

**Insurance Manufacturers of
Australia (IMA) and Insurance
Australia Limited (IAL)**

SUBMISSION

TO

**REVIEW OF ACCIDENT TOWING
AND STORAGE FEES**

**ESSENTIAL SERVICES
COMMISSION**

DATE OF SUBMISSION: 23 APRIL 2010

Submitted to:

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Chairperson
Essential Services Commission
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Submitted to: towtruckreview@esc.vic.gov.au

Insurance Manufacturers of Australia Pty Limited (IMA) is an alliance between Insurance Australia Group (IAG) and RACV Group (RACV). IMA's responsibilities include the management of certain claims for insurance policies issued either by IMA or Insurance Australia Limited (IAL) under the following brands: NRMA Insurance, SGIO, SGIC and RACV. (Note that this submission is made by IAL and IMA and not by RACV). This submission is in response to the draft report provided by Essential Services Commission (ESC) in March 2010.

We would like to firstly offer our congratulations to the Commission for providing well founded and considered draft recommendations. Secondly, we would like to make comment on the draft recommendations, as proposed. Our commentary is detailed below. Thirdly, we would like to offer the Commission our support and assistance during its ensuing reviews of Towing and Storage Fees incurred both within and outside of the controlled areas.

The Commission, in completing its review, has made comment on the difficulties encountered in obtaining robust, detailed and reliable estimates of costs and revenues associated with the various components of accident towing. As a major Insurer in Victoria, we receive and are affected by accident towing and storage services. Subject to availability, confidentiality and disclosure requirements, we would be pleased to offer our support and assistance. To this end, we would be pleased to offer such assistance that may include the provision of data to help the Commission with examples of the range of charges being applied, times being quoted etc.

To assist the provision of this information in the future, the Commission may wish to address disclosure requirements in its recommended amendments to the Act.

Draft recommendation 1

Accident towing and storage charges should be increased by 7 per cent commencing 1 July 2010.

We note the Commission's recommendation to provide an increase of 7 per cent and accept the detailed investigation and calculations offered to substantiate the recommendation support the increase, which will aid the sustainability of the industry.

Draft recommendation 2

A regulated salvage charge of \$39.50 / \$51.70 should be introduced.

We view this recommendation is as a positive improvement. As an Insurer, we are the ultimate recipient of salvage charges and have, in the past, experienced significant and unstructured variation in the charges being applied.

Draft recommendation 3

Towing operators should be required to provide a detailed itemised description on the invoice for all of the services performed, including the provision of photographs.

This recommendation is welcomed. As an Insurer, we have continually experienced difficulty and frustration in our attempts to obtain meaningful information to substantiate invoiced towing and salvage charges. The requirement for itemised descriptions will greatly assist with achieving transparency throughout the industry.

Draft recommendation 4

All regulated fees should be adjusted on 1 July annually to reflect CPI (Melbourne transportation index) minus 0.5 per cent reflecting a productivity adjustment.

We support the Commission's recommendation to provide an automatic annual review. Of particular appreciation is the forethought to consider and recommend a 'productivity adjustment'. All commercial enterprises remain subject to market forces to remain competitive, thus the addition of such an incentive for efficiency and continuous improvement will ultimately benefit customers.

Draft recommendation 5

The Accident Towing Services Act 2007 should be amended to allow for four-yearly reviews.

We support the Commission in this recommendation.

Draft recommendation 6

Regulated fees should continue to include a provision for the costs associated with non-commercial tows.

We support the Commission in this recommendation.

Draft recommendation 7

No change to be made to the boundary for the Controlled Area until a formal boundary change process is developed.

We support the Commission in this recommendation. We would also be interested in and agreeable to participating in any ensuing review process, to further support our preference for the Controlled Area to be extended.

Draft recommendation 8

A more detailed review should be undertaken of the need for regulated accident towing and storage fees in the Geelong area.

We support the Commission in this recommendation.