

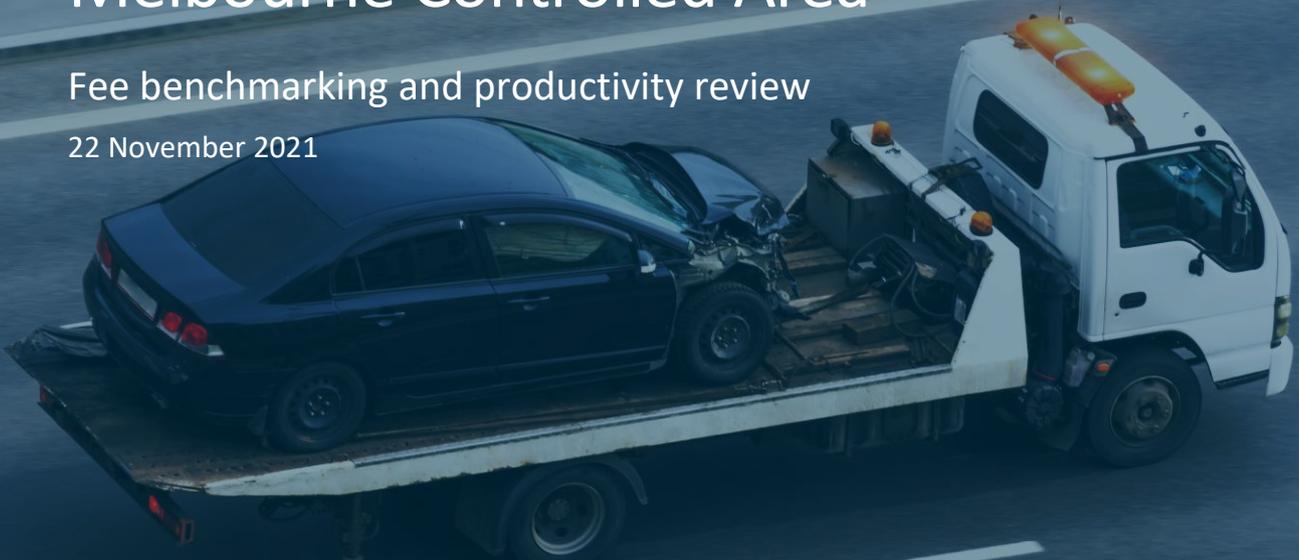
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MARSDEN JACOB ASSOCIATES

Accident towing and storage fees in the Melbourne Controlled Area

Fee benchmarking and productivity review

22 November 2021



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1. Introduction

The Essential Service Commission (commission) is required under Part 7A of the Accident Towing Services Act 2007¹ (the Act) to undertake a periodic review of accident towing fees for regulated services every four years – as well as whenever required by the Minister.

In the interim years between fee reviews, fees are adjusted annually in line with the Melbourne transport consumer price index minus a productivity adjustment factor (currently set at 0.5 per cent).

In the 2021 review, the commission must make a recommendation to the Minister on:

- whether or not the current regulated fees for accident towing and storage services are appropriate;
- whether existing accident towing services which are unregulated (e.g., basic salvage) should be regulated, and if so, what fee level should apply; and
- a figure for the productivity adjustment contained in the annual fee adjustment mechanism.

To inform its 2021 review, the commission appointed Marsden Jacob Associates (Marsden Jacob) to undertake a benchmarking exercise of accident towing and storage fees and to review the productivity of the accident towing industry in the Melbourne controlled area.

In this context, this report is structured as follows:

- Section 2 provides an overview of current regulation of the accident towing and storage sector in Victoria
- Section 3 provides an overview of current regulated accident towing and storage fees in the Melbourne controlled area and then benchmarks the current accident towing and storage fees against the regulated fees for accident towing and storage applied by some other state governments, as well as market-based fees for comparable services; and
- Section 4 reviews the productivity of the accident towing industry in relation to the productivity adjustment figure applied to annual indexation of regulated accident towing fees.

¹ <https://www.legislation.vic.gov.au/in-force/acts/accident-towing-services-act-2007/030>

2. Regulation of accident towing and storage fees in Victoria

Accident towing and storage fees in the Melbourne controlled area are regulated through the *Accident Towing Services Act 2007* and the associated *Accident Towing Service Regulations 2019*. The Act provides for the Minister to determine the fees towing operators may charge for the following services:

- accident towing
- storage of accident damaged vehicles
- basic salvage (using a tow truck to move a vehicle to a safe position from which it can be towed).

The Minister has previously determined fees for accident towing and storage, but has not determined fees for basic salvage.

Victoria has created three geographic regions for accident towing services which are:

- the Melbourne controlled area – which is made up of metropolitan Melbourne and the Mornington Peninsula;
- the Geelong Self-Management Area – Geelong and surrounding areas; and
- remainder of Victoria.

Accident towing and storage fees within the Melbourne controlled area apply to towing of vehicles that weigh less than four tonnes. Accident tow trucks within this area must be licensed by the industry regulation (the Department of Transport) and for light vehicle towing will have the number plate starting with the letters TOW.²

While not regulated specifically under the *Accident Towing Services Act 2007*, there is a requirement that fees charged in the self-management area of Geelong and regional Victoria are ‘reasonable’, with some factors that need be taken into account to include:³

- nature of the service provided;
- time and day that service is provided;
- administrative costs incurred;
- amount charged for a similar towing service (such as a breakdown tow); and
- amount charged by other towing firms in the region for a similar service.

A formal allocation system applies in both the Melbourne controlled area and the Geelong self-management area. In the Melbourne controlled area, the allocation of accident towing jobs to

² <https://www.vicroads.vic.gov.au/traffic-and-road-use/using-tow-trucks/i-need-a-tow-truck> (Accessed 1 September 2021)

³ <https://www.vicroads.vic.gov.au/traffic-and-road-use/using-tow-trucks/paying-for-a-tow-truck> (Accessed 1 September 2021)

licensed operators is controlled through the accident allocation scheme which is administered by the Department of Transport. The Royal Automobile Club of Victoria (RACV) is contracted to operate the call centre that allocates accident towing jobs to a tow operator. Within the Geelong self-managed area, the allocation scheme is operated in a similar manner to the Melbourne controlled area and is contracted to the Geelong Taxi Network.

The aim of the allocation system in these areas is to ensure accidents are attended quickly (within a 30-minute window), jobs are evenly distributed between licensed tow truck operators and that there are not multiple tow trucks arriving for an accident.

The Melbourne controlled area is divided into over 40 zones containing one or more accident towing operator depots. When a vehicle has been in an accident and needs to be towed, the towing job is assigned to a depot within that zone based on an allocation system designed to evenly share towing jobs across licences within the zone.

As the accident allocation scheme effectively grants a monopoly right to an operator to perform an accident tow, fees for providing accident towing services are regulated. The Minister for Roads and Road Safety is responsible for determining fees and must seek a recommendation from the commission before doing so.

3. Benchmarking assessment

This section of the report compares the current accident towing, storage and salvage fees for the Melbourne controlled area to comparable benchmarks.

3.1 Overview of fees in the Melbourne Controlled Area

3.1.1 Current fees in the Melbourne Controlled Area

The current accident towing fees and regulated storage fees within the Melbourne controlled area, and the associated conditions, are summarised in Table 1. Current towing fees have a base fee of \$227.40 with a distanced based fee of \$3.60 for each kilometre travelled after the first 8 kilometres. Storage fees are a fixed amount depending on how the vehicle is stored and whether it is a motorcycle or a car.

Table 1: Accident towing and storage fees (2021-22)

Service	Fee ¹
Towing	
Base fee	\$227.40
The base fee covers ¹ the costs of the first 8 kilometres ² of travel and all other relevant costs of an accident towing business, including but not limited to:	
<ul style="list-style-type: none"> removing debris (for example spills and broken glass) – referred to as work time waiting time at the accident scene photographs, telephone calls and completing relevant documentation cleaning of tow truck and tools and equipment releasing the stored vehicle 	
Distance fee (per kilometre after the initial 8 km included in the base fee)	\$3.60
After hours surcharge	\$77.60
After hours is defined as:	
<ul style="list-style-type: none"> 5pm to 8am Monday to Friday 5pm Friday to 8am Monday (all weekend) Public holidays (midnight to midnight) 	
Storage fees (per day)	
Car – under cover	\$25.70
Car – locked yard but not under cover	\$17.40
Motorcycle – under cover	\$8.50
Motorcycle – locked yard but not under cover	\$5.40

Notes:

1. All fees are inclusive of GST and are specified in the Victorian Government Gazette No. S280 (July 2019)
2. The tow distance is measured from the tow truck starting point (potentially the operator depot) to the tow destination

There are currently 421 accident towing licences issued for the Melbourne controlled area. For a tow truck operator to be included in the accident allocation scheme, the *Accident Towing Services Act 2007* requires the operator to be licensed by the Department of Transport. The controlled area is divided into specific regions and each licence covers an individual region (although a single truck can hold multiple licences for multiple regions).

3.1.2 Key drivers of the total accident charge

As illustrated in Table 1, the total fee charged for an accident tow depends on the time of day of the accident and the distanced travelled by the tow truck.

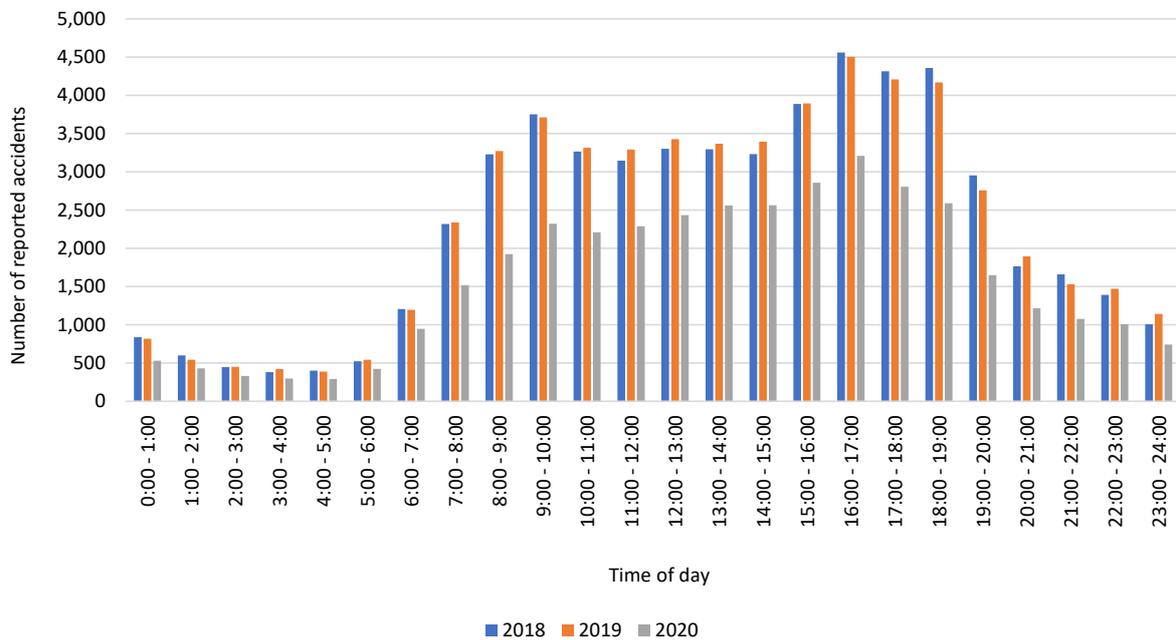
Accident times

The distribution of accidents by time of day for 2018, 2019 and 2020 is shown in Figure 1. The total number of accidents has reduced by about a third in 2020 which can be attributed predominantly to the lockdowns in Melbourne imposed due to the COVID-19 pandemic. However, the distribution across the time of day is still similar.

Business hours are defined as the period between 8 am and 5 pm – Monday to Friday. All other periods including weekends and public holidays are included as after hours. After hour fees incur an additional fee of \$77.60.

The data provided by VicRoads indicates that, in 2020, 46 per cent of accidents were reported during business hours and 54 per cent after hours.

Figure 1: Distribution of reported accidents over a 24-hour period



Source: Marsden Jacob analysis of VicRoads data

Average towing times for accidents

The average time taken for an accident tow (using data from 2018 – 2020) for business hours and after hours during the week is shown in Figure 2.

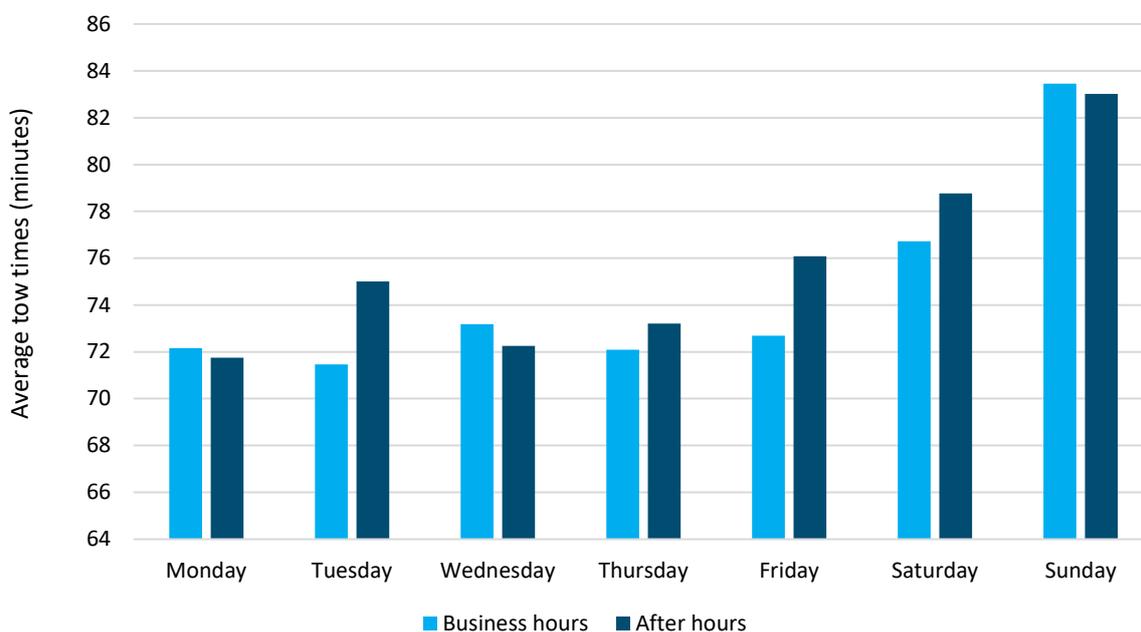
The average time taken for an accident tow in the Melbourne controlled area was calculated as 74.5 minutes⁴ over the three-year period 2018 to 2020. This is the time from the moment the Accident Allocation Centre (AAC) calls a depot to the time that the tow truck has delivered the vehicle to the required storage depot or mechanic.

However, for benchmarking analysis in this report, a value of 76.6⁵ minutes has been applied which is the average of 2018 and 2019. This approach has been taken due to the impact of the COVID-19 virus on the 2020 year.

⁴ Marsden Jacob analysis of Vic Roads data – but excluding records of less than 20 minutes and longer than 600 minutes.

⁵ This figure also excludes records of less than 20 minutes and greater than 600 minutes.

Figure 2: Average time for an accident tow (average of 2018 to 2020)



Source: Marsden Jacob analysis of VicRoads data

3.2 Approach to benchmarking accident towing and storage fees

3.2.1 Benchmarking approach

This report compares accident towing and storage fees in the Melbourne controlled area against a range of benchmarks.

For accident towing these benchmarks include:

- Regulated fees in three other jurisdictions: New South Wales (Sydney); Queensland; and South Australia (Adelaide). The legislative frameworks of accident towing for these state governments is described briefly in section 3.2.2.
- Competitive towing services, such as trade tows
- Council abandoned or derelict towing fees
- Clearway towing fees

For daily vehicle storage fees these benchmarks include:

- Regulated storage fees in three other jurisdictions: New South Wales (Sydney); Queensland; and South Australia (Adelaide).
- Implicit storage fees derived through land values
- Storage fees associated with abandoned or derelict towing
- Storage fees associated with clearway towing

3.2.2 Legislative frameworks of other state governments

The relevant legislative frameworks for each of the benchmarked jurisdictions are:

- New South Wales regulates maximum fees for accident tows, storage fees and salvage fees through the *Tow Truck Industry Act 1998* and the *Tow Truck Industry Regulation 2020*. It divides the state into ‘Sydney Metropolitan Area’ and ‘all other areas’ and assigns fees accordingly.
- South Australia regulation covers Adelaide and the surrounding metropolitan area. Accident towing is regulated under the *Motor Vehicles Act 1959 (SA)* and the *Motor Vehicles (Accident Towing Roster Scheme) Regulations 2015*, while any regulated price changes occur under the *Prices Act 1948*. Through the *Prices Act 1948*, accident tows, storage fees and fees for waiting and work time (beyond that included in a base fee) are regulated. As with the Melbourne controlled area, accident tows are formally allocated by a central operator through the accident towing roster scheme.
- Queensland regulates maximum fees for towing (both damaged vehicles and private property vehicles), storage fees and on-site vehicle release charges through the *Tow Truck Act 1973* and *Tow Truck Regulations 2009*. Areas covered throughout Queensland are specified as:
 - The Shires of: Beaudesert, Boonah, Caboolture, Esk, Gatton, Kilcoy, Laidley, Maroochy, Noosa, Pine Rivers and Redland.
 - The Cities of: Brisbane, Bundaberg, Cairns, Caloundra, Gold Coast, Hervey Bay, Ipswich, Logan, Mackay, Maryborough, Redcliffe, Rockhampton and Toowoomba.
 - The areas made up of the parishes of: Clement and Hinchinbrook in the county of Gray; Beor, Bohle, Coonambelah, Ettrick, Halifax, Hervey, Lansdowne, Magnetic, Margenta, Rokeby, Ross, Stuart and Wyoming in the county of Elphinstone.

The relevant regulation and associated information for each state government is summarised in Table 2.

Table 2: Relevant regulation for accident towing across jurisdictions

	Victoria	New South Wales	South Australia	Queensland
Legislation and regulation	Accident Towing Services Act 2007 Accident Towing Services Regulations 2019	Tow Truck Industry Act 1998 Tow Truck Industry Regulation 2020	Motor Vehicles Act 1959 Motor Vehicles (Accident Towing Roster Scheme) Regulations 2015 Prices Act 1948	Tow Truck Act 1973 Tow Truck Regulation 2009
Allocation of towing jobs	Formally allocated on a roster basis	Licensed operators compete for jobs	Formally allocated through the accident towing roster scheme	Licensed operators compete for jobs
Regulated fees	Accident tows Storage fees	Accident tows Storage fees Salvage fees	Accident tows Storage fees Fees for waiting and work time beyond that included in the tow fee (30 minutes)	Maximum fees for tows (including 3-day storage) - damaged vehicles and private property vehicles Storage fees

	Victoria	New South Wales	South Australia	Queensland
				Onsite release charges
Fee reviews	Every four years (last review was 2018) or as requested by the Minister	Last review was carried out in 2019 when the Regulations were updated.	The scale of fees is set out in price orders made under the Prices Act 1948.	No formal review period Last changes occurred in 2017 when an independent investigation into the towing industry made recommendations which were accepted and incorporated into the legislation In 2019 Government released a discussion paper as a post-implementation review of the changes
Annual fee adjustments	Change in CPI (Melbourne, transport) minus a productivity adjustment factor (with a default value of 0.5%)	Consumer Price Index (CPI) (unless the fee calculated is less than the previous year, in which case the fee remains the same)	Prices Order No. 1140(SA) (<i>Gazette</i> 19.12.2019 p4351)	When a comprehensive review is not conducted, Queensland Government Indexation Policy provides for departments to apply the government indexation rate. For the 2021-22 financial year, this rate is 1.7%.

3.3 Benchmarking accident towing fees

3.3.1 Benchmarking regulated accident towing fees across governments

The fees and charges, including key features of the fees, that apply in other jurisdictions are summarised in Table 3.

Although included in Table 3, when benchmarking the fees in the different jurisdictions, regional New South Wales accident towing fees have not been considered on the basis that these are not directly relatable to the Melbourne controlled area.

Table 3: Summary of key features accident towing and storage fees (2021-22)

Key features ¹	Victoria	New South Wales (metropolitan)	New South Wales (other)	South Australia	Queensland
Base fee					
Business hours	\$227.40	\$284.90	\$284.90	\$369.00	\$382.35
After hours ²	\$77.60 added to the base fee	20%	20%	\$429.00 new base fee	Not applicable
Included in base fee					
Initial distance (km)	8 km	10 km	20 km	20 km	50 km
Top distance measured	Tow truck dispatch to tow destination	Accident site to tow destination	Operator depot to tow destination	Operator depot to tow destination	Accident site to tow destination
Waiting and working times ³	All waiting and working times included	All waiting and working times included	All waiting and working times included	First 30 minutes of waiting and working times included	All waiting times and 60 minutes of working included
Salvage fees ⁴	Not included	All basic salvage included, 30 minutes for any other (not from road or road-related area)	All basic salvage included, 30 minutes for any other (not from road or road-related area)	Included in waiting and working time of 30 minutes	Not included
Storage fees	Not included	Not included	Not included	Not included	72 hours
Distance fee					
Fee after base fee distance (per km)	\$3.60	\$6.60	\$5.50	\$3.00	\$7.60
After hours distance fee	All included in after-hours fee given above	20%	20%	\$4.00	Not applicable

Key features ¹	Victoria	New South Wales (metropolitan)	New South Wales (other)	South Australia	Queensland
Regulated area					
	Melbourne controlled area	Sydney metropolitan area	All other areas outside of the Sydney metropolitan area	Adelaide metropolitan area	Specified cities and shires within the state (as discussed in Section 3.2.2 above).
Wait and work time fee					
Business hours	Not applicable	Not applicable	Not applicable	\$54.00 per hour (or part thereof)	Not regulated but 'must not charge more than is reasonable in the circumstances' ⁵
After hours				\$82.00 per hour (or part thereof)	
Storage fees⁶					
Car - under cover	\$25.70			\$26.00	
Car - locked yard not covered	\$17.40			\$15.00	
Holding yard- not motorcycle		\$30.80	\$14.30		\$26.45 ⁷
Motorcycle - under cover	\$8.50				
Motorcycle - locked yard not covered	\$5.40				

Key features ¹	Victoria	New South Wales (metropolitan)	New South Wales (other)	South Australia	Queensland
Holding yard - motorcycle		\$16.50	\$7.70		

Source:

Melbourne data – VicRoads data - <https://www.vicroads.vic.gov.au/traffic-and-road-use/using-tow-trucks/paying-for-a-tow-truck>

New South Wales data – NSW Government (Fair Trading) ‘Maximum tow fees: light vehicles – from 1 July 2021’

South Australia data – South Australian Government Gazette No.63 (pp 4321 – 4410) (December 2019, page 4351)

Queensland data – Department of Transport and Main Roads- <https://www.tmr.qld.gov.au/business-industry/Accreditations/Tow-truck-licensing-scheme>

Notes:

1. All dollar values include GST
2. Business hours have been defined as 8am to 5pm Monday to Friday with non-business hours being 5pm to 8am Monday to Friday, 5pm Friday to 8am Monday and all public holidays. South Australia defines business hours as between 7:30am and 5pm.
3. ‘Waiting and working times’ are the time which an operator is waiting at the accident site (for example waiting for (and discussing with) police clearing of the site and declaring it safe to move the vehicle, as well as photographing and documenting the accident if necessary) and working at the site (an accident towing operator is responsible for clearing the site of debris such as glass and metal).
4. Salvage fees have not been included in the benchmarking exercise
5. Queensland’s Tow Truck Regulations 2009 – Section 33.
6. The term holding yard and car storage area are assumed to be the same – the NSW and Queensland regulations have not specified ‘under cover’ or ‘not covered’ in relation to storage.
7. This is the regulated fee for storage of a vehicle at a private holding yard for a standard tow (the ‘Tow Truck Regulations 2009’ refer to ‘standard tow of a damaged vehicle’ and ‘standard tow of a private property vehicle’).

Benchmarking accident towing fees on a comparable basis

As Table 3 illustrates, fees for different jurisdictions are not directly comparable as the fees are applied in different ways. For example, the base fee across jurisdictions applies to different distances and for different parts of the total towing trip from start to finish. This means that a standardised set of assumptions have been made to enable charges to be comparable across jurisdictions.

These standardised assumptions include features such as the tow distance (kms), time waiting and working at the accident and any storage days. Using these standardised assumptions, the fees can then be appropriately compared across jurisdictions.

The relevant standardised assumptions that have been used to calculate a 'standard' accident tow in the Melbourne controlled area are:

- 28 kilometres⁶ of total travel distance, with 19 km⁷ as the total distance of the tow.
- The average speed of an accident tow truck in the Melbourne controlled area is 40 kilometres per hour.⁸
- An average tow time of 76.6 minutes⁹ which, given the average speed assumptions, indicates a total travel time of 42 minutes and 34.6 minutes of 'waiting and working time' at the accident scene
- The exclusion of storage fees¹⁰
- The exclusion of salvage fees¹¹
- 46 per cent of accidents were reported during business hours and 54 per cent after hours¹²

From these assumptions, and the fees in Table 3, resulting benchmarked accident towing fees are shown in Table 4 and Figure 3. The fees presented show an:

- Average fee for an accident tow during business hours
- Average fee for an accident tow during non-business hours
- Weighted average fee (based on 46 per cent of accidents during business hours and 54 per cent during non-business hours).

⁶ The 28 kilometres was calculated through an iterative process that considered a range of factors, including: the average wait time of 76.6 minutes; the average km/hour speed for travel; and data on average km rates paid by insurance companies for accident tows in Victoria and New South Wales. In addition, Marsden Jacob wanted to ensure that the travel distance to the accident scene is less than travel distance from the accident scene to the next destination because analysis of allocation data indicated that tow trucks are not usually coming from their depot (i.e., they are often already near the scene of the accident).

⁷ Refer to previous footnote.

⁸ This assumption is based on published information within *Charting Transport – looking at transport through graphs and maps* (July 2013) and Figure 4-7 in *Transport Planning for the Australian Infrastructure Report – Transport modelling for Melbourne* (June 2019). Marsden Jacob note that Advisian (who advised the commission for the Accident towing fees review 2018) used an average speed of 35 km/hr.

⁹ Average travel time has been calculated through Marsden Jacob analysis of VicRoads data for the allocation of accident tows from 2018 – 2020.

¹⁰ Only Queensland includes storage days in the base fee – so it was taken out for this benchmarking analysis.

¹¹ Only New South Wales regulates salvage fees – and this is included in the working and waiting time – so this was taken out of this analysis.

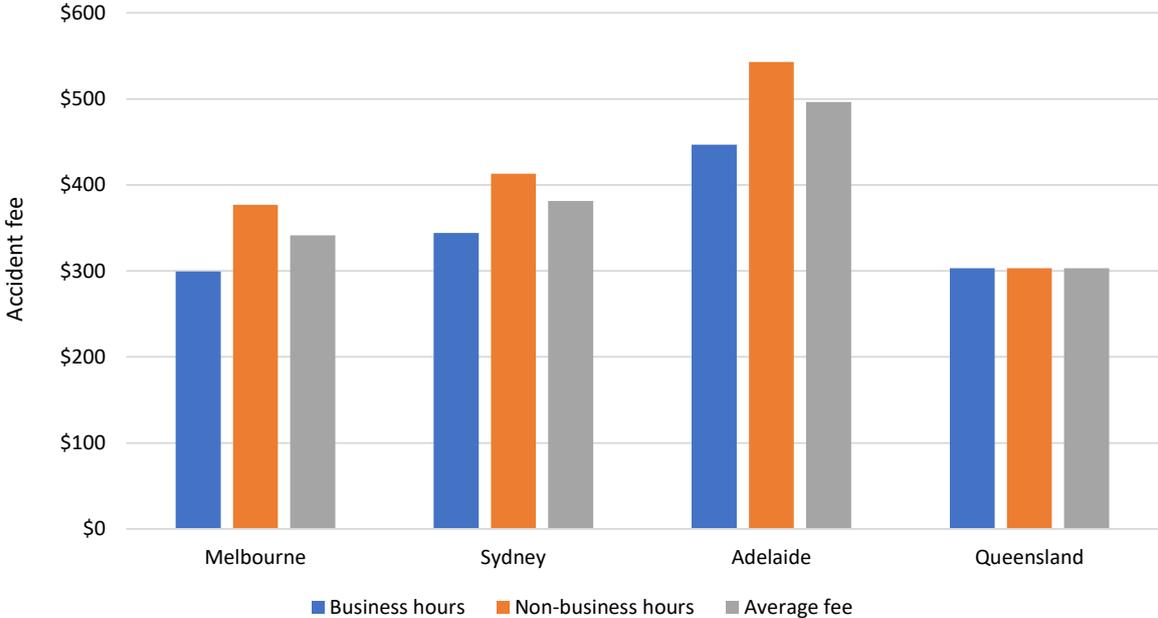
¹² This percentage was based on Marsden Jacob analysis of VicRoads data for 2020 (and discussed in Section 3.1.2). The fee for Adelaide used the ratio 49% business hours/51% non-business hours (using the Victorian percentage assumptions as the base) due to the different definition of business and non-business hours.

Table 4: Comparison of total fees for a 'standard' accident tow (2021-22)

	Melbourne	Sydney	Adelaide	Queensland
Business hours	\$299.40	\$344.30	\$447.00	\$303.00
Non-business hours	\$377.00	\$413.16	\$543.00	\$303.00
Weighted average fee	\$341.29	\$381.47	\$496.36	\$303.00

Source: Marsden Jacob analysis

Figure 3: Comparison of fees for a standard accident tow (2021-22)



Source: Marsden Jacob analysis

The analysis in Table 4 indicates that the standard accident towing fee charged for the Melbourne controlled area is higher than that within the regulated areas of Queensland and slightly lower than the Sydney metropolitan area. In particular, using standardised assumptions, fees charged in Melbourne are about 12 per cent lower than those charged in Sydney and about 11 per cent higher than Queensland with the same assumptions. In addition, the standard fee for an accident tow in Adelaide is significantly higher than those of the other jurisdictions.

However, this benchmarking analysis has some limitations, including:

- While fees in the Melbourne controlled area are lower than the Sydney metropolitan area towing, operators in Melbourne have a relatively higher degree of certainty in relation to accident towing jobs through the allocation scheme. They do not have to compete for accident towing jobs like their counterparts in New South Wales and Queensland where there is no allocation of accident towing jobs.
- While salvage is not regulated within the Melbourne controlled area, South Australia or Queensland, fees in New South Wales includes some allowance for salvage within the waiting and working time allowance. The result is that the fees calculated in Table 4 may be overestimated for Sydney for comparative purposes, as any included salvage component cannot be removed from the figure.

- Queensland’s benchmarked fee removes the included storage days – which a customer would not be able to do in practice. Rather than the benchmarked fee of \$303.00, a customer would need to pay \$382.35.
- Queensland’s regulated accident fee covers regional and metropolitan areas. New South Wales splits its regulated fees into metropolitan and regional, where the regional fees are less both for accident towing and storage. If Queensland were considered the same way, it may be that the Brisbane metropolitan region would have a higher accident towing fee compared to those in regional areas. This indicates that the accident towing fee for Queensland could be expected to be lower than that of Melbourne due to the allowance of regional areas in the scheme.

Interestingly, data on the accident fee charges provided by an insurance company that is a member of the Insurance Council of Australia (ICA) show a slightly higher average fee paid for an accident tow over the past couple of years (Table 5) compared to the estimated fees for a standard tow in Table 4.

Table 5: Average fee paid for an accident tow – insurance company

	2018-19	2019-20	2020-21	2021-22 (first 3 months)
Melbourne	\$305	\$330	\$351	\$366
Sydney	\$376	\$379	\$387	\$387

Source: Communication with an insurance company that is a member of the ICA

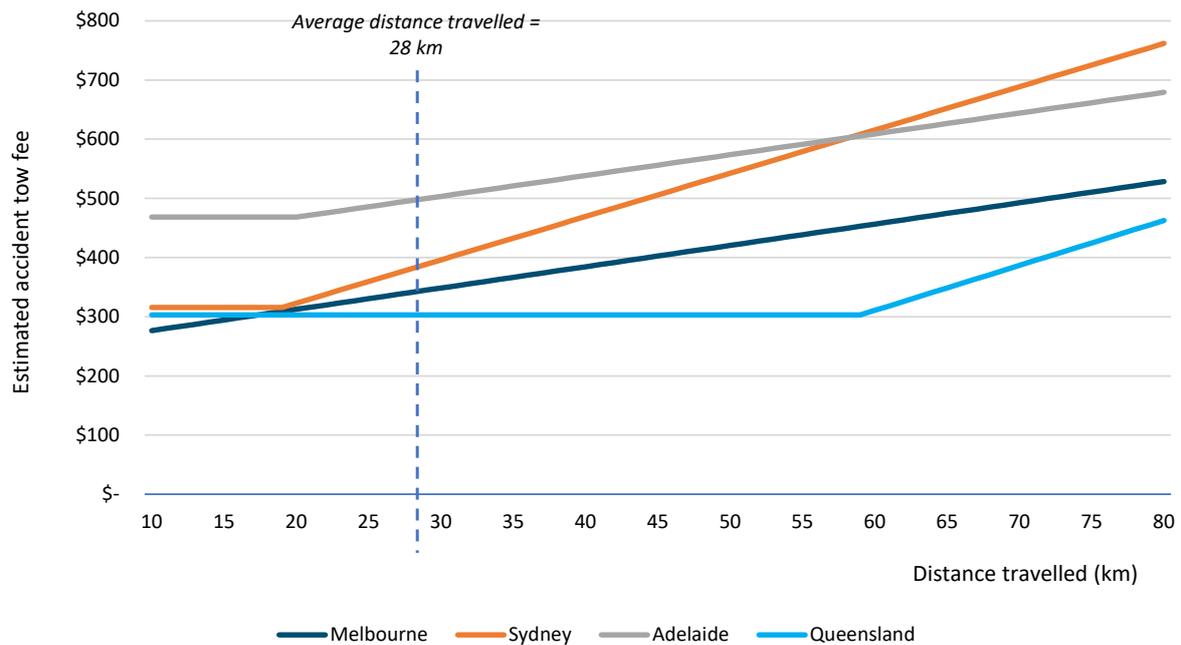
While the values provided by an insurance company do not align perfectly with the standard values in Table 4, the relative costs of a standard tow for Melbourne and Sydney as shown in Table 4 are similar to those in Table 5. The values provided by an insurance company are not based on a standard tow and will vary from year to year because of changes in the annual profile of distances travelled for tows, which is influenced by the location of accidents. They may also include other incidental costs.

While using a set of standardised assumptions is a useful way of comparison, it is also useful to compare rates for different distances. By varying the total travel distance for the tow truck, regulated fees for different distances across the jurisdictions can be compared (Figure 4). Note that the analysis in Figure 4 has been undertaken by varying the second leg of the towing trip (i.e., the accident to the next destination) and holding the first leg constant at 9 kilometres. In addition, the regulated fees at a total travel distance of 28 kilometres in Figure 4 aligns with the fee comparison in Table 4.

The comparison of fees across different distances reveals that:

- the Queensland accident towing fees becomes relatively cheaper the further the distance travelled (until the 50 km threshold is reached). This is because Queensland includes a greater distance allowance of 50 km until an additional fee is incurred.
- Sydney’s accident towing fees rise sharply after 10 km (Accident site to tow destination – the second leg of the trip) due to the additional kilometre charge being \$3.00/km greater than the Melbourne charge.

Figure 4: Estimated accident tow fee comparison by travel distance (total trip) (2021-22)



Source: Marsden Jacob analysis

3.3.2 Benchmarking against competitive trade towing services

Tow truck operators provide a range of trade towing services which include¹³:

- breakdown towing – non-accident motor vehicle tows
- clearway towing
- towing of abandoned or derelict vehicles
- other general trade towing, for example towing of vehicles after the initial accident tow.

These other towing services are not regulated and operate in a competitive market, and due to the similarity of these services to accident tows, their fees provide relevant benchmarks to compare against accident towing fees.

In this section of the report, competitive prices for other towing services in the Melbourne controlled area are compared to accident tow fees.

Breakdown and general trade towing

Tow truck operators compete for the general towing of vehicles – as customers are able to seek quotes from several operators in order to obtain the most appropriate service for their requirements (for example, the cheapest service).

The cost of the trade tows will depend on the type of tow required. Some of the factors considered when costing a tow include:¹⁴

¹³ Essential Services Commission, *Accident towing fees review 2021 – Consultation paper*, Melbourne, Essential Services Commission, July 2021

¹⁴ <https://sheengroup.com.au/resources/information-centre/your-go-to-guide-for-towing-cost-in-melbourne>

- Type of vehicle (for example make and size)
- The distance the tow truck needs to travel to arrive at the pick-up destination
- The distance of the tow required
- Time of day and the day of the week – after hours (including weekends) will have a premium attached, not unlike accident towing
- The position of the vehicle when collected and left (i.e., how easy the vehicle is to access)
- The destination and distance of the tow required.

There is limited publicly available data on the cost of general towing services. One vehicle repairer¹⁵ indicates on their web site that it estimates that tow prices across Melbourne range from about:

- \$88 for five kilometres to \$1,000 or higher for a tow greater than 500 kilometres.
- A tow of 20 km ranged in price between \$132 to \$165.¹⁶

To calculate the price more accurately, on-line quotes from five towing operators within the Melbourne area were sought.

The requirements given were a distance of between 20 to 30 km within the urban area and the vehicle being readily accessible for towing (so no salvage requirement). Using these requirements, the five specific online quotes ranged from \$135 to \$165 – and while there will be several factors which cause these to change, as outlined above, these quotes provide an average of \$153.75 on which to compare other towing services.

Additionally, an insurance company that is a member of the ICA provided a similar figure for an average trade tow figure for the Melbourne metropolitan area – \$151.71 in the first few months of 2021-22, up slightly from \$139.11 in 2020-21.

The current market prices for trade tows of about \$150 per tow is much less than the total fee for a standard accident tow of \$341.29 (as shown in Table 4). However, some types of trade tows are much less time sensitive than accident tows (as the vehicle can be moved to ensure that traffic flow is not interrupted) and, therefore, are not a useful benchmark when assessing accident towing fees.

3.3.3 Benchmarking against Council abandoned or derelict towing fees

Local Councils are responsible for clearing vehicles which have been deemed to be abandoned, are derelict or causing obstruction. To do so, they generally have a contract with a tow truck company or operator who will be responsible for the tow. These contracts have been put out to commercial tender by the relevant Councils.

In many Councils within the Melbourne metropolitan area, an agreed 'release fee' for abandoned or derelict vehicles is included in the annual budget. This release fee will generally include:

- a towing fee, and
- an administrative charge.

¹⁵ Ibid

¹⁶ Ibid

A summary of estimated release, administration and towing fees for most metropolitan Melbourne councils is shown in Table 6. The estimated average towing fees for abandoned or derelict vehicles is \$272.89 across all councils, with an average fee of \$290.54 for inner Melbourne Councils and an average fee of \$264.74 for outer Melbourne Councils.

Several of the fees in Table 6 are fees that have been estimated by Marsden Jacob due to a lack of disaggregation of Council fees into the different components. Specifically, as not all Councils separately identify the towing fee component of the release fee, the towing fees for some Councils have been estimated by deducting the administration fee from the release fee (without storage). The release fee (without storage) has been estimated based on the published release fee less any storage fees which are built into the published release fee.

Where daily storage fee is not published for a Council, an implied total storage fee has been estimated using an average of daily storage fees from other Councils.

As not all Councils separately identify the administration component of the release fee, the administration fee has been calculated in one of three ways:

- Published. The administration charge is published by the Council.
- Residual. The administration charge is calculated as the published release fee less the towing fee if both are available.
- Derived. The administration charge is estimated at 37 per cent of the release fee. This is based on five Councils for which the administration charge is calculated under the published or residual approach.

Table 6: Summary of Council abandoned or derelict vehicle fees (as at 1 October 2021)

Municipality	Published release fee	Release fee (without storage)	Estimated administration fee	Actual or estimated towing cost	Approach to estimating administration fee	Approach to estimating towing fee
Banyule City Council (O)	\$547.00	\$547.00	\$203.87	\$343.13	Derived	Estimated
Bayside City Council (I)	\$549.00	\$549.00	\$204.61	\$344.39	Derived	Estimated
City of Boroondara (I)	\$449.00	\$449.00	\$167.34	\$281.66	Derived	Estimated
City of Darebin (O)	\$365.00	\$365.00	\$225.00	\$140.00	Residual	Published
Hobsons Bay City Council (O)	\$650.00	\$650.00	\$242.26	\$407.74	Derived	Estimated
City of Kingston (O)	\$432.00	\$289.50	\$107.90	\$181.60	Derived	Estimated
Knox City Council (O)	\$552.00	\$552.00	\$304.00	\$248.00	Published	Published
Manningham City Council (O)	\$183.80	\$183.80	\$5.10	\$178.70	Residual	Published
Maribyrnong City Council (O)	\$495.00	\$495.00	\$184.49	\$310.51	Derived	Estimated
City of Melbourne (I)	\$591.00	\$591.00	\$299.00	\$292.00	Published	Published
City of Monash (O)	\$350.00	\$350.00	\$130.45	\$219.55	Derived	Estimated
City of Moonee Valley (O)	\$611.00	\$611.00	\$227.72	\$383.28	Derived	Estimated
Moreland City Council (O)	\$450.90	\$450.90	\$168.05	\$282.85	Derived	Estimated

Municipality	Published release fee	Release fee (without storage)	Estimated administration fee	Actual or estimated towing cost	Approach to estimating administration fee	Approach to estimating towing fee
Nillumbik Shire Council (O)	\$209.00	\$209.00	\$34.00	\$175.00	Residual	Published
City of Port Phillip (I)	\$455.00	\$415.00	\$154.67	\$260.33	Derived	Estimated
City of Stonnington (I)	\$450.00	\$450.00	\$167.72	\$282.28	Derived	Estimated
City of Whitehorse (O)	\$530.00	\$530.00	\$197.53	\$332.47	Derived	Estimated
City of Whittlesea (O)	\$380.65	\$380.65	\$141.87	\$238.78	Derived	Estimated
City of Yarra (I)	\$450.50	\$450.50	\$167.90	\$282.60	Derived	Estimated
Average (all)	\$457.94	\$448.33	\$175.45	\$272.89		
Inner Melbourne	\$490.75	\$484.08	\$193.54	\$290.54		
Outer Melbourne	\$442.80	\$431.83	\$167.09	\$264.74		

Note:

1. I = Inner Melbourne, O = Outer Melbourne; this is consistent with the Regional Development Victoria (RDV) categorisation
2. In the Approach to estimating administration fee column: Published means that the administration fee is published by the Council; residual means the administration fee is the release fee less the towing fee; and derived is based on a set proportion of the release fee.
3. In the Approach to estimating towing fee column: Published means that the towing fee is published by the Council; estimated means that the towing fee is estimated by Marsden Jacob.

3.3.4 Benchmarking against clearway towing fees

Clearway towing refers to when a vehicle is parked in a clearway during the posted restricted hours and is marked as a tow-away zone.

Since December 2020, as part of the Department of Transport's 'Clearways Management Project', all clearways on major roads within 20-kilometres of the Melbourne CBD are tow-away zones.

In order to retrieve a towed car, the owner must pay a release fee, which will generally include:

- The cost of the tow
- An administration fee
- Some storage costs

The release fee does not include the fine which will be issued for parking illegally in a clearway area.

A summary of towing fees for most metropolitan Melbourne councils is shown in Table 7. The estimated average towing fees for clearway towing is estimated to be between \$200.26 and \$300.26 per tow, with an average fee of between \$217.68 and \$317.68 for 4 inner-city councils.

The towing fees have been estimated based on the published release fee less a storage and an administration component (Table 7). The storage component is an estimate of the storage fee that is

built into the release fee and is estimated as the number of days of free storage allowed for within the release fee multiplied by the daily storage fee for days beyond the free day limit.

The administration component is difficult to estimate as, unlike the abandoned or derelict vehicle fees, no Councils publish an administration fee. Therefore, Table 7 estimates towing fees assuming the administration fee is either \$100 or \$200 per tow. This appears to be a reasonable range given the estimates of administration fees for abandoned or derelict vehicle fees estimated in Table 6.

By way of comparison, in NSW (managed by the Department of Transport) a fixed charge of \$209 is applied to vehicles which are towed from clearways or other towaway zones required to keep road traffic flowing.¹⁷ This charge is separate from any fine incurred.

Main Roads in Western Australia does not state a specific release fee for a vehicle towed from a clearway. Rather, it states that a 'towing cost recovery fee will need to be paid and can vary from \$368.50 to upwards of \$400 to cover the cost of towing and administration costs'¹⁸.

Table 7: Summary of clearway towing charges in the Melbourne controlled area (as at 1 October 2021)

LGA	Clearway fee	Estimated storage component (for two days)	Estimated towing fee @ \$100 administration fee per tow	Estimated towing fee @ \$200 administration fee per tow
Councils adopting VicRoads fees ¹⁹	\$361.00	\$30.40	\$230.60	\$130.60
City of Melbourne	\$444.00	\$35.20	\$308.80	\$208.80
City of Port Phillip	\$450.00	\$40.00	\$310.00	\$210.00
City of Stonnington	\$465.00	\$31.80	\$333.20	\$233.20
City of Yarra	\$450.50	\$31.80	\$318.70	\$218.70
Average fees	\$434.10	\$33.84	\$300.26	\$200.26
Average fees for 4 inner-city councils adopting own fee	\$452.38	\$34.70	\$317.68	\$217.68

Source: Marsden Jacob analysis

Notes:

1. We have calculated a fee including storage for two days for comparison. In the case of Councils adopting VicRoads fees, the estimated storage component fee is based on 2 days storage, noting that the clearway fee is inclusive of five days storage. The assumption is that the average days in storage is 2 days for the purposes of comparative analysis and, therefore, only 2 days of storage are to be deducted from the clearway fee to estimate a towing fee.
2. 15 Councils in their relevant area have adopted VicRoad's release fees while four remaining Councils have adopted their own fees. The current fees are:
 - VicRoads release fee - \$361 – including five days storage
 - City of Melbourne - \$444 – including two days storage
 - City of Port Phillip - \$450 – including two days storage

¹⁷ <https://roads-waterways.transport.nsw.gov.au/roads/using-roads/towing/index.html>

¹⁸ <https://www.mainroads.wa.gov.au/about-main-roads/what-we-manage/towing/>

¹⁹ These councils are: Banyule City Council, Bayside City Council, City of Boroondara, Brimbank City Council, City of Darebin, City of Glen Eira, Hobsons Bay City Council, City of Kingston, Manningham City Council, Maribyrnong City Council, City of Monash, City of Moonee Valley, Moreland City Council, City of Whitehorse and City of Whittlesea.

- *City of Stonnington - \$465 – including two days storage*
- *City of Yarra - \$450.50 – including two days storage.*

3.3.5 Summary of benchmarking analysis of towing fees

A summary of the benchmarking analysis is shown in Table 8.

This analysis indicates that current accident towing fees for the Melbourne controlled area are generally lower than in Sydney and Adelaide but higher than Queensland. Further, average fees across other types of towing (e.g., breakdown, abandoned or derelict vehicles and clearway) are generally lower than accident towing fees for the Melbourne control area.

However, the regulated fees for Melbourne may be expected to be different to Sydney and Queensland’s fees for several reasons:

- Sydney’s fees may be slightly over-estimated for comparative purposes as New South Wales includes some allowance for salvage within the waiting and working time allowance and this is difficult to remove from the towing rates.
- Sydney and Queensland fees may be over-estimated for comparative purposes as operators in Melbourne have a relatively higher degree of certainty in relation to accident towing jobs though the allocation scheme. They do not have to compete for accident towing jobs like their counterparts in New South Wales and Queensland where there is no allocation of accident towing jobs.
- Queensland’s regulated accident fee covers regional and metropolitan areas which means that Brisbane’s metropolitan fees could be expected to be lower than the average Queensland fees based on the regulated rates in New South Wales.

Clearway towing prices across Melbourne Councils are estimated to be in the range of \$200 to \$300 per tow (compared to the estimated average of \$341 for accident tows in the Melbourne controlled area). The size of the range for clearway towing fees is because of uncertainty around the administration component of the release fee.

Clearway towing appears to be the best benchmark to use for accident towing due to the time sensitive nature of the tow and because its prices are set in a competitive market. Clearway towing is time critical as an illegally parked vehicle will be impeding the flow of traffic and so needs to be moved quickly. However, clearway towing is also assumed to be simpler than accident towing as there will be no ‘waiting and working time’. Accident towing operators may have to wait, for example, for the police to declare the site safe to proceed and ensure the accident site is relatively clear of debris and is safe to be opened to traffic.

Another advantage (over accident tows) for those involved in clearway towing is that the timing and location of likely tows are predictable, unlike accident tows which can vary in location and timings. The after-hours surcharge of an accident tow would also compensate to some extent for the unpredictable timings. Therefore, this suggests that accident towing fees should be higher than clearway towing fees considering the simpler nature and greater predictability of clearway towing.

Abandoned or derelict vehicle fees are less time sensitive than clearway towing but also provide a useful benchmark. These fees are, on average, also below the current accident towing fees for the Melbourne controlled area. However, as shown by the range of abandoned or derelict vehicle fees in

Table 8, the upper range of Council abandoned or derelict vehicle fees (\$408) is above the current accident towing fees for the Melbourne controlled area (\$341). In fact, 4 of 19 Councils are estimated to have abandoned or derelict vehicle towing fees higher than the current accident towing fees. However, similar to Clearway towing, the estimated fees for abandoned or derelict vehicles have some limitations as some are based on an estimate of the administration fee.

Breakdown tows are much less than the current accident towing fees for the Melbourne controlled area. This is to be expected as these tows are much less time sensitive compared to other types of tows. For a towing operator, a trade tow can be managed around other tows – therefore the vehicle can be moved when best suits the company (particularly if trucks are already otherwise engaged). Additionally – these tows would be seen as quite competitive as a vehicle owner can get several different quotes and is not locked into using one operator.

Table 8: Summary of benchmarking analysis for accident towing

Type of towing service	Standard towing fee	Range
Accident (using standardised distance and waiting times)		
Melbourne	\$341	
Sydney	\$381	
Adelaide	\$496	
Queensland	\$303	
Breakdown (online quotes)	\$154	\$135 - \$165
Abandoned or derelict vehicles		
Average	\$273	\$140 - \$383
Inner Melbourne	\$291	\$260 - \$344
Outer Melbourne	\$265	\$140 - \$408
Clearway		
Average	\$200 - \$300	
Councils adopting VicRoads fee	\$131 - \$231	
Councils adopting own fee	\$218 - \$318	

Source: Marsden Jacob analysis of fees for 2021-22 or as at 1 October 2021 where the period is not stated.

3.4 Benchmarking storage fees

3.4.1 Benchmarking regulated storage fees across jurisdictions

Storage fees for vehicles damaged in an accident are regulated in the Melbourne controlled area. Other jurisdictions in which these fees are regulated are metropolitan Sydney and regional New South Wales and Adelaide.

Queensland regulates the storage fees for a 'private holding yard for a standard tow'. This means that storage fees are regulated in Queensland for both accident and other forms of towing.

The current regulated fee structure for the different jurisdictions is outlined in Table 9, noting there are differences in the way the fees are structured. These include:

- Melbourne and Adelaide specify different costs for vehicles stored under cover in a locked yard compared with no cover. In Sydney and Queensland, the fee does not differentiate.
- Melbourne and Sydney have a lower charge for motorcycle storage. The Independent Pricing and Regulatory Tribunal (IPART) review in 2014 noted '...that the storage space for motorcycles is smaller than cars.' IPART therefore considered '...it reasonable that the storage fee for motorcycles is half that of other light vehicle storage fees'.²⁰
- Lower storage fees for regional New South Wales.²¹

However, comparing fees across jurisdictions is challenging as it depends on whether the vehicle is held under cover or in a locked yard that is not under cover. This is because the fee is the same in Sydney and Queensland regardless of whether the vehicle is held under cover or in a locked yard that is not under cover.

With this in mind, Melbourne's storage fees are much lower for a passenger vehicle (or car) than Sydney and Queensland if a vehicle is held in storage in Melbourne in a locked yard but not under cover. However, Melbourne's storage fees are slightly lower for a passenger vehicle (or car) than Sydney or Queensland if a car is held under cover.

Additionally, Melbourne's storage fees are at a similar level to Adelaide's fees. However, Melbourne's storage fees are much lower than Sydney's for motorcycles, regardless of the type of storage.

²⁰ IPART 2014, Review of tow truck fees and licensing in NSW, Transport — Final Report, December 2014, p.95

²¹ Ibid, p.98.

Table 9: Maximum regulated storage charges for accident towing (2021-22)

Maximum storage charges (per day)	Melbourne	Sydney	Regional NSW	Adelaide	Queensland
Car - under cover	\$25.70			\$26.00	
Car - locked yard not covered	\$17.40			\$15.00	
Motorcycle - under cover	\$8.50				
Motorcycle - locked yard not covered	\$5.40				
Holding yard (not motorcycle)		\$30.80	\$14.30		\$26.45
Holding yard (motorcycle)		\$16.50	\$7.70		

Source: As listed in Table 3

3.4.2 Benchmarking regulated storage fees through land rental comparisons

Land prices and associated rental prices are a major driver of the cost of storage fees. In this section, storage fees are derived for benchmarking purposes through examining land values. The approach taken is similar to that applied in the 2014 Independent Pricing and Regulatory Tribunal Review of tow truck fees and licensing in NSW.

Marsden Jacob analysis of rental values for commercial properties in both Sydney and Melbourne (in terms of rent per square metre) in areas which have storage or towing depots is shown in Table 10 and Figure 5²². This analysis shows that Sydney's rental values are much higher than Melbourne for an equivalent area. Additionally, rentals are lower for greater than 10 kilometres from the Central Business Districts (CBD), especially in Sydney.

Table 10: Average rents (m²/pa) for warehouses in Melbourne and Sydney (as at 1 October 2021)

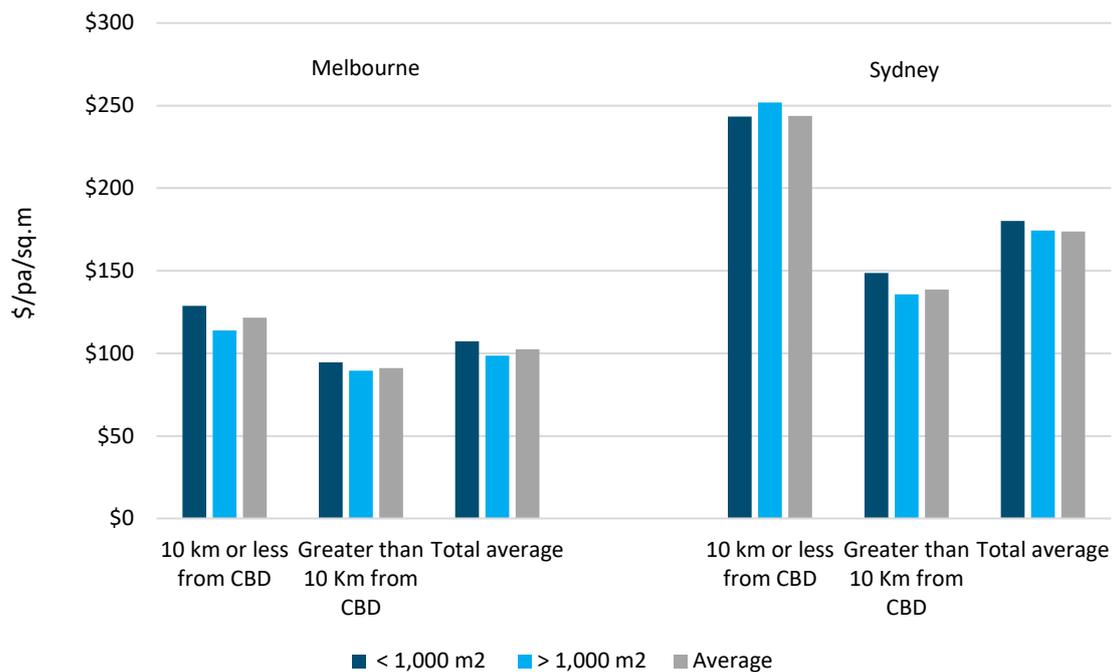
	Average rent Warehouse < 1,000 m ²	Average rent Warehouse > 1,000 m ²	Average \$/pa/m ²
Melbourne			
10 km or less from Melbourne CBD	\$128.71	\$113.81	\$121.53
Greater than 10 km from Melbourne from CBD	\$94.58	\$89.45	\$91.01
Average	\$107.38	\$98.58	\$102.45
Sydney			
10 km or less from Sydney CBD	\$243.37	\$251.92	\$243.71
Greater than 10 km from Sydney CBD	\$148.66	\$135.67	\$138.70
Average	\$180.23	\$174.42	\$173.70

Source: Marsden Jacob analysis of commercial rents

Note: Prices are inclusive of GST

²² This was an indicative search rather than a comprehensive search of all areas with storage facilities in the metropolitan area.

Figure 5: Average rents for Melbourne and Sydney based on distance (as at 1 October 2021)



Source: Marsden Jacob analysis

Using these values, estimated storage fees using storage utilisation rates (40 and 45 per cent)²³ applied by IPART in its 2014 Review are shown in Table 11. Rental values have been converted to an estimated storage fee using the same proportion of storage fee to land value applied by IPART in its 2014 Review.²⁴

The storage fees that should apply in Melbourne based on this approach is estimated to be between \$17.69 and \$20.00. This is higher than the current regulated storage fee in Melbourne of \$17.40 for a car but lower than the undercover storage fee.

However, one limitation of this approach is that IPART has estimated a recommended maximum storage fee based on storage operators who have efficient storage utilisation rates of 40 to 45 per cent. No assessment has been made by Marsden Jacob as to whether this is a reasonable and appropriate number for the Melbourne controlled area.

The analysis in Table 11 shows that Sydney’s storage fees should be higher than Melbourne’s based on comparative land values. In particular, the storage fees for Sydney that should apply under this approach are \$31.96 on average compared to \$18.85 in Melbourne. This is similar to the current storage fees difference that applies for a car in a locked yard but not under cover – Sydney with a storage fee of \$30.80 and Melbourne with a fee of \$17.40.

²³ IPART 2014, Review of tow truck fees and licensing in NSW, Transport — Final Report, December 2014. IPART concluded that the more efficient storage arrangements had utilisation rates between 40% to 45% based on Sydney data. It was noted by IPART (2014) that the regulated storage fees ‘should be based on the efficient costs of providing storage’ (p. 94).

²⁴ IPART 2014, Review of tow truck fees and licensing in NSW, Transport — Final Report, December 2014, p. 96.

Table 11: Estimated storage costs (per day) by utilisation rates (as at 1 October 2021)

	Utilisation rate of 40%	Utilisation rate of 45%	Average
Melbourne			
10 km or less from CBD	\$23.73	\$20.99	
Greater than 10 Km from CBD	\$17.77	\$15.72	
Total average	\$20.00	\$17.69	\$18.85
Sydney			
10 km or less from CBD	\$47.59	\$42.09	
Greater than 10 Km from CBD	\$27.08	\$23.95	
Total average	\$33.92	\$30.00	\$31.96

Source: Marsden Jacob analysis using commercial rental values

3.4.3 Benchmarking against storage fees associated with abandoned or derelict vehicle towing

The published daily storage fees associated with abandoned or derelict vehicle towing for a selection of Melbourne Councils are shown in Table 12. The average fee is \$28.68 per day which is higher than the regulated storage charges of \$17.40 (locked yard not covered) and \$25.70 (car under cover) per day associated with accident tows in Melbourne. However, inner Melbourne Councils have an average rate of \$16.12 which is similar to the storage charge of \$17.40 (locked yard not covered) per day.

Table 12: Published Council daily storage fees for abandoned or derelict vehicles (as at 1 October 2021)

Municipality	Location of Council	Storage fee per day
City of Boroondara	Inner Melbourne	\$11.20
City of Darebin	Outer Melbourne	\$43.00
City of Kingston	Outer Melbourne	\$28.50
Knox City Council	Outer Melbourne	\$63.20
Manningham City Council	Outer Melbourne	\$29.50
Maribyrnong City Council	Outer Melbourne	\$51.00
City of Melbourne	Inner Melbourne	\$17.60
City of Monash	Outer Melbourne	\$33.30
Moreland City Council	Outer Melbourne	\$15.00
City of Port Phillip	Inner Melbourne	\$20.00
City of Stonnington	Inner Melbourne	\$15.90

Municipality	Location of Council	Storage fee per day
City of Yarra	Inner Melbourne	\$15.90
Average (all)		\$28.68
Inner Melbourne		\$16.12
Outer Melbourne		\$37.64

3.4.4 Benchmarking against storage fees associated with clearway towing

The published daily storage fees associated with clearway towing for Melbourne Councils are shown in Table 13. The average fee is \$16.92 per day which is lower than the regulated storage charges of \$17.40 (locked yard not covered) and \$25.70 (car under cover) per day associated with accident tows in Melbourne. The four Melbourne Councils which have negotiated a different daily storage fee from that of VicRoads have an average rate of \$17.35, similar to the storage charge of \$17.40 (car uncovered) per day.

Table 13: Published daily storage fees for vehicles towed from a clearway (as at 1 October 2021)

Municipality	Storage fee per day
Councils adopting VicRoads fees	\$15.20
City of Melbourne	\$17.60
City of Port Philip	\$20.00
City of Stonnington	\$15.90
City of Yarra	\$15.90
Average (all)	\$16.92
Average (four non-VicRoads councils)	\$17.35

3.4.5 Summary of benchmarking analysis storage

A summary of the benchmarking analysis for daily storage fees is shown in Table 14. Most of the comparative fees do not distinguish between the vehicle being under cover or not being under cover. This makes it difficult to compare fees to Melbourne's accident tow storage fees as the current regulated fees for the Melbourne controlled area depend on whether the vehicle is under cover.

In terms of comparisons to other jurisdictions, the analysis indicates that the regulated daily storage fee associated with accident tows for cars in the Melbourne controlled area of \$17.40 to \$25.70 (depending on whether the vehicle is under cover) is lower than Sydney (\$30.80) and Queensland (\$26.45) but similar to Adelaide (\$15 to \$26). However, Marsden Jacob's analysis of land rental rates indicates that Sydney's fees should be expected to be higher than Melbourne's because of higher commercial warehouse rental rates for land in Sydney.

The benchmarking analysis also shows that a benchmark fee estimated by Marsden Jacob based on land rental values in Melbourne and efficient utilisation rates determined by IPART for Sydney

(\$17.69 to \$20) are similar to the current regulated Melbourne accident tow storage fees (\$17.40 to \$25.70).

Comparing Melbourne's accident tow daily storage fees to those for abandoned or derelict vehicles indicates a mixed result. The average daily storage rates for abandoned or derelict vehicles for selected Melbourne Councils is \$28.68 which is higher than the regulated Melbourne fee (\$17.40 to \$25.70). This suggests that Melbourne's accident storage fees may be too low relative to abandoned or derelict vehicle storage fees.

However, the average daily storage fee for inner Melbourne Councils (\$16.12) is lower than Melbourne's regulated accident tow storage fee (\$17.40 to \$25.70) which suggests that Melbourne's fees may be too high relative to abandoned or derelict vehicle storage fees. Furthermore, this comparison could suggest that the regulated Melbourne accident tow storage fee (\$17.40) is slightly higher than the abandoned or derelict vehicle storage fee (\$16.12) where a car is not under cover, assuming that the storage of abandoned or derelict vehicle vehicles is not under cover.

A complicating factor in the analysis of storage fees for abandoned or derelict vehicles is that the relatively higher average storage fees across all Councils for abandoned or derelict vehicle is driven by high fees in several outer Melbourne Councils. This seems counterintuitive as outer Melbourne land rental rates would be expected to be lower than for inner Melbourne as shown in Table 10. This makes it difficult to assess how Melbourne's regulated accident tow storage fees compare to those associated with abandoned or derelict vehicles.

A comparison to clearway tows indicates that average storage fees associated with clearway towing for selected Councils is \$16.92. This is slightly lower than the current Melbourne accident tow storage fees (\$17.40 to \$25.70). This suggests that the regulated Melbourne accident tow storage fee (\$17.40) is similar to clearway tows (\$16.92) where a car is not under cover, assuming that the storage of clearway vehicles is not under cover.

Table 14: Summary of benchmarking analysis for daily storage fees

Type of towing service	Daily storage rate (Passenger vehicle)	Notes
Accident		
Melbourne	\$17.40 - \$25.70	Depends on whether under cover
Sydney	\$30.80	
Adelaide	\$15.00 to \$26.00	Depends on whether under cover
Queensland	\$26.45	
Derived from land values (Marsden Jacob analysis)	\$17.69 - \$20.00	Based on efficient utilisation
Published Council daily storage fees for abandoned or derelict vehicles		
Average (all)	\$28.68	
Inner Melbourne	\$16.12	
Outer Melbourne	\$37.64	
Published daily storage fees for clearway tows		
Average (all)	\$16.92	
Councils adopting Vic Roads fee	\$15.20	
Councils adopting own fees	\$17.35	

Source: Marsden Jacob analysis of fees for 2021-22 or as at 1 October 2021 where the period is not stated.

4. Productivity adjustment assessment

4.1 Background

Under section 212A(1)(c) of the Act, the commission is required to review the productivity adjustment and to make a recommendation the Minister on a figure for the productivity adjustment to apply to fees. Section 212H of the Act specifies that the productivity adjustment factor is 0.5 per cent, unless the commission recommends a different amount. The main purpose of the productivity adjustment factor is to encourage accident towing businesses to achieve cost reductions and share these cost savings with consumers through lower fees.

In previous commission reviews of accident towing and storage fees (2018 and 2013), the commission did not recommended changes to the productivity adjustment factor.

The purpose of Marsden Jacob’s review is to provide information on productivity growth that is relevant to the accident towing industry in the Melbourne controlled area to assist the commission with their review of the productivity adjustment.

4.2 The productivity adjustment

Under section 212A of the Accident Towing Services Act 2007, annual adjustments are applied to accident towing, storage and salvage fees on 1 July between each review.

The fees are adjusted in accordance with the following formula:

$$A \times \left(\frac{B}{C} - D \right)$$

where—

- "A" is the amount of the charge for the financial year immediately preceding the relevant year;
- "B" is the transport group consumer price index for Melbourne in original terms for the reference period in which falls the March quarter of the financial year immediately preceding the relevant year last published by the Australian Bureau of Statistics before the relevant year;
- "C" is the transport group consumer price index for Melbourne in original terms for the corresponding reference period one year earlier than the reference period referred to in B last published by the Australian Bureau of Statistics before the relevant year;
- "D" is the productivity adjustment figure specified in the recommendation under section 212A most recently made by the commission or, if the commission has not made a recommendation under section 212A that relates to the relevant year, "D" is 0.005.

The fee adjustment is in the form of a ‘CPI minus X’ formula, where the first component represents the change in the Melbourne transport consumer price index and the second component (the ‘X’) represents a productivity adjustment.

Therefore, the annual adjustment mechanism is designed to allow fees to increase with reference to:

- cost increases that are occurring in the broader transport industry (e.g., automotive fuel prices which forms part of the Melbourne transport CPI) to the extent these are reflected as increases in the CPI.
- an incentive to achieve productivity gains. Moreover, the productivity factor of 0.005 means that the accident towing industry must improve their productivity by 0.5 per cent to maintain revenue they receive from accident towing and storage fees.

Notably, the Act places a floor under prices to ensure that they do not fall if the annual adjustment is a negative value.²⁵

4.3 Defining and measuring productivity

Productivity is the efficiency of transforming inputs (capital, labour, etc.) into outputs (goods and services). Measures of productivity are typically defined as measures of output quantity divided by measures of input quantity.

Therefore, growth in productivity occurs if output quantities increase for a given quantity of inputs or if inputs quantities decrease for a given quantity of outputs.

4.4 Approach to reviewing the productivity adjustment

Several productivity measures have been examined in reviewing the productivity adjustment. These are illustrated and described in Table 15. The analysis of these measures focuses on accident towing rather than vehicle storage due to the availability of suitable comparison measures.

The first type of measures relates to multi-factor productivity. Ideally, productivity measurement involves considering all relevant inputs and outputs for the relevant sector of the economy. This approach is typically referred to as total or multi factor productivity. However, a complication with measuring multifactor productivity is that comprehensive data on all inputs and outputs for accident towing is not available as it is commercially sensitive data held by towing companies. Nonetheless, some publicly available data does exist on multifactor productivity for the transport, postal and warehousing sector at a national level.

The second type of measures relate to partial measures of productivity – including: transport sector labour and capital productivity; licensed tow trucks per accident; and time performing accident tasks per accident. In the absence of multifactor productivity measures that are specific to accident towing and storage, partial measures of productivity can provide useful insights into the relationship between key inputs and outputs.

As partial productivity measures do not consider all inputs and outputs, careful evaluation is needed when assessing their contribution to overall productivity. Indeed, a decrease in the quantities of one input to produce a given output might be achieved only by higher quantities of another input.

The third type of measure involves using data on turnover and expenses as reported by the Australian Tax Office (ATO) to examine total factor productivity. While the ATO data in its raw form provides data on revenue, expenses and profitability in the tow truck sector, the data can provide

²⁵ See section 212H (3) of the Accident Towing Services Act 2007

some insights into overall productivity with some adjustments and a comparison to the transport group consumer price index for Melbourne.

These three types of measures are backward looking measures. However, this report is reviewing the appropriateness of the productivity adjustment of 0.5 per cent for future pricing periods. Therefore, the intent of analysing backward looking measures is to examine whether there are clear trends in historical productivity growth that could provide insights into future productivity growth.

Table 15: Productivity measures used to review the productivity adjustment

Productivity measure	Description	Data source
Multifactor or total productivity measures		
1. Multifactor productivity using ABS data	The Australian Bureau of Statistics (ABS) produces two 'experimental' multifactor productivity measures for the Transport, Postal and Warehousing Division: <ul style="list-style-type: none"> Gross value-added multifactor productivity Gross output multifactor productivity 	Australian Bureau of Statistics (ABS) data, 5260.0.55.002
Partial measures of productivity		
2. Labour and capital productivity using ABS data	The Australian Bureau of Statistics (ABS) produces two 'experimental' multifactor partial productivity measures: <ul style="list-style-type: none"> Labour productivity Capital productivity 	Australian Bureau of Statistics (ABS) data, 5260.0.55.002
3. Partial measures of productivity using VicRoads data on the accident towing sector	These are partial measures of productivity within the accident towing sector within the Melbourne controlled area. They include: <ul style="list-style-type: none"> Accident tows per licensed truck Accident tows per towing licence Time to perform accident tasks (including travel and wait times) 	VicRoads data on accident tows (allocations), licensed trucks and towing licences
Insights into productivity using ATO data		
4. Using the Australian Tax Office (ATO) expenses to turnover ratio to provide insights into productivity	ATO publishes an expenses to turnover ratio for towing services. Using the ATO data and several assumptions, Marsden Jacob has constructed an expenses index for the Melbourne towing industry which is compared to the Melbourne Transport CPI. The difference in CAGR between these two indices is used to provide insights into the overall historical change in productivity.	ATO for expenses/turnover for towing services Towing services Commission historical Regulated fees VicRoads data on allocations Insurance industry data on non-accident volumes and charges Other publicly available industry data

4.5 Multifactor productivity

The Australian Bureau of Statistics (ABS) produces two multifactor productivity measures for the Transport, Postal and Warehousing Division.²⁶

- Gross value-added multifactor productivity, which is calculated by dividing an output measure (an index of the volume of value added) by a combination of inputs (a combined index of labour and capital inputs)
- Gross output multifactor productivity, which is calculated by dividing an output measure (an index of the volume of gross output) by a combined index of labour, capital and intermediate outputs (such as materials and services).

Both these measures are calculated by the ABS in two alternate ways:

- Quality adjusted hours worked, which measures productivity using hours worked and changes in quality (that is, changes in educational achievement and experience); and
- Hours worked, which measures productivity using hours worked by all labour engaged in the production of goods and service.

Using these productivity measures (Figure 6 and Table 16) and ABS data up to 2018/19, productivity growth in the Transport, Postal and Warehousing sector varies between a compound average growth rate (CAGR) of -0.7 and 0.3 per cent across 3-, 5- and 10-year compound average growth (CAGR) measures. Notably, the CAGRs for the 3- and 10-year CAGR measures are very similar.

The 2019/20 year has been excluded from the CAGR analysis (as shown in Table 16). Productivity appears to fall significantly in 2019/20 – by around 4 per cent using the different measures. This is most likely due to the impact of the COVID-19 virus and, therefore, its inclusion is likely to provide a misleading indication of trend in productivity growth.

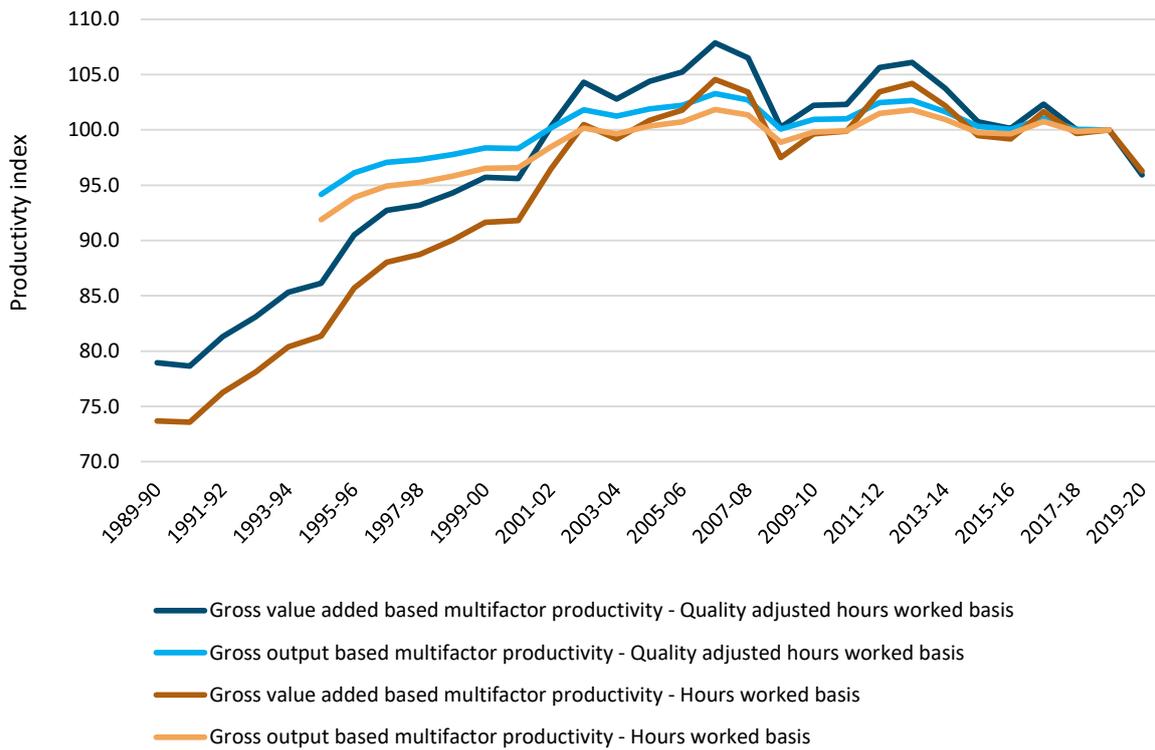
Focusing on the period from 2008-09 to 2018-19 shown in Figure 6, the productivity indices indicate that productivity growth across the Transport, Postal and Warehousing sector is flat for most measures. This appears to indicate that productivity growth is likely to be less than the 0.5 per cent - the productivity adjustment currently applied for accident towing and storage fees. While the measures indicate that productivity growth is likely to be less than the 0.5 per cent, the measures do have some limitations when being applied to the accident towing sector, including:

- The measures are Australia wide and are not necessarily representative of the Melbourne metropolitan transport and storage sector
- The measures relate to Transport, Postal and Warehousing, which is a much broader sector than accident towing and storage. While some productivity drivers may be similar (e.g., labour employment conditions), other productivity drivers may vary from other parts of the transport and storage market (e.g., truck utilisation).

For these reasons, multifactor productivity should not be used by itself to assess the overall productivity trends in the accident towing and storage sector in the Melbourne metropolitan area.

²⁶ Experimental Estimates of Industry Multifactor Productivity, 2007, Australian Bureau of Statistics, [https://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/3077569FDD78F633CA25734E001A1EB2/\\$File/5260055001_2007.pdf](https://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/3077569FDD78F633CA25734E001A1EB2/$File/5260055001_2007.pdf)

Figure 6: Multifactor productivity for the Transport, Postal and Warehousing Division



Source: Australian Bureau of Statistics 2020, Estimates of Industry Multifactor Productivity, <https://www.abs.gov.au/statistics/industry/industry-overview/estimates-industry-multifactor-productivity/latest-release>

Table 16: CAGR of ABS multifactor productivity measures

Productivity measure	CAGR (3 year) - 2015/16 to 2018/19	CAGR (5 year) - 2013/14 to 2018/19	CAGR (10 year) - 2008/09 to 2018/19
Gross value added based multifactor productivity - Quality adjusted hours worked basis	-0.05%	-0.74%	-0.02%
Gross output based multifactor productivity - Quality adjusted hours worked basis	-0.02%	-0.33%	-0.01%
Gross value added based multifactor productivity - Hours worked basis	0.27%	-0.43%	0.25%
Gross output based multifactor productivity - Hours worked basis	0.12%	-0.19%	0.11%

Source: Marsden Jacob analysis

Note: CAGR refers to compound annual growth rate

4.6 Partial measures of productivity

Two types of partial productivity measures have been explored:

- Labour and capital productivity measures for the Transport, Postal and Warehousing Division as produced by the Australian Bureau of Statistics (ABS)
- Measures that are specific to the accident towing and storage sector, based on data obtained from VicRoads.

These are examined in the following sections of this report.

4.6.1 ABS measures of labour and capital productivity

The Australian Bureau of Statistics (ABS) produces two partial productivity measures for the Transport, Postal and Warehousing Division²⁷:

- Labour productivity, which is calculated by dividing an output measure (an index of the volume of value added) by an index of the labour input
- Capital productivity, which is calculated by dividing an output measure (an index of the volume of value added) by an index of the capital inputs

Similar to multifactor productivity, these measures are calculated by the ABS in two alternate ways: quality adjusted hours worked; and hours worked.

Using these productivity measures and ABS data up to 2018/19, labour productivity growth in the Transport, Postal and Warehousing sector varies between a compound average growth rate (CAGR) of -0.60 and 1.29 per cent across 3-, 5- and 10-year CAGR measures (Figure 7 and Table 17). Capital productivity growth in the Transport, Postal and Warehousing sector varies between a compound average growth rate (CAGR) of -0.56 and -1.25 per cent across 3-, 5- and 10-year CAGR measures.

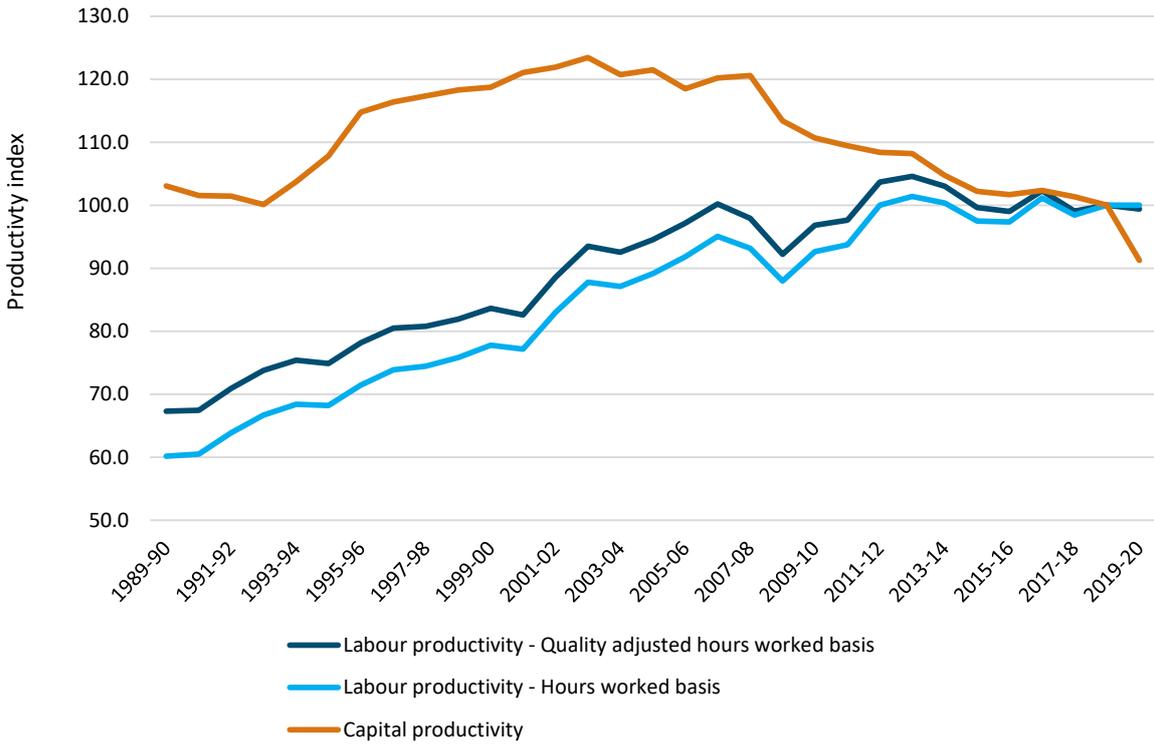
Over the 10-year period, labour productivity appears to be improving while capital productivity appears to be declining. Specifically, over the 10-year period, the CAGR of labour productivity is positive (1.29 per cent) and the CAGR of capital productivity is negative (-1.25 per cent). Notably, multi-factor productivity is close to zero per cent over the 10-year period.

For similar reasons to multifactor productivity (COVID-19 impacts), the 2019/20 year has been excluded from the CAGR analysis (as shown in Table 17).

While these ABS partial productivity measures provide insights into the drivers of productivity growth, they have the same limitations as discussed for the ABS multifactor productivity measures.

²⁷ Experimental Estimates of Industry Multifactor Productivity, 2007, Australian Bureau of Statistics, [https://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/3077569FDD78F633CA25734E001A1EB2/\\$File/5260055001_2007.pdf](https://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/0/3077569FDD78F633CA25734E001A1EB2/$File/5260055001_2007.pdf)

Figure 7: Labour and capital productivity for the Transport, Postal and Warehousing Division



Source: Australian Bureau of Statistics 2020, Estimates of Industry Multifactor Productivity, <https://www.abs.gov.au/statistics/industry/industry-overview/estimates-industry-multifactor-productivity/latest-release>

Table 17: CAGR of ABS labour and capital productivity measures

Productivity measure	CAGR (3 year) - 2015/16 to 2018/19	CAGR (5 year) - 2013/14 to 2018/19	CAGR (10 year) - 2008/09 to 2018/19
Labour productivity - Quality adjusted hours worked basis	0.33%	-0.60%	0.81%
Labour productivity - Hours worked basis	0.89%	-0.07%	1.29%
Capital productivity	-0.56%	-0.92%	-1.25%

Source: Marsden Jacob analysis

Note: CAGR refers to compound annual growth rate

4.6.2 Partial measures of productivity using accident towing data for the Melbourne controlled area

Three measures of partial productivity within the accident towing sector in the Melbourne accident towing control area have been examined. They include:

- Accident tows per licensed truck
- Accident tows per towing licence
- Time to perform accident tasks (including travel and wait times)

These are partial measures of productivity because they include only one input that is used in providing accident towing services. For example, accident tows per licensed truck only includes one input (i.e., licensed trucks). Additionally, the output component for the first two partial measures is the number of accident tows. The output component, therefore, only captures part of a business that may also derive revenue from trade towing, storage and other services they may offer.

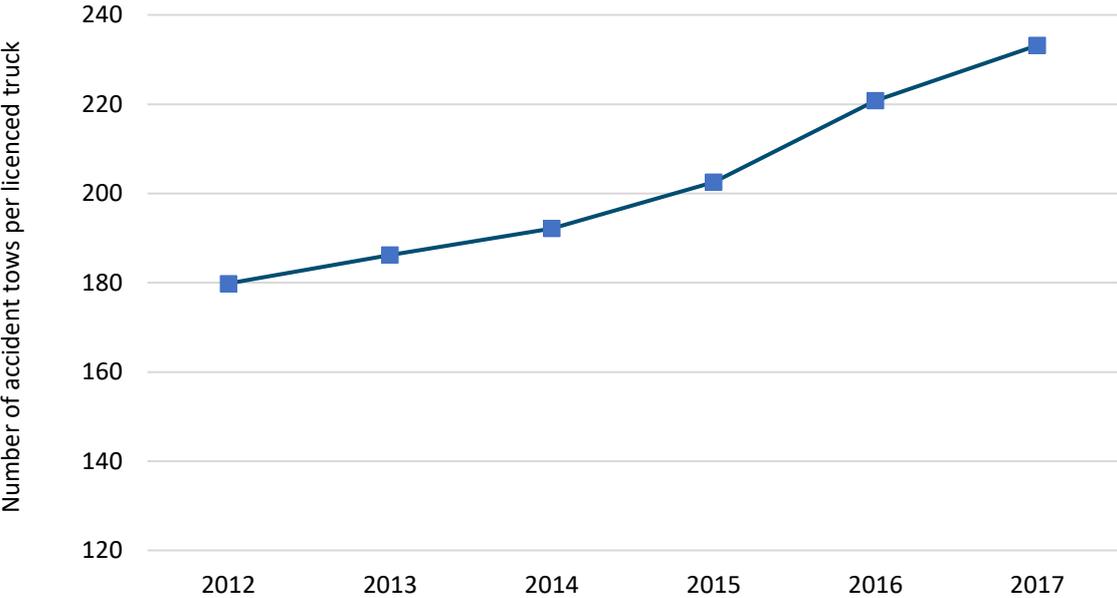
Given this, there are limitations with using these partial measures in assessing overall productivity growth in the accident towing industry. For example, changes to these partial measures could be the result of a combination of changes to inputs not included in these measures, such as in-vehicle technology, information systems and scheduling systems.

Average number of accident tows per licensed truck

The average number of accident tows per licensed trucks increased steadily from 2012 to 2017 (Figure 8). The measure has not been estimated after 2017 as VicRoads was not able to provide data on the number of licensed tow trucks after 2017.

The number of accident tows per licensed truck is estimated as the number of accident tow allocations each year within the Melbourne controlled area divided by the number of licensed trucks within the Melbourne controlled area.

Figure 8: Average number of accident tows (allocations) per licensed tow truck, 2012 to 2017



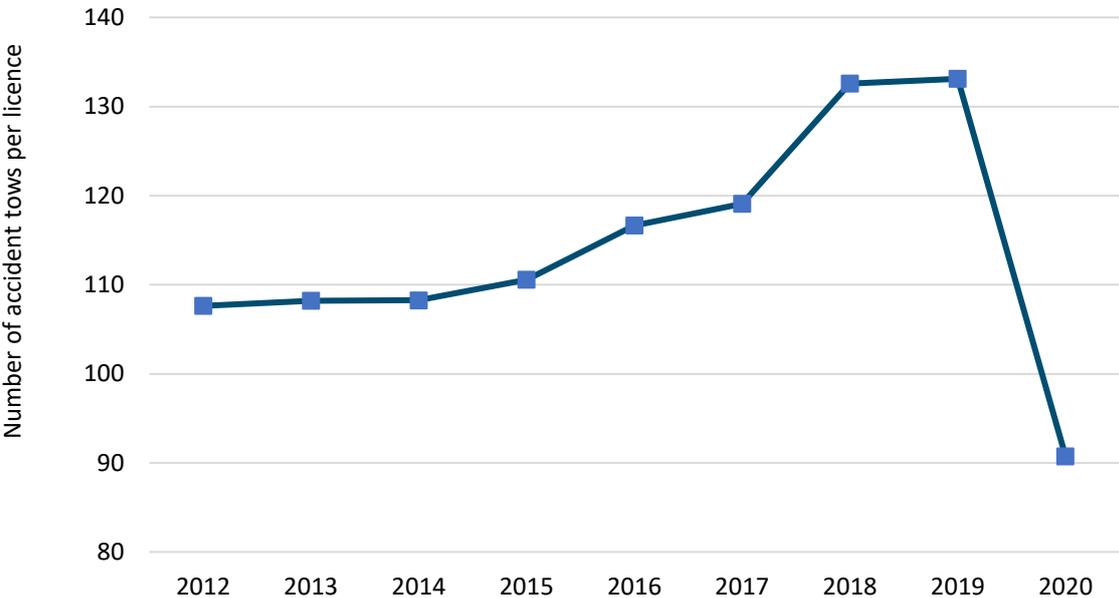
Source: Marsden Jacob analysis of VicRoads data. Note that data is available for the years 2012 and 2017 on the number of licensed tow trucks. Marsden Jacob has estimated licensed tow truck values for 2013 to 2016 based on using a straight line between the values for 2012 and 2017.

The average number of accident tows per towing licence

The number of accident tows per the number of licences increased steadily from 2012 to 2019 (Figure 9). In particular, the number of accident tows per number of licences has grown from 108 to 133 from 2012 to 2019. However, the most recent year (2020) experienced a significant decline due to the impact of the COVID-19 virus.

The number of accident tows per towing licence is estimated as the number of accident tow allocations each year within the Melbourne controlled area divided by the number of towing licences within the Melbourne controlled area.

Figure 9: The average number of accident tows (allocations) per number of licences, 2012 to 2020



Source: Marsden Jacob analysis of VicRoads data

Average time to perform accident tows

Using data provided by VicRoads, Marsden Jacob estimates that the average time to perform accident tows has fallen from the period 2017 to 2020 (Figure 10). However, the year 2020 was impacted by the COVID-19 virus and, therefore, it is difficult to determine if the decline from 2019 to 2020 would have occurred in a pre-COVID-19 environment.

Excluding 2020 data, the average time to perform accident tows has fallen over the period 2017 to 2019 from 83.6 to 75.0 minutes. Due to the availability of consistent historical data, only data from 2017 onwards has been analysed.

This measure suggests that some improvements are being made in the time it takes to perform an accident tow.

In estimating this measure, the time to perform accident tows has been estimated as the time between two dates and times:

- the date and time when a call is dispatched from the Accident Allocation Centre (AAC) to a depot and
- the date and time when the tow truck has finished transporting a vehicle to the next destination (e.g., storage yard).

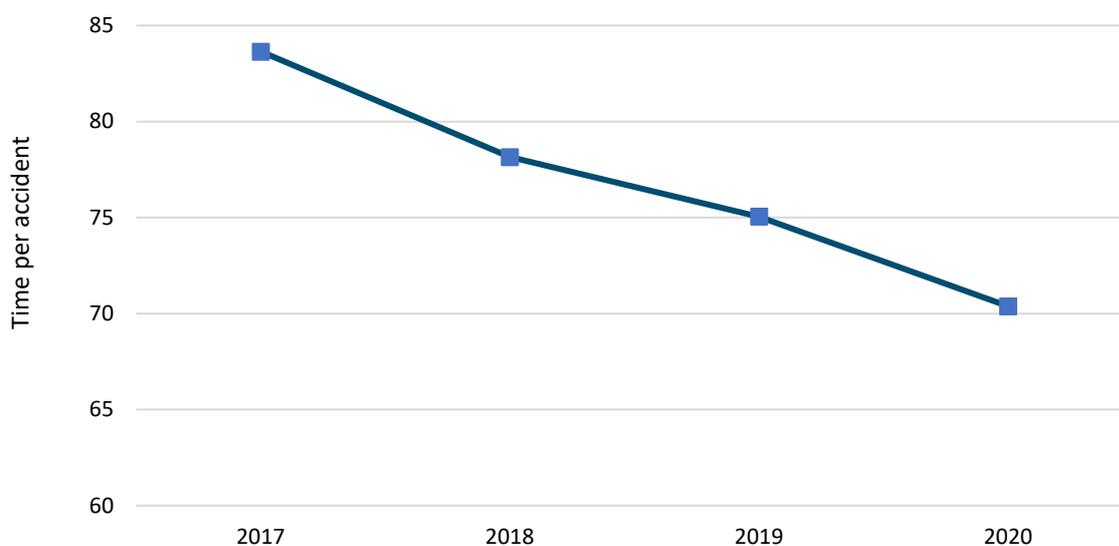
Therefore, the time to perform accident tows includes the following activities for a tow truck involved in attending an accident:

- the travel time from the location where the call is received to location of the accident
- wait time at the accident scene to move the vehicle onto the tow truck
- the travel time from the accident to the next destination (e.g., storage yard).

In addition, Marsden Jacob has only included times that are between 20 minutes and 600 minutes as times outside of these are not considered to be correctly specified.

While this measure suggests that productivity is improving over time, a key limitation of the analysis is that the time period of measurement is only three years of data (if 2020 is excluded from consideration due to Covid-19). A longer timeframe would be preferable to assess changes in this measure. Additionally, detailed interrogation of the drivers of the improvement is not possible as the VicRoads data does not decompose the measure into travel time for each leg of the journey or the waiting and working time at the scene of the accident. Furthermore, changes could occur in this measure over time simply due to changes to road congestion as well as the average distance travelled depending on the location of accidents.

Figure 10: Average time to perform accident tows



Source: Marsden Jacob analysis of VicRoads data

CAGR of partial productivity measures using VicRoads accident towing data

The partial productivity measures have all shown a historical trend improvement in productivity which suggests ongoing productivity improvements in the accident towing sector.

The CAGR for the number of accident tows per licensed trucks varies between 6.7 and 7.3 per cent (using 2- and 3-year CAGR values) (Table 18). Therefore, this partial measure suggests that productivity has been increasing in the accident towing sector as the tow truck sector has been able to use less tow trucks to service the same number of accidents. However, unlike other measures, data is only available from VicRoads to calculate this measure up to 2017 and therefore the CAGRs are the 2- and 3-year CAGRs up to 2017.

The CAGR for the number of accident tows per licences varies between 4.2 and 5.7 per cent (using 2-, 3- and 5-year CAGR values) (Table 18). The CAGRs for this measure are up to the period 2019. This measure is considered less useful than the previous measure (accidents per licensed tow truck) as several trucks can use a towing licence. However, similar to the previous measure, it does provide some evidence that the tow truck sector is able to use less tow trucks to service the same number of accidents.

The two-year CAGR for the average time to perform accident tows is -5.3 per cent over the period 2017 to 2019. This partial measure suggests that productivity has been increasing in the accident towing sector as the tow truck sector has been using less time to service each accident.

As noted above, while the partial measures of VicRoads data show improvements of between 4 and 6 per cent per annum in recent years, these measures have limitations with should be considered in assessing overall productivity growth.

Table 18: CAGR of partial productivity measures

Partial productivity measure	2014	2015	2016	2017	2018	2019	CAGR (2 year)	CAGR (3 year)	CAGR (5 year)
Average accident tows per licensed truck	192	203	221	233			7.3%**	6.7%**	n.a.
Average accident tows per towing licence	108	111	117	119	133	133	5.7%	4.5%	4.2%
Average time to perform accident tows				83.6	78.2	75.0	-5.3%		
Number of accident tows/allocations	45,582	46,551	49,114	50,143	55,826	56,052	5.7%	4.5%	4.2%
Number of licensed trucks	237	230*	222*	215			-3.3%**	-3.2%**	n.a.
Number of licences	421	421	421	421	421	421	0.0%	0.0%	0.0%

Notes:

- 1) CAGR refers to compound annual growth rate. The CAGR analysis in this table excludes 2020 because of the COVID-19 virus.
- 2) * Estimate by Marsden Jacob.
- 3) ** The 2- and 3-year CAGR for average accident tows per licensed truck is estimated up to the year 2017 as data for number of licensed trucks is unavailable after the year 2017.
- 4) n.a. (not available) indicates that this measure is not able to be estimated using available data.

4.7 Insights into productivity using ATO data

The ATO produces several key national performance benchmarks for industry sectors, including the towing sector. One key measure is the ratio of total expenses to turnover.

The historical ratio of total expenses to turnover is shown in Table 19 and Figure 11. Two different types of averages have been estimated:

- A simple average of each of the three values for each year
- A weighted average where the weights are the average of the turnover values for each of the three values, noting that the high turnover weight is estimated based on a \$500,000 turnover value.

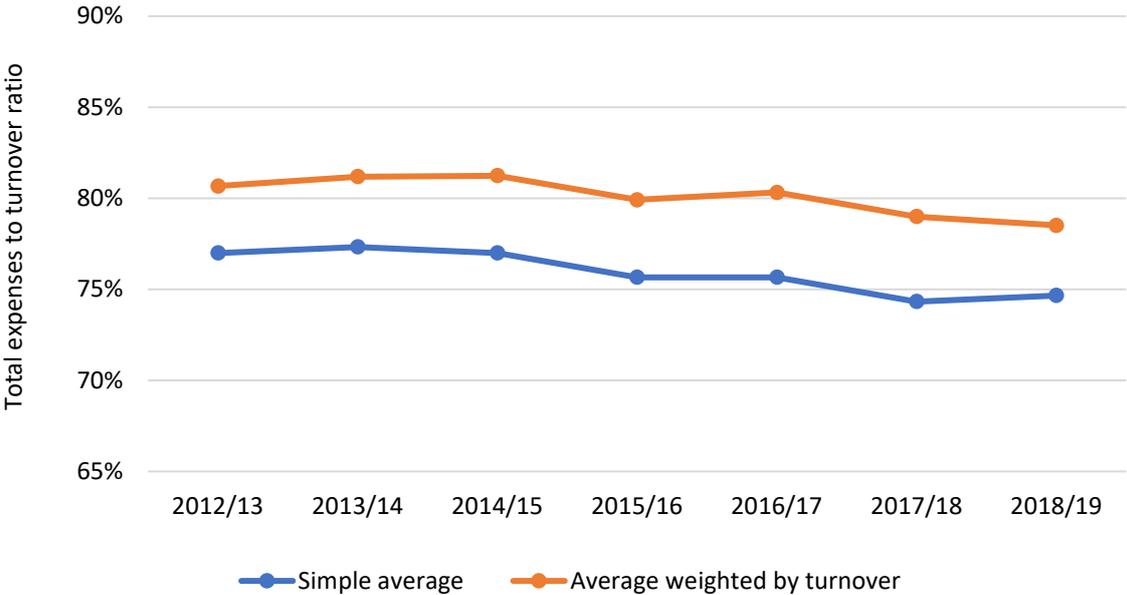
The data shows that over the past five years, total expenses as a percentage of turnover has seen a modest reduction using both a simple and weighted average approach.

Table 19: Total expenses turnover – Australian Towing Services Industry

	2013	2014	2015	2016	2017	2018	2019
Low turnover - \$50k - \$200k	69%	68%	66%	65%	64%	63%	65%
Medium turnover - \$200k - \$500k	75%	77%	78%	76%	76%	74%	75%
High turnover - >\$500k	87%	87%	87%	86%	87%	86%	84%
Simple average	77%	77%	77%	76%	76%	74%	75%
Average weighted by turnover	81%	81%	81%	80%	80%	79%	79%

Source: ATO website - https://www.ato.gov.au/Business/Small-business-benchmarks/In-detail/Benchmarks-A-Z/R-Z/Towing-services/?page=1#Performance_benchmarks, Advisian 2018, Accident towing fees in the Melbourne controlled area, Fee benchmarking and productivity review, June 2018

Figure 11: Total expenses to turnover ratio for Australian Towing Services industry



This ratio by itself provides some insights into profitability as a declining ratio of expenses to turnover could indicate that the profit margin as a percentage of turnover is increasing over time. However, the ratio alone does not provide valuable insights into productivity as expenses as a percentage of turnover could be decreasing due to lower input prices and not due to lower quantity of inputs for a given quantity of outputs.

However, using the ATO data and several assumptions, Marsden Jacob has constructed an expenses index for the Melbourne towing industry which is compared to the Melbourne Transport CPI.

The expenses index is expressed as expenses per tow. As the ATO data is for all towing activity undertaken, the measure is an index of the average expenses for all tows (accident towing and non-accident towing) and is estimated for each of the years 2012/13 to 2018/19 using the following formula:

$$\text{Expenses per tow} = \text{Average revenue per tow} \times \text{Expense to Turnover ratio}$$

where

$$\text{Average revenue per tow} = (\text{average accident tow rates} \times \text{accident tows as a proportion of total tows}) + (\text{average non-accident tow rates} \times \text{non-accident tows as a proportion of total tows})$$

The average revenue per tow has been estimated based on the following assumptions:

- Average accident charge per tow: estimated based on historical commission regulated charges and an average distance travelled of 28 kilometres from the time a call is received by the depot to when the tow truck has completed the job and delivered the vehicle to its next destination (the tow truck is then placed back on the allocation system).
- Average non-accident²⁸ charge per tow: estimated for 2018/19 assuming that the non-accident tow is 56 per cent of the total charge for accident tows using data for 2018/19 and 2019/20, which was estimated by Marsden Jacob using a range of data sources such as information provided by an insurance company that is a member of the ICA. The charge for other years is estimated using the Melbourne Transport CPI and the estimated non-accident charge value for 2018/19.
- The proportion of accident²⁹ tows to total tows³⁰ is estimated by Marsden Jacob at 34 per cent. Total tows for the whole market (accident and non-accident tows) were estimated using a range of data, including: data on total accident tows provided by VicRoads; data on accident and non-accident tows undertaken by an insurance company that is a member of the ICA; and an estimate of clearway towing by Marsden Jacob.

The expense to turnover ratio for each year is estimated in one of two alternate ways: a simple average and a weighted average – as per Table 19.

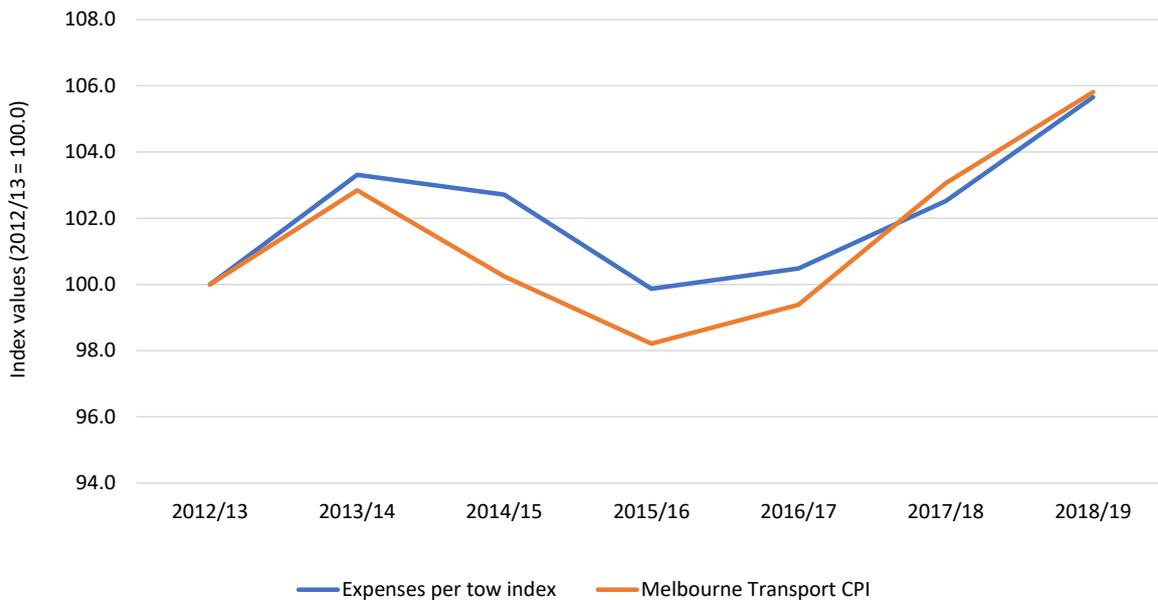
Using this approach (with a weighted average of expenses to turnover) and creating indices where 2012/13 = 100.0, the expenses per tow has been reasonably closely following Melbourne Transport CPI over the period 2012/13 to 2018/19 (Figure 12).

²⁸ For the purposes of calculating the average revenue per tow, the non-accident charge per tow also includes salvage tows.

²⁹ For the purposes of calculating the average revenue per tow, the number of accidents in this context does not include salvage tows.

³⁰ Total tows include accident tows, trade tows and other types of tows.

Figure 12: Average expenses per tow vs Melbourne Transport CPI



Source: Marsden Jacob analysis

Note: This graph uses weighted average of expenses to turnover and revenue for non-accident linked to Melbourne Transport Index. 2012/13 = 100.0 for both indices.

However, over this period it is apparent that the expenses per tow for the Melbourne towing industry has not kept up with Melbourne Transport CPI as the CPI value is slightly higher at year 2018/19. This is based on the premise that the expenses per tow would match changes in the Melbourne Transport CPI if the quantity of inputs to the quantity of outputs is constant over time.

Comparison of CAGR between the expenses per tow index and Melbourne Transport CPI

By comparing the difference between the CAGR of the expenses per tow index and Melbourne Transport CPI, it is possible to identify whether changes are occurring in the ratio of the quantity of outputs to the quantity of inputs used for each accident tow. This can then provide an estimate of the total productivity changes in the Melbourne towing industry. For example:

- Where the growth in the expenses per tow index is less than growth in the Melbourne Transport CPI, this suggests positive productivity growth as it implies that less input quantities are being used per accident tow
- Where the growth in the expenses per tow index aligns with growth in the Melbourne Transport CPI, this suggests no productivity growth
- Where the growth in the expenses per tow index is greater than the Melbourne Transport CPI, this suggests negative productivity growth as it implies that more input quantities are being used per accident tow.

The difference in the CAGR values for the expenses per tow and Melbourne Transport CPI for varying period lengths, and under simple and weighted average expense to turnover ratios, is shown in Table 20.

For example, using a simple average for the expenses to turnover ratio:

- the three-year (2015/16 to 2018/19) CAGR for the expenses per tow index is 1.894 per cent
- the three-year (2015/16 to 2018/19) CAGR for the Melbourne Transport CPI is 2.516 per cent
- the difference in these CAGR values is 0.622 per cent.

This example suggests that the productivity growth in the Melbourne towing industry over the period 2015/16 to 2018/19 was 0.622 per cent per annum.

The three-year CAGR values vary between 0.62 and 0.77 per cent using the alternative estimation approaches for the expense to turnover ratio. The six-year CAGR values vary between -0.04 and 0.03 per cent.

This suggests that productivity growth is somewhere between -0.04 and 0.77 per cent per annum depending on the assumptions used and time-period applied for analysis.

Table 20: CGAR of difference between expenses per tow index and Melbourne Transport CPI

Key assumption and alternative method to estimate	CAGR (3 year) - 2015/16 to 2018/19	CAGR (5 year) - 2013/14 to 2018/19	CAGR (6 year) - 2012/13 to 2018/19
Estimating the expense to turnover ratio			
Simple average	0.62%	0.12%	0.03%
Weighted average	0.77%	0.09%	-0.04%

Note: CAGR refers to compound annual growth rate

In presenting this analysis using ATO analysis, several limitations should be mentioned:

- The ATO data on expenses to turnover ratio is not precise. The values are not expressed with decimal places.
- The expenses per tow index is based on several assumptions which may or may not accurately reflect historical charges for non-accident charges or the proportion of total tows that are accident tows.
- The analysis is relevant to the entire Melbourne towing sector and is not specific to the accident tow sub-sector.
- This approach is not a standard productivity estimation approach which uses input quantities and output quantities. Rather it is derived from ATO data using various assumptions.

4.8 Conclusions

A summary of the various productivity measures analysed in this report is shown in Table 21.

In making conclusions from our assessment, Marsden Jacob acknowledges that all the measures examined in this report have limitations. Therefore, assessing the productivity factor requires careful examination of several measures to develop a perspective on historical productivity growth rates for the accident towing sector. Our approach has, therefore, been to examine whether historical trends for different relevant measures can provide insights into future productivity growth for the accident towing sector in the Melbourne controlled area.

On balance, the analysis of productivity measures within this report suggests that there is a reasonable basis for continuing to use a productivity factor above zero per cent. Although Marsden Jacob do not provide a recommendation on how much above zero per cent, Marsden Jacob notes that estimates of total or multifactor productivity growth rates were up to 0.8 per cent using ATO data combined with other assumptions. Additionally, ongoing improvements in partial productivity measures using data from VicRoads indicates that changes have been made by the sector which may result in overall productivity gains – therefore, supporting the conclusion that productivity growth is likely to be above zero per cent.

This conclusion is supported by the following:

- the total or multifactor productivity indices examined in this report suggest annual productivity growth of between -0.7 and 0.8 per cent, depending on the time period. This includes the ABS multifactor productivity indices (with CAGRs varying between -0.7 and 0.3 per cent, depending on the time period) and the implied productivity growth rates using the ATO data (with CAGRs varying between 0 and 0.8 per cent, depending on the time period). Notably, the ABS multifactor productivity index experienced a CAGR of 0 to 0.3 per cent for the most recent three years to 2018/19.
- Analysis of VicRoads data shows partial productivity gains of between 5.3 and 7.3 per cent for two of the partial measures – the number of accident tows per licensed tow truck and average time to perform accident tasks. This suggests that changes are occurring in the sector, which may be resulting in productivity improvements over time. However, it is difficult to assess the overall impact of these partial measures as they do not consider all inputs and outputs, as is the case with a multifactor productivity index. Additionally, the accident tows per licensed tow truck is based on performance for years prior to 2017 due to unavailability of data from VicRoads.

This conclusion is also made on the basis that historical growth is a reasonable guide to future short term (i.e., next three years) productivity growth.

Table 21: Productivity measures used to review the productivity adjustment

Productivity measure	Description	CAGR Time period	CAGR years	CAGR productivity growth (% per annum)
Multifactor or total productivity measures				
1. Multifactor productivity using ABS data	Productivity growth in the Transport, Postal and Warehousing sector	2015/16 to 2018/19	3 years	0 to 0.3
		2013/14 to 2018/19	5 years	-0.2 to -0.7
		2008/09 to 2018/19	10 years	0 to 0.3
Partial measures of productivity				
2. Labour and capital productivity using ABS data	Labour productivity growth in the Transport, Postal and Warehousing sector	2015/16 to 2018/19	3 years	0.3 to 0.9
		2013/14 to 2018/19	5 years	-0.6 to -0.1
		2008/09 to 2018/19	10 years	0.8 to 1.3
	Capital productivity growth in the Transport, Postal and Warehousing sector	2015/16 to 2018/19	3 years	-0.6
		2013/14 to 2018/19	5 years	-0.9
		2008/09 to 2018/19	10 years	-1.3
3. Partial measures of productivity using VicRoads data on the accident towing sector	Accident tows per licensed truck	2015 to 2017	2 years	7.3
		2014 to 2017	3 years	6.7
	Accident tows per towing licence	2017 to 2019	2 years	5.7
		2016 to 2019	3 years	4.5
		2014 to 2019	5 years	4.2
Time to perform accident tasks (including travel and wait times)	2017 to 2019	2 years	-5.3	
Insights into productivity using ATO data				
4. Using the Australian Tax Office (ATO) expenses to turnover ratio to provide insights into productivity	Productivity growth rate implied by analysis of ATO data and using several assumptions on non-accident charges and the expense to turnover ratio.	2015/16 to 2018/19	3 years	0.6 to 0.8
		2013/14 to 2018/19	5 years	0.1
		2012/13 to 2018/19	6 years	0

Note: CAGR refers to compound annual growth rate. Notably, data from 2019/20 has not been used in the analysis of these measures due to the impact of the COVID-19 virus. All measures in the table have been rounded to one decimal place.

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