised through consultation are addressed in future rounds.	Medium.	High.
Others (eg, wider govt, consumers, etc.)	Ongoing.	Medium	Low. Analysis was not conducted on the impact on others such as wider government.
Total monetised benefits	Ongoing	Medium	High.
Non-monetised benefits	Ongoing	Medium	High.

Section 3: Delivering an option

How will the new arrangements be implemented?

70. ACC will be responsible for the recommended options. ACC will work the New Zealand Transport Agency (NZTA) to create any required new vehicle classes and to update the levy charged for motorcycles.

71. Vehicle owners will be notified of update levy costs through the vehicle licensing renewal notices sent by NZTA.

72. The Minister for ACC intends to make a public announcement once final Cabinet decisions have been made. This will be supported by ACC releasing a summary of

submissions that covers how submissions were analysed and rationale for final decisions.

How will the new arrangements be monitored, evaluated, and reviewed?

73. Existing monitoring arrangements by the Treasury and stewardship of the legislation and regulatory scheme by MBIE will suffice to ensure that implementation of the new arrangements are monitored, evaluated, and reviewed as required. This work aligns with both MBIE and the Minister for ACC's priority in ensuring that regulation is current, effective and fit for purpose.

74. ACC's actuarial team will monitor the new arrangements to ensure that future claims data support this change e.g. there is not a sudden increase in claims from heavy vehicles. If the data shows that the new arrangements are not achieving the aforementioned policy objectives, ACC will recommend changes to the Motor Vehicle Account Levies Regulations as part of the next levy consultation process which is due to occur in 2028-2031.