Submission

By

Business NZ
The voice of business

to the

Accident Compensation Corporation

on the

2009/10 Levy Rate Consultation Documents

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2009/10 ACC LEVY RATE CONSULTATION DOCUMENTS
SUBMISSION BY BUSINESS NEW ZEALAND[1]

1.0 INTRODUCTION

1.1 Business New Zealand welcomes the opportunity to comment on the 2009/10 ACC Levy Consultation Documents.

1.2 Business NZ had the opportunity to be involved in the levy setting process again this year as a member of ACC's levy setting steering committee. While grateful for the invitation, Business NZ still has a number of concerns with the Discussion Documents and principles surrounding levy setting which are raised in this submission.

1.3 Given that the Work Account is the most important ACC account for stakeholders of Business New Zealand, this submission will focus on that account but comments made may also be applicable to other ACC accounts.

1.4 A major concern for Business NZ is the projected blow-out in levy costs, across all accounts. The work account levy rate is projected to increase by a significant 62 percent between 2009 and 2014. While it is accepted that elements of smoothing make it difficult to compare "like with like" levies over time, the general trend towards substantial increases in levies across accounts is a matter that policy makers will need to take into account.

1.5 While Business NZ makes a number of recommendations in this submission, our key recommendation is the support for a truly independent assessment of the principles the levies are based on, taking into account the fact that ACC is a state monopoly insurer and not subject to the normal commercial disciplines many other insurers face. Included within this assessment should be a review of some of the key policy decisions of the ACC Board, including the economic impacts of smoothing premiums over a five year period and whether this regime is justified on sound economic grounds. Appropriate funding mechanisms for residual clams (the "tail") which are currently required to be fully funded by 2014 should also be looked at in this context.

1.6 Business NZ stands ready to assist in achieving this objective so that employers can have confidence that premiums are set on a economically sound and principled basis.

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[1] Background information on Business New Zealand is attached as Appendix 1.

2.0 RECOMMENDATIONS

Business New Zealand **recommends** that:

An independent assessment of the principles the levies are based on should be undertaken, including an examination of the decisions of the ACC Board to smooth premiums over a five year period, taking into account the fact that ACC is a state monopoly insurer with the power to tax future employers and not subject to the normal commercial disciplines many other insurers face. (see p.6)

Business New Zealand **recommends** that:

As part of a longer-term risk management strategy, ACC consider the potential for transferring/selling (effectively paying) private sector insurers to take on the risk of managing the liabilities and assets of the various ACC Accounts, including claims management (particularly in respect to residual "tail" claims). (see p.6)

Business New Zealand **recommends** that:

ACC should examine whether a funded risk margin of 11.7% is justified for the Work Account given the unique circumstances of New Zealand's ACC scheme (i.e. the power to tax future employers) and that currently the work account is still significantly overfunded. (see p.7)

Business New Zealand **recommends** that:

ACC projections are based on the principle that all claims post-1999 should be fully-funded annually unless there are extraordinary reasons for not doing so. (see p.9)

Business New Zealand **recommends** that:

Any element of "premium smoothing", if ACC wishes to retain this, should be over a much shorter period, say 2-3 years maximum, rather than the current ACC Board's policy approach of smoothing over up to 5 years. (see p.9)

Business New Zealand **recommends** that:

All pre-1999 residual claims (i.e the residual claims account, residual claims within the earners account and residual claims within the motor vehicle account, should be funded out of general taxation as the least distortionary mechanism for funding what are in economic terms, sunk costs. (see p.11)

Business New Zealand **recommends** that:

To assist with the transparency of future premium settings it would be prudent to separate out (ring-fence) pre-1999 non-work accidents and motor vehicle accidents from the Earners Account and Motor Vehicle Account (i.e. they would be treated in a similar manner to the current residual claims account for pre-1999 work accidents). (see p.11)

Business New Zealand **recommends** that:

ACC should reinstate experience rating within the Work Account either as a stand–alone system or in conjunction with the Workplace Safety Management Practices (WSMP) scheme. Consideration should be given to introducing experience-rating in the Earners and Motor Vehicle Accounts as well. (see p.13)

Business New Zealand **recommends** that:

Consideration should be given to reducing the significant cross-subsidisation of motor cyclists by on-road motor vehicle users in respect to the ACC Motor Vehicle Account. (see p.15)

Business New Zealand **recommends** that:

ACC, or the Department of Labour's Policy Unit should undertake further research to get a better understanding of the risk factors which determine Motor Vehicle accident claims and costs in order to better understand where responsibility for costs should lie. (see p.15)

3.0 COMMENT ON THE WORK ACCOUNT

3.1 The ACC Work Account is made up of funds paid by all New Zealand employers and self-employed to cover the costs of work-related personal injury post-1999. The amount that employers and self-employed will pay to the account is estimated at $530 million for the year ending 30 June 2009.

3.2 ACC proposes to set the 2009/10 average composite employer rate at $1.26 per $100.00 of payroll - the same as for the preceding year.

3.3 The $1.26 levy is constituted by the Work Account levy ($0.70 - down from $0.72 last year) plus the pre-1999 residual claims levy ($0.56 - up $0.02 on last year).

3.4 While some businesses will welcome the fact that the proposed "average" composite levy for employers will remain at $1.26 for the 2009/10 year (although there will be significant movements within particular risk categories which makes a mockery of ACC's effort to ensure aggregate levies are stable), Business New Zealand remains concerned that rates still contain significant distortions and do not reflect the underlying cost of claims. This comment is generally applicable across all the accounts and is certainly not unique to the work account.

3.5 ACC's financial performance forecasts show that the work account will be overfunded to the tune of $331 million for the year ended 30 June 2009. This is over and above what is required to fully fund the account.

3.6 ACC has argued that it is progressively giving back this money over time in the form of lower premiums than might otherwise be the case. Nevertheless, Business NZ has a number of concerns with ACC's ongoing retention of these funds.

- The funds retained distort the true costs of accident claims which premium payers (in the case of the work account – employers) pay. In the absence of any discounts for low claims costs at the individual enterprise level (i.e. experience rating claims) there is effectively a transfer of wealth from previous employers to current and future employers which reduces the pricing signals facing employers.

- The potential exists for the build up of reserves (effectively a 'war chest') to fund new policy initiatives by government or ACC, with the costs of same appearing to be revenue neutral to employers as they are met through the build up of existing funds. This contravenes the whole principle of a fully-funded model where changes to policies which impact on premiums (either positive or negative) are almost immediately felt by premium payers.

- The excess reserves are effectively employers' money which they would value as a means of either reinvesting in their businesses or reducing debt levels, or possibly both.

3.7 Notwithstanding the above points, Business NZ believes that unless there are significant reasons why accounts should be treated differently in terms of funding regimes (as with the residual claims account), a reasonably consistent approach should be taken across the board.

3.8 Given the inherent risks associated with determining reasonably accurately the costs (and revenue streams) associated with long-term claims, Business NZ considers that ACC should investigate appropriate risk minimisation strategies to reduce the potential for largely "unforeseen" risks to impact adversely on ACC, and more particularly, its premium payers. While ACC have achieved excellent investment returns over the past few years notwithstanding recent results, managing potential risks would appear increasingly necessary given the size of the various accounts both in terms assets held and liabilities involved. Business NZ considers the possibility of transferring/selling (effectively paying) the private sector to take on the risks associated with some accounts (e.g. the residual claims account) might be worth investigating further.

Business New Zealand **recommends** that:

An independent assessment of the principles the levies are based on should be undertaken, including an examination of the decisions of the ACC Board to smooth premiums over a five year period, taking into account the fact that ACC is a state monopoly insurer with the power to tax future employers and not subject to the normal commercial disciplines many other insurers face.

Business New Zealand **recommends** that:

As part of a longer-term risk management strategy, ACC consider the potential for transferring/selling (effectively paying) private sector insurers to take on the risk of managing the liabilities and assets of the various ACC Accounts, including claims management (particularly in respect to residual "tail" claims).

11.7% Risk Margin

3.9 One of the greatest benefits of a fully-funded model is that the cost of the scheme is transparent and any changes (for example additional benefits) are immediately captured within premium settings.

3.10 While Business New Zealand accepts that private sector insurers will almost always build in a margin for "risk" in insurance premium setting, it is not at all obvious why ACC would or should do likewise. As ACC is effectively a state-monopoly provider of accident insurance, ACC (via government legislation) has the power to tax future employers if premiums collected in any one year are insufficient to fund the ongoing costs of claims associated with accidents in that particular year.

3.11 ACC is still proposing building in a 11.7% risk margin (up from 11.2% last year) on top of the estimated claims liability for further claims (and retaining a 5% prudential margin on top for pre-1999 work and pre-1992 non-work claims (the "residual claims"). While Business New Zealand fully accepts that the risk margin and prudential margin for the residual claims account are probably justified (given that it must be fully-funded by 2014), Business NZ sees no justification for funding a risk margin of 11.7% for the work account given (a) that ACC is a monopoly insurer and has the power to tax future employers should claims costs be significantly higher than expectations and (b) the ACC work account continues to be significantly over-funded to the tune of around $330 million. It is for these reasons that there is no justification for any risk margin at this stage. If any risk margin for the work account is justified at the moment, then it should be at a much lower rate (say 5%).

Business New Zealand **recommends** that:

ACC should examine whether a funded risk margin of 11.7% is justified for the Work Account given the unique circumstances of New Zealand's ACC scheme (i.e. the power to tax future employers) and that currently the work account is still significantly overfunded.

Smoothing Premiums

3.12 Business NZ is strongly of the view that premiums should reflect changes in behaviour (at the level of the individual enterprises that make up the various risk groups).

3.13 While levy stability is a desirable objective, it should not override important signals which should be sent to levy payers about the true costs associated with accidents (whether or not this results in a reduction or an increase in premiums over time).

3.14 Business NZ is very concerned that ACC's near obsession with retaining aggregate premiums at a constant level may send employers unrealistic signals as to the costs associated with work accidents. Because a significant proportion (around 25% of the average work levy excluding residual claims) is being funded via the past build-up of reserves, premiums are very distorted for current employers and are likely to be so for some time.

3.15 The way to overcome this ongoing problem is to give back the extensive overfunded reserves to employers as a "one-off" payment, unrelated to the premium setting round.

3.16 While it could be argued that smoothing is perhaps warranted when an account has excess funds beyond those required to fully fund it, Business NZ is very concerned that the smoothing policy currently advocated to bring reserves up to 100% of claims liabilities is far too long if reserves have fallen below 100%. In the case of the Earners Account, p.16 of the Discussion Document contains a graph which shows that the funding for new non-work claims is projected to fall to around 75% of the full-funding required to fund claims within that account (2011), although it is accepted that ACC projects that with premium increases over time, the account will be restored to full-funding by 2014. Business NZ considers that this policy shows a reckless disregard of the potential risk for this account to fall even further into the red.

3.17 In respect to the Motor Vehicle Account which is fully-funded in respect to post-1999 claims (as at 30 June 2008), Business NZ notes that ACC intends to move away from 100% funding to around 90% funding by 2011 before projecting a return to a fully-funded situation by 2014. Again Business NZ seriously questions the rationale for moving from what is in effect a fully-funded position to one which is less than fully-funded, particularly given that the future profile of claims and claims costs within the Motor Vehicle Account is particularly difficult to determine.

3.18 Notwithstanding the number of factors impacting on the number and cost of claims which makes forecasting future liabilities difficult, Business NZ considers that as a general principle all claims (post-1999) should be fully funded each year, accepting that at times, this may not be possible due to unintended external influences (e.g. low investment returns). The danger without such a discipline is that new policies can be introduced which appear to be cost neutral, while current and future levy payers are sent distorted signals as to the real costs associated with the scheme.

3.19 Smoothing to take account of "one-offs" may sometimes be appropriate. However, it is certainly not appropriate to smooth premiums in the case of surpluses or deficits of a structural nature. Business NZ considers that there are structural deficits within both the Earners Account and Motor Vehicle Account which need to be addressed. Smoothing is simply a mechanism to delay the inevitable increase in premiums down the track. Failure to take early action to increase premiums (while political unpalatable) will simply result in reduced flexibility further down the track, should unforeseen risks arise within any of the accounts.

3.20 Business NZ considers that if ACC wishes to retain any element of "premium smoothing" it should be over a much shorter period, say 2-3 years at maximum, rather than the current ACC Board's policy approach of 5 years. This would minimise the risk of new policy decisions being implemented which impact significantly on the costs of the scheme but yet are hidden for the first 2-3 years in terms of the "average" composite premium.

3.21 As mentioned earlier, one, our key recommendation is the support for a truly independent assessment of the principles the levies are based on. Included within this assessment should be a review of some of the key policy decisions of the ACC Board, including the economic impacts of smoothing premiums over a five-year period and whether this regime is justified on sound economic grounds. At minimum, if a 5-year smoothing policy is indeed supported by the ACC Board, then it should be applied consistently across accounts, to the extent possible. Currently, it appears that the 5-year smoothing policy is applied only in an ad hoc manner.

Business New Zealand **recommends** that:

ACC projections are based on the principle that all claims post-1999 should be fully-funded annually unless there are extraordinary reasons for not doing so.

Business New Zealand **recommends** that:

Any element of "premium smoothing", if ACC wishes to retain this, should be over a much shorter period, say 2-3 years maximum, rather than the current ACC Board's policy approach of smoothing over up to 5 years.

Pre-1999 (Residual) Claims Levy

3.22 Business New Zealand notes that ACC proposes to increase slightly the average residual claims levy to $0.56 per $100 of payroll/liable earnings (up from $0.54 currently).

3.23 Business New Zealand once again expresses its concern that pre-1999 work injuries will continue to be funded by employers. Moreover, it is noted about one-third of this cost relates to pre-1992 injuries caused outside of the workplace.

3.24 At a conceptual level, the costs associated with pre-1999 work accidents, pre-1992 non-work accidents and pre-1999 residual claims in the motor vehicle account are, in economic terms, sunk costs. In other words, charging people for previous claims cannot affect the outcome of those claims – they have already been made. In this respect the funding of those costs should arguably be borne by general taxpayers as the most efficient and least distortionary method of funding.

3.25 Even if the Government decides to continue with its current policy approach of requiring employers and the self-employed to fund the total unfunded liabilities associated with pre-1999 work accidents and pre-1992 non-work accidents, it is important to understand that the unfunded liability will not influence future behaviour. This means that the costs should be spread among as many people as possible, and over a significant period of time, to ensure the distortions associated with unfunded liability payments are minimised to the extent possible. The same applies in respect to the Motor Vehicle Account.

3.26 Business NZ notes that the Labour Party's ACC spokeswoman, Maryann Street, in a press release on 11 September 2008, *"Labour promotes law change to reduce ACC levy increases"* stated that Labour believes that given the significant ongoing costs associated with the "tail" of claims (particularly in the Motor Vehicle and Residual Claims Accounts) that the requirement to fully-fund such claims by 2014 should be moved out by 5 years to 2019.

3.27 While on the one hand this has a positive aspect (i.e. spreading the cost over a much longer time-frame and therefore less distortionary given that costs associated with residual claims are in economic terms, sunk costs), Business NZ is very concerned with the negative effects any move to extend out the time frame in which to fully fund the residual claims reduces the need for ACC to carefully monitor and treat appropriately pre-1999 claims. There is little incentives to get such people back into employment where appropriate, or where someone has recovered from their accident, is work-ready but no work is available, to shift that person off ACC on to an appropriate benefit.

3.28 The danger is that without a significant discipline on both ACC and claimants, there may be a tendency for long-term claimants not to receive the appropriate treatment in order to move them off ACC. This is a serious concern given that around one-third of claims within the residual claims account relate to pre-1992 non-work accidents. Business NZ accepts that many of these people will have been seriously injured and many may never be able to effectively enter the workforce again, but it is important that those who can are given the appropriate treatment and incentives to exit ACC. This probably requires an effective work capacity assessment test as the ultimate sanction or "back-stop" should people who have been rehabilitated fail to exit the scheme within a reasonable time-frame.

3.29 While Business NZ has always supported the residual claims account being funded out of general taxation, at least the residual claims account is completely separate (ring-fenced) from the work account, assisting in transparency of premium setting between these two accounts. Business NZ is concerned that such clear distinctions do not appear to be case in respect to the Earners Account or the Motor Vehicle Account, although it is noted that the levy rates payable both in respect to pre-1999 non-work claims and pre-1999 motor vehicle claims are outlined in the consultation documents.

3.30 Notwithstanding Business NZ's recommendation that residual claims (across all the relevant accounts) be funded out of general taxation, if this is not achieved then at a minimum, to assist with the transparency of future premium settings, it would be prudent to separate out pre-1999 non-work accidents and motor vehicle accidents from the Earners Account and Motor Vehicle Account (i.e. they would be treated in a similar manner to the current residual claims account for pre-1999 work accidents). This would greatly assist in monitoring premium settings to minimise any risk of muddying the waters in respect to levy rates relating to the ongoing fully-funded costs associated with current year claims, and the further costs of funding residual claims (which should ideally be funded in the least distortionary way possible).

Business New Zealand **recommends** that:

All pre-1999 residual claims (i.e. the residual claims account, residual claims within the earners account and residual claims within the motor vehicle account, should be funded out of general taxation as the least distortionary mechanism for funding what are in economic terms, sunk costs.

Business New Zealand **recommends** that:

To assist with the transparency of future premium settings it would be prudent to separate out (ring-fence) pre-1999 non-work accidents and motor vehicle accidents from the Earners Account and Motor Vehicle Account (i.e. they would be treated in a similar manner to the current residual claims account for pre-1999 work accidents).

Workplace Safety Management Practices (WSMP) and Experience Rating

3.31 The cost of running this discount scheme is $0.03. Business New Zealand submits that WSMP on its own is an ineffective injury prevention tool because there is no link to actual injury incidence, only to the implementation of systems which may or may not be effective. Conversely, notwithstanding a large increase in injuries, an employer enjoying the rewards of participation may not be penalised simply because there was an audited system in place.

3.32 Extending the WSMP would not be appropriate for small businesses as the compliance costs of meeting the audit requirements mean that only a small proportion of enterprises (mainly medium to large sized) are in a position where the level of discount available will be greater than audit requirement costs.

3.33 Currently, there is little ability for small and medium sized enterprises to reduce their premium levels irrespective of their claims record. This is particularly significant given that over 95% of all enterprises in New Zealand employ fewer than 20 persons.

3.34 Business New Zealand therefore continues to support the reintroduction of experience rating either as a stand-alone system or in conjunction with a modified WSMP scheme. Such an initiative was, for a considerable time, the discount scheme of choice and provided positive incentives for employers (and the self-employed) to strive to improve their workplace safety practices and to minimise risks. Experience rating is beneficial also to small businesses that cannot enter the Partnership Programme or for whom the WSMP scheme is too cumbersome.

3.35 While Business New Zealand supports WSMP, the scheme is "systems-based" rather than output based, which means there is an assumption that if employers have received a satisfactory audit from ACC, the risk of accidents in the workplace is lower.

3.36 Business New Zealand considers that it is much better to have an outcomes-based approach where the rate of injury is the relevant factor in setting premiums.

3.37 Business New Zealand considers that experience rating is essential in ensuring strong incentives are placed on employers so that those with consistently lower than average accident rates (within their risk class) are rewarded. On the other hand, those with poorer than average accident rates will experience a negative impact.

3.38 Within similar industry and risk classes there are often substantial and consistently different accident rates attributable to a range of factors. Often similar businesses within the same industry have significant ongoing differences in accident claims and associated claims costs reinforcing the need to focus on individual enterprise risk. Experience rating is therefore crucial in ensuring that employers benefit from better than average outcomes within their risk category.

3.39 Business NZ notes that the PriceWaterhouseCoopers (PWC) Report on the ACC Scheme Review (March 2008) which was commissioned by ACC, stated, in respect to experience-rating: "…*in our view, experience-rating which makes appropriate use of statistical credibility offers substantial fairness and economic resource allocation efficiencies, which if properly regulated, could outweigh the residual adverse incentive risk which may remain…" (p. xxxiii).*

3.40 Four arguments by critics of experience rating are worth mentioning briefly. The first is that accidents are unfortunate random occurrences and as such, a system of experience rating cannot affect their outcome.

3.41 Many accidents (and health states) are purely random with little that can be done to minimise them (at least without great cost). On the other hand, a number of so-called "accidents" can be avoided through appropriate management of health and safety.

3.42 The second criticism of experience rating is that it provides limited incentives for employers to reduce the number of workplace accidents because of the ability to pass on costs to consumers or employees, presumably through higher cost of product and/or lower wages than might otherwise be the case.

3.43 In an insulated and protected environment where employers are not subject to competition, the above might be true. However, in reality, the ability to pass on costs is strictly limited. Most businesses are subject to both international and domestic competition; therefore the ability to sustain cost increases (even on the margin) is likely to be low.

3.44 The third criticism of experience-rating is that in some cases an employer may be experience-rated on an alleged "work-related" accident which they believe was completely beyond their control. While there will no doubt be some cases where employers feel unduly punished by experience-rating, the benefits of experience-rating need to be clearly understood.

3.45 Finally, the argument is sometimes put forward that introducing experience-rating will encourage employers to put pressure on their employees to either not report work-related claims or alternatively to encourage them to report claims as non-work related. Claims will then be funded out of the Earners Account with reduced impact on the employer's experience-rating. As mentioned in response to the previous criticism, there may theoretically be cases on the margin where such behaviour could occur, but these should not be used to diminish the positive impacts of experience-rating. Moreover, effective monitoring of claims should ensure that this kind of employer or employee behaviour is minimised.

3.46 It should also be noted that (irrespective of the existence of experience-rating) in some cases there may be incentives for employees to report "non-work" related accidents as having occurred at work. Again this misreporting of accidents can be minimised through effective monitoring of claims and having appropriate systems in place to minimise and detect fraud.

Business New Zealand **recommends** that:

ACC should reinstate experience rating within the Work Account either as a stand–alone system or in conjunction with the Workplace Safety Management Practices (WSMP) scheme. Consideration should be given to introducing experience-rating in the Earners and Motor Vehicle Accounts as well.

4.0 COMMENTS ON THE MOTOR VEHICLE ACCOUNT

4.1 Business NZ notes that currently ACC premiums for motor vehicle accidents are effectively based on a flat levy structure irrespective of the size of car or person's previous claims history. This reduces the incentive to take appropriate care (on the margin), although accepting that very few, if any, people would deliberately go out to cause a road accident.

4.2 Moreover, a number of road users, principally cyclists, pay nothing towards the cost of accidents involving motor vehicles (although it is accepted that if they have a car, they will contribute to ACC costs through both petrol taxes and relicensing fees). Meanwhile, motorcyclists are currently grossly subsidised by motor vehicle owners.

4.3 Given the trend towards a greater use of motor cycles and/or bicycles (on road), it would be desirable to examine seriously whether ACC premiums should apply to those regularly using their cycles or motorcycles on-road, reflecting the true costs associated with accidents involving these forms of transport. The current system of funding the Motor Vehicle Account involves significant cross-subsidisation from Motor Vehicle owners to Motor Cyclists.[2] Business NZ considers that a thorough investigation of the funding of the Motor Vehicle Account is justified so as to more closely align the costs associated with the scheme to scheme claimants. This should include the introduction of experience-rating premiums for the Motor Vehicle Account as well as for the Earners and Work Accounts.

4.4 As mentioned earlier, Business NZ notes that ACC intends to move away from 100% funding of post-1999 claims (as at 30 June 2008) to around 90% funding by 2011 before projecting a return to a fully-funded situation by 2014. Business NZ seriously questions the rationale for moving from what is in effect a fully-funded position to one which is less than fully-funded, particularly given that the future profile of claims and claims costs within the Motor Vehicle Account is particularly difficult to determine. Moreover, one of the fundamental principles of a fully-funded model is that levy payers pay for the full costs associated with the scheme rather than simply transferring liabilities on to future motorists.

[2] It is noted that the ACC 2009/10 Levy Rates for Motorists Consultation Document states that *"..the motorcycle levy is subsidised by the other vehicle classes. An analysis of the 'true' levy for motorcycles shows that if ACC charged motorcycles an unsubsidised levy this would increase from the currently proposed rate of $262.75 ($392.09 for non-petrol-driven motorcycles) to approximately $1,500."*

4.5 Finally, in respect to the Motor Vehicle Account, Business NZ notes that the Discussion Documents ask respondents for feedback on the appropriate balance between funding claims from petrol purchases and from registration. Without clear understanding of the nature of the claims and how they arise it is virtually impossible to provide an answer to this question. Business NZ would therefore urge ACC to undertake further research to get a better understanding of the accident risks which determine accident claims and costs and where responsibility should lie. For example, it is not immediately obvious that petrol use is necessarily a good indicator of accident claims or severity.

Business New Zealand **recommends** that:

Consideration should be given to reducing the significant cross-subsidisation of motor cyclists by on-road motor vehicle users in respect to the ACC Motor Vehicle Account.

Business New Zealand **recommends** that:

ACC, or the Department of Labour's Policy Unit should undertake further research to get a better understanding of the risk factors which determine Motor Vehicle accident claims and costs in order to better understand where responsibility for costs should lie.

APPENDIX 1

BACKGROUND INFORMATION ON BUSINESS NEW ZEALAND

Business New Zealand is New Zealand's largest business advocacy organisation.

Through its four founding member organisations – EMA Northern, EMA Central, Canterbury Employers' Chamber of Commerce and the Otago-Southland Employers' Association – and 70 affiliated trade and industry associations, Business NZ represents the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy on behalf of enterprise, Business NZ contributes to Governmental and tripartite working parties and international bodies including the International Labour Organisation, the International Organisation of Employers and the Business and Industry Advisory Council to the Organisation for Economic Cooperation and Development.