



tourism
INDUSTRY

ASSOCIATION NEW ZEALAND

**Submission to the
Accident Compensation Corporation
on the
2012-2013 Levy Rate and Experience Rating Consultation
16 August 2011**

Introduction

1. This submission is from the Tourism Industry Association New Zealand (TIA or “the Association”), located in Wellington. The Association has submitted to levy consultation rounds for the past five years and again welcomes the opportunity to be able to comment on the 2012/2013 levies. Should you wish to contact TIA regarding this submission, please telephone Simon Wallace, Policy and Research Manager on 04 494 1842 or 0272 489 375 or e-mail him at simon.wallace@tianza.org.nz
2. In considering this submission, TIA asks the Accident Compensation Corporation (ACC or the Corporation) officials to take note of submissions it may have also received from many individual tourism businesses, as well as other tourism related organisations. These include the New Zealand Hotel Council (NHZC) the Hospitality Association of New Zealand (HANZ), the Motel Association of New Zealand (MANZ) and the Ski Areas Association of New Zealand (SAANZ).

Comment

Levy rates, 2012-2013

3. Over the past two years, TIA has developed a much closer working relationship with the Corporation including involvement in TIA managed member workshops around the country and individual assistance for tourism businesses. The improved level of engagement has helped TIA and its members to better understand the ACC system and how the levy setting process works.
4. The levy increases that were implemented for the 2010/2011 and 2011/2012 years have been significant and felt hard by tourism businesses given the challenging trading period over the past two years. Therefore, the reduction in the 2012/2013 proposed levies is welcomed by the tourism sector.
5. Concern remains in parts of the tourism sector about the levy risk groups and classification units in which businesses are placed. Some tourism operators believe the reliance ACC places on the Australian and New Zealand Standard Industrial Classification (ANZSIC) system does not fairly reflect the nature of what they do in their businesses.

Classification unit 93400

6. The biggest area of concern does appear to centre on the 93400 classification unit, titled “Amusement and Other Recreation Activities (not elsewhere classified)”. Little progress has been made since last year in resolving the issues related to this classification unit which appears to incorrectly classify companies and causes financial harm, not only through the ongoing levy, but the imposition of backdated penalties.
7. ACC developed the 93400 classification unit in 2008 and is now applying it to businesses that were previously listed in areas they believed they were most suited to. Working examples trialled resulted in a perceived ‘best fit’ in most situations, but because the 93400 classification unit has an all encompassing title, it is being used by ACC as a ‘catch-all’, despite clearly grouping business activities with a dissimilar risk of work-related injury.

8. In last year's submission, TIA cited the following example of how the 93400 classification unit has been applied.

Case study: Leisure activity guiding company

"It seems to me that our sector has been lumped into "Other Recreation" (93400) because there just hasn't been any effort made to understand what we do and what the risk is. When you look at so many other classifications, there are quite in-depth breakdowns of the different activities within that sector. I think that, going forward, someone needs to take a serious look at the sector and work with ACC on it.

I feel very strongly that we are currently being classified unfairly and will pursue this until a fair resolution is reached. We are very supportive of the ACC system and we do not mind paying a fair and reasonable rate. We do not believe this is currently occurring".

9. ACC appears to make a ruling on their perception of 'best fit' and then applies penalties by way of back levies to the time this category was established in 2008. Based on the vagueness of description, namely 'Amusements and other recreational activities' (not elsewhere classified), some tourism businesses are developing a significant liability risk which compounds annually if they are deemed to have originally been by ACC in the incorrect category.
10. Disputes that have been taken with the Corporation have had little success since ACC reverts to an argument that they are not required to consider the risk element but rather use the categories arising from ANZSIC. This would appear to be at variance with the core function of ACC where the entire business model is based on risk as contained in the definition of classification units.
11. TIA believes ACC should consult directly with it where issues of classification arise. The Association believes the current classification under 93400 must be reviewed to better reflect the activities of that are actually taking place.

Ski sector - 93182

12. The Ski Areas Association NZ (SAANZ) represents the commercial ski areas in New Zealand. It believes the proposed 2012/13 levy reductions, coupled with the discounts available through WSMP that ACC levies applied to the ski sector, are returning to a level that better reflects the real cost of the injury claims coming from our sector. SAANZ therefore wishes to express its support of the proposed ACC levy reductions for 2012/13.

Experience rating for the ski sector

13. In previous submissions, SAANZ has advocated for experience rating to be introduced. From this initiative, it is clear that ACC is aiming to encourage and incentivise good health and safety performance in the workplace with levy discounts based on past claims history. The support that SAANZ gives to experience rating is given on the basis that calculating loadings, whether positive or negative, are transparent and employers who qualify for experience rating understand it and can plan accordingly without any surprises.
14. SAANZ believes that experience rating should be applied to individual employers according to that individual employer's safety records and claims, and not benchmarked

across a whole levy risk group or classification unit. It appears that a good employer with an excellent safety record can be affected by the bad performance of other employers, for example in the same risk group or under the same company ownership and this may determine what the loadings will be. It is unclear what factors apart from the employer's own performance determine that employer's loadings. SAANZ and TIA would like to meet with ACC officials to discuss these issues as they relate to experience rating.

Conclusion

15. While TIA and its members are largely supportive of the proposals in the 2012-2013 consultation, it has become apparent again this year that a number of tourism businesses, especially those in the leisure and adventure sectors are incorrectly classified and that the category or levy risk group they are in does not necessarily reflect the type of activity they undertake. TIA understands that some of these businesses have already engaged with ACC regarding their classifications. The Association offers its full support to TIA members who have made separate submissions to ACC on these matters.
16. It does seem that more work needs to be done both by ACC and the industry in partnership to address inequities in the levy risk groups and classification units. While TIA understands it is not possible to have a classification unit for every type of tourism activity, the evidence provided by the separate submissions you will have received from the Association's members indicates there are strong grounds for changes to be made. As it said last year, TIA would be happy to facilitate discussions between operators and ACC if useful.
17. As noted at the start of this submission, TIA and its members have valued the engagement they have had with ACC in the past two years and the support provided by key ACC personnel. The Association encourages the Corporation to maintain this level of engagement. A partnership of this nature helps TIA keep its members and the wider industry aware of ACC issues and how they affect their businesses.

Simon Wallace
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Tourism Industry Association New Zealand
16 August 2011

Background

A bed-rock of New Zealand's economy

18. Tourism is a major contributor to the New Zealand economy that will always be here – and won't easily go offshore. Tourism takes the lead in promoting New Zealand to the world. Thanks to our 100% pure positioning, New Zealand is recognised as one of the most beautiful, unspoiled and scenic places on earth. 100% Pure signifies pride in our country, pride in our people and culture, and pride in the unique environment and experiences that New Zealand offers.
19. The brand positioning built by a vibrant tourism industry has become an important source of national confidence and identity and a front window for "Brand New Zealand". Indeed, the clean, green, pure offer that is synonymous with New Zealand tourism has been widely adopted and used to promote New Zealand exports in a range of other industries as well.
20. If New Zealand Inc. is to continue to prosper, to attract investment and to raise its position in OECD rankings, then it is vital the tourism industry, and the positive image it projects, remain strong.

Delivering Value

21. Below is a snapshot of the economic value provided by tourism to the New Zealand economy.
 - Tourism contributes nearly 9% of gross domestic product (GDP) for New Zealand as well as directly and indirectly employing one in ten New Zealanders.
 - Tourism in New Zealand is a \$61 million per day industry. The New Zealand tourism industry delivers \$26 million in foreign exchange to the New Zealand economy each day of the year. Domestic tourism contributes another \$35 million in economic activity every day.
 - Tourism expenditure reached \$22.4 billion for the year ended March 2010. International visitor expenditure accounted for \$9.5 billion or 18.2% of New Zealand's foreign exchange earnings and is the country's largest export industry.
 - Importantly, and despite more challenging times in the past two years, tourism is New Zealand's largest foreign exchange earner and its contribution is felt at national, regional and local levels.

About TIA

22. TIA has been the lead association that represents the interests of about 1,700 tourism businesses in New Zealand. The Association was first established in 1955 and the businesses TIA represent cover a range of tourism-related activities – hospitality, transport, accommodation, adventure and activities, attractions and retail as well as related tourism services.

23. The primary role of TIA is to be the voice of the tourism industry. This includes working for members on advocacy, policy, communication, events and membership and business services. The TIA team is based in Wellington and led by Chief Executive, Tim Cossar.