



# ACC Futures Coalition

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## Newsletter – No. 1 October 2009

Welcome to the first newsletter from the ACC Futures Coalition. This is the first newsletter of what we intend to be a series as we campaign to maintain and improve ACC as a great public service for New Zealanders.

### Government Commits to Privatisation of ACC

In 2008 the National Party was elected to government with a policy to investigate the opening of the work account of ACC to 'competition' – aka privatisation. By the end of last week this had become a clear commitment (without the promised investigation) subject only to the Government's '[Stocktake](#)' of ACC confirming the feasibility of the policy. The Government has already said that it is likely to get the answer it wants from the Stocktake and is now [speaking openly](#) about the possibility that more of the ACC's accounts could be handed over to the private sector.

The prospect of privatisation of the work account is what led to the formation of the [ACC Coalition](#) but the scope of the Government's commitment has exceeded our worst fears. The Coalition will be organising to oppose this.

We need all organisations who may be affected by this privatisation agenda, including sports groups, recreation groups, tourism groups, small businesses etc. to join the Coalition. Circulate this newsletter and encourage interested organisations to contact us on [info@accfutures.org.nz](mailto:info@accfutures.org.nz) .

Some of our reasons for opposing the privatisation of ACC:

- It is our scheme funded by levies paid by New Zealanders. Privatising it will hand our money over to Australian owned insurance companies. Merrill Lynch in Australia last year predicted a [\\$200 million killing](#) for insurers if ACC was privatised;
- ACC is administratively more efficient than a system managed by private sector providers. In 2008 ACC was found to have lower claims management expenses (8%) than all Australian schemes (9%-32%) and lower total administration expenses (24% of total expenditure) than the schemes providing comparable benefits (NSW 28%, Victoria 31%). The scheme was established as a public-owned provider precisely to avoid the unnecessary costs of duplicating systems and providing a profit to insurance company shareholders;
- Levies will inevitably increase over time to meet these costs. When the work account was privatised in the late 1990s private insurers were prepared to accept losses initially as they competed for market share. These initial losses would have to be made up at a later date;
- Employer levies (as a % of payroll) are more than twice as high in Australia, Canada, and the USA where the private sector has a greater role in provider services than under ACC in NZ. Similarly, comparable motor vehicle no-fault schemes (such as Victoria in Australia) have substantially higher motor vehicle levies.

- When the work account was privatised last time unions and treatment providers reported that some employers were placing pressure on workers not to lodge claims for workplace injuries;
- When the work account was privatised last time treatment providers reported that private insurers were reluctant to approve claims and were often late in honouring invoices;
- When the work account was privatised last time workers were unsure about their entitlements and who their employer's insurer was;
- ACC is not an insurance company and the profit motive has no place in its operations. In the words of the founder of the scheme, Sir Owen Woodhouse, the scheme always had a "social welfare purpose and intent".

Overall we will end up paying more and getting less and the only beneficiaries will be the Australian insurers.

### **Levies, cover, entitlements and ACC's financial 'crisis'**

Since the election the Government has sought to promote the idea that the ACC was in a financial crisis so severe that the only remedy was radical surgery. The Minister even used the word "insolvent" to describe the financial state of the scheme. The previous Board Chairperson, Ross Wilson and several other Board members were fired as a consequence and a bill has been introduced to Parliament that would enable cuts to coverage and entitlements and large levy increases. The truth is somewhat different.

ACC has revenue of over \$4 billion a year and expenditure of around \$3 billion a year. It also has reserves of more than \$10 billion – it is far from insolvent. It is true that ACC has been facing increased costs as claims are increasing at a rate greater than population growth and the cost of claims is increasing at a rate higher than inflation. The impact of the recession on investments and the change in accounting standards have also impacted on the Corporation, but the real driver for increases in levies is the commitment of the Government to fully fund ACC by building in the future costs of injuries today into today's levies.

Professor Tim Hazledine has exposed the problems with this approach in [this article](#) in the NZ Herald. In it he likens full-funding of ACC to paying for all of your child's education through to their graduation from university on the day they start school aged 5. Suffice to say that it is not an approach we take with any other government services so why would we do it with ACC? The answer is probably that it will make the privatisation of the work (and other) accounts easier to undertake as it is the same approach that private insurers are required to use when establishing their premiums and managing their funds.

The ACC Futures Coalition is questioning this ongoing commitment which is placing significant pressure on levies, cover and entitlements and which, together with privatisation, threatens to undermine ACC as we know it.

### **Coalition Activities**

The ACC Futures Coalition is preparing submissions to the Stocktake of ACC, the levy setting process and the select committee considering the Injury Prevention, Rehabilitation, and Compensation Amendment Bill (which will enable the cuts and support the levy increases). We are also preparing a postcard campaign to MPs. There will be other activities underway in the coming months.

### **Who and What is the ACC Futures Coalition**

The ACC Futures Coalition formed following a seminar held in September 2008 on the future of ACC in light of the policies the political parties were taking into the election. Our aim is to keep the current model of ACC as a single, publicly owned provider and to seek to maintain and improve the scheme. We currently consist of a number of participating organisations representing treatment providers, academics, consumers and recreation providers, plus unions. In April 2009 we held a successful launch in Wellington. Information about us can be found on our website [www.accfutures.org.nz](http://www.accfutures.org.nz).