



SUBMISSION TO THE VICTORIAN ESSENTIAL SERVICES  
COMMISSION  
DRAFT REPORT  
PERIODIC REVIEW OF ACCIDENT TOWING AND STORAGE FEES



# INTRODUCTION

## WHO IS INSURANCE AUSTRALIA GROUP (IAG)

Insurance Australia Group (IAG) is the parent company of an international general insurance group, with operations in Australia, New Zealand, the United Kingdom and Asia. IAG has more than 808,000 shareholders (as at August 2012). IAG's register is the third largest in Australia. IAG employs more than 13,600 people of whom around 9,000 are in Australia. Its current businesses underwrite over \$9 billion of premium per annum and pay over \$6 billion in claims per annum. Across our portfolio of brands IAG insures 7.7 million cars, 2.9 million homes, 103,000 farms, 117,000 employers and nearly 400,000 businesses. IAG had more than 16.1 million policies in force in financial year 2012.

Within Australia, IAG's Direct Insurance business provides personal insurance products as well as business insurance packages targeted at sole operators and smaller businesses in New South Wales (NSW), Australian Capital Territory (ACT), Queensland and Tasmania primarily under the NRMA Insurance brand. SGIO is the primary brand in Western Australia, and SGIC in South Australia. In Australia, IAG also has a distribution agreement with RACV (underwritten by Insurance Manufacturers of Australia – owned 70% IAG; 30% RACV) in Victoria. Products are distributed through branches, call centres, the internet and representatives.

Also within Australia, IAG's intermediated insurance products are sold nationally, primarily under the CGU Insurance and Swann Insurance brands through a network of more than 1,000 intermediaries, such as brokers, agents, motor dealerships and financial institutions. CGU is also a leading provider of workers' compensation services in Australia.

## IAG'S INTEREST IN THE REVIEW

In Victoria, IAG has a distribution agreement with RACV and CGU also has a significant motor vehicle portfolio. We are dedicated to continuous improvement in the quality and consistency of the end-to-end motor repair claims experience to make it easier for our customers to get back on the road following a collision.

As an insurer with a network of towing suppliers, we depend on a sustainable and productive towing industry to support our members and customers, while helping to keep insurance premiums affordable in the long term.

## THE PROBLEM

While accident towing in Victoria is regulated, there are a number of practices within the towing industry that are either in breach of current legislation or maximise the use of loopholes. Such practises can put additional pressure on a motorist at the scene of a collision or result in additional and unnecessary fees.

Such practices include:

- ⊗ The towing of vehicles from the collision scene direct to a depot after which a second fee is charged to tow the vehicle to the original destination specified on the Authority form. Such practices add up to \$80-\$200 per tow and in many cases, customers are not aware of the towing destination despite having often advised the tow operator to tow the vehicle to an insurer's preferred smash repairer or assessing site;
- ⊗ Upon unauthorised arrival at a depot, storage fees are then charged despite being included in the regulated fee and forming part of the original accident towing service;
- ⊗ Towing operators demanding cash payments from customers at the accident scene;
- ⊗ Despite being prohibited under the current Act, tow truck drivers regularly direct IAG repair work to their own networks;
- ⊗ Charging fees of \$50-\$75 for the cleaning of tow trucks after each service. This component is also covered by the regulated fee and forms part of the accident towing service;
- ⊗ Charging additional costs such as an administration fee, quote fee and insurance levy when towing services have been provided by tow firms that are owned by or are closely aligned with smash repairers.

These practices are to the detriment of the Victorian motoring public and can unnecessarily lengthen the time it can take for a vehicle to be safely repaired and returned to the motorist.

Increases in illegitimate and unnecessary fees increase the cost of an insurance claim and ultimately put pressure on the cost of insurance premiums.

## **THE SOLUTION**

In principle, IAG supports the recommendations of the Essential Services Commission, with the exception of recommendation number five.

The adoption of such recommendations will assist in protecting Victorian road users, improving their experience following a motor accident while ultimately influencing the affordability of insurance premiums.

IAG also submits additional comments on these recommendations.

## THE COMMISSION'S RECOMMENDATIONS:

### **Draft recommendation 1 – Regulated accident towing and storage fees**

The current level of regulated accident towing and storage fees (as presented below) is appropriate, and should continue until the annual adjustment mechanism is next applied in 2013-14.

#### **Towing fees (including GST)**

- Base fee (covers first 8 kilometres) – \$196.90
- Additional per kilometre fee beyond 8 kilometres – \$3.10
- After hours surcharge – \$67.20

#### **Storage fees (including GST)**

- Car under cover – \$15.10
- Car not under cover – \$10.10
- Motorcycle under cover – \$5.10
- Motorcycle not under cover – \$3.20

### **IAG supports DRAFT recommendation 1.**

IAG believes the current fees are sufficient, as is the annual adjustment mechanism. The regulated fee should include:

- ✓ Tow from the collision scene to the destination noted on the authority form. Even if it requires more than one tow and overnight storage in a holding yard, a maximum of one fee charged. Current fees take into account such requirements;
- ✓ Clean up of the accident scene of debris, oil spills etc;
- ✓ Security and storage of the vehicle outside business hours; and
- ✓ Payment options should also be available to the customer.

IAG has documented instances where customers are required by tow operators to pay cash at a collision scene. Despite being a breach of legislation, such demands are common.

IAG commends VicRoads for its provision of information to help Victorian motorists understand their rights at a collision scene.

#### **IAG Recommendation:**

Extend consumer understanding of their rights at the accident scene, either through mandating provision of the [‘Your Rights’](#) Fact Sheet or by including this information within vehicle registration documentation.

***Draft recommendation 2 – Productivity adjustment***

The Commission recommends that a productivity adjustment of 0.5 per cent continue to apply under the annual adjustment mechanism in section 212H of the *Accident Towing Services Act 2007*.

**IAG supports DRAFT recommendation 2.**

***Draft recommendation 3 – Regulation of basic salvage***

The Commission recommends that basic salvage should be regulated, and a prescribed basic salvage fee should be introduced.

**IAG supports DRAFT recommendation 3.**

Interpretations of 'salvage' can vary greatly across the industry. Adoption of this regulation will provide greater clarity for all parties.

**IAG Recommendation:**

**An administrative function be established within VicRoads to ensure adoption of and compliance with this recommendation.**

***Draft recommendation 4 – Determining the basic salvage and after hours basic salvage fees***

**Standard hours**

For basic salvage operations undertaken in standard business hours (between 8am to 5pm Monday to Friday, except public holidays) the regulated salvage fee for 2013-14 should be **\$65 per hour (including GST)**. It should only be applied from the commencement of the salvage operation and not from the time at which the tow truck operator arrives at the scene.

This basic salvage fee should apply for 2013-14, and should not be escalated by the annual adjustment mechanism until 2014-15.

**After hours**

For basic salvage operations undertaken after standard business hours (between 5pm to 8am Monday to Friday, 5pm Friday to 8am Monday and midnight to midnight on public holidays) an after hours surcharge of **20 per cent** should apply to the hourly basic salvage fees for the accident towing operator and for an assistant if required.

IAG supports DRAFT recommendation 4.

**IAG Recommendation:**

A flat rate should be charged for the first hour and be proportioned after that period. The rate should apply from the commencement of the actual salvage, not from the time the operator leaves their depot.

***Draft recommendation 5 – Non-commercial tows***

The Commission recommends the retention of the current practice of making an allowance for the costs of non-commercial tows in the regulated fee.

Non-commercial (or unpaid) tows are accident towing jobs for which a tow operator is not paid. In IAG's experience, these tows generally come from uninsured drivers. Towing operators are essentially performing a public service.

Making an allowance for the costs of non-commercial tows in the regulated fee essentially means Victorian motorists who choose to protect their assets by insuring them are subsidising the uninsured.

Allowances made in the regulated fee increase costs and these are ultimately passed on to Victorian customers through their insurance policies.

**IAG Recommendation:**

VicRoads apply a small levy to vehicle registrations to fairly and equitably compensate tow truck operators for work where they are not paid. This is a much fairer approach and more equitable.

**Additional Recommendations:**

**Second Tows:**

Vic Roads does not gather data on the number of second tows performed by towing companies in the controlled area. This has contributed to towing companies charging extra fees without any form of breaches issued.

**IAG Recommendation:**

IAG Supports the Commission's recommendation for VicRoads to clearly outline on its website the responsibilities of operators towards their customers regarding secondary towing. IAG also contends this is also an area that requires enforcement and adequate penalties for breaches.

### **Smash repairers purchasing tow licences:**

Recently it has been noted that some smash repairers have purchased large numbers of tow licences. Cars that are picked up by these tow trucks are then delivered to affiliated/aligned smash repairers and there have been instances where the smash repairers have then attempted to charge storage fees in excess of the regulated fees, as well as numerous other charges.

#### **IAG Recommendation:**

**IAG recommends ongoing monitoring of these practices to determine the extent of the issue.**

### **Move from a 'paper based' system:**

While beyond the remit of this review, IAG encourages stakeholders to examine how modern technology may be used to improve the experience of all parties at the scene of a collision.

For example, at the accident scene, paper based 'Authority Forms' are still used.

#### **IAG Recommendation:**

**Replace paper Authority Forms with an electronic system to allow adequate tracking and auditing from the accident scene.**

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