

3 October 2018

Attention: Matthew Giampiccolo
Price Monitoring and Regulation Division
Essential Services Commission
Level 37
2 Lonsdale St
Melbourne 3000

By email: towtruckreview@esc.vic.gov.au

Dear Matthew

ESC Review of Accident Towing and Storage Fees – Draft Report

I refer to the Essential Services Commission's (ESC's) Review of Accident Towing and Storage Fees Draft Report (the Draft Report).

Thank you for the opportunity to provide feedback on the Draft Report.

The ICA is generally supportive of much of the recommendations in the Draft Report.

We provide the following feedback.

Regulated basic salvage fee

We note that the Draft Report proposes not to recommend a basic salvage fee. We remain of the view that, as previously recommended by the ESC, a regulated basic salvage fee should be introduced in Victoria.

As outlined in the ICA's May 2018 submission to the ESC, a basic salvage fee would provide a more appropriate level of protection to consumers from excessive salvage fees.

Storage services and fees – increase in fees should factor in service requirements

We note the Draft Report outlines that the ESC's benchmarking analysis suggests that current storage fees are too low. The Draft Report recommends that the daily undercover accident towing storage fee be increased to \$25 (a 47% increase), with equivalent increases across other regulated vehicle storage fees.

The ICA is of the view that an increase in fees as proposed by the ESC should also be accompanied by minimum service standards provided by a holding yards / vehicle storage

operators. Currently, the basis of the proposed increase in storage fees does not appear to have involved any consideration of the level of service provided by storage operators.

One service requirement insurers believe should accompany any increase in fees is a requirement that operators take active steps to promptly notify vehicle owners that (a) their vehicle is being stored by them and (b) the location where the vehicle is stored.

Currently there is no obligation on holding yard / vehicle storage operators to inform a vehicle owner of the whereabouts of their vehicle. Consequently, it is not uncommon for insurers to experience a significant time lag from when a motor vehicle accident occurs and when they or the vehicle owner are notified of where the damaged vehicle is located.

This often creates inconvenience for consumers and impacts the ability of insurers to mitigate the cost of motor vehicle accident claims. For example, if a vehicle owner (or their insurer) is not informed of where their damaged vehicle is being held, this will delay the assessment and repair process. Consumers and insurers may also have the inconvenience of unnecessarily being without access to a vehicle for a longer period of time or incurring additional replacement vehicle costs. These additional costs may ultimately place upward pressure on the cost of motor vehicle insurance premiums.

A requirement on operators to take appropriate steps to promptly notify vehicle owners of the whereabouts of their vehicle is not an onerous requirement, nor is it unreasonable, and the introduction of regulations mandating notification obligations should be considered.

Related towing issues

We note that the focus of this ESC review is accident towing storage, salvage and pricing matters. Nonetheless the ICA reiterates the need for other areas of reform that would improve the provision of safe, efficient and timely accident towing services to Victorian consumers.

As outlined in the ICA's 2014 and 2015 submissions to the ESC, and acknowledged by the ESC in their 2015 Accident Towing and Storage Economic Review Draft Report, the majority of accident towing operators are owned by or affiliated with smash repair businesses, with a high degree of integration between accident towing and smash repairs. These relationships can provide an incentive for some towing operators to pursue smash repair work and to direct consumers to affiliated smash repairers.

Touting by tow operators is prohibited. However, the existing regulatory framework has failed to stamp this activity out in the face of financial incentives for towing operators to direct work to affiliated smash repairers that may charge excessive fees.

Therefore the ICA reiterates the need for reforms previously identified by the ESC to be implemented to provide consumers with an appropriate level of protection.

Reforms could include restricting the location to which a vehicle can be towed immediately after an accident (eg. an independent holding yard, the vehicle owners home, etc.) to allow consumers time to consider their options regarding where they would like their vehicle repaired. These restricted accident towing destinations could be incorporated into the authority to tow form.

We trust you will find this feedback useful.

If you have any queries please contact Tom Lunn, Senior Policy Advisor, Consumer Outcomes via email [REDACTED], or phone [REDACTED].

Yours sincerely



Robert Whelan
Executive Director & CEO