



**ROADING
NEW ZEALAND**

BUILDING AND MAINTAINING NEW ZEALAND'S
LAND TRANSPORT INFRASTRUCTURE

ROADING NEW ZEALAND

SUBMISSION

TO THE

ACCIDENT COMPENSATION CORPORATION

ON

**EXPERIENCE RATING
INFORMATION AND CONSULTATION DOCUMENT**

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Introduction

Roading New Zealand thanks the Accident Compensation Corporation (ACC) for the opportunity to make a submission on "Experience Rating Information and Consultation Document". Roothing New Zealand also congratulates ACC on seeking to provide a financial incentive to businesses to help them improve workplace safety.

Roothing New Zealand represents contractors who build and maintain New Zealand's land transport infrastructure. While our members carry out the majority of the country's roading work, they are also substantially involved in the construction and maintenance of other infrastructure, such as rail, airports, ports, utilities and energy. The combined turnover of our members is approximately \$3 billion per annum. As employers, Roothing New Zealand members have a direct interest in this document with 20% of them being self insured accredited employers.

Overview of Submission

In summary, Roothing New Zealand supports the documents recommendations for

- Keeping the combined Residual and Work Levies at the same rate for the scheme's general employer category.
- Maintaining the levy for new work injuries at the 2010/11 level.
- Reducing the residual levy rate by 23%.

We do, however, have concerns over a number of other issues and accordingly requests that ACC

- Works with Industry to provide effective industry based tools for employers to improve their workplace safety alongside the introduction of Experience Rating because while Experience Rating will provide an incentive for businesses to improve their workplace safety, it will not of itself improve workplace safety.
- Works with other Government Department's and Agencies to improve procurement processes for achieving better health, safety and injury prevention in the building and infrastructure construction sectors.
- Retains WSMP as a tool for employers to improve their Experience Rating.
- Extends WSMP to include behaviour based training and industry specific best practice requirements.
- Retains the current WSMP discounts as a further incentive for businesses to put into place tools for improving workplace safety.
- Includes Roothing NZ in any further discussions involving changes to the Motor Account as ACC looks for new options and opportunities to reduce liabilities.

These points are discussed below.

Work Account

The levy for new work injuries has remained much the same at 2010/11 levels. Whilst the lack of a reduction is disappointing given the efforts of Operate Safe to reduce claim incidence and severity, we recognise that ACC has needed to maintain levy rates because of the economic crises of 2009.

We are pleased to see the 23% reduction in Residual levy rates by extending the period for fully funding these old claims to 2019. This spreads the burden as members recover from difficult economic times. Rooding New Zealand does remain concerned, however, that continued attempts since July 2000 to accurately calculate and then fund the full liability of these Pre 1999 claims is a task that requires constant adjustment by ACC and does not give certainty of final settlement.

We are disappointed to see the 50% reduction in WSMP discounts as we believe that the existing discounts could have a greater direct correlation with safety improvement than experience rating will achieve especially if Industry specific best practice and behaviour based learning is integrated into WSMP requirements.

Experience Rating

We believe that Experience Rating is an important step in providing incentives for businesses to improve their workplace safety. However, businesses need tools to actually improve workplace safety on the ground. We consider that it is pointless to fire up businesses to improve workplace safety without giving them the means to do so.

We further believe that Government leadership in improving health, safety and injury prevention through the procurement of Government buildings and infrastructure has the potential to have greater influence in improving workplace safety than Experience Rating could achieve for the construction sector. We see ACC playing a key role with the Department of Labour in capitalizing on this opportunity, given that Government currently funds the majority of this country's building and infrastructure construction.

There has been some criticism of the performance of WSMP businesses over past years. We believe that this comes from the limited impact generic management systems can sometimes have. Rooding NZ has found that its important to integrate behaviour based learning and Industry best practice into these generic management systems. The success of this approach can be seen in the attached citation for Downer NZ winning the 2010 Excellence in Rooding Award for People.

Regarding the introduction of Experience Rating we recognise that ACC has taken particular care to identify and reduce the negative effects of unintended consequences concerning claim avoidance behaviour by employers. The methodology of using experience rating claim incidence and not cost is an example of this.

The introduction of a no claims bonus to employers with less than a \$10,000 levy is a positive step for the smaller businesses. It is also appropriate to have different

experience rating methods for large and small employers, but to use the same criteria.

Some of the problems with Experience Rating we foresee are:

1. The proposed practice of adjusting the levy rate with experience before the application of the WSMP discounts will unfairly distort the WSMP incentive. We believe an employer with a discounted levy should receive a greater WSMP discount than an employer with an increased levy. This point is poorly examined in the consultation document and not well explained in the consultation meetings.
2. There is considerable complexity around the proposed Experience Rating model to minimize the negative effects of claim avoidance, by requiring Groups of Employers to be experience rated rather than individual employers. This could make adjustments for the final levy payment confusing, because of the need to use historical experience from employers from April 2007 to assess their experience going forward. This will add an administrative burden to both ACC and employers that currently does not exist.
3. The value of employer participation is at the heart of all experience rating. We are concerned that ACC appears to accept unsigned ACC45 forms as valid claims and that most ACC45 forms fall into this category. It's likely the employer will have a case of unfair and unjustifiable assignment of claims where such ACC45 are not signed. To this end, the role of claims lodgment processes by ACC may well prove an Achilles Heal in the modern world of e-commerce.

Motor Account

We note that the motor vehicle account is expected to increase by 14%. As will all accounts, funding adjustments affected this more than anything else. We also note that ACC is interested in finding ways to include a levy on diesel for long distance vehicles. We are very interested to be a part of any examination in this area. Currently the motor account is not able to be adjusted for individual employers. Where industry specific levies in the motor account are contemplated as being introduced, we would welcome the opportunity to discuss fully with ACC any such development.

We trust you find this submission helpful and we ask for an opportunity to speak to it.



Chris Olsen
Chief Executive