



One Company
Many Brands



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The Tow Truck Review
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne Vic 3000

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

Dear Dominic

Periodic Review of Accident Towing and Storage Fees

I refer to *your consultation paper, Periodic Review of Accident Towing and Storage Fees* released for public consultation in February 2013. Suncorp welcomes the opportunity to contribute to this discussion.

The Suncorp Group

Suncorp Group Limited and its related bodies corporate and subsidiaries (collectively 'Suncorp') offer a range of financial products and services in banking (Suncorp Bank) life insurance and superannuation (Suncorp Life) and general insurance across Australia and New Zealand. Suncorp has more than 15,000 employees nationally and relationships with over nine million customers.

Nationally, Suncorp is the largest motor insurer operating under its various brands, including AAMI, Apia, GIO, Just Car, Shannons, Suncorp and Vero. This submission is made on behalf of the Suncorp Personal and Commercial Insurance divisions which operate Suncorp's motor portfolios and compulsory third party (CTP) insurance in Queensland and New South Wales. Suncorp has over 100 years of motor insurance experience via its Vero Brand.

Detailed answers to the questions asked in the review paper are attached in the Appendix.

Executive Summary

In Victoria Suncorp utilises approximately 40,000 tows a year via the Allocation System. The estimated cost of this in Victoria in the 2012/13 financial year is nearly nine million dollars. Therefore Suncorp is providing a substantial part of the income flow into this industry.

Suncorp is supportive of the allocation system used in Victoria as it sees that it encourages competition amongst the different participants and helps to ensure there are many providers in the market. Suncorp considers the Victorian market to be healthy and well managed overall.

The consultation paper focuses on non regulated costs, specifically salvage and 2nd tows.

Salvage

In Suncorp's experience, since the introduction of compulsory photographs for salvage, the prices being charged are on the whole reasonable and reflective of the work done. Salvage tends to vary significantly in price depending on the type of work being done, from approximately \$60 - \$5000 (if a crane is involved for example and the car is in water). The Accident Towing Services Act 2007 already allows for the Minister to determine a basic salvage fee, Suncorp recommends that this occurs following on from this review, to remove all uncertainty about what the fee should be.

2nd Tows

This issue is more problematic. Amounts vary a great deal and depend on relationships with the operators and Suncorp's ability to communicate our own expectations with specific operators. Greater internal management has seen this variability reduce over the last 12 months.

To create certainty, it is recommended that the second tow rates be regulated on a per kilometre basis.

Out of Storage Tows

Out of storage tows are when a vehicle is moved within the towing operator's yard. These vary greatly and this is one of the areas that causes the most friction. Additionally it is common for vehicles to be not easily accessible (despite the Accident Towing Services Act 2007 requirements for the vehicle to be reasonably available) which causes concern and allows for unreasonable fees to be charged.

Given the base tow fee is now \$196.90 (for the first 8 kms), Suncorp recommends that the regulation should be changed to include the out of storage tow. Additionally Suncorp would like to see an obligation on the tow truck operator to make the vehicle readily available at the entrance to the tow operator's yard (similar to that in Queensland).

Enforcement

Any regulatory regime is only as effective as the resources allocated to ensure that the licensees meet their obligations. In recent times Suncorp has observed that Vic Roads has lost resources in this area (presumably due to government spending cuts). Vic Roads resources are now unable to effectively manage this industry which in turn has led to Suncorp pursuing civil action against recalcitrant towing operators.

It is recommended that the Victorian Government reconsider their resourcing allocation to this important area of enforcement.

Payment

Demands for cash continue to be an issue. As per our previous submission Suncorp would like the Act to specify that payment by EFT funds transfer, credit card payment or a company cheque is sufficient and cash is not required.

Conclusion

Suncorp looks forward to continuing to work with the Victorian Government and its representatives in relation to the regulation of tow truck operators and fees, with the outcome of ensuring an efficient sustainable tow truck industry that is well regulated and compliant.

Suncorp would be pleased to discuss our submission or any other matter relating to the review of accident towing and storage fees with you. If you wish to do so, please contact me on 03 8681 9428. Alternatively please contact Rob Bartlett on 03 8520 1128.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Annabelle Butler', written in a cursive style.

Annabelle Butler

EM – Public Policy and Stakeholder Management – Suncorp General Insurance

cc

Rob Bartlett - Manager – National Industry Relations – Suncorp Personal Insurance

Jessica Sherlock – Manager – Supplier Development

Jamie Dobbs – EM Professional and Industry Claims – Commercial Insurance

Appendix

Q1	How have the costs of accident towing operators changed since the last review? Have cost changes been markedly different to the CPI-X annual fee variation?	Suncorp does not operate its own towing fleet, but makes the following observations. Overall it appears that fixed costs have been fairly stable, cost of fuel, cost of labour, cost of maintenance etc. Therefore Suncorp is not aware of any additional inflationary factors that are causing tow truck operators costs to increase and margins to decrease.
Q2	Do current fees and charges need to be reset, or are they at an appropriate level? What indicators and information should the Commission consider in determining whether a reset is required, and the direction of that reset? Should accident towing fees decrease?	Suncorp is of the view that fees are at an appropriate level. In the last review fees were increased substantially to recognise how low they were, Suncorp supported this. This has in the main stopped operators using unregulated fees to pad out bills. This indicates to Suncorp that the fees are satisfactory.
Q3	Should a benchmarking approach be used by the Commission in resetting fees?	Suncorp does not see this as necessary.
Q4	Are there other methodologies for resetting fees that the Commission should consider?	Other than looking at input costs and how they may have increased, to see if there is a large discrepancy between the automatic rises and these costs, no.
Q5	Has the annual adjustment mechanism been effective? Should it also provide for price decreases so that consumers benefit from cost decreases?	The annual adjustment mechanism is effective in that it allows Suncorp to forecast potential increases to towing charges. These charges are then factored into the working claims cost part of the premium stack, which the insured then pays for when it purchases a motor policy. Clearly if there was an opportunity for decreases then this should also be factored in.
Q6	Is the current cost index (CPI Melbourne, Transport) the appropriate cost index to use?	Yes
Q7	What are the potential sources of productivity increases in the industry?	From an insurers perspective please find the following. Rather than the owner of the vehicle having to telephone the Allocation Centre, the insurer should be allowed to as their agent. This would help the insured by removing some of the stress from the situation and allow the insurer to clearly articulate to the Allocation Centre that it is one of their vehicles and where it needs to be towed.
Q8	What rates for basic salvage have been applied by industry operators over recent years? Have these been reasonable? Is there sufficient evidence of appropriate charging under the new requirement?	Suncorp sees charges for basic salvage varying from \$60 - \$120. At times if the fee is regarded as excessive (e.g. removing a wheel from the pavement), Suncorp will ask for photo evidence and negotiate with the operator. This is not the ideal outcome, and Suncorp would rather see a fixed rate for basic salvage.
Q9	Should a fee for basic salvage be prescribed?	Yes, the concept of reasonableness as contained in the Accident Towing Services Act 2007 is insufficient to allow for certainty from an insurer/consumer perspective. The Act current allows for the Minister to determine the amount for basic salvage, Suncorp would support the Minister in taking this action.
Q10	If basic salvage charges are regulated what is the appropriate charge or methodology for establishing the level of the charge?	Suncorp is of the view that basic salvage (given indications from charges by operators) should sit at \$60. However to confirm this assumption is correct a review of average working time for basic salvage could be undertaken to establish a reasonable fee, that is reflective of operator's costs.
Q11	What rates have been charged for secondary tows over recent years and what was the nature	Rates vary from \$88 - \$160. Secondary tows occur when the operator has taken the damaged vehicle to their

	of the secondary tow?	holding yard and then tows it on instruction to one of our Repair Link Centres. Unfortunately, despite our customers explaining to the operator that the car is insured by one of our brands, they still, in the majority of cases tow the vehicle to their yard. One way to overcome this issue would be to have a section on the Tow Docket that required the Operator to identify which insurer the vehicle was insured by.
Q12	Should a fee for secondary towing be prescribed?	Yes, the excess km amount of \$3.10 should be used. Unfortunately the law allows for a “reasonable fee” which is difficult to establish and argue. Therefore prescription is preferred.
Q13	To what extent and under what circumstances are out of storage fees being charged to vehicle owners or their insurers? What rates have been charged for out of storage tows over recent years?	Fees for out of storage tows vary from \$60-\$88. It is estimated that 90% of tows are being taken to the Operator’s Holding Yard first at present despite being informed that the vehicle needs to go to a Repair Link Centre.
Q14	Should out of storage tows be part of the accident towing service or be considered secondary towing?	The out of storage tow should be considered as part of the initial towing service. The reality is that during office hours tow truck operators are choosing to take the vehicle to their yard, rather than one of Suncorp’s Repair Link Centres. Part of the incentive to do this is the ability to be able to charge for the out of storage tow fee (as well as potentially being able to charge for a second tow to take the vehicle to the appropriate Repair Link).
Q15	Should a fee for out of storage towing be prescribed?	No it should be legislated that it is part of the base towing fee.
Q16	Should the Act be amended to clearly specify the services that are included in the base towing fee?	Yes, please see above, additionally it is common for Suncorp to be charged for cleaning costs - \$50-\$60 on average.
Q17	NA	NA
Q18	NA	NA
Q19	NA	NA
Q20	Is outcomes-based regulation an approach that should be considered for accident towing?	No, the law needs to be made clearer and properly enforced.
Q21	If outcomes based regulation is applied what are the key outcomes that should be required of accident towing operators?	NA

Other Major Issues that Suncorp would like to see considered in the Review

Review of Controlled areas, possible expansion required due to population growth

Although Suncorp recognises that the Review is unable to examine the Boundaries, given the terms of the review under the Accident Towing Services Act 2007, Suncorp would like to see a further investigation into whether or not the Boundaries are still relevant, given recent growth of Melbourne’s outer suburbs. This review should also include whether or not Geelong becomes a Controlled Area rather than self managed.

Payment terms on all tows

Given modern day payment methods, Suncorp would like the Act clarify that payment by EFT or credit card or company cheque is regarded as cash. Continuing demands for cash before a vehicle is released to the insurer or owner causes unnecessary friction and unfortunately for the customer - delays the normal repair process. From Suncorp’s perspective it adds to unnecessary costs; causes large amounts of money to be held in Suncorp’s Repair Link Centres; and at times if the situation becomes protracted and difficult to resolve, resultant legal action. Clearly none of these outcomes are ideal.