

The Treasury

Budget 2017 Information Release

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| | | |
|------|--|--------------|
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| [39] | to prevent the disclosure of official information for improper gain or improper advantage | 9(2)(k) |
| [40] | Not in scope | |

In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) and section 18 of the Official Information Act.

From: Helen Anderson [TSY]
Sent: Friday, 11 November 2016 1:31 p.m.
To: Arati Waldegrave [DPMC]
Cc: ^Parliament: David Kidson; Ben McBride [TSY]; John Marney [TSY]
Subject: RE: SEC follow up 1 pager 101116 Final updated for post settlement rates (003)

Hi Arati,

My reading of the ACC numbers in the MOH note are that they would increase Earners' levies by about \$0.03, Work levies by about \$0.01 and MV levies by about \$18.90 – so if added to the proposed levies for 2017-19, I think the rates would be \$1.28, \$0.73 and around \$132.84 respectively. But let me know if I've got the wrong end of the stick.

The MV increase looks big – my guess is that it may be explained by the higher proportion of serious injuries requiring long-term care in the MV account, though I haven't verified this with ACC.

Worth reiterating that these are 'all else equal' impacts. If ACC were calculating their 2017-19 levies today, they'd be different from the proposals below. Interest rates have fallen since March, which all else equal would push the proposed levy rates up (though interest rates higher than they were in June, and expected to rise again in the long term); on the other hand, there may be opportunities to put downward pressure on levies through managing underlying cost growth (plus account solvency remains high and there's always the option of letting it drop). We'll cover all this in our levy advice next week though.

Hope this helps
Helen

Helen Anderson | Senior Analyst | The Treasury

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From: Arati Waldegrave [DPMC]
Sent: Friday, 11 November 2016 12:59 p.m.
To: Helen Anderson [TSY] [39]
Cc: ^Parliament: David Kidson <[39]> ; Ben McBride [TSY]
[39] ; John Marney [TSY] <[39]>
Subject: RE: SEC follow up 1 pager 101116 Final updated for post settlement rates (003)

Hi Helen

Am I right in this?

ACC levies

Looks like all the increase will be to the Motor Vehicle Levy account - \$18 increase per year from 2018. By contrast, the Cabinet paper that's coming forward proposes taking the levy down from \$130.26 p.a. to \$113.94 p.a. in 2017/18 and 2018/19. This settlement would mean the MV account levies actually end up being higher than current levels rather

than the 13% drop that ACC has consulted on. The Earners and Work Account levies would also go up by 5c and 2c respectively over two years. These are small changes, but it does mean that the messaging around ACC levy changes needs to be handled carefully if the Terranova settlement is going to change levy rates.

To me, it looks like Terranova doubles the increase to the earner account levy, reduces the decrease in the work account and turns the quite big decrease to the motor vehicle levy into a small increase.

Current proposed ACC Board changes are:

| | Earners' Account Average levy rate per \$100 of liable earnings (excl. GST) ^[1] | Work Account Average levy rate per \$100 of liable earnings (excl. GST) | Motor Vehicle Account Average levy per vehicle |
|---------------------------------------|--|--|---|
| Current 2016/17 rates | \$1.21 | \$0.80 | \$130.26 |
| Proposed 2017/18 and 2018/19 rates | \$1.25 | \$0.72 | \$113.94 |
| Percentage change | 3.3% increase | 10% reduction | 12.5% reduction |
| Terranova impacts | \$1.30 | \$.74 | \$131.94 |

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From: Arati Waldegrave [DPMC]

Sent: Friday, 11 November 2016 12:32 p.m.

To: Ben McBride [TSY] [39]

; John Marney [TSY] <[39]

; Helen

Anderson [TSY] <[39]

Cc: David Kidson [39]

Subject: SEC follow up 1 pager 101116 Final updated for post settlement rates (003)

[SEEMAIL][SENSITIVE]

Hi Ben and John (and Helen re ACC levy impacts)

Here's the additional info that the Minister of Health's office is sharing with other Ministers ahead of Monday.

Have you guys seen this? and do you agree?

Cheers

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^[1] 1 While these amounts are exclusive of GST, the recommendation is expressed as GST inclusive (\$1.44) to provide Inland Revenue with clarity on the rate required for implementation.