



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: New classification unit for home improvement stores and sports and physical recreation

Coversheet

Purpose of Document	
Decision sought:	This document provides an analysis of proposals to be put to Cabinet on new classification units (CUs) for home improvement stores and sports and physical recreation. These changes will help ACC: • retain the classification approach, while recognising that home improvement businesses and sports and recreation have evolved in New Zealand, and • modernise and reduce complexity in the existing CU structure in home improvement businesses and sports and recreation. The analysis covers the following options for home improvement stores, and sports and physical recreation: 1. Home improvement stores: • Status quo – retain the current CU structure (no change), • Change the CUs to better reflect the legal precedence, and • Create a new CU and Levy Risk Group (LRG) for home improvement stores (recommended by ACC and MBIE). 2. Sports and physical recreation: • Status quo – retain the current CU structure (no change), • Create a new CU under a new LRG, • Amend Levy Risk Groups and assign new Classification Units (recommended by ACC and MBIE).
Advising agencies:	MBIE (with input from ACC as operational agency)
Proposing Ministers:	Minister for ACC
Date finalised:	15 November 2024
Problem Definition	
Changes have occurred within the wider economy which are not reflected in the existing CU structure applied to home improvement businesses and sports and recreation. Changes have occurred in the way businesses conduct themselves (for example, home improvement stores are now selling a more diverse range of goods, and activities such as day-to-day management and support are now a part of sports) or new activities resulting in new claims experience have been added (for example, professional ballet). This creates a need to update the CU structure to ensure that the levies are fairly attributed to reflect the respective risks of each industry, and that the costs of claims are shared fairly among the industries responsible for those costs.	
Executive Summary	

As noted above, changes have occurred within the wider economy which are not reflected in the existing CU structure applied to home improvement businesses and sports and recreation. This creates a need to update the CU structure to ensure that the levies are fair, and that the costs of claims are shared fairly among the industries responsible for those claims and the associated cost of cover. The following options for home improvement stores, and sports and physical recreation were considered.

Home improvement stores:

- Status quo – retain the current CU structure (no change),
- Change the CUs to better reflect the legal precedence, and
- Create a new CU and Levy Risk Group (LRG) for home improvement stores **(recommended by ACC and MBIE)**.

Sports and physical recreation:

- Status quo – retain the current CU structure (no change),
- Create a new CU under a new LRG
- Amend Levy Risk Groups and assign new Classification Units **(recommended by ACC and MBIE)**.

Home improvement stores

Option 3 is recommended, as creating a new CU simplifies the levy experience and decreases risks of legal challenges. Option 2 is unlikely to be acceptable for businesses, such as Independent Timber Merchants (ITMs), that fall under timber wholesaling to have any of their competitors classified under the lower rated retailing CU, which could provide a competitive advantage to some suppliers. Similarly, a blanket application of timber wholesaling to all home improvement stores, including those predominately retail in nature, would be equally contentious, creating market distortions and not alleviating the concern of industry stakeholders. This may lead to further reviews or appeals, incurring ongoing legal costs to the scheme.

Sports and recreation

Option 3 is recommended as it addresses the feedback from the Court and customers, simplifies the levy experience and better recognises the change in sport and recreation landscape in New Zealand.

Option 3 increases the consistency between sports and high-risk arts activities, for example, ballet. Ballet is proposed to be classified separately to other arts activities and moved to a Sporting LRG, recognising the similarity in risk profile between ballet and sports. This reduces cross-subsidisation for ballet from lower risk businesses, such as artists, musicians, and writers. An additional benefit is that the Experience Rating (ER) will be more responsive to changes in the Royal New Zealand Ballet's (RNZB's) claims experience, potentially incentivising better health and safety and return to work outcomes.

Limitations and Constraints on Analysis

The options analysed in the RIS focus on changes that could be made to the CUs for home improvement stores and sports and physical recreation under its current general policy parameters and operational settings.

The options for the home improvement store CU reflect a Court of Appeal decision in 2023, which passed down a decision on how the CU should better reflect the range of products stores are likely to stock.

The CU system is functioning effectively, providing an ability to reflect current business practices, while the three-yearly levy round provides adequate timing for any necessary specific reviews to be carried out. As such, a full review of the CU system was not carried out, rather a targeted consideration of specific issues.

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*¹ (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 manages five separate accounts, which are specific to where and to whom the injuries have occurred. The coverage of these accounts is based on who is injured, and where and how the injuries occurred. The method of funding varies. Specifically:
 - The Work, Earners' and Motor Vehicle Accounts are funded through levies paid by households (through income tax, fuel excise duty or annual vehicle registration fees) and businesses.
 - The Non-Earners' Account (NEA) is funded from government appropriations as part of Vote Labour Market, which is subject a forecast adjustment each year. Entitlements for children, those who are retired, and others who are not employed (including overseas visitors) are covered by the NEA.,

¹ <https://www.legislation.govt.nz/act/public/2001/0049/latest/DLM99494.html>

- The Treatment Injury Account receives funding from both the Earners' and Non-Earners' Accounts.
3. The levied Accounts and the NEA operate on a fully funded principle. Full funding ensures that 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 today's injuries are not transferred to tomorrow's levy payers.

How businesses are classified

4. A Business Industry Classification (BIC) code is a way of classifying a business or self-employed individual by the main activity they are involved in. 'Activity' means the external service provided or product that's produced or sold by a business or, in the case of self-employed individuals, the nature of the work undertaken.
5. When a business registers for GST the business is required to choose a single BIC code that describes the activity of the business. The BIC code that most accurately describes the nature of the business or trading activity should be chosen.
6. Classification units (CU) are a part of the ACC levy system. CU is a risk-based classification system whereby business activities are grouped so that the costs of work injuries (cost of the claims) are fairly distributed among those with similar risk characteristics and do not inadvertently distort the market.
7. Every business and self-employed individual is assigned a CU based on their BIC code and business activity. ACC groups similar businesses and self-employed individuals this way to make sure that levies are fair, and to ensure that the costs of claims are shared fairly among the industries responsible for those costs.
8. Section 170(1) of the the AC Act provides that ACC must classify an employer in an industry or risk class that most accurately describes their activity, being an industry or risk class set out in the Regulations. If an employer is engaged in two or more activities, then ACC must classify the employer in the highest rated CU.
9. Thus, a CU represents levy payers with a similar risk of workplace injury. Each CU has a corresponding levy rate, which is used to calculate levies for workplace injury cover. Each CU has its own unique five-digit numerical code. For example, 25510 is the code for Tyre manufacturing.

Operation of CUs in practice

10. After assessing a business's activity, businesses are allocated into a CU. The CUs are grouped into levy risk groups (LRGs) based on injury risk profiles (the frequency and severity of injury as well as how long it takes for an injured worker to return to work – represented by the estimated total cost of claims compared to wages paid).
11. ACC set levies for each CU by comparing costs of previous and predicted future claims with total earnings within that activity group. CUs move into different LRGs depending on the cost of claims made each year, weighted against the liable earnings within a classification.
12. The structure and coverage of the CUs listed in this guide are based on the levy classes contained within Australian and New Zealand Industrial Classification 2006 (ANZSIC06).

Background – CU for home improvement stores

13. On 15 December 2023, the Court of Appeal² confirmed that integrated businesses, such as Independent Timber Merchants (ITMs), engaged in more than one activity (such as retail and wholesale), must be assigned the highest rated CU applicable to their business, i.e., 45310 Timber wholesaling³.
14. The Court confirmed ACC's existing classification methodology, ensuring ACC collects levies to cover the highest risk activity.
15. Applying this CU to the wider home improvement sector, much of which is retail focussed, will result in significant levy increases for the sector (for example, for Bunnings and Mitre 10).
16. Following the Court of Appeal decision, ACC undertook a review of how stores that sell home improvement merchandise, building materials, gardening, and building supplies could be better reflected in the CU system.
17. This would allow ACC to retain their classification approach, while recognising that home improvement businesses have evolved in New Zealand, today selling an extensive range of product lines to both the public (retail) and trade (wholesale) via large format stores.

Background – CU for sports and recreation

18. In the last levy consultation in 2021, ACC committed to reviewing the structure of the Sports and Physical Recreation CUs for the Work Account.
19. This commitment was made alongside issues raised by some Super Rugby franchises who contested ACC's decision to classify them under the high-risk activity of professional rugby when, they are administrative in nature and do not employ the players.
20. Sports administration has been included under the relevant sporting CU, e.g., professional rugby, since the 2002 levy consultation. This was less of an issue historically as the Super Rugby franchises were previously owned by New Zealand Rugby (NZR), who directly employ the players.
21. The subsequent Court decision⁴ confirmed ACC's legal interpretation. It stated the CU had been correctly applied according to current Work Account regulations. This decision did not confirm if the franchises' classification accurately reflected the sector's risk profile, necessitating a new consultation to change this approach.
22. ACC also identified that there were opportunities to modernise and reduce complexity in the existing Sports' CU structure. Specifically, the structure could be changed to recognise growth in sports and to reduce operational difficulties in distinguishing between professional and community sports.
23. The review also included consideration of ballet, as consistently high Experience Rating (ER) loadings for the Royal New Zealand Ballet (RNZB) indicated that their risk was more closely aligned with sports, rather than other creative arts' activities. Changes to the equine and horse racing CUs have been deemed out-of-scope for this consultation. Changes to this CU were examined and confirmed during the 2021 levy consultation.

² [Accident Compensation Corporation v Anderson & O'Leary Limited \[2023\] NZCA 654 \(15 December 2023\)](#)

³ [ITMs and levy-classifying integrated businesses Initial summary from ACC Legal Services \(20 December 2023\)](#)

⁴ [FAMPROT \(justice.govt.nz\)](#)

What will happen if no change is made?

24. Without change, ACC will:

- charge levy payers higher levy rates due to applying the incorrect CU
- continue implementing a CU structure which is perceived as unfair by levy payers
- not be able to simplify the administration of CUs and LRGs, and
- not accurately reflect the changes in risk and activity of different industries.

What is the policy problem or opportunity?

Change in the home improvement businesses and sports and recreation has led to an inconsistent application of CUs

25. The existing CU structure when applied to home improvement businesses, and sports and recreation does not accurately reflect how these activities are run in practice. Changes have occurred in the way businesses conduct themselves (for example, home improvement stores are now selling a different basket of goods), sports administration functions have been separated out from professional activities, or levy risk groups do not reflect claim activity. This creates a need to update the CU structure to ensure that the levies are fair, and that the costs of claims are shared fairly among the industries responsible for those costs.

Home improvement stores

26. If an employer is engaged in two or more activities, ACC must classify the employer in the highest rated CU, pursuant to section 170(2) of the Accident Compensation Act 2001.
27. Traditionally, stores selling timber tended to be retailers or wholesalers and CUs were allocated accordingly. However, home improvement businesses have evolved over the years. Today, home improvement businesses sell an extensive range of product lines to both the public (retail) and trade (wholesale) via large format stores. Although each home improvement stores' customer mix is different, they compete in the same market and analysis shows they share a materially similar risk profile. Consequently, the use of existing CUs applied by ACC to home improvement stores is inconsistent.
28. Inconsistent treatment of home improvement stores has in the past led to legal challenges as mentioned in paragraphs 13-16.

Sports and recreation

29. Levies are based on industries, rather than the tasks of individual workers because the whole organisation involved in the industry determines the safety of the work environment – not just the workers undertaking the riskier work.
30. Professional sporting CUs spread the cost of sporting injuries around all those intrinsically involved in the sport, preventing sporting bodies pushing all the ACC costs onto just the players by not directly employing them.
31. Separate CUs are used to reflect the different risk profile and claims experience of individual sports. This recognises that there are different risks between rowers and rugby players, for example.
32. Professional sporting CUs originated from the 2002 levy consultation where ACC proposed removing a separate CU for sports administrators, and this was accepted by

the then Minister of ACC. Sports CUs originated from ANZSIC codes all the way back in 1996. ACC developed these in subsequent levy rounds, taking into consideration developments in the wider sports sector. A result of these ANZSIC codes was the 'sports administration' CU. This CU was not supported by our actuarial analysis at the time and was recommended for removal in 2002.

33. However, the management of sports clubs has evolved over the years with activities such as day-to day management and support (for example, selling tickets, brand marketing, securing corporate partnerships and support staff for players) being a separate part of the business, with professional sports players being separately employed by an overarching body. As a result, the application of existing CUs by ACC to sports and physical recreation is inconsistent and does not reflect the current sports and recreation landscape in NZ. As an example, this means that the administrative functions for Super Rugby clubs are levied at a higher rate than similar professions that are office-bound, with similar risk profiles e.g. lawyers or accountants. In a similar sense, ballet shares a similar risk exposure and claims experience such as cricket and football players but under current settings is classified as a performing art alongside less risky activities, such as theatre and opera, meaning that ballet companies currently pay a lower levy.
34. Furthermore, ACC has identified that there were opportunities to modernise and reduce complexity in the existing Sports' CU structure. Specifically, the structure could be changed to recognise growth sports, and to reduce operational difficulties in distinguishing between professional and community sports for self-employed people and businesses.

What objectives are sought in relation to the policy problem?

35. The following objectives relating to CU that are sought when seeking to solve the policy problem. These are to:
- ensuring levies are fair, and that the costs of claims are shared fairly among the industries responsible for those costs, and
 - recognise the change in home improvement businesses, and sports and recreation, and modernise and simplify the levy experience.

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

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

37. The options for change are compared by evaluating them against the following criteria:

Primary criteria, aligned to CU objectives

- a. Equity or fairness: Changes to the CU approach improves equity across businesses and self-employed individuals by making the levies fair, and to ensure that the costs of claims are shared fairly among the industries responsible for those costs; and

Secondary criteria

- b. Administrative efficiency: administration is cost efficient for ACC and levy payers.
Risks: Risk of unintended consequences and perverse outcomes is minimised.

What scope will options be considered within?

38. The proposed changes to the CU originate from the legal challenges that have arisen, as mentioned in paragraphs 13-16.

39. Similarly, some Super Rugby franchises contested ACC's decision as discussed in paragraphs 19-21.

40. The issue was raised only as the preparations for consulting on the last levy round were being completed. That round set levies for the 2022/23 to 2024/25 levy years. Possible alternatives were considered at that time, but all had potential flow-on effects to other professional sports and stakeholders. There was insufficient time for full consultation with stakeholders (as required by the AC Act) and a robust evaluation of the alternatives.

41. ACC also identified that there were opportunities to modernise and reduce complexity in the existing Sports' CU structure.

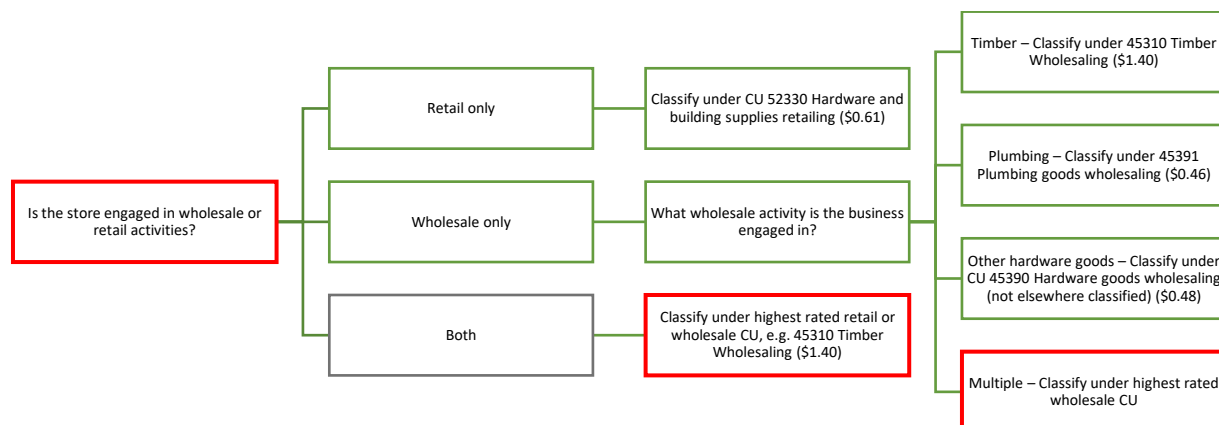
42. The review also included consideration of ballet, as consistently high Experience Rating (ER) loadings for the Royal New Zealand Ballet (RNZB) indicated that their risk was more closely aligned with sports, rather than other creative arts' activities. Changes to the equine and horse racing CUs have been deemed out-of-scope for this consultation as this CU was examined and confirmed during the 2021 levy consultation.

What options are being considered?

Home improvement stores

Option 1 - Status quo: retain the current CU structure (no change)

Existing classification of home improvement stores - post Court of Appeal



Boxes in red indicate potential areas of dispute from home improvement stores when classifying under existing regulations.

Option 2 - Change the CU to better reflect the legal precedence.

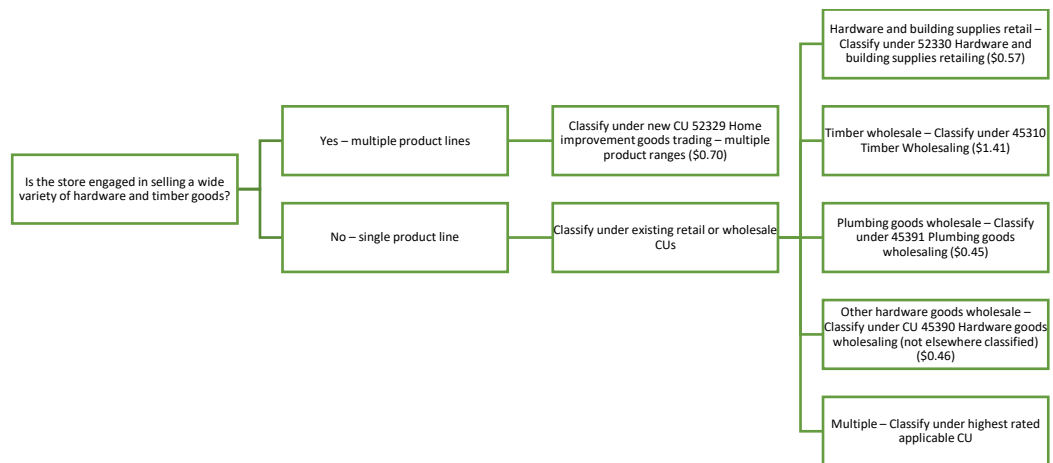
43. This would involve creating operational policy to allow the ongoing consistent application of the Court of Appeal decision to all home improvement stores, under the existing classification structure.
44. Option 2 is unlikely to be acceptable for businesses, such as ITM, that fall under timber wholesaling to have any of their competitors classified under the lower rated retailing CU. Similarly, a blanket application of timber wholesaling to all home improvement stores, including those predominately retail in nature, would be equally contentious. This may lead to further reviews or appeals, incurring ongoing legal costs to the scheme.

Option 3 - Create a new CU and LRG for home improvement stores (MBIE's and ACC's preferred option).

45. This involves creating a new CU 52329 for home improvement goods trading – multiple product ranges and a new LRG group. This new CU will be for home improvement stores selling home improvement merchandise, building materials, gardening, and building supplies – including timber, to the public and trade.

Proposed classification of home improvement store - New CU 52329 Home improvement goods trading – multiple product ranges⁵

⁵ These rates are based on the data as at 2021 Levy Consultation as the updated data, for 2024, is not yet available. The analysis looked at the impact on the 2021 base rates if we were to apply these changes in the 2021 levy consultation. These are not the final rates for 2024 levy consultation.



Benefits

46. Creating a new CU, comprising both retail and wholesale of home improvement products (including timber), substantially reduces the complexity of classifying these businesses (simplifies the levy experience) and reducing the risk of legal disputes/challenges.

47. A new LRG⁶ is required as the existing LRGs are not suitable for home improvement stores. For example, current LRG 141 Wood Products Manufacturing and Dealing comprises the following CUs:

- 23210 Veneer and plywood manufacturing
- 23230 Wooden structural fitting and components manufacturing
- 23290 Wood product manufacturing (not elsewhere classified)
- 45310 Timber wholesaling
- 52592 Firewood, coal and coke retailing

48. This is an inappropriate grouping for the new CU, as while home improvement stores interact with timber, they do not undertake the same level of processing as wooden product manufacturers, nor is this their only product line – much of which is retail focussed.

49. Alternatively, current LRG 428 Store and Non-store Retailing comprises the following CUs:

- 52230 Manchester and textile goods retailing (not elsewhere classified)
- 52310 Furniture retailing
- 52320 Floor covering retailing
- 52330 Hardware and building supplies retailing

⁶ LRGs should group CUs with similar risks together and are used to set the levy rate.

- 52520 Antique and used goods retailing
- 52530 Garden supplies retailing

50. This LRG is also not suitable, as it does not include wholesale (trade) activities, including sales of timber. Thus, creating a new LRG (Option 3) will enable ACC to accurately reflect the risk of wholesale and retail sales of multiple product lines, including timber.

51. ACC have confirmed that there are sufficient earnings in the proposed CU for a new LRG to be established. This means that the levy rate for home improvement stores will be calculated using only direct industry participants. The LRG and CU is rated slightly higher than the existing LRG 428, but substantially lower than LRG 141.

52. Option 3 will also allow ACC to retain the existing retail and wholesale CU structure where it is appropriate. Under Option 3, existing CUs for single product lines in the retail and wholesale categories would be retained. For example, 52330 Hardware and building supplies retailing, 45310 Timber wholesaling, 45390 Hardware goods wholesaling (not elsewhere classified) and 46391 Plumbing goods wholesaling. This is because there are New Zealand businesses who are not home improvement stores, that are selling single product lines that clearly fall into one CU and service one customer type – wholesale or retail. Their CU and levy rate will continue to accurately reflect the risk of their industry.

53. As noted, the use of existing CUs applied by ACC to home improvement stores is inconsistent. Home improvement stores currently classified under 52330 Hardware and building supplies retailing, will have their levies increased modestly if assigned to the new CU of 52329 Home improvement goods trading – multiple product ranges. The proposed changes to levies are provided in the table below.

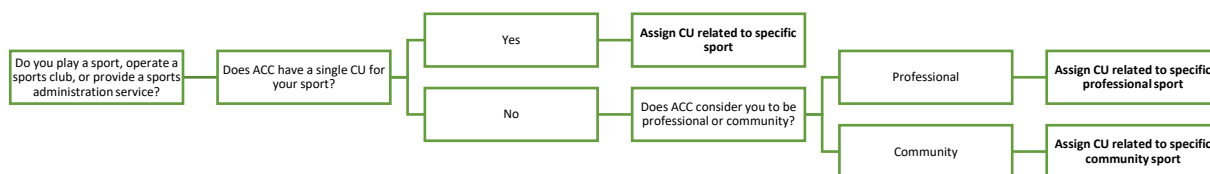
Type of business	2025/26 levy	Will move to:	Proposed 2025/26 levy
Home improvement stores classified under: • CU 52330 Hardware and building supplies retailing	\$0.79	CU 52539 Home improvement goods trading – multiple product ranges	\$0.99
Home improvement stores classified under: • CU 45310 Timber wholesaling	\$1.47	CU 52539 Home improvement goods trading – multiple product ranges	\$0.99

54. However, ACC anticipates that businesses will be accepting of the change, given the alternative, i.e. Option 2, that is, applying the Court of Appeal decision using the existing Work Account regulations, potentially results in them being classified under a CU with a significantly higher levy rate (45310 Timber wholesaling). Thus, some home improvement stores will pay higher levies, but less than they would under the current CU structure.

Sports and Recreation

Option 1 – Status quo: retain the existing CUs for sports and recreation (no change)

Existing classification of a sports and physical recreation activities

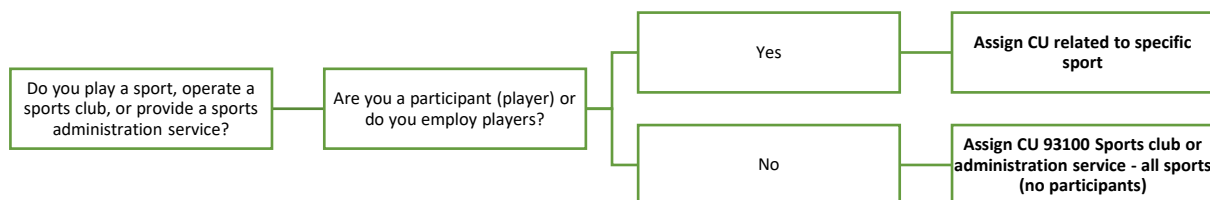


Option 2 - Create a new CUs under existing LRGs

55. This option would involve the creation of the following new CUs:

- '93100 Sports club or administration service - all sports (no participants)' which includes all sports clubs or sports administration services that do not employ participants (players). However, the CU does permit the inclusion of coaching and other on-field support staff.
- 93183 Sports club or participant – football. New CU for all football clubs that employ players, or the players themselves.
- 93189 Sports club or participant - athletics, cycling and swimming. New CU for all athletics, cycling or swimming clubs that employ participants, or the participants themselves.
- 93191 Sports club or participant – basketball/ New CU for all basketball clubs that employ players, or the players themselves.
- 92415 Performing arts – ballet. New CU for ballet companies or self-employed ballet dancers. Currently only applicable for the Royal New Zealand Ballet (RNZB).

Proposed classification of sports and physical recreation activities



Benefits

56. Option 2 addresses the feedback from the Court and customers. All sports organisations who do not employ players shared the same risk profile, negating the need for individual sports administration CUs for each sporting code. The new CU (93100 Sports club or administration service - all sports (no participants)) will be assigned to LRG 911 Sporting and Recreational Activities (lower-risk group), which has the lowest rate comparative to

other Sports LRGs. The creation of this CU addresses concerns from the District Court⁷ and the Super Rugby teams. This CU will be suitable for:

- Community sports clubs, as they do not usually employ players.
- Professional sports clubs or teams who do not employ players, such as Super Rugby teams and domestic cricket clubs.

57. Option 2 simplifies the levy experience as the the number of sports and physical recreation CUs (excluding Sports and recreation instruction) reduces from 22 to 17, simplifying the classification structure, while maintaining appropriate risk separation between sports. This has been achieved by:

- Removing the distinction between Community and Professional Sports in the CU structure. All paid to play players now come under a single CU for their sporting code. For example, 93180 Sports club or participant – rugby includes all rugby players, regardless of the division they play in.
- Consolidating sports into single CUs where the number of participants is low, and the risk is similar. For example, squash, badminton, and tennis have been consolidated into a single CU of 93187 Sports club or participant - racket sports (not elsewhere classified).

58. Option 2 recognises the change in sports and recreation landscape in NZ. New CUs have been created to recognise the growth of new sports. For example, 93191 Sports club or participant – basketball and 93181 Sports club or participant – football. Currently these activities are considered under a single ‘not elsewhere classified’ CU.

59. Option 2 increases the consistency between sports and high-risk arts activities, for example, ballet. Ballet is proposed to be classified separately to other arts activities and moved to a Sporting LRG, recognising the similarity in risk profile between ballet and sports. This reduces cross-subsidisation for ballet from lower risk businesses, such as artists, musicians, and writers. An additional benefit is that the Experience Rating (ER) will be more responsive to changes in RNZB’s claims experience, potentially incentivising better health and safety and return to work outcomes.

Risks resulting from Option 3 can be managed effectively

Different employment structures have distinct levy outcomes

60. The LRG placement of specific CUs has been impacted by the employment structure of each sporting code. For example:

- NZ Cricket (NZC) does not employ players, instead contracting them as self-employed people. This means that the new cricket participant CU only applies to self-employed cricketers, whereas NZC, and their administrative and management payroll, are assigned the no participants CU. Cricketers therefore have a significantly higher claims to earnings ratio and are therefore better suited to a higher risk LRG, with a higher levy rate.

⁷ [Hurricanes/Crusaders/Chiefs v Accident Compensation Corporation \[2022\] NZACC 219 at 34](#)

- NZ Rugby Union (NZR) employs players as well as a significant amount of administration, management, and marketing employees. Therefore, the claims to earnings ratio of NZR is comparatively lower than if rugby players were to be self-employed (contrasting with NZC).

61. Large sporting organisations, such as NZC and NZR, should be advised that any change to their player's employment structures may impact future levy rate setting.

Option 3 – Amend Levy Risk Groups and assign new Classification Units

62. A new classification unit would be created for all sports clubs or sports administrators that don't employ any players. The new classification unit is named '93100 Sports club or administration service — all sports (no participants)'.

63. This new classification unit would include coaching and other support staff, but not the sporting participants (players) themselves – as players face a different level of risk. These groups have a lower risk profile than players and clubs that employ players, and their levy should reflect that.

64. While similar to option 2, this option groups higher risk sports organisations that directly employ players (football, rugby, rugby league, cricket and motorcycling) with their respective national governance bodies. National bodies would be separated into different CUs for each sport to better reflect the individual claims experience for that sport. Regional sports clubs or teams that do not employ players remain under the proposed sports administration classification.

65. Lower risk national sports clubs or teams and regionally based sports clubs or teams that do not employ players would remain classified under the new administrative classification unit.

66. Similar benefits as those outlined in option 2 apply, however this option recognises that in the case of higher risk sports, national governance bodies who control the sport play a significant role in the safety of players, with whom they hold employment contracts. Given this, it is reasonable to expect that national governance bodies should lead work relating to player safety, and contribute to the cost of injuries that occur in the sport they oversee.

67. Amateur sportspeople engage in sport primarily for leisure or fitness, while professional sportspeople receive payment or financial reward for their sporting activities. Only professional sportspeople are required to include payments and prizes they receive as part of their tax return⁸. Therefore, only professional sports people, or their employers, are required to pay levies under this new CU structure. As levy rates are charged per \$100 of liable income or payroll, in cases where a sportsperson receives taxable income from participating in a sports' activity, but their income is low, their levy will also be comparatively lower than a sportsperson earning a higher amount. Amateur sportspeople do not pay work levies and are instead covered by either the Earners' or Non-Earners' accounts and are not impacted by this proposal.

68. Ballet shares a similar exposure to risk and claims experience as some sports players. However, ballet is currently classified as a performing art alongside less risky activities, such as theatre and opera, and therefore pays a lower levy.

⁸ [Amateur and professional sportspeople \(ird.govt.nz\)](https://ird.govt.nz)

69. This option creates a new classification unit for ballet, separate to other performing arts activities. This classification unit would be assigned to a levy risk group consistent with the risk exposure of ballet performers, which is in line with sports participants rather than other performing artists.
70. Professional ballet companies would pay a significantly higher levy under this proposal, as this better reflects recent claims experience.

Wider risk context has been addressed

71. Option 3 has prioritised the principle that each sport should be assessed for CU and LRG placement based on earnings and claims experience. However, in cases where there is insufficient actuarial data to support placement, a wider context has been considered.
72. For example, claims data indicated that motor racing should be assigned into the lowest risk sports and physical recreation LRG. This would be a departure from its' existing placement under the medium risk LRG. We have considered that the CU has a very small number of participants (17 in 2023), and the potential cost to ACC of a significant motor vehicle accident. Therefore, we have recommended its' continued placement in the medium risk LRG, to ensure that sufficient levies are collected to fund a potential high-cost claim in the future.
73. The impact of these changes on levy payers is included in the table below.

National organisations:	Current levy			Proposed new levy (2025-2028)		
	Levy Risk Group	Classification Unit	2024/25 levy	Levy Risk Group	Classification Unit	Indicative levy rate (Uncapped)
Rugby league	911 - Sporting and Recreational Activities (lower-risk group)	93171 Sport and physical recreation - community rugby league	\$0.54	919 - Arts and recreation services (high-risk group)	93181 Sports club or participant - rugby league (including national governance bodies)	\$5.38
Rugby	919 - Equine and Sporting Activities (high-risk group)	93180 Sport and physical recreation - professional rugby	\$5.77		93180 Sports club or participant - rugby (including national governance bodies)	
Motor cycling	726 - Administrative Services	78540 Office administrative services	\$0.19		93197 Sports club or participant - motor cycling (including national governance bodies)	
Cricket	917 - Equine and Sporting Activities (medium-high risk group)	93194 Sport and physical recreation - professional cricket	\$2.66	917- Arts and recreation services (medium-high-risk group)	93194 Sports club or participant - cricket (including national governance bodies)	\$2.60
Football	911 - Sporting and Recreational Activities (lower-risk group)	93190 Sport and physical recreation - community (not elsewhere classified)	\$0.54		93183 Sports club or participant - football (including national governance bodies)	
Professional Participants:						
Rugby league	919 - Equine and Sporting Activities (high-risk group)	93181 Sport and physical recreation-professional rugby league	\$5.77	919 - Arts and recreation services (high-risk group)	93181 Sports club or participant - rugby league (including national governance bodies)	\$5.38
Rugby	919 - Equine and Sporting Activities (high-risk group)	93180 Sport and physical recreation-professional rugby	\$5.77		93180 Sports club or participant - rugby (including national governance bodies)	
Motor cycling	919 - Equine and Sporting Activities (high-risk group)	93197 Sport and physical recreation-motor cycling	\$5.77		93197 Sports club or participant - motor cycling (including national governance bodies)	
Cricket	917 - Equine and Sporting Activities (medium-high risk group)	93194 Sport and physical recreation-professional cricket	\$2.66	917- Arts and recreation services (medium-high-risk group)	93194 Sports club or participant - cricket (including national governance bodies)	\$2.60
Football	919 - Equine and Sporting Activities (high-risk group)	93175 Sport and physical recreation - professional sport (not elsewhere classified)	\$5.77		93183 Sports club or participant - football (including national governance bodies)	

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

Home improvement stores

	Option One – Status Quo retain the current CU structure (no change).	Option 2 - Change the CU to better reflect the legal precedence	Option 3- Create a new CU and LRG for home improvement stores
Equity or fairness	No change 0	Option 2 would have a negative impact on the fairness of the CU structure as businesses (such as ITM) would have a higher CU than their competitors classified under the lower rated retailing CU. Option 2 may lead to lead to further reviews or appeals, incurring ongoing legal costs to the scheme. -	Option 3 ensures that the levies are fair, and to ensure that the costs of claims are shared fairly among the industries responsible for those costs. +
Administrative efficiency	No change 0	Option 2 administration is not cost efficient for ACC and levy payers, as some levy payers may raise legal challenges and Option 2 does not address the problem. -	Option 3 is cost neutral for ACC. Home improvement stores currently classified under 52330 Hardware and building supplies retailing, will have their levies increased modestly if assigned to the new CU of 52329 Home improvement goods trading – multiple product ranges. However, we anticipate businesses will be accepting of the change, given the alternative, i.e. applying the Court of Appeal decision using the existing Work Account regulations, potentially results in them being classified under a CU with a significantly higher levy rate (45310 Timber wholesaling) +
Risks	No change 0	Option 2 may lead to further reviews or appeals, incurring ongoing legal costs to the scheme. -	Option 3 reduces the risk of further reviews or appeals, incurring ongoing legal costs to the scheme. +
Overall assessment	No change 0	Option 2 would have a would have a negative impact on the fairness of the CU structure as businesses and is administration is not cost efficient for ACC and levy payers. Not recommended. - - -	Option 3 ensures that the levies are fair, and to ensure that the costs of claims are shared fairly among the industries responsible for those costs. Option 3 is also cost neutral for ACC and reduces the risk of further reviews or appeals, incurring ongoing legal costs to the scheme. Recommended. + + +

Sports and Recreation

	Option 1 – Status quo: retain the existing CUs for sports and recreation	Option 2 - Create a new CU under a new LRG	Option 3 - Amend Levy Risk Groups and assign new Classification Units
Equity or fairness	No change 0	Option 2 ensures that the levies are fair, and to ensure that the costs of claims are shared fairly among the industries responsible for those costs. +	Option 3 ensures that the levies are fair, and to ensure that the costs of claims are shared fairly among the industries responsible for those costs. Will recognise where claims experience has been increasing and ensure these groups are paying their fair share. ++
Administrative efficiency	No change 0	Option 3 is cost neutral for ACC. But the costs for levy payers are varied. However, the earnings of the Super Rugby Licences group for 2020 are under \$10M. This is substantially below the full credibility of \$275M for an LRG. Therefore, creating a new LRG and CU is not recommended -	Option 3 is cost neutral for ACC. But the costs for levy payers are varied. Will better reflect where responsibilities lie in terms of safety messaging for national players, and at club level. +
Risks	No change 0	The earnings of the Super Rugby Licences group for 2020 are under \$10M. This is substantially below the full credibility of \$275M for an LRG. Therefore, creating a new LRG and CU is not recommended. -	Option 3 reduces the risk of further reviews or appeals, incurring ongoing legal costs to the scheme. +
Overall assessment	No change 0	Option 2 ensures that the levies are fair, however, creates risks. -	Option 3 ensures that the levies are fair, and to ensure that the costs of claims are shared fairly among the industries responsible for those costs, and reduces the risks of further appeals. + + +

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

Home improvement stores

74. Option 1 is not considered in the analysis as it does not address the problem or meet the policy objectives.
75. Option 3 is preferred to Option 2, as creating a new CU simplifies the levy experience and decreases risks of legal challenges. Option 2 is unlikely to be acceptable for businesses, such as ITM, that fall under timber wholesaling to have any of their competitors classified under the lower rated retailing CU. Similarly, a blanket application of timber wholesaling to all home improvement stores, including those predominately retail in nature, would be equally contentious. This may lead to further reviews or appeals, incurring ongoing legal costs to the scheme.
76. Additionally, the risks associated with Option 3 are comparatively lower. The use of existing CUs applied by ACC to home improvement stores is inconsistent. Home improvement stores currently classified under 52330 Hardware and building supplies retailing, will have their levies increased modestly if assigned to the new CU of 52329 Home improvement goods trading – multiple product ranges. However, ACC anticipates that businesses will be accepting of the change, given the alternative, i.e. Option 2, that is, applying the Court of Appeal decision using the existing Work Account regulations, potentially results in them being classified under a CU with a significantly higher levy rate (45310 Timber wholesaling). Thus, some home improvement stores will pay higher levies, but less than they would under the current CU structure.

Consultation feedback

77. The consultation undertaken by ACC allowed feedback to be given in a number of different ways, including just indicating sentiment by giving a 'thumbs up' to the proposal.
78. 162 submissions were received, with 46% in support of the proposed change to Option 3. Feedback provided included comments that:
- the proposed changes would help simplify the classification system and make it more fair
 - the classification proposal favours large businesses at the expense of smaller enterprise
 - hardware and building supplies can be classified under existing retail classification codes
 - lack of consistency in classifying hardware and building supplies businesses may necessitate a new classification code
79. Two significant submissions were received, including from the BDSL Group (includes Carters Stores/Branches) who supported the proposal, noting that:
- the new classification will allow for equality in application across similar building and timber merchants brands

- the proposed new CU is fairer and more descriptive / accurate for the entire levy group and those within the group who would be disadvantaged through a levy increase should not detract from the overall merit of the proposal.

80. Both MBIE and ACC recommend progressing with Option 3.

Sports and recreation

81. Option 1 is not considered in the analysis as it does not address the problem or meet the policy objectives. The paragraphs below provide rationale for why Option 3 is preferred to the other options.

82. Option 3 addresses the feedback from the Court and customers. All sports organisations who do not employ players shared the same risk profile, negating the need for individual sports administration CUs for each sporting code. The new CU (93100 Sports club or administration service - all sports (no participants)) will be assigned to LRG 911 Sporting and Recreational Activities (lower-risk group), which has the lowest rate comparative to other Sports LRGs. The creation of this CU addresses concerns from the District Court⁹ and the Super Rugby teams. This CU will be suitable for:

- Community sports clubs, as they do not usually employ players.
- Professional sports clubs or teams who do not employ players, such as Super Rugby teams and domestic cricket clubs.

83. Option 3 simplifies the levy experience as the the number of sports and physical recreation CUs (excluding Sports and recreation instruction) reduces from 22 to 17, simplifying the classification structure, while maintaining appropriate risk separation between sports. This has been achieved by:

- Removing the distinction between Community and Professional Sports in the CU structure. All paid to play players now come under a single CU for their sporting code. For example, 93180 Sports club or participant – rugby includes all rugby players, regardless of the division they play in.
- Consolidating sports into single CUs where the number of participants is low, and the risk is similar. For example, squash, badminton, and tennis have been consolidated into a single CU of 93187 Sports club or participant - racket sports (not elsewhere classified).

84. Option 3 recognises the change in sports and recreation landscape in NZ. New CUs have been created to recognise the growth of new sports. For example, 93191 Sports club or participant – basketball and 93181 Sports club or participant – football. Currently these activities are considered under a single ‘not elsewhere classified’ CU.

Option 3 increases the consistency between sports and high-risk arts activities, for example, ballet. Ballet is proposed to be classified separately to other arts activities and moved to a Sporting LRG, recognising the similarity in risk profile between ballet and sports. This reduces cross-subsidisation for ballet from lower risk businesses, such as artists, musicians, and writers. An additional benefit is that the Experience Rating (ER)

⁹ [Hurricanes/Crusaders/Chiefs v Accident Compensation Corporation \[2022\] NZACC 219 at 34](#)

will be more responsive to changes in RNZB's claims experience, potentially incentivising better health and safety and return to work outcomes.

Consultation Feedback

85. ACC, on behalf of the Minister for ACC, undertook a period of public consultation from 11 September to 9 October 2024. During this period, ACC released a number of videos on social media to publicise the consultation, as well as carrying out newspaper advertisements and media engagements.
86. As a result, 8,748 submissions were received either through the ShapeYourACC website, or through individual submissions received via email by industry stakeholders.
87. 162 submissions were received in relation to classification of home improvement stores with 46% of submitters in support. Those who were not in support raised concerns that costs are too high for smaller businesses at the moment and this could cause further discomfort for businesses that are struggling.
88. MBIE acknowledges the pressure that small businesses are currently under, but also recognises that levy increases across the three levied Accounts are necessary to ensure that future generations are not burdened. The proposed new CUs will allow for a more fair and consistent application of levies across the sector.
89. During the consultation period, ACC officials ran information sessions with interested parties e.g. Sport New Zealand (which included all relevant Chief Executives or their representatives of sporting organisations across New Zealand) and the Royal New Zealand Ballet (RNZB).
90. 185 submissions were received in relation to sports classification units. 72% of submitters agreed with the proposal. In particular, feedback noted:
 - levies for sports administration and professional ballet should reflect the risk
 - the proposed changes would help simplify the classification system
 - sports administration staff should pay less than players
 - the increased costs of this proposal for ballet creates concerns for the sector's future viability and would redirect resources away from injury prevention
91. The RNZB in particular noted that the art sector would likely be impacted by the proposed changes and would have significant financial impacts on the sector. As part of their submission, it was recommended that a staged increase be provided that would allow time for both RNZB and the wider industry to adapt, allowing a further review in three years to assess whether additional changes are required.
92. MBIE and ACC recommend a staged increase for industries where there are significant levy increases, including the RNZB.
93. The proposed staged increase is provided below:

CU		Consulted on			Recommended staging		
		2025/ 26	2026/ 27	2027/ 28	2025/ 26	2026/ 27	2027/ 28
924 15	Performing arts - ballet	\$2.61	\$2.71	\$2.83	\$1.24	\$2.03	\$2.83
931 51	Sports national governance bodies - motorcycling	\$5.41	\$5.61	\$5.86	\$2.08	\$3.97	\$5.86
931 52	Sports national governance bodies - football	\$2.61	\$2.71	\$2.83	\$1.30	\$2.06	\$2.83
931 53	Sports national governance bodies - rugby league	\$5.41	\$5.61	\$5.86	\$2.31	\$4.08	\$5.86

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	The cost impact on customers is ongoing but varied. The information is outlined below.	The cost impact on customers is varied. The information is outlined below.	High. Evidence gathered by ACC on the preferred option is outlined below.
Regulators	Neutral. The cost impact on ACC (the regulator) is neutral.	Neutral. The cost impact on ACC (the regulator) is neutral.	High. Evidence noted by ACC notes that the cost impact on ACC (the regulator) is neutral.
Others (eg, wider govt, consumers, etc.)	Neutral	Neutral.	Low. Analysis was not conducted on the impact to others such as wider government.
Total monetised costs	Varied	Varied. The information is outlined below.	Medium.

Non-monetised costs	Varied	Low	Medium.
Additional benefits of the preferred option compared to taking no action			
Regulated groups	Ongoing. Use of existing CUs applied by ACC (status quo) to home improvement stores and sports and recreation is inconsistent. Preferred option ensures that the levies are fair, and to ensure that the costs of claims are shared fairly among the industries responsible for those costs. The preferred option recognises the change in home improvement businesses, and sports and recreation, and modernise and simplify the levy experience.	High. Use of existing CUs applied by ACC (status quo) to home improvement stores and sports and recreation is inconsistent. Preferred option ensures that the levies are fair, and to ensure that the costs of claims are shared fairly among the industries responsible for those costs. The preferred option recognises the change in home improvement businesses, and sports and recreation, and modernise and simplify the levy experience.	High. Analysis conducted by ACC provides strong evidence in favour of the preferred option.
Regulators	Ongoing. Status quo could lead to further legal challenges.	High Status quo could lead to further legal challenges.	High. Analysis conducted by ACC provides strong evidence in favour of the preferred option.
Others (eg, wider govt, consumers, etc.)	Ongoing.	Medium.	Low. Analysis was not conducted on the impact on others such as wider government.
Total monetised benefits	Ongoing	High	Low. Analysis was not conducted on the monetised benefits.
Non-monetised benefits	Ongoing	High	High

			Analysis conducted by ACC provides strong evidence in favour of the preferred option and shows that there are high non-monetised benefits.
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Information about the costs of the preferred options on ACC and the customers (regulated groups)

Home improvement stores

94. The cost impact of Option 3 to ACC is cost neutral to the scheme. Cost impact of Option 3 to customers is varied. The table below outlines the possible impact.

Examples of customer outcomes

Business	Indicative Customer impact (based on 2021 Levy Consultation data ¹⁰ and CU movement)
Home improvement store previously classified under 45310 Timber wholesaling – such as an ITM	Positive - Move to CU 52539 Home improvement goods trading – multiple product ranges with a rate of \$0.70 (a decrease from \$1.41 under 45310 Timber wholesaling)
Home improvement store previously classified under 52330 Hardware and building supplies retailing – such as a Mitre 10 or Bunnings	Negative – Move to CU 52539 Home improvement goods trading – multiple product ranges with a rate of \$0.70 (an increase from \$0.57 under 52330 Hardware and building supplies retailing)
Sellers of single product lines from Timber and Hardware Goods Wholesaling and Hardware, Building and Garden Supplies Retailing	Neutral – Remain under existing CUs. Rates do not change substantially. For example: • 52330 Hardware and building supplies retailing - \$0.61 to \$0.57 • 45310 Timber Wholesaling - \$1.40 to \$1.41 • 45391 Plumbing goods wholesaling - \$0.46 to \$0.45 • 45390 Hardware goods wholesaling (not elsewhere classified) - \$0.48 to \$0.46

Sports and Recreation

Cost impact to ACC and customers

¹⁰ These rates are based on the data as at 2021 Levy Consultation as the updated data, for 2024, is not yet available. The analysis looked at the impact on the 2021 base rates if we were to apply these changes in the 2021 levy consultation. These are not the final rates for 2024 levy consultation.

95. The cost impact of Option 3 to ACC is cost neutral to the scheme. The cost impact on customers is varied. The cost change for each business will be dependent on their business activity, current CU and any incentive modifier, such as ER.
96. The (yet to be confirmed) capping rules will also impact the financial impacts of CU and LRG changes, ensuring that levy rate adjustments are more manageable for customers.

Examples of impacted customers

Example activity	Customer impact (based on LRG movement only)
Cricket players	Negative - Movement from medium-high risk group to high-risk group
Football players	Positive - Movement from high-risk group to medium-high risk group
Operating a ballet company	Negative - Movement from Entertainment and Performing Arts to Equine and Sporting Activities (medium-high risk group)
Operating a community sports club (without players)	Neutral - Remains under lower-risk group
Operating a rugby team (with players)	Neutral - Remains under high-risk group
Operating a Super Rugby team (without players)	Positive - Movement from high-risk group to lower-risk group
Triathletes	Positive - Movement from high-risk group to medium-risk group

Section 3: Delivering an option

How will the new arrangements be implemented?

97. ACC will be responsible for the ongoing operation and enforcement of the new CU arrangements for home improvement businesses, and sports and recreation.
98. Home improvement stores and relevant groups in sports and recreation will be contacted and assigned a new CU prior to the commencement of the 2026 levy year (1 April 2025). ACC will operationalise these changes mainly via IT system updates, and updated invoices to affected customers.
99. ACC will notify affected business customers of the change to their CU and their new levy rate. Guidance will be provided on the ACC Business Industry Classification (BIC) code webpage to assist businesses to determine whether they are a home improvement store for the purposes of the new classification unit (CU).
100. Industry stakeholders that have made significant submissions will also receive a personal response from ACC which responds to their feedback and provides a summary of what ACC will be recommending to the Minister. These recommendations are made public, prior to Cabinet decisions being made.

101. MBIE, through the Ministry for Culture and Heritage, will support communications to the Royal New Zealand Ballet.

102.

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

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

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