

**Tasmanian Motorcycle Council**

**submission to the**

**Office of the Tasmanian Economic Regulator's**

**2013 Investigation into the Pricing Policies**

**of the Motor Accidents Insurance Board**

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## 1 Introduction

The Tasmanian Motorcycle Council (TMC) was established in 2004 and represents over 30 motorcycle clubs and businesses in Tasmania, in addition to many individual members.

The TMC is a volunteer-run organisation, and is recognised by the Tasmanian Government through agencies including the Department of Infrastructure Energy and Resources (DIER) and the MAIB as the peak representative group for motorcycle licence holders, motorcycle clubs and other organisations with an interest in motorcycling.

The TMC is actively involved in development and implementation of road safety policy both locally and nationally. A TMC representative was appointed as a member of the Tasmanian Road Safety Council in 2004, and this appointment has continued with the restructured Road Safety Advisory Council. The TMC is also a member of the peak national motorcycling body, the Australian Motorcycle Council (AMC). At a local level, the TMC has worked with a number of local governments on safety and other initiatives.

The TMC has been proactive in the road safety sector since its inception – it has worked with DIER on aspects of the Tasmanian Motorcycle Safety Strategy (TMSS) and has independently developed other initiatives. These include the *Ride Tasmania Safely* brochure, television advertising campaigns, and the motorcycle road skills course – the refresher course referred to in the review papers and subsidised by the MAIB.

The TMC is strongly opposed to the MAIB and Economic Regulator's proposal to increase the premium relativity for motorcycle classes 4, 5 and 20 from 1.28 to 1.50.

## 2 Motorcycle premiums and “cross-subsidy”

The question of premium relativity is the key aspect of the MAIB premium review every cycle that affects motorcycle owners. The TMC made submissions focussing on this issue in 2006 and 2009.

There has been a substantial increase in the number of motorcycle riders and registered motorcycles in Tasmania in recent years. The increase is between 5% and 7% annually which is well above the percentage increase in all registered motor vehicles. As a result, motorcycles have increased as a percentage of the total registered vehicle fleet.

At the same time, the rate of serious casualty motorcycle crashes has decreased, although it's noted that the cost of long term injuries remains high.

The current method of establishing premiums effectively categorises motorcycles above 125cc as one group, and places the burden for high-cost injuries to this vulnerable road user category on the relatively small number of premium payers (small, compared to the total number of premium payers in the scheme).

It is flawed in a no-fault scheme to determine premiums in such a manner. If motorcycles above 125cc are categorised in this way, why then aren't male car drivers aged 17-25 also placed in a separate premium category? Whilst the calculations on premiums vs claim costs for that group have not been done, the widely-published data showing over-representation in serious casualty crashes of drivers in that group would clearly point to more outgoings from the MAIB than premiums they contribute. Across the whole group of private vehicle drivers, there would clearly be cross-subsidy of costs attributable to males aged 17-25. However, this burden is shared widely across all contributors to the scheme, as it should be for motorcycle injuries.

The 16,000+ motorcycle riders in Tasmania who never make a claim on the MAIB each year are no more responsible for those "no fault" crashes involving motorcycles than anyone else driving a private vehicle, yet pay a premium that reflects the cost of these. In the 1980s, motorcycles were covered by the same premium relativity as private cars. When this changed, it was ostensibly about removing the perceived cross-subsidy, whereas increased motorcycle premiums are clearly a measure aimed at discouraging motorcycling by making it a more costly transport option.

Another area of inequity exists in relation to the dividend paid to government. Other than aiming to discourage motorcycling, the proposed premium increases help with the MAIB's bottom line, and in turn the dividend paid to government. This means that motorcycle riders individually are paying a far greater share of the government dividend than private car owners. 17,000 motorcycles paying an extra \$50 in premium would contribute \$850,000 – a substantial portion of the government dividend.

The principle of a "no fault" scheme should be to not disadvantage road users because of their particular circumstances in relation to crash injury, yet for motorcycle riders this is turned and used in the opposite direction.

An analysis of claims done examining "fault" as a factor shows the relativity to be below that of the current premium – 1.22 vs 1.28.

Motorcycles are just over 3% of the total vehicle fleet, or around 4% of the private vehicle fleet. An additional premium of just \$1 per private vehicle would collect the same amount of premium revenue as around \$33 extra per motorcycle. Or for \$2 extra per vehicle, the same amount as \$66 per motorcycle.

It's disingenuous then that it's proposed to *reduce* the premiums for private cars, at the same time as imposing a substantial increase on motorcycles.

Motorcycle riders are the only one of three identified road user groups to pay any premium. Cyclists and pedestrians are provided with free MAIB compensation cover when they are involved with a crash involving a registered vehicle.

The TMC is not proposing that a MAIB premium be introduced for either pedestrians or cyclists, although we note that it is often asked why cyclists in particular pay nothing. The two answers most often heard from cycling groups when this is raised is that cycling is environmentally friendly and should be encouraged, and that the majority of cyclists also have a registered motor vehicle on which MAIB is paid.

It is unfair to focus on removing the perceived “cross subsidy” on motorcycle premiums, in a scheme where cyclists and pedestrians enjoy a premium relativity of 0.00 by virtue of free cover (in the event of a collision involving a vehicle). Whilst no data is readily available, there are certainly many cycle and pedestrian crashes involving a motor vehicle where the driver of the registered vehicle is not considered the “at fault” party in terms of crash cause.

The TMC also believes that more could be done to encourage riders to undertake the road skills training. The \$20,000 allocated to this by the MAIB for the next year amounts to subsidising 133 attendees. The TMC is disappointed that the low take-up rate for this training has continued, and believes that far greater participation could be achieved with increased promotion and marketing.

### **3 Motorcycle classes**

Some examination has been done by the MAIB of the costs relative to each of the four different motorcycle classes, and recommends that the category definitions remain unchanged.

As far back as the 2006 review it was flagged that consideration should be given to altering the premium classes to recognise a category for the then-new Learner Approved Motorcycle Scheme (LAMS).

The TMC is of the strong view that class 4, medium motorcycles, should be amended from 126cc to 250cc to instead cover machines above 125cc that are registered under LAMS. This has now been in place in Tasmania for six years, and machines are categorised in this manner through in the registration system. It would then be possible to review at the end of the next four year cycle the claims’ history of LAMS motorcycles compared to other classes.

Further, it is recommended that class 20, medium large motorcycles, be altered to cover non-LAMS motorcycles up to 890cc. Machines 890cc and above would then be categorised as class 5, large.

Notwithstanding the above, it remains the TMC's view that the premium relativity for motorcycles above 125cc should be 1.00.

Whatever premiums result for the next four year period, it would be far more useful for future analysis to measure claims on the categories noted above however, than on the class definitions that exist at present.

## **4 Summary**

The TMC recommends that:

- The premium relativity for motorcycles in class 4, 5 and 20 be set at 1.00
- Failing the above, that the maximum premium relativity for the next four year cycle be set at the existing 1.28
- The definitions for classes 4, 5 and 20 be altered as per this submission
- More be done to encourage participation in the road skills training course

The TMC would welcome the opportunity to explain our submission further in person should this be considered appropriate.

On behalf of the Tasmanian Motorcycle Council

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