



Minister for Finance



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Dr Ben-David
Chairperson
Essential Services Commission
Level 37/2 Lonsdale Street
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Dear Dr Ben-David

ESSENTIAL SERVICES COMMISSION REVIEW OF VICTORIA'S ACCIDENT TOWING SERVICES

In accordance with my powers under section 41 of the *Essential Services Commission Act 2001*, I refer to the Essential Services Commission the attached Terms of Reference for an inquiry and report on tow truck services.

If you have any queries on this matter please contact Narelle Hardiman, Assistant Director, Economic Policy Group in the Department of Treasury and Finance on 9651 2463.

Yours sincerely

ROBERT CLARK MP
Minister for Finance

31/1/14

Broad Review of Accident Towing and Storage Economic Regulation

Terms of Reference

Background

Accident towing services are regulated in Victoria to ensure that services are provided in a safe, efficient and timely manner through the licensing of tow trucks, and the accreditation of drivers, operators and depots. However, some aspects of the operation of accident towing services vary by location.

- In the Melbourne metropolitan 'controlled area', assignment of accidents to tow truck operators and accident towing and storage fees are regulated.
- In the Greater Geelong 'self managed area', assignment of accidents is via a self-managed scheme, but Fees are unregulated but are required to be reasonable.
- In all other areas of Victoria, while there are no formal allocation schemes determining who may attend an accident scene (and there are sometimes very few operators to choose from), the Victoria Police may assume this responsibility in some areas (Ballarat, Bendigo and Gippsland region). The Victoria Police are seeking to expand this responsibility to other areas of rural Victoria through the use of the emergency communication system (ESTA). The fees in all these areas are unregulated but are required to be reasonable.

The current 'Melbourne controlled area' was created in 2002 to ensure, where possible, accidents are attended within 30 minutes and that there is a fair distribution of accident towing jobs per licence within the area. Similarly, the 'self managed area' of Geelong was created to ensure a fair distribution of accident towing jobs per licence.

A broad review of the accident towing and storage industry in Victoria, including options for Government intervention (i.e. covering the varying arrangements in the controlled, self managed and other areas of Victoria), has not been undertaken recently. Operations in the controlled area were last considered by VicRoads when it assumed responsibility for the industry in late 2007. The Essential Services Commission (the Commission) as previously been required to review and recommend fees in the controlled area, but not in areas outside the controlled area.

Terms of Reference

Pursuant to section 41 of the *Essential Services Commission Act 2001* (the ESC Act), as Minister responsible for administering the ESC Act, I ask the Commission to undertake a review of, and make recommendations in relation, to the following:

1. The accident towing industry in Victoria, including an analysis of the role of Government and an analysis of the industry's competitiveness.
2. Regulation of the accident towing and storage industry, including an identification and assessment of the benefits and costs.
3. Possible alternative arrangements for accident towing services that the Commission considers may be appropriate, including an identification and assessment of the benefits and costs.
4. The appropriateness of the existing boundary and zones in the Melbourne controlled area.
5. The basis on which accident towing jobs are allocated in the Melbourne controlled area having regard to the safe and efficient service without impacting quality and timeliness of the service to customers.

6. The appropriateness of the existing boundaries and the current form of economic regulation in the self-management area of Geelong.
7. The current form of regulation applying to heavy vehicle accident towing services.

In performing its functions and exercising its powers, the objective of the Commission is to promote the long term interests of Victorian consumers. In seeking to achieve this objective, the Commission will have regard to matters outlined in section 8(A) of the *Essential Services Commission Act 2001* to the extent that they are relevant.

Process for the Review

The Commission is to conduct the review in a manner as described in section 43 of the *Essential Services Commission Act 2001*.

Information gathering powers

The Commission may use the powers set out in section 37 of the ESC Act to assist it in obtaining specific information the Commission is seeking.

VicRoads will assist the Commission, where possible, in relation to any information and/or data requests regarding the Victorian towing industry.

Consultation

The Commission should consult with stakeholders in undertaking this review, including by inviting written submissions.

Final Report

The final report is due no later than twelve months after commencement of the review in August 2014. The Commission will provide a copy of the final report to the Minister for Roads at the same time as the final report is provided to the Minister for Finance.



ROBERT CLARK MP
Minster for Finance

Date: 31/1/14