



One Company
Many Brands



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Dr Ron Ben-David
Chairperson
The Tow Truck Review
Essential Services Commission
Level 37
2 Lonsdale Street
MELBOURNE VIC 3000

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

Dear Dr Ben-David

PERIODIC REVIEW OF ACCIDENT TOWING AND STORAGE FEES DRAFT REPORT

I refer to the *Periodic Review of Accident Towing and Storage Fees Draft Report* (the Draft Report) released for stakeholder feedback. Suncorp welcomes the opportunity to provide feedback.

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), general insurance, life insurance and superannuation (Suncorp Life) across Australia and New Zealand. Suncorp has over 15,000 employees and relationships with over nine million customers nationally.

Nationally, Suncorp is the largest motor insurer operating under its various brands, including AAMI, Apia, Bingle, 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.

Executive Summary

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

The Draft Report considers whether the current regulatory regime remains relevant to today's accident towing and storage operating environment to ensure the Victorian market continues to remain health and well managed. To this end, draft recommendations have been put forward.

Overall, Suncorp supports the draft recommendations that are consistent with the position outlined in our earlier submission lodged in the consultation phase and wishes to confine its comments to the topics listed below.

Response Times Notification

It is reported that the legislative requirement to report response times to an accident allocation is not being enforced and thus insufficient information is available. Response times are seen as a measure of industry performance.

Timely clearing up of motor vehicle accident sites is a matter of public safety. A key service quality performance target for the industry is to respond to an accident allocation within 30 minutes. Suncorp has observed that in recent times Vic Roads has generally lost resources in this area, which maybe impacting on Vic Roads' capacity to actively enforce this.

Data suggests that clearance times – the time taken to remove a vehicle from the accident scene – is on average 228 minutes, with 47% of the accidents cleared within 60 minutes and 75% of accidents cleared within 90 minutes. The reliability of this data is questioned, due to some lack of inconsistency in reporting.

Consideration might need to be given to the usefulness of a separate regulatory requirement to notify response times, in the absence of enforcement resources. Use of reliable clearance rates might be a better and more efficient approach. Market forces will also have a role to play in keeping response times speedy, as tow operators compete for work.

Regulation of Basic Salvage Fees

Suncorp supports the draft recommendation that basic salvage should be regulated and a prescribed basic salvage fee be fixed, where currently it is not. Suncorp prefers the roll forward methodology in setting the prescribed rate as it is more practical given the difficulties in benchmarking different fee structures in other jurisdictions.

Suncorp prefers the basic salvage fee be applied as a flat rate for the first hour of salvage operations (regardless if it takes less than an hour) with the flat rate applied proportionally to the time take beyond the first hour, as opposed to no fee applied for the first 30 minutes and then the flat rate applied proportionally after the first 30 minutes.

From a policy perspective, a model of no fee for the first 30 minutes, with increasing effective hourly rates as the duration of salvaging increases, as occurs in the NSW scheme, may not be the best fee structure to support competition for the salvage works or increases in salvage works productivity (i.e. efficiency in salvage works).

Salvage Fees for Additional Trucks

Suncorp supports the suggestion that the current fee structure for additional trucks called to an accident involving only one vehicle maybe be inappropriate and should be reviewed. This is because the current basic fee structure for salvage includes towing a vehicle for eight kilometres and cleaning up oil spills. As the additional truck would not need to perform these tasks, overcompensation is likely to occur.

However, there are instances where additional trucks may be appropriate for single vehicle accidents due to the difficult, complex or dangerous nature of the salvage operations. In those instances Suncorp suggests a 50 percent surcharge to the base rate would be reasonable.

Secondary Towing and Out of Storage Fees

We wish to reiterate our concerns (from previous submissions) that despite the fact our customers explain to tow operators that the vehicle 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 requires the tow operator to identify the insurer of the vehicle in question and to obtain destination instructions from the insurer.

It is noted that legitimate towing fees do not arise until the vehicle is delivered to the nominated destination on the Tow Docket in the first instance. For example, towing a vehicle to the operators' yard because the insurer's assessment yard is closed during non business hours does not raise a legitimate separate towing fee. Further, Suncorp argues that out of storage fees should not apply in these instances either.

Fees for legitimate secondary towing should be prescribed, as the current law allowing for a "reasonable fee" is difficult to establish and argue. Further, out of storage fees should form part of the basic tow fee.

Other Comments

Incident data reveals that most of the road accidents occur between 8am to 8 pm, with the greatest spikes in accidents occurring between 4pm and 7pm.¹ Afternoon peak hour traffic congestion would be significantly contributing to these statistics.

With a significant proportion of accident towing and storage work occurring in the afternoon peak hours (4-7pm), Suncorp suggests this timeslot is likely to be considered standard business operating hours by most tow-truck operators. This means the current business hours of 8am to 5pm are incongruent with the usual hours of operation for accident towing providers.

Suncorp suggests that standard business hours for accident towing and storage should be from 8am to 7pm, encompassing the times during which the significant majority of accidents occur. This would ensure the after-hours loading only applies to services provided at off-peak times.

Conclusion

Suncorp looks forward to working 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 is happy and available 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 or alternatively Rob Bartlett – National Industry Relations Manager on 03 8520 1128.

Yours faithfully



Annabelle Butler
Executive Manager
Public Policy and Stakeholder Management
Personal and Commercial Insurance

¹ NERA Economic Consulting - *Benchmarking Accident Towing Fees and Options for Annual Adjustment A Final Report for the Essential Services Commission* – 8 April 2013 at page 4