



**SUNCORP GROUP - SUBMISSION TO ESSENTIAL
SERVICES COMMISSION**

**REVIEW OF ACCIDENT TOWING AND STORAGE FEES –
ISSUES PAPER**

November 2009

Introduction

This submission on behalf of the Suncorp Group of companies is in response to the Essential Services Commission issues paper on a review of accident towing and storage fees in Victoria. The Suncorp Group is the largest general insurer in the country (based on Gross Written Premiums) and comprises a number of retail and commercial general insurance brands including GIO, AAMI, Vero, Suncorp, Just Car Insurance, Shannons, Bingle and Apia. These brands have a combined market share of the motor vehicle insurance market in Victoria of 40%. The group offers a range of motor vehicle insurance policies including Comprehensive and 3rd Party Fire & Theft. As a major insurer of motor vehicles the Suncorp Group is also a large user of the services of the tow truck industry and is therefore vitally interested in the review of industry fees and practices.

Suncorp acknowledges the review of the industry in 2005 and the subsequent Accident Towing Services Act 2007 (The Act) and the related Accident Towing services Regulations 2008, has resulted in a more structured and efficient industry than existed previously. There remain a number of areas that Suncorp believes require further regulatory scrutiny and oversight. This submission describes these areas in response to the Essential Services discussion paper. The areas highlighted in the submission reflect the key concerns of the Suncorp Group which we believe any review of the towing industry should address. In summary, these are:

- The de-regulated nature of secondary (trade) tows and the consequential unrestrained capacity for marginal operators to charge exorbitant fees
- Related to the above the practice of some marginal operators impounding cars transported by them in their holding yards and to withhold or frustrate access to these cars by their owners until exorbitant fees are paid. The lack of any regulatory body to intervene to prevent this practice.
- The current “loophole” that can allow some marginal operators to demand immediate payment, despite the existence of direct credit payment arrangements.
- The lack of clear definition of when a salvage fee is applicable and the absence of a prescribed fee structure for salvage services.
- The lack of a consistent set of policies and practices between the Controlled area and regional jurisdictions. In particular the anomaly that exists with practices and costs in the Geelong Self Managed Area.

The overall purpose of this submission is to provide a balanced evidenced based response to the issues paper. Furthermore it should be noted from the outset that the Suncorp Group is strongly in favour of a professional and efficient towing industry that enjoys a fee structure that is both fair and reasonable and ensures the sustainability of the industry. To achieve an equitable outcome for all stakeholders the Suncorp Group believes that a more transparent and effectively regulated industry is required. The desired outcome is to remove current anomalies and opportunistic practices that threaten the efficient functioning of the industry, result in additional costs for consumers and work against the interests of the majority of participants.

1. Deregulated Secondary Tows

The deregulation of secondary tows in Victoria has seen a number of operators deciding to charge well above industry averages for these tows. In some instances the charges are double the average fee charged by other providers. The additional costs of transporting damaged vehicles for repair are factored into the overall cost of claims when determining premiums.

While there are a relatively few operators who behave in this manner it is likely that due to the ownership structure of tow truck licenses, the practice of the few if not address will proliferate to other operators driving up overall costs. The table below illustrates the differences in towing fees between operators for secondary tows.

| Invoiced Description | Klms Travelled | Fee Charged | Reasonable Fee |
|---------------------------------|----------------|------------------|-----------------|
| Flemming to Collingwood | 6.7 | \$ 176.00 | \$ 88.00 |
| Northcote to Collingwood | 3.9 | \$ 176.00 | \$ 88.00 |
| Bulleen to Mt Waverley | 17.7 | \$ 165.00 | \$ 99.00 |
| Bentleigh to Sandringham | 5.3 | \$ 121.00 | \$ 66.00 |
| Nunawading to Blackburn | 2.6 | \$ 99.00 | \$ 66.00 |
| Abbotsford to Mt Waverley | 21.6 | \$ 154.00 | \$ 85.00 |
| | | | |

Non Accident Related Tows (e.g. Theft recovered vehicle)

| Invoiced Description | Klms Travelled | Fee Charged | Regulated First Tow |
|------------------------------|----------------|-------------|---------------------|
| Endeavour Hills to Dandenong | 5.8 | 263.64 | 168.45 |
| Dandenong West to Dandenong | 3-4 | 290 | 168.45 |
| Rowville to Bayswater | 12 | 250 | 168.45 |

The tables above clearly demonstrate the variability of charges on secondary and non accident related tows. From a commercial perspective this level of volatility in towing costs is unsustainable going forward.

2. Withholding of Access to Towed Vehicles

A related problem to the lack of regulation on secondary tows and the propensity of some operators to charge exorbitant fees is the practice of withholding or denying access to vehicles until owners or their insurers pay the demanded fee. In these instances the car is held in the tow operators' holding yard, or that of an aligned smash repairer or might be delivered on the back of a tow truck but not unloaded unless payment is made.

Often a cash settlement rather than any other form of payment is demanded to release the vehicle. The lack of any regulatory body to intervene to prevent this practice is a cause of concern.

The Suncorp Group has experienced this behaviour on numerous occasions which unduly frustrates the normal repair process, adds unnecessary costs, and is stressful to our customers. These situations are protracted, difficult to resolve and sometimes result in protracted and costly legal action. This could be resolved by implementing the following actions.

- Regulating the fees that can be charged on secondary tows.
- Prohibiting the withholding of vehicles from their rightful owners (or their insurance company).
- Determination on the approved forms of payment to include EFT funds transfer or company cheque.
- Restricting access to primary tow allocations for failure to comply.

A suggested improvement to the system that may assist in overcoming these irregularities is the appointment of an independent arbiter such as is the case in South Australia. The role of the arbiter would be to adjudicate on disputes particularly where vehicles are being withheld.

3. Salvage Costs

The issues paper recognises the de regulated nature of fees charged for salvage and cleanup at accident sites in Victoria and the variability this can introduce. The paper also recognises that this is not the case in other jurisdictions in particular NSW which prescribes the fees that can be charged on defined salvage services. The absence of regulation or restriction on what may be charged for undefined services creates an area of potential dispute between

providers and customers of towing services. Again the Suncorp Group of brands has encountered numerous instances where excessive fees have been charged for actions and activities it has been difficult to substantiate. Disputes have occurred where charges have been made for services which were not actually provided. The investigation of these matters involves discussions with customers who were aware of the nature of the towing task. In these instances fees were denied on the basis that the invoiced services were not carried out. Some brief examples are described below:

Salvage

| Description provided by operator | Fee Charged | Comment |
|--|-------------|---|
| Vehicle jammed against other vehicle | \$ 66.00 | Customer confirmed that they had moved car away from other damaged car |
| Wrong address provided by police | \$ 110.00 | Not considered Salvage |
| Had to use winch to get vehicle onto truck | \$ 55.00 | Not considered Salvage |
| Remove vehicle from footpath | \$ 100.00 | Not considered Salvage |
| Manoeuvre bike onto tray & strap down | \$ 55.00 | Not considered Salvage |
| Salvage | \$ 100.00 | Operator unable to provide salvage reason |
| Salvage | \$ 80.00 | Operator unable to provide salvage reason (contact made twice to follow up) |
| Remove vehicle from footpath | \$ 110.00 | Not considered Salvage |
| Salvage | \$ 88.00 | Operator unable to provide salvage reason after attempts to follow up |
| Vehicle jammed against other vehicle | \$ 100.00 | Customer confirmed vehicles were not jammed together and easily moveable |
| Remove vehicle from footpath | \$ 60.00 | Not considered Salvage |

The preferred position would be to have a system similar to that of NSW where salvage services are defined and the maximum charges are prescribed. While it is unlikely these actions will entirely

eliminate the capacity for overcharging the extent or latitude for this behaviour would be significantly curtailed.

4. Lack of Consistency between Jurisdictions

The structuring of regulations controlling the tow truck industry into Controlled and Self Managed areas, in particular Geelong, gives rise to variations in the actions of certain operators and the fees charged. Suncorp has encountered numerous instances where the fees charged for towing services in the Geelong area are well above what would be regarded as reasonable industry levels. Some examples of this variability are as follows:

- 1st tow fees range from \$280 to \$480 plus GST. The median in Geelong is approximately \$300
- Salvage varies from company to company averaging \$120 to \$200 – storage is \$20 per day
- 2nd tows vary from \$60 to \$110 plus GST. The average is \$77
- Extra klms are charged at \$3.60 to \$4.80

The lack of an allocation system with regulated fees in the Geelong area allows free reign to those operators who are prepared to exploit the system. Our concern is the charging practices of these operators could become systemic in the Geelong region and drive costs of towing services to unsustainable and uncommercial levels. We would further contend that the original rationale for the establishment of the Geelong Allocation Area is an historical anomaly and the area should be absorbed into the Controlled Area.

Conclusion

The issues paper examines the principles on which the future of regulation in the towing services industry in Victoria should be based - the overarching requirement being the continued development of a competitive and efficient industry that benefits all key stakeholders. The Suncorp Group contends there are a number of regulatory changes the review should consider to eradicate excessive charging and capturing of vehicles by a minority of operators; provide more specific definitions regarding salvage activities and costs; and achieve consistency in jurisdictional oversight by aligning the Geelong Self Managed Area with that of the Controlled Area.

By undertaking these suggested regulatory reforms Suncorp is of the view that the towing industry in Victoria will represent best practice and will provide a stable platform for ongoing reviews of fees and charges that in turn ensure the sustainability of the industry into the future. This will represent a maturing of the industry bringing it into line with other related industries.

Further information on this submission can be obtained from:

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