Submission by

BusinessNZ

GROWING PROSPERITY AND POTENTIAL

to the

Accident Compensation Corporation

on the

2021 Levy Consultation

Proposed Levy Rates 2022-25

October 2021

PPROPOSED LEVY RATES 2022-25
SUBMISSION BY BUSINESSNZ[1]

1.0 INTRODUCTION

1.1 BusinessNZ welcomes the opportunity to comment on the proposed levy rate changes set out in various ACC Levy Consultation Documents (2022-25), along with changes intended to create safer, healthier workplaces.

1.2 It is noted that the proposed levy rates apply for 3 years from 2022-25. It is understood that in exceptional circumstances, such as in the event of a substantial change in the financial position of the ACC significantly affecting the scheme's sustainability, the ACC Board and the Government may recommend levies be re-set for the second or third years of the levy period. This is prudent policy.

1.3 Many employers will welcome proposed relative stability in work account levies (on average) over the next 3 years (see below), although it is noted that there will be both an increase in the Earners Levy and a significant increase in the Motor Vehicle Account over the same period given these accounts risk being underfunded over the longer term if action is not taken to increase premiums to a level more in line with fully-funding claims in the years in which they occur.

Levy	Current 2021/22 levy rates	Proposed levy rate			Net change over 3 years
		2022/23	2023/24	2024/25	
Average Motor Vehicle levy rate[1]	$113.94 per vehicle	$120.20	$128.83	$138.08	⬆ **$24.14**
Earners' levy rate[2]	$1.21 per $100 wages	$1.27	$1.33	$1.39	⬆ **$0.18**
Average Work levy rate[3]	$0.67 per $100 of payroll	$0.63	$0.65	$0.67	**no change**

1.4 While levy stability is a desirable objective, it should not override the important signals which levy-payers ought to receive about the true costs associated with accidents (whether the result is a reduction or an increase in premiums over time).

1.5 It is noted that the levies across the various accounts proposed for 2022-25 are still well below those that would apply if the years were fully-funded on an annualised basis. This is legitimate because funds within the various accounts are still well in excess of what is required for full funding. Some of this excess will need to be returned to levy payers over time until the funding policy target is achieved, hence the "funding adjustments" outlined in the Levy Consultation Document.

[1] Background information on BusinessNZ is attached as Appendix 1.

1.6 While the rationale for the proposed levy changes is covered reasonably well in the ACC Levy Consultation Papers (and background actuarial papers), BusinessNZ has concerns with specific areas which will be outlined in further detail in the remaining sections of this submission.

1.7 These specific concerns relate to the following matters:

- The Funding Policy Statement (in respect to all 3 accounts)
- 10-year smoothing policy on changes to levies (in respect to all 3 accounts)
- Capping aggregate levy rate increases to 5% (in respect to all 3 accounts)
- Proposed changes to experience-rating (in respect to the Work Account)
- Cross-subsidisation (in respect to the Motor Vehicle Account)

1.8 The submission makes several recommendations to ensure greater transparency for premium payers.

1.9 Given the diversity of BusinessNZ's membership, some members and sectors will have specific issues they wish to comment on in more detail (for example in relation to proposed changes to some levy classifications). Therefore, we have encouraged individual members and sector representatives to make their own submissions raising those issues specific to their areas of interest.

1.10 BusinessNZ would welcome the opportunity to discuss our recommendations with ACC officials and/or the ACC Board as appropriate.

RECOMMENDATIONS

BusinessNZ <u>recommends</u> that:

1. **The proposed levy changes to the Work, Earners' and Motor Vehicle Accounts proceed but subject to consideration of the following recommendations and actioned in future levy consultation rounds.**

BusinessNZ **<u>recommends</u>** that:

2. **ACC's proposed premium-smoothing policy over the 10-year time frame be reduced to between 2-5 years to ensure the rates facing premium-payers are not unnecessarily distorted and more accurately reflect the true costs of the various ACC accounts. Reducing the time frame would also minimise the risk of changes to the scheme which could increase the cost to the various accounts without being immediately reflected in the premium rates facing premium-payers.**

BusinessNZ **<u>recommends</u>** that:

3. **If caps on aggregate levy changes are to be retained, these should be set at a much higher level than the current 5 percent to ensure the risk of over or under-funding is minimised.**

BusinessNZ **<u>recommends</u>** that:

4. **Much more thought and consideration be given - other than a small, one-month period for commenting on proposed levy changes - before increasing levies to reflect the impact of workplace fatalities. A considered approach might be to charge a group of legal practitioners and business and worker representatives who have experience with levy-setting, with the task of looking at this issue in more detail and reporting back to the ACC Minister on the merits and/or potential unintended consequences of proceeding with this specific proposal.**

BusinessNZ **recommends** that:

5. A thorough investigation of Motor Vehicle Account funding be carried out to enable associated costs to be more closely sheeted home to claimants, based on risk, not vehicle type or transport mode.

BusinessNZ **recommends** that:

6. If, after a thorough review of the Motor Vehicle Account, in the opinion of the ACC Board and the Government there is a sound public policy reason for the continued cross-subsidisation of motorcyclists or any other new or existing road users, e.g., EV owners (although no obvious reason occurs to BusinessNZ), the nature of the subsidisation be made transparent, and funding provided from general taxation. The funding will then show clearly in the government accounts, allowing the quality of the expenditure to be judged alongside all other areas of government expenditure.

2.0 THE FUNDING POLICY STATEMENT (IN RESPECT TO ALL 3 ACCOUNTS)

2.1 BusinessNZ notes that ACC funding policy requires ACC to target holding an equal level of funds (assets) and liabilities. That is, the funding policy target is 100%, which should ensure that premiums more accurately reflect the lifetime costs of current claims.

2.2 This change in policy stance was supported by BusinessNZ. Previously a buffer or risk margin was in place which, on balance is unnecessary for the reasons outlined below.

2.3 First, while BusinessNZ accepts that most private-sector insurers will build in an additional risk margin to cover unexpected risks in insurance premium-setting, it is not at all obvious why ACC should do likewise. As ACC is effectively a state-monopoly provider of accident insurance, it has (via government legislation) the power to tax future employers if premiums collected in any one year are insufficient to fund the ongoing costs of accident claims for that year.

2.4 Second, if the accounts are effectively "over-funded" (i.e., fully-funded plus a substantial margin), the temptation might be for the government of the day to expand the scheme knowing the costs of expansion would be hidden, at least for the first few years. This contravenes the whole principle of a fully-funded model where changes to policies impacting either positively or negatively on premiums are almost immediately felt by premium-payers.

2.5 Third, tying up unnecessary funding from employers (and earners) effectively means depriving the economy of money. On the margin at least, this will reduce employer investment in plant and equipment thereby limiting economic and employment growth.

2.6 Fourth, retaining such significant funding reserves (well beyond the 100% full-funding) makes the calculation of future premium-payer costs across the various accounts grossly misleading. Future premium-payers are being funded by the significant build-up in reserves due to earlier decisions not to lower premiums.

2.7 The funds retained distort the true costs of accident claims premium-payers (employers in the case of the work account) pay. There is effectively a transfer of wealth from current to future employers which reduces the pricing signals facing future employers.

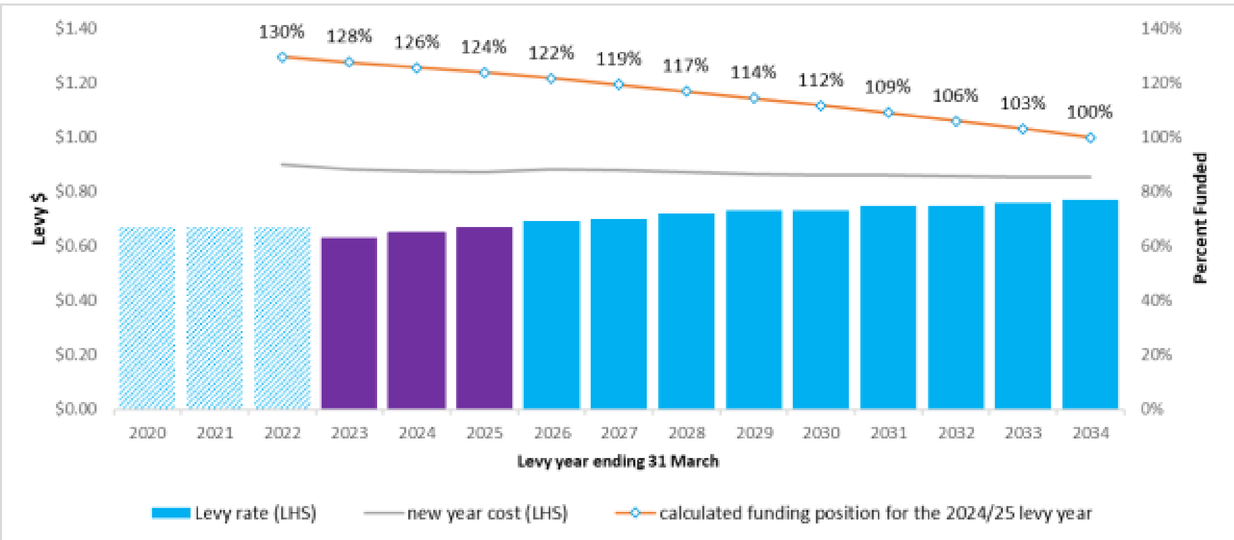
2.8 For all the above reasons, BusinessNZ is supportive of the change in ACC's Funding Policy Statement that has a funding policy target of 100%.

BusinessNZ **recommends** that:

1. **The proposed levy changes to the Work, Earners' and Motor Vehicle Accounts proceed but subject to consideration of the following recommendations and actioned in future levy consultation rounds.**

3.0 10-YEAR SMOOTHING POLICY ON CHANGES TO LEVIES (IN RESPECT TO ALL 3 ACCOUNTS)

3.1 Notwithstanding BusinessNZ's support for the change noted in ACC's funding policy statement, we do not support the current policy of smoothing policy levy rate changes to achieve 100% funding over a 10-year period. See below for a proposed levy path to achieving 100% funding for the Work Account by 2034 (given that the Work Account is currently over-funded by around 30%).



3.2 The use of excessive premium-smoothing over a 10-year period, particularly given the work account is well in excess of being fully-funded, raises the risk that it will be thought, rightly or wrongly, that premiums have been set to take account of political realities rather than to reflect sound commercial practice.

3.3 While levy stability is desirable, it should not take precedence over the important signals levy payers ought to receive about the true costs associated with accidents (whether the result is a reduction or an increase in premiums over time).

3.4 It is entirely appropriate to discount (or smooth) one-off events (such as extraordinarily high, or low, investment returns) for perhaps 2 to 5 years, but smoothing over 10 years could result in the unnecessary fudging of premium rates faced by premium-payers, distorting the ACC scheme's real costs. This is also likely to be the case if the scheme is expanded, when premiums might not quickly reflect the added costs facing premium-payers, as outlined in the previous section.

BusinessNZ **recommends** that:

2. **ACC's proposed premium-smoothing policy over the 10-year time frame be reduced to between 2-5 years to ensure the rates facing premium-payers are not unnecessarily distorted and more accurately reflect the true costs of the various ACC accounts. Reducing the time frame would also minimise the risk of changes to the scheme which could increase the cost to the various accounts without being immediately reflected in the premium rates facing premium-payers.**

4.0 CAPPING AGGREGATE LEVY RATE INCREASES TO 5% (IN RESPECT TO ALL 3 ACCOUNTS)

4.1 ACC Funding Policy requires aggregate levy rates across accounts to be capped at a maximum increase of 5% on average per annum, in addition to an allowance for expected inflation for the Motor Vehicle Account.

4.2 While BusinessNZ considers there might be occasional justification for the imposition of a cap e.g., if for some extraordinary reason costs have moved significantly due to a one-off event (major catastrophic earthquake or massive reduction in investment returns), as a general rule, caps perpetuate the problems associated with cross-subsidisation between current and future levy-payers.

4.3 As well, given that levies are smoothed over a 10-year time frame to each 100% full-funding across accounts, there is a potential risk that if the scheme is expanded significantly or if costs blow out for a number of reasons and/or investment returns are substantially lower than expected, it will not take much for the accounts to be quickly driven into a less than fully-funded position. This is even more likely given that ACC has, correctly, in BusinessNZ's view, removed the requirement for a risk margin on setting levies.

4.4 While all 3 accounts are in a relatively healthy financial position currently (with all 3 well above the required fully-funded (100%) position, the risk is that at some stage in the future, the 5 percent levy cap increase will need to be revisited. Given the scheme's size overall, with around $50 billion in assets and a similar amount in liabilities, there need only be a quite subtle change in costs and investment returns for it to come under financial pressure. The significant decline in interest (discount) rates pre-Covid 19 (2020) and since then into 2021 showed that the ACC Accounts can easily change from positive to negative when different discount rates are used. For the above reasons, while BusinessNZ considers ACC must take a rigorous approach to analysing and controlling all costs (and where feasible, returns), there are potential risks in it being hamstrung through unnecessary caps on aggregate levy changes.

BusinessNZ **recommends** that:

3. **If caps on aggregate levy changes are to be retained, these should be set at a much higher level than the current 5 percent to ensure the risk of over or under-funding is minimised.**

5.0 PROPOSED CHANGES TO EXPERIENCE RATING (IN RESEPCT TO THE WORK ACCOUNT)

5.1 As the ACC Consultation Document indicates, ACC wants to make further changes to experience-rating which currently rewards businesses that reduce injuries while charging more for businesses with higher accident rates than their peers.

5.2 Background information on this proposal is set out in the Consultation Documents so is not repeated here, suffice to state two changes are proposed.

5.3 The first proposal is to **raise the maximum adjustment to levy increases from 75% to 100%**, noting that the Consultation Document considers this would reduce the imbalance between levy discounts and increases by ensuring any claims history significantly worse than the average is more fully accounted for.

5.4 The second, and perhaps more controversial proposal, is to **increase the impact of a workplace fatality.** The ACC Consultation Document considers this would correct an unintended consequence of the Experience Rating Programme calculation which does not recognise the severity of a fatal injury when assessing a business' claims history.

5.5 Before commenting on the 2 proposals, BusinessNZ would like to briefly outline the important role experience-rating plays in our current ACC scheme, and more importantly, specifically within the Work Account.

5.6 BusinessNZ has for over a decade advocated the benefits of experience-rating and its general use within the Work Account.

5.7 An accident insurance scheme should focus primarily on the provision of an appropriate framework so that accident numbers and their severity are reduced.

5.8 Reducing the overall costs associated with an accident insurance scheme requires that all stakeholders (funders, claimants, health professionals and insurers) face strong incentives to minimise the occurrence of accidents. For employers, employees, health professionals and insurers, the right incentives matter.

5.9 BusinessNZ considers experience-rating essential to ensure strong incentives for employers to improve their accident rates. Employers with an accident rate consistently lower than average (within their risk class) will be rewarded while those with a poorer than average rate will face higher premiums.

5.10 Often within the same industry, similar businesses will have significant ongoing differences in accident claims and associated claims' costs, demonstrating the need to focus on individual enterprise risk. Experience-rating is, therefore, crucial if employers are to benefit from better than average outcomes within their risk categories.

5.11 Further, experience-rating, which makes appropriate use of statistical credibility, offers substantial fairness and economic resource allocation efficiencies. Properly regulated, these can outweigh any perceived weaknesses associated with experience-rating. Experience-rating's perceived weaknesses are outlined below.

5.12 Four criticisms of experience-rating (and responses to them) are:

- First, accidents are unfortunate random occurrences, and an experience-rating system cannot affect their outcomes. Many accidents (and health states) are random, so little can be done to minimise them (except, possibly, at great cost). On the other hand, many "accidents" could be avoided through appropriate health and safety management.

- Second, experience-rating offers employers only a limited incentive to reduce workplace accident numbers because costs can be passed on to consumers or employees, (through higher cost of product and/or lower wages than might otherwise be provided).

  In an insulated and protected environment where employers are not subject to competition, the above might be true to a limited extent but in reality, the ability to pass on costs is strictly limited. Most businesses are subject both to international and domestic competition; there is likely to be little ability to sustain cost increases, even on the margins.

- Third, in some cases employers might be experience-rated on an alleged "work-related" accident which they believe was completely beyond their control.

  While there will no doubt be cases where employers feel unduly punished by experience-rating, for far more, experience-rating will be beneficial.

- Fourth, the argument is sometimes put forward that experience-rating encourages employers to put pressure on their employees either not to report work-related claims or to report work claims as not work-related. In the latter case, claims will then be funded out of the Earners' Account reducing the impact on the employer's experience-rating.

  This, too, might be true in theory (and such behaviour might occur on the margins), but a possibility should not be used to diminish the fact that experience-rating has a positive impact. Moreover, effective monitoring of claims should ensure any employer or employee behaviour of this kind is minimised.

5.13 It should also be noted that irrespective of the existence of experience-rating, in some cases there might be incentives for employees to report "non-work" related accidents as having occurred at work. Again, this misreporting of accidents can be minimised through the effective monitoring of claims and by having appropriate systems in place to detect fraud.

5.14 Notwithstanding all the above, implicitly, the ACC Consultation Document on proposed changes to experience-rating is trying to strike a balance between increasing costs on those businesses with a poorer claims record than their peers while still retaining the very important insurance element, namely, to pool similar risks within similar risk categories. This is no easy task.

5.15 On the one hand good (or poor) outcomes need to be rewarded (or punished) although it will be important to strike a balance, so the cost of an unfortunate occurrence doesn't rest with the employer for many years after the event. Obviously, the size of the company is also relevant. While there can be a legitimate argument as to an appropriate time frame, BusinessNZ notes that increased costs would have an impact for around 3 years. This would seem to provide a balanced approach to ensuring the benefits and rewards for better than average behaviour (or conversely penalties for worse than average behaviour) have some effect on business costs, but not so much as to potentially drive businesses to the wall.

5.16 Turning to the ACC's first proposal, **to raise the maximum adjustment to levy increase from 75% to 100%:** noting the Consultation Document considers it would reduce the imbalance between levy discounts and increases by ensuring any claims history significantly worse than the average is more fully accounted for.

5.17 The broader BusinessNZ membership has mixed view on this proposal. Some support it on the grounds that it would ensure that claims history significantly worse than the average is more fully accounted for. On the other hand, a number support the status quo and feel the current maximum penalty loading sits at an appropriate level given that employers do not have full control over claims costs, citing the following considerations:

- Other parties may have a role to play in an injury and it would be unfair to penalise the employer (beyond the status quo).
- Claim costs are impacted by how well ACC manages the claim. Some members consider that in their experience the quality of case management has deteriorated over time. This may result in injured people having higher medical costs or returning to work later than might otherwise be the case if case management was optimal.
- Sometimes claims are lodged by employee after they have resigned and in this case there is nothing the employer can do to assist rehabilitation and return to work (to minimise claim costs).
- The system does not necessarily work well when a change in ownership occurs. For example, a new owner may be penalised for the poor performance of the previous owner.

5.18 The second proposal is perhaps more problematic. Just to recap, ACC's proposal is to **increase the impact of a workplace fatality.**

5.19 The ACC Consultation Document considers the above proposal would correct an unintended consequence of the current Experience Rating Programme calculation which does not recognise the effect of a fatal injury when assessing a business' claims history. However, a balance must be struck between costs that are internalised to some degree, and retaining the principle of insurance, which is to pool risks within similar risk categories, alongside broader issues of culpability.

5.20 While BusinessNZ recognises that serious injuries and death are disastrous events for everyone affected by them, including workmates and the business itself, the very real impact of experience-rating changes on specific businesses needs to be adequately considered before such changes are made. Moreover, severe workplace accidents bring other legislation into play with significant penalties applicable under the Health and Safety at Work Act 2015 if a charge is proven.

5.21 If a charge is proven, a range of sentencing options is available to the Court. The maximum fine under the Health and Safety at Work Act 2015 for exposing someone to the risk of death or serious injury or serious disease is $1.5 million for a company and $300,000 for a Person Conducting a Business or Undertaking (PCBU). But a fine of up to $3 million can be imposed on a company, and $600,000, together with a prison term of up to five years, on a PCBU, if either is reckless as to the risk to which individuals are being exposed.

5.22 An emerging problem with the Health and Safety at Work Act is that while the responsibility placed on Directors and PCBUs is onerous, insufficient consideration is given to the actions of employees who sometimes ignore warnings and instructions to their own detriment. Hindsight is a wonderful thing, but not even in the best-run workplace can every employee action be predicted in advance. The urge to send a message to the employer by a further levy increase where a fatality occurs might in some situations merely cause more problems than it solves.

5.23 BusinessNZ is of the view that much more thought and consideration should be given to the proposal to increase levies to reflect the impact of workplace fatalities than making provision for a small window of opportunity of around one month to comment on the prospective change. Perhaps a group of business and worker representatives and legal practitioners could be charged with looking at this issue in more detail and reporting back, say, to the ACC Minister as to the merits (including pros and cons and consideration of potential unintended consequences) of proceeding with this particular proposal.

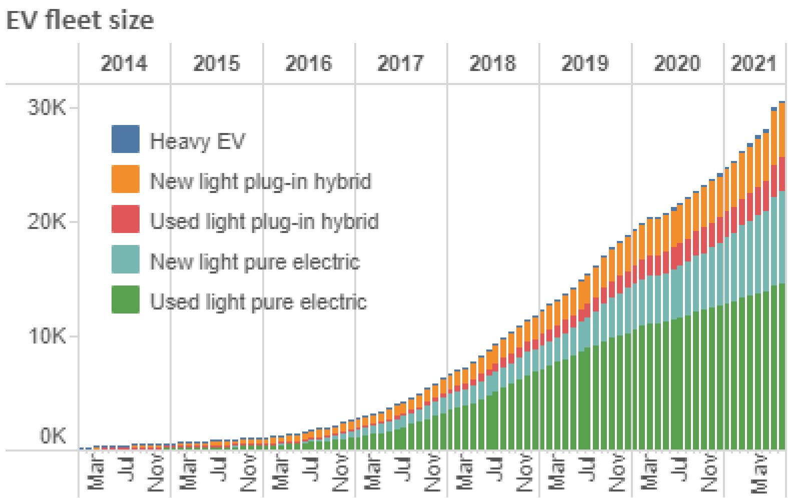
BusinessNZ <u>**recommends**</u> that:

4. **Much more thought and consideration be given, other than a small, one-month period for commenting on proposed levy changes, before increasing levies to reflect the impact of workplace fatalities. A considered approach might be to charge a group of legal practitioners and business and worker representatives who have levy-setting experience, with the task of looking at this issue in more detail and reporting back to the ACC Minister on the merits and/or potential unintended consequences of proceeding with this specific proposal.**

6.0 <u>CROSS-SUBSIDISATION (IN RESPECT TO THE MOTOR VEHICLE ACCOUNT)</u>

6.1 BusinessNZ has continuing concerns about the significant degree of cross-subsidisation in the Motor Vehicle Account, particularly in respect to motorcyclists who, as a group, continue to be heavily subsidised by motor vehicle owners, as noted in the consultation documents. Other modes of transport, e.g., cycling, are not included within the ACC levy framework while other transport modes, e.g. Electric Vehicles are in effect subsidised by other road users given they do not pay petrol charges. Greater equity in funding the Motor Vehicle Account is required for existing and potential road users in view of an increasing move to new transport modes, including cycling and other means of transport not using petrol (or diesel), e.g., electric scooters.

6.2 Modes of transport are changing in NZ as in other countries. It is, for example, understood that there are around 30,000 Electric Vehicles registered in NZ, and while still a minuscule portion of the cars on road (likely to be only around 1 percent of on road vehicles), this number is increasing all the time in step with changing consumer habits, as can be seen from the table below.



6.3 Given the above, it is important ACC premiums reflect the risks associated with different modes of transport, particularly those that do not require registration or use petrol/diesel.

6.4 There have been moves over the past few years to reduce Motor Vehicle Account cross-subsidisation but these have been tentative to say the least, focusing mainly on removing some of the distortions within each vehicle class (e.g., between small and large motorcycles) rather than dealing with motorists' cross-subsidisation of motorcyclists per se. This process has effectively continued during the current 2022-25 levy consultation round.

6.5 There will be motorcycle owners (and other road users, e.g., owners of EVs) who can readily afford to pay the risk-rated premium associated with motor cycling, while there will be car owners who struggle to pay the ACC licensing fee whether they be EV owners or not.

6.6 It is not clear from any research that BusinessNZ is aware of, that motorcyclists or owners of EVs, on average, have any more or less ability to pay than other road users, or indeed professional rugby players, in respect to risk-based work levies.

6.7 ACC, correctly in BusinessNZ's opinion, risk-rates activities in the Work Account based on actual risk (not fault, as ACC is a no-fault scheme). This means a professional rugby player will pay significant ACC levies for ACC-related claims, given the relatively higher risk of injury to professional rugby players compared with individuals working in less risky environments, e.g., office workers.

6.8 It has sometimes also been argued that cross-subsidisation is justified because the motorcyclist is often not "at fault" in an accident involving a motorcycle, that is, does not cause the accident.

6.9 In response, the following should be noted:

- The "no fault" aspect of the scheme is simply government policy, providing cover for all accidents regardless of fault, with injured persons entitled to compensation without legal recourse.
- ACC is attempting to recoup the costs of the scheme from those whose costs are greatest (have the highest accident costs), irrespective of fault.
- Motorcycle riders (no external protection, no seatbelt, higher risk of not being seen by motor vehicles when overtaking etc.) are more prone to serious bodily injury than are people in cars. Injuries sustained by motorcyclists are likely to be more extensive whether the collision involves a motorcycle alone or is with another vehicle. Thus, regardless of who is at fault, riding a motorcycle, on average, results in a higher accident cost.

6.10 While the levy applying to actual claims' costs would be relatively high (relative to current subsidised rates), BusinessNZ nevertheless considers rates should be more progressively based on risk. However, it is acknowledged that it might take several years to achieve true risk-based levies for motorcycle owners.

6.11 Individuals considered in need of taxpayer assistance (generally income-related) receive support via various tax measures, including income support to enable them to purchase essential goods and services.

6.12 If government decides, for some rigorously determined public policy reason (although BusinessNZ cannot think of one), that motorcyclists, or any other road users (e.g., cyclists, Electric Vehicle owners etc) should be subsidised by other motor vehicle owners, the subsidy should be transparent, funded out of general taxation and explicitly recognised in the government accounts, as is currently government (taxpayer-funded) assistance to low income earners and the elderly (via NZ Superannuation payments) etc.

6.13 In respect to Electric Vehicles, it is noted that the Government has provided a significant subsidy to buyers of new EVs (just under $9,000) to encourage EV take-up. While not commenting specifically on the merits or otherwise of that policy decision (although BusinessNZ has commented in recent submissions that the Emissions Trading Scheme (ETS) should be the primary factor to encourage emission reductions), at least the costs of making this decision are transparent and can be analysed alongside other areas of government expenditure.[2]

6.14 Irrespective of Government's explicit decision to subsidise the take up of EVs, BusinessNZ is strongly of the view that it is inappropriate for vehicles with similar risk profiles not to be charged levy rates similar to those charged to all other road users. Again, if the Government sees fit to subsidise the use/uptake of EVs then this should be done in a transparent and open manner, rather than other road users paying for what will, over time, become a bigger accident cost, given the expected continuing growth in EV use.

BusinessNZ **recommends** that:

5. A thorough investigation of Motor Vehicle Account funding be carried out to enable associated costs to be more closely sheeted home to claimants, based on risk, not vehicle type or transport mode.

BusinessNZ **recommends** that:

6. If, after a thorough review of the Motor Vehicle Account, in the opinion of the ACC Board and the Government there is a sound public policy reason for the continued cross-subsidisation of motorcyclists or any other new or existing road users e.g., EV owners (although no obvious reason occurs to BusinessNZ), the nature of the subsidisation be made transparent, and funding provided from general taxation. The funding will then show clearly in the government accounts, allowing the quality of the expenditure to be judged alongside all other areas of government expenditure.

---

[2] See for example, BusinessNZ Submission to the Environment Select Committee on the Natural ad Built Environments Bill (August 2021).

"Provided emissions are adequately covered by the ETS, authorities should be agnostic as to which specific projects should be supported. Therefore, when it comes to meeting domestic and international obligations to reach net zero carbon emissions by 2050, we consider the focus should be on:

1. *Net emissions and not gross emissions*
2. *The ETS as the sole tool except where it can be clearly demonstrated that further interventions will have net benefits*
3. *Any supporting policies as outcome-focused and technology agnostic*
4. *Avoiding bans and interventions as typically these increase cost for no gain, given the ETS cap*
5. *The importance of lowest cost abatement as cost matters to the wellbeing and livelihood of New Zealand families and businesses."*

Appendix One - Background information on BusinessNZ

BusinessNZ

GROWING PROSPERITY AND POTENTIAL

BusinessNZ is New Zealand's largest business advocacy body, representing:

- Regional business groups EMA, Business Central, Canterbury Employers' Chamber of Commerce, and Employers Otago Southland
- Major Companies Group of New Zealand's largest businesses
- Gold Group of medium sized businesses
- Affiliated Industries Group of national industry associations
- ExportNZ representing New Zealand exporting enterprises
- ManufacturingNZ representing New Zealand manufacturing enterprises
- Sustainable Business Council of enterprises leading sustainable business practice
- BusinessNZ Energy Council of enterprises leading sustainable energy production and use
- Buy NZ Made representing producers, retailers, and consumers of New Zealand-made goods

BusinessNZ is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation (ILO), the International Organisation of Employers (IOE) and the Business and Industry Advisory Council (BIAC) to the Organisation for Economic Cooperation and Development (OECD).