



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	<i>Consultation on 2025/26 – 2027/28 ACC levies</i>	<i>Office of the Minister for ACC</i>
28 August 2024	<i>ECO-24-MIN-0174 - 2025/26 – 2027/28 ACC Levies: Approval to Consult</i>	<i>Cabinet Office</i>
25 November 2024	<i>ACC Financial Sustainability – levies and performance improvement</i>	<i>Office of the Minister for ACC</i>
25 November 2024	<i>CBC-24-MIN-0118 – Cabinet Business Committee Minute of Decision</i>	<i>Cabinet Office</i>
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)

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Regulatory Impact Statement: Discounted levies for participants in Ride Forever Programme

Coversheet

Purpose of Document

Decision sought:	The Minister for ACC is seeking Cabinet agreement to integrate a financial incentive for motorcycle rider training into the vehicle licensing system. The means of achieving this is making owners of motorcycles that successfully complete an approved motorcycle training Programme eligible for lower levy rates due to their lower risk profile. This change is intended to: • Lower compliance costs for the incentive system, and • Increase training uptake.
Advising agencies:	MBIE (with input from ACC as operational agency)
Proposing Ministers:	Minister for ACC
Date finalised:	19 November 2024

Problem Definition

The Ride Forever Programme (the Programme) is focussed on encouraging motorcycle riders to start a lifelong journey of obtaining and maintaining an advanced level of riding skills to increase their enjoyment of riding and keep them safer on NZ roads. In 2019 a financial incentive (the 'cashback') was introduced to improve the attractiveness of the Programme to high-risk riders who were resistant to the need for training.

The cashback incentive component of the Programme is no longer fit-for-purpose, as the associated compliance costs are considered a barrier to take-up, and users' would rather receive a discount on their vehicle licencing costs.

Executive Summary

To address the problem, the following options were analysed:

- Option One: Retain the cashback system and improve system stability by migrating from Excel to Salesforce (delivered in FY24).
- Option Two: Develop a qualification standard that sits within the NZ Qualification Framework to define the skills required to be eligible for discounted levy rates. Motorcycle owners that can demonstrate attainment of the qualification can access the lower levy.

- Option 3: Owners of motorcycles that successfully complete an approved motorcycle training Programme are eligible for lower levy rates due to their lower risk profile (recommended by MBIE and ACC).

Comparing the options

Option 1 – status quo

Option 1 involves retaining the current cashback incentive. The advantages of Option 1 are that there is no change to existing arrangements or scope for process improvements within ACC's systems; there is no dependency on other systems and meeting the needs of other agencies; and there is more control over the design and change of the incentive.

The disadvantages of Option 1 are that the cashback was not intended to act as an immediate incentive as motorcyclists need to apply through ACC, which delays the receipt of any cash back and are still required to fully pay their annual vehicle licence. There is an on-going cost of continuing to deliver the cashback incentive, which is funded from Injury Prevention (IP) funding.

Continuation of the cashback incentive provides sub-optimal efficacy and maintains a high compliance cost to the Ride Forever Programme and riders.

Option 2 – Lower levies for completing a new qualification within the NZ Qualification Framework

Option 2 would involve ACC working with the NZ Qualification Authority to develop a qualification to define the skills required to be eligible for discounted aggregate Motor Vehicle Account levy rates (paid through the annual vehicle licensing fee). Specific discounts will be scaled depending on the motorcycle engine size but will be between \$78-120.

This option includes removing the application to ACC for the cashback which would ease the entry cost of levy payers and ensure all eligible riders can benefit from the incentive. .

The disadvantages of Option 2 are that the qualifications don't expire so encouraging retraining will require on-going development of new qualifications for the rider to attain. Thus, this results in increased overheads to develop and maintain the qualifications as well as the additional cost of assessment.

Option 2 lowers the cost of the Ride Forever Programme as the incentive is cross subsidised by other levy payers not funded from the Programme. The removal of the application to ACC for cashback improves cost efficiency of the incentive and increases its attractiveness. A qualification-based approach adds more management costs and effort but reduces the risk of challenges to the levy design by providers of alternative training Programmes. The net costs of Option 2 are \$934k (MBIE considers that the benefits of Option 2 exceed the associated establishment and management costs).

Option 3 – Lower levies for completing an advanced rider safety course (ACC approved)

Option 3 would involve providing users with discounted aggregate Motor Vehicle Account levy rates (paid through the annual vehicle licensing fee), once they complete an existing? advanced rider safety course. Specific discounts will be scaled depending on the motorcycle engine size but will be between \$78-120.

This option also includes removing the application to ACC for the cashback which would ease the entry cost to levy payers, and ensure all eligible riders can benefit from the incentive. This option will require training Programmes to be approved by ACC for inclusion in the Programme, by providers applying to ACC (one application window per annum). ACC would then seek expert endorsement to assess suitability of the Programme.

Compared to Option 2, Option 3 is comparatively easier to implement as it does not involve ACC working with the NZ Qualification Authority to develop a new qualification.

A disadvantage of Option 3 is that the assessment of a Programme's suitability for being on the approved list, will be a subjective judgement call, which may increase the risk of legal challenge. The net costs of Option 3 are \$1,037k (MBIE considers that the benefits of Option 3 exceed the associated establishment and management costs).

Comparing Option 2 and 3

Both levy-based options are expected to deliver similar benefits to the Accident Compensation Scheme and levy payers. Option 3 presents a lower compliance effort for both ACC and customers. , and lower implementation complexity as it will utilise existing courses. This means that Option 3 is preferred to Option 2..

It is intended to introduce a discount provision in the Accident Compensation (Motor Vehicle Accounts Levies) Regulations to support a reduction in compliance costs for motorcycle riders, lowering the administrative burden on both ACC and NZTA, and supporting a reduction in deaths and serious injuries on New Zealand roads.

Limitations and Constraints on Analysis

Analysis of options is constrained due to a condensed time period between the release of actuarial data from ACC and when final levy decisions are required to be provided to implementation agencies e.g. Inland Revenue requires final Cabinet decisions by the start of December to allow levy rates to be loaded into systems. This cannot be mitigated given that ACC actuaries work to tax years, so cannot release data earlier, which means there is a truncated process between the end of the tax year and seeking Board approval for consultation papers. This is a known constraint across previous levy rounds.

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:	MBIE's Regulatory Impact Analysis Review Panel has reviewed the Regulatory Impact Statement (the Statement) prepared by MBIE. The panel considers that the information and analysis summarised in the Statement meets the Quality Assurance criteria.

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 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. There is a tri-annual levy setting process, through which ACC consults on proposed aggregate levy rates and any changes to the policy settings.

The levied Accounts and the NEA operate on a fully funded principle which ensures that the Accident Compensation Scheme (the Scheme) is sufficiently funded for the lifetime (100-year) cost of claims arising from that funding period. This ensures intergenerational equity, so that costs of injuries are not transferred to future generations.

Motorcyclists and Ride Forever Programme

4. Riding a motorcycle is 21 times more likely to result in an injury than travelling in a car. In the Motor Vehicle Account, motorcyclists make up 16% of anticipated claim liabilities while being only 4.5% of the vehicle fleet.¹² This significant difference in risk, and a lack of focus on motorcycles by regulatory bodies led ACC to develop an on-road rider training Programme, called the Ride Forever Programme (the Programme) in 2013. The Programme is funded through the Motor Vehicle Account.
5. The Programme is focussed on encouraging motorcycle riders to start a lifelong journey of obtaining and maintaining an advanced level of riding skills to increase their enjoyment of riding and keep them safer on New Zealand roads.
6. Research into the effectiveness of motorcycle rider training is mixed often due to data limitations and training Programmes being short-lived and focussed only on training new riders.³
7. The Programme has been running for 10 years with a demonstrated efficacy of a 26% reduction in risk of injury for motorcyclists who have participated in the Programme, when compared to motorcyclists that have not. ACC has a quarterly monitoring process that compares the frequency and severity of claims from riders who have successfully completed the course with those of a control group, who have not completed any training.

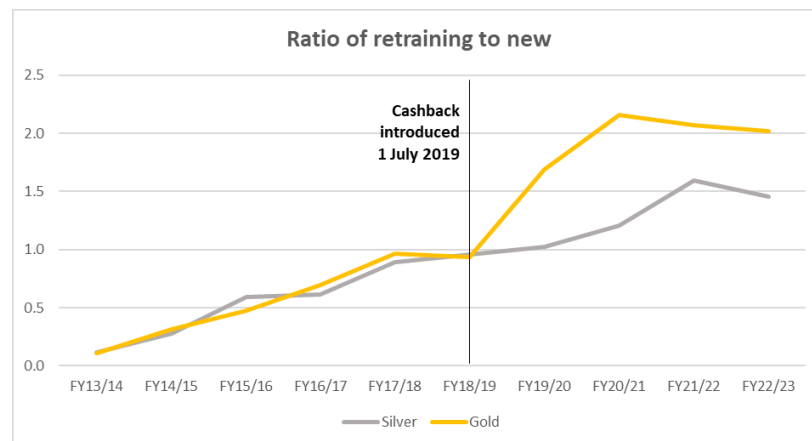
¹ Actuarial Services. Accident Compensation Corporation. Motor Vehicle Account 2022/25 Pricing Report for Consultation. ACC. Aug 2021.

² Smith G. Motorcycle Safety Ride Forever Programme 2023-2026 Forward Investment Case. ACC. July 2023

³ Kardamanidis K, Martiniuk A, Ivers RQ, Stevenson MR, Thistlethwaite K. Motorcycle rider training for the prevention of road traffic crashes. Cochrane Database Syst Rev. 2010

ACC is tracking the outcomes of around 30,000 riders in three cohorts to understand the impact of the programme over time.

8. Despite the demonstrated effectiveness of the Programme, only 20% of active riders were reached. ACC estimates there are 165,000 active riders in NZ. From the 2013/14 financial year through to the 2022/23 financial year, 32,884 unique motorcycle riders have been trained. Cashback introduction was confounded by COVID impacts on the Programme, which has impacted the availability of data. However, ACC has seen a change in new vs returning riders in the top (Gold) course after the introduction of the cashback programme which is demonstrated below.



9. Given the low take up, ACC shifted focus to: ⁴
 - grow participation and target Māori and rural riders with new offerings,
 - maintain high levels of loyalty for the Programme to support the intrinsic incentive of being part of a group of highly skilled set of riders, and
 - improve the scalability and sustainability of the Programme through infrastructure reform.
10. In 2019, after consulting with motorcycle riders, ACC introduced an incentive to support the Programme's ambition of expanding take up beyond the early adopters. Riders identified that a reduction in the annual licence costs for their motorcycles would be an attractive incentive. In response, a cashback incentive was piloted whereby riders applied to ACC and once assessed as eligible, would receive \$100 (funded by ACC) each year for two years to contribute towards the cost of the annual license.
11. The cashback system was introduced to improve the attractiveness of the Programme to high risk riders who were resistant to the need for training.
12. Results from surveyed riders who qualified for a cashback between October 2019 and June 2021 found that the cashback incentive was well received by riders and resulted in riders refreshing skills to keep the incentive 'live'. However, 46% of surveyed riders believed that incentives and discounts, on either vehicle licensing, insurance or quicker progression through the graduated licensing system, would encourage them to undertake rider training. This feedback initiated work by ACC to consider the best incentive to encourage the uptake of rider training.

⁴Smith G. Motorcycle Safety Ride Forever Programme 2023-2026 Forward Investment Case. ACC. July 2023

13. ACC's 2023 Financial Condition Report noted that the overall Programme including the cost of financial incentive is returning \$2.8 in claim cost reduction for every \$1 invested.
14. However, the review also found that the manual application process resulted in errors, applications from ineligible riders that needed to be managed, and complaints from riders who were not eligible and but felt they should be.

Investing to create a more efficient and effective incentive

15. NZTA published a research report in 2022 reviewing incentives to encourage safer driving behaviour.⁵ This report found that attributes of successful incentives related to reward schemes are:
- incentives that are more obtainable are more effective,
 - smaller incentives, though less attractive, can be more effective,
 - rewards are likely to be more effective for drivers/riders contemplating change,
 - layered incentives are more effective than stand-alone incentives, and
 - incentives should target the underlying motivations.
16. The design of Ride Forever has many features that align with good practice, as defined through the NZTA report:
- layered incentives (rewarded through the cashback, insurance rebates and discounted training; social through community membership, and recognition of skills),
 - incentives targeted at motivations (lower cost of vehicle ownership, pride in skills), and
 - obtainable, small⁶ incentives (completing the course is all that is required).
17. Despite this, there has been limited uptake of Ride Forever which has limited the benefits of the programme. Research undertaken by Kantar Public in 2022,⁷ involving six focus groups and an online survey of 500 riders, found that only 13% of the sample had undertaken rider training, 33% were contemplating training, 21% were not contemplating training and 34% were unaware of ACC's Ride Forever courses. The research found the following barriers to participation in training for riders.

Percentage	Summary of feedback
Lifestyle/Logistics 51%	Too busy; Family commitments; Too far to travel; Too much hassle; Lack of spaces in my area; Only on the weekends; Course too long.

⁵ Thomas J, Malcolm L, Pacheco E. Incentives to encourage safer driving behaviour. Waka Kotahi NZ Transport Agency. Dec 2022

⁶ New Zealand Qualifications Authority. The New Zealand Qualifications Framework. May 2016.

⁷ Kantar Public Ride Forever 2022. Mindsets: A new way to segment riders. March 2023

False Confidence 29%	I'm confident in my riding; I wear the right gear; I doubt they could teach me anything; I don't need coaching; Other people are the problem; I know how to minimise injury; The trainers are likely to be as experienced as me.
Lack Confidence 13%	I don't feel I'm ready yet; I lack experience riding in a group; I'm worried I'll look stupid; I'm worried I'll hold people back; I'm worried we will all be competing.
Lack Interest 5%	It sounds too boring; Riding is about pushing myself, not about rules.
Other 35%	I've not got round to it; Cost; I've never thought about it.

18. In 2022, of the riders that had completed the gold level course,⁸ 52% had applied for the cashback. This included riders doing the course for the first time and riders refreshing their skills by repeating the course (36%).
19. Kantar Public also sought the views of riders on what would encourage them to undertake training. The findings show that 46% of responders believed that incentives and discounts, on either vehicle licencing, insurance or quicker progression through the graduated driver licencing system, would encourage them to undertake rider training.
20. There is planned work to improve the system reliability of the current cashback Programme through shifting the management from Excel based workbooks to Salesforce (ACC's IT platform). However, this work will not improve the efficacy of the incentive or maximise the cost-effectiveness of the incentive.
21. In line with the ACC strategic direction of improving geographical reach of the Programme and the desire to grow participation in training significantly, it is proposed that the cashback system be replaced with discounted Motor Vehicle Account levies for eligible motorcycle owners.
22. Replacing the cashback system with lower levies for eligible motorcycle owners is expected to reduce the compliance costs for riders and ACC, and ensure all eligible riders receive the incentive so that effectiveness of the incentive is increased.⁹

What is the policy problem or opportunity?

The Ride Forever Programme needs improvement to increase uptake

23. The use of a cashback system as an incentive has proven to be ineffective in encouraging motorcyclists to attend safety courses. This is because motorcyclists are required to pay, upfront, the full vehicle licensing cost and then apply through NZTA for the cashback. This increases compliance efforts and reduces the value of the Programme in the eyes of the people the incentive is wanting to attract.
24. Customer research has shown that the cost of licencing a bike is a pain point for riders, particularly when compared to the cost of licencing a motor vehicle. As an example, the ACC levy portion for motorcycles over 600cc (using 2024 levy rates) costs \$422.18 compared to a petrol vehicle which has an ACC levy portion of \$42.09. Addressing this

⁸ Course levels progress as motorcyclists move through the graduated driver licensing system. In order to qualify for a levy discount, motorcyclists must progress through to the Gold level (targeted towards riders on their full Class 6 licence).

⁹ Thomas J, Malcolm L, Pacheco E. Incentives to encourage safer driving behaviour. Waka Kotahi NZ Transport Agency. Dec 2022

issue is the original intention of a financial incentive to support the Programme. A more direct approach through discounted levy rates is likely to be more effective at incentivising riders to participate in the training programme.

25. Investment in an incentive that increases uptake of an effective Programme is worthwhile if the additional cost does not erode the Programmes return on investment below targeted levels. This is one of the key principles behind the Injury Prevention investments that ACC make, which considers how, for every \$1 spent, the potential cost reduction against future claims.

26. However, if the incentive can be delivered at no cost to the Programme, such as through the levy collection system, then investment by the Programme represents an opportunity cost to the overall prevention portfolio. This is because the funding for the incentive cannot be in other areas where injury risk is not mitigated.

What objectives are sought in relation to the policy problem?

27. The following two objectives are sought in relation to the policy problem:

- lower compliance costs for incentive system (for riders and administrative effort from ACC), and
- increased training uptake

28. The tables below provide further detail on the two objectives:

Investment Objective 1: Lower compliance costs for incentive system	
Existing Arrangements	The pilot cashback system has been in place for 5 years. The approach relies on applications from the rider and manual processing of the application within ACC.
Administrative efficiency	Lower compliance effort by levy payers to improve the incentive potential; reduce manual processing by ACC to remove administration costs and reduce errors.
Outcome/s sought	Less effort from levy payers through automatic recognition of eligibility when licensing a motorcycle; straight through processing of eligibility once the course is completed; reduced administration effort by ACC staff.

Investment Objective 2: Increase training uptake	
Existing Arrangements	Manual application process requires riders to understand they are eligible and for them to apply to ACC.
Administrative efficiency	Increased likelihood of the incentive being received which has been shown to improve effectiveness of the incentive; encourage more riders to refresh skills regularly; increase market demand to support entry of new training providers into non-urban environments.
Outcome/s sought	Higher levels of uptake of Ride Forever courses than forecast in 2023 investment case; increased uptake of refresher courses; increased courses offered in rural environments.

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

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

29. The options have been assessed against the following criteria:
- a. Reduce compliance costs for i levy payers and ACC.
 - Low customer effort: the effort required by motorcycle owners to access eligible lower levy rates should be low to ensure all eligible owners receive the reward for undertaking the training.
 - Operational efficiency: the on-going management data, queries, and the incentive itself should require little effort (cost) from ACC or its collection agents.
 - b. Increase training uptake: encourage more riders to refresh skills regularly; increase market demand to support entry of new training providers into non-urban environments.
 - c. Ensure six-month implementation timeframe is met: the option must have a legal, technical, and operational design that allows it to be implemented to meet the 1 July 2025 deadline.
 - d. Balance implementation effort: the effort required to implement the option and complexity of the option.

What scope will options be considered within?

30. The scope of options has been limited to how ACC can specifically attract more motorcyclists to attend Ride Forever courses, and therefore increase safety outcomes. Options that are outside of scope include the actual course content (or how courses are delivered), how the Programme is funded and how the Motorcycle Safety Levy is being used.

In scope	Out of scope
• Changes to NZTA collection systems. • Methods of financial incentivisation • Motor Vehicle Account levy regulations and vehicle class structure. • ACC's data systems holding Ride Forever course data. • Ride Forever marketing Programme	• Changes to the design of the Ride Forever courses or Programme e.g. course content. • Funding of the Ride Forever Programme. • Motorcycle Safety Levy (this specifically funds the Motorcycle Safety Advisory Council).

What options are being considered?

31. The focussed nature of the problem being addressed has meant that options are specifically being considered that will increase uptake and reduce compliance effort. Three options were identified.

Option One – Status Quo

32. This option would involve retaining the current cashback incentive. A rider who successfully completes a Ride Forever Gold course and meets the other eligibility

requirements applies to ACC for the cashback. ACC then processes the application (ensuring the successful completion of the course) and informs the rider of their decision. After this, ACC pays the first \$100 to the motorcyclist and sets a reminder for the next years payment in systems to automatically pay the second \$100 in following 12 months.

Option Two – Lower levies for completing a new qualification within the NZ Qualification Framework

33. Option 2 would involve ACC working with the NZ Qualification Authority to develop a qualification to define the skills required to be eligible for discounted aggregate Motor Vehicle Account levy rates (paid through the annual vehicle licensing fee). Specific discounts will be scaled depending on the motorcycle engine size but will be between \$78-120.
34. Training providers deliver a training course to meet the qualification requirements. ACC recognises the attainment of the qualification through discounted levies. Motorcycle owners that can demonstrate attainment of the qualification can access the lower levy. Multiple qualifications could be developed to account for different levels of technical expertise in the rider.
35. This option includes removing the application to NZTA for the cashback which would ease the entry cost of levy payers and ensure all eligible riders can benefit from the incentive.
36. The following changes are required from the Status quo:
- adapt the Ride Forever training course to meet the requirements of qualifications on the NZQF (each credit on the framework requires 10 notional hours of learning – the current Programme is 6-8 hours in length; the New Zealand Qualifications Authority (NZQA) suggested a unit standard or micro-credential should be at least 3-5 credits or a minimum of 30 notional hours of learning),¹⁰
 - have the 12 training providers meet the requirements of a Private Training Establishment (PTE) and certified by the NZQA, and
 - expand current quality assurance processes to include NZQA requirement for PTE.

Option Three - Lower levies for completing an advanced rider safety course (ACC approved)

Option 3 would involve providing users with discounted aggregate Motor Vehicle Account levy rates (paid through the annual vehicle licencing fee), once they complete an advanced rider safety course. Specific discounts will be scaled depending on the motorcycle engine size but will be between \$78-120.

37. This option also includes removing the application to ACC for the cashback which would ease the entry cost to levy payers, and ensure all eligible riders can benefit from the incentive.
38. This option will require advanced rider safety courses to be approved by ACC for inclusion in the Programme, by providers applying to ACC (there is one application window per annum). ACC would then seek expert endorsement (from an independent

¹⁰ Notional learning hours include direct contact hours, study time, assessment time, practical tasks, assignments (source: NZQF)

expert panel) to assess suitability of the courses. The approved list of training courses must meet a minimum standard of skills trained and provider qualification that will be set by ACC.

39. Approved training courses would need to provide training in the same range of skills to the same level of competency as seen in the Ride Forever Programmes (the Ride Forever Programme will act as the baseline) to provide ACC with a reasonable assurance that the risk reduction seen in the Ride Forever Programme would be achieved in approved Programmes.

40. ACC would then recognise riders who successfully complete an approved training course, by providing them a discounted levy rate.

41.

42. The following changes are required from the Status quo:

- Introduce a training programme eligibility criteria,
- Introduce a training programme approval process and expert panel, and
- publish a list of approved training courses.

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

	Option One – Status Quo	Option Two – NZQF Qualification	Option Three - ACC approved training course
Reduce compliance costs	0	Straight through processing of eligibility in the levy system removes need to apply for a rebate. Discount applied at point of sale with no requirement for ID etc. ACC will have to partner with one or more PTEs to deliver a course that is on the NZQF. This may require a change in contracting model with the PTEs being lead providers and other training providers subcontracting to them. This will reduce the complexity of contract management for ACC but may shift costs to lead providers. It is likely this will increase contract management costs over the medium term. +	Minimal customer effort through the recognition of completion applied through NZTA systems, but lower start-up and on-going costs as the NZQA/NZQF requirements are not applicable in this option. + +
Lower customer effort	High level of customer interaction required to apply for the rebate. 0	The customer will not need to apply for a rebate or a discount as the successful completion of the course will be recorded by the provider which will create eligibility of a lower levy the next time the rider licenses their bike. The Programme will require additional effort by riders possibly in the form of pre-reading or a longer training period to meet the credit requirements for NZQA. +	The customer effort will reduce for the same reasons as the skill-based option. +
Manage operational efficiency	ACC must manage the application, assess eligibility, manage the payment process, and manage any customer interaction. 0	While application management functions will be removed, this option requires ACC to meet requirements of the NZQF. +	The approved list of training courses would be overseen by the Motorcycle Safety Advisory Council with little impact on ACC's operational costs. The savings from reduced administration effort to manage applications and make payments would be partially offset by the cost of managing applications from training providers. +
Increase training uptake	Status quo forms the baseline for this assessment. 0	Expected to increase uptake of training because of the high level of interest in levy rates for motorcycles and the direct reduction of levy charged when an approved course is undertaken. The working assumption for the anticipated increase is 4.3%, 6.4%, 9.9% for years 1 to 3, and 10% per annum for years 4 and 5. +	Same anticipated effect as the skills-based option. +
Ensure 6-month implementation timeframe is met	0	NZTA and ACC teams have agreed that the changes can be implemented for a 1 July 2025 start date (6-month implementation). However, with the need to define a qualification on the NZQF and ensure the current training providers are able to deliver to the NZQF requirements (current providers are certified by NZTA not NZQA) it is likely this option will require a 12-month introduction period. -	NZTA and ACC technology teams have agreed that the changes can be implemented for a 1 July 2025 start date (6-month implementation). There will be at least one approved course (Ride Forever) available from day one of the levy. +
Balance implementation efforts	No impact on Programme operation. The planned system changes are part of the baseline assessment of implementation complexity and are common across all three options. 0	There is a need to partner with a third party to develop a micro-credential or short course for NZQA. This may require a higher degree of effort from the rider to meet the credit requirements for micro-credentials. There is likely a need to change the contracting model to meet the NZQA requirements for delivery of a course/credential on the NZQF (we may need a lead provider who is a PTE). A high level of implementation complexity that includes technology change at ACC and NZTA (in common with the course-based option), education Programme development, probable change in contractual arrangements, and introduction of additional rider requirements to meet the required level of credits. -	The availability of levy discounts after a course is dependent on the timeliness of information provided to ACC from the training provider. Levy based discounts will require providers to keep their information up to date which may create additional requirements for the providers. In the short-term this will create a need for the Programme to manage the timeliness of data availability with providers. -

Overall assessment	Continuation of the piloted incentive design provides sub-optimal efficacy of the incentive and maintains a high cost to the Ride forever Programme and riders. 0	Option 2 lowers cost to the Programme as the incentive is cross-subsidised by other levy payers not funded from the Programme. The removal of the application process improves cost efficiency of the incentive and increases its attractiveness. A qualification based approach adds more management costs and effort but reduces the risk of challenges to the levy design by providers of alternative training Programmes. ++++	Easiest implementation of the two viable levy-based incentive options. However, it carries a slight increase in risk of challenge to the regulations by training providers rejected by the expert panel. As with Option 2 there is a significant reduction of effort from customers and an expectation that the incentive design will be more effective than the cashback. + +++++
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- Key:
- ++ 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?

Option 1

- 43. The advantages of Option 1 are that there is no change to existing arrangements or scope for process improvements within ACC's systems; there is no dependency on other systems and meeting the needs of other agencies; and there is more control over the design and change of the incentive.
- 44. The use of a cashback system as an incentive has proven to be ineffective in encouraging motorcyclists to attend safety courses. This is because motorcyclists are required to pay, upfront, the full vehicle licensing cost and then apply through NZTA for the cashback. This increases compliance efforts and reduces the value of the Programme in the eyes of the people the incentive is wanting to attract.
- 45. There was not a clear target set for the number of motorcyclists partaking in the Programme, however as with all policy initiatives that are intended to increase safety outcomes, incentives need to be designed to maximum outcomes.
- 46. . There is an on-going cost of incentive funded from injury prevention funding and higher cost to serve than Option 2 and Option 3.
- 47. Continuation of the cashback incentive prevents greater uptake of the incentive and maintains a high cost to the Ride Forever Programme and riders. This means that Option 1 does not meet the policy objectives.

Option 2

- 48. Option 2 improves alignment of the incentive to good design practices, as outlined in NZTA research into incentives to increase safe driving behaviour. This will be achieved by easing the entry cost of levy payers and ensures all eligible riders can benefit from the incentive. Using a qualification standard allows any rider training Programme to become eligible and sets a minimum skill set requirement for eligibility.
- 49. The disadvantages of Option 2 are that the qualifications don't expire so encouraging retraining will require on-going development of new qualifications for the rider to attain. Thus, this results in increased overheads to develop and maintain the qualifications as well as the additional cost of assessment.
- 50. Option 2 lowers cost to the Ride Forever Programme as the incentive is cross-subsidised by other levy payers not funded from the Programme. The removal of the application process improves cost efficiency of the incentive and increases its attractiveness. A qualification based approach adds more management costs and effort.
- 51. The net costs of Option 2 are \$934k (MBIE considers that the benefits of Option 2 exceed the associated establishment and management costs).

Option 3

- 52. Option 3 improves alignment of the incentive to good design practices , as outlined in NZTA research into incentives to increase safe driving behaviour. This will be achieved by easing the entry cost of levy payers, and ensuring all eligible riders can benefit from the incentive. Training Programmes become eligible by providers applying to ACC (there is one application window per annum). ACC then seeks expert endorsement to assess suitability of the Programme for inclusion.

53. Compared to Option 2, Option 3 is comparatively easier to implement as it does not involve ACC working with the NZ Qualification Authority to develop a new qualification . As with Option 2 there is a significant reduction of effort from customers in terms of manually applying for a cashback, and an expectation that the incentive design will be more effective than the cashback.
54. A disadvantage of Option 3 is that the assessment of a Programmes suitability for being of the approved list will be a subjective judgement which may increase the risk of legal challenge if a provider is not added to the list.
55. The net costs of Option 3 are \$1,037k (MBIE considers the benefits of Option 3 exceed the associated establishment and management costs).

Comparing Option 2 and 3

56. Both levy-based options are expected to deliver similar benefits to the scheme and levy payers.
57. Option 2 lowers cost to the Ride Forever programme as the incentive is cross-subsidised by other levy payers not funded from the programme. The removal of the application process improves cost efficiency of the incentive and increases its attractiveness. A qualification-based approach adds more management costs and effort but reduces the risk of challenges to the levy design by providers of alternative training programmes.
58. Option 3 provides the easiest implementation of the two viable options. However, it carries a slight increase in risk of challenge by training providers rejected by the expert panel. As with the skills-based option (option 2) there is a significant reduction of effort from customers and an expectation that the incentive design will be more effective than the cashback.

Consultation feedback

59. ACC undertook public consultation, on behalf of the Minister for ACC from 11 September to 9 October 2024. This involved a range of advertising methods, including notification in newspapers and social media.
60. Submitters could provide feedback either via email or through a feedback form on ShapeYourACC.co.nz, which outlined all proposals and aggregate levy rates being consulted on.
61. Unless identified as a representative of an organisation, demographic information such as vehicle ownership was not collected from submitters.
62. Most submitters (638 or 86%) agreed with the proposal to recognise advanced rider safety training through a discount in levies. There was general support for advanced rider training and a belief that it contributes to better road safety. Submitters who had taken part in current Ride Forever training reported significant improvements in their skills and confidence. Industry stakeholders all supported the proposal, specifically the NZ Automobile Association, Ia Ara Aotearoa Transporting New Zealand, Motor Industry Association, Motorcycle Safety Advisory Council and Bikers Rights Organisation New Zealand (Timaru branch).
63. 104submitters (mainly individual members of the public) disagreed with aspects of the proposal and felt that the survey question did not allow for an accurate reflection of people's negative feelings towards particular aspects of the proposal. This included:

- The discount should be higher than 25%;
- creation of rewards for motorcyclists who wear the correct safety gear; and
- creation of a 'no-claims discount' for motorcyclists.

64. There was a strong sentiment from individual submitters that ACC should recognise and reward training from other providers like IAM RoadSmart NZ and the Royal Society for the Prevention of Accidents. A number commented on Ride Forever being a single day, group-based course which rewards attendance, while courses from other providers are pass/fail and thus require skill development. There was also a suggestion that there be a requirement for trained motorcyclists to attend a refresher course every two years.

What are the marginal costs and benefits of the option?

Affected groups (identify)	Comment <i>nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.</i>	Impact <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	Evidence Certainty <i>High, medium, or low, and explain reasoning in comment column.</i>
Additional costs of the preferred option compared to taking no action			
Regulated groups	Lower compliance costs and effort for owners of motorcycles.	Lower compliance costs and effort for owners of motorcycles.	High, NZTA has undertaken research that supports the preferred option.
Regulators	Lower compliance costs and effort for ACC.	The cost of Option 3 is \$1.5 million (one-off investment). Option 3 also has ongoing delivery costs.	High. Business Case written by ACC provides initial costings.
Others (eg, wider govt, consumers, etc.)	Minimal ongoing delivery costs for NZTA.	Low	High. Business Case written by ACC provides input on costing from NZTA.
Total monetised costs		The net costs of Option 3 are \$1,037k (benefits exceed establishment and management costs).	High. Business Case written by ACC, and approved by the ACC Board.
Non-monetised costs	Lower compliance costs for owners of motorcycles and ACC.	Lower compliance costs for owners of motorcycles and ACC	High. Business Case written by ACC is supported by research undertaken by NZTA.
Additional benefits of the preferred option compared to taking no action			
Regulated groups	Higher levels of uptake of Ride Forever courses; increased uptake of refresher courses; increased courses offered in rural environments.	High	High. Business Case written by ACC is supported by research undertaken by NZTA.
Regulators	Higher operational efficiency. Lower ongoing management data, queries, and	High	High. Business Case written by ACC provides evidence and has been

	lower effort (cost) for ACC.		developed with input from NZTA as to the operational impact.
Others (eg, wider govt, consumers, etc.)	N/A	N/A	N/A
Total monetised benefits	Ongoing benefits for owners of motorcycles and ACC.	\$612k (Net Present Value)	High. Business Case written by ACC provides evidence.
Non-monetised benefits	Less effort from levy payers; straight through processing of eligibility once the course is completed; reduced administration effort by ACC staff. Higher levels of uptake of Ride Forever courses; increased uptake of refresher courses; increased courses offered in rural environments.		High. Business Case written by ACC provides evidence.

Section 3: Delivering an option

How will the new arrangements be implemented?

65. ACC will be responsible for the ongoing implementation, operation, and enforcement of Option 3 (preferred option). ACC is dependent on NZTA processes and systems to collect levies from vehicle owners and these systems have interoperability¹¹ limitations. The agreed solution combines data from across three separate systems to create the right conditions to charge the correct levy.
66. Discussions between ACC and NZTA on technology options for integrating the incentive into the vehicle licensing system have indicated that NZTA would need a 6-month implementation window. Currently NZTA can schedule the work in time for a 1 July 2025 introduction.
67. Two concerns with Option 3 have been raised. The first is any wider changes required by NZTA to support the Minister of Transport may impact on the current technology roadmap; the second is the possibility that the development work would need to start ahead of a formal decision by the Government.
68. Technology change in NZTA's systems will be undertaken by NZTA and their contracted vendors. The existing Memorandum of Understanding between ACC and NZTA will be modified to ensure that the implementation work, service levels, and disaster recovery

¹¹ The ability of computer systems or software to exchange and make use of information.

provisions are all agreed by both parties. The relationships with NZTA vendors will be managed through NZTA technology contacts.

69. Commercial arrangements required to develop the changes to ACC's systems will be managed by ACC.
70. The project will be overseen by a cross-agency working group consisting of representatives from ACC, levies business owner, enterprise architect, and the business owner for the Ride Forever product. Governance for the implementation of changes from the 2024 levy consultation will be held at the Policy Governance Group for ACC.

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

71. MBIE, as the monitoring agency, has responsibility for monitoring the impact of these changes over time. ACC will review and re-evaluate Option 3 as more up-to-date data is available. If ACC analysis, which will include consideration of claims data and uptake from motorcyclists, identifies a need for further changes, these will be consulted on in subsequent levy rounds.
72. ACC has a quarterly monitoring process that compares the frequency and severity of claims from riders who have successfully completed the course with those of a control group, who have not completed any training. ACC will continue to track the outcomes of around 30,000 riders in three cohorts to understand the impact of the programme over time.