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8th March 2013

Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne VIC 3000

Dear Sir/Madam,

**Re: Submission – Essential Services Commission –
Periodic Review of Accident Towing & Storage Fees**

Question 1 – How have the costs of accident towing operators changed since the last review? Have the cost changes been markedly different to CPI-X annual fee variation?

Response 1 - Since the last review the costs of accident towing have significantly increased. Please see attached analysis of towing costs in regards to total turnover and total expenses. It can be seen that from our analysis there has been a steady increase in costs which considers data from 2007 – 2012.

All suppliers have passed on their increase to us but we have had to wear the price increase over the last few years. This has affected our bottom line.

Question 2 – Do current fees & 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?

Response 2 – Current fees & charges do need to be reset. They should be increased as we do not believe they are at appropriate level. The Accident towing fees should definitely **NOT DECREASE**. The commission should consider the cost of living, the cost associated with operating a tow business as per point one and the fact that tow fees have not had a major overhaul in numerous years.

Question 3 – Should a benchmarking approach be used by the Commission in resetting fees? If so, what services or industries should accident towing fees and charges be benchmarked against? How significant are differences between accident towing and these benchmarks?

Response 3 – Benchmarking should not be used as the towing industry is one in its own. It cannot be compared to other industries. All service providers charge a minimum fee generally based on time eg. electricians and plumbers. Tow Operators should charge an increased base fee on the basis that we offer an essential service and without our assistance Victorian roads would suffer severely if accidents were not cleared in a safe and timely manner.

Question 4 – Are there other methodologies for resetting fees that the Commission should be considering?

Response 4 – If you consider Table B.1 whereby the cost of a tow in 1982 was effectively more than today the ESC must determine a new fair and reasonable base price for and associated charges for towing operators.

Question 5. Has the annual adjustment mechanism been effective? Should it also provide for price decreases so that consumers benefit from cost decreases?

Response 5 – The annual adjustment has been ineffective because the towing companies are not making enough income to be able to pay for experienced drivers so the consumers are putting their cars and themselves at risk until an inexperienced driver becomes experienced. Operators do not have the training resources to be able to train and educate new drivers to the industry which has caused the industry to stagnate.

Question 6. Is the current cost index (CPI – Melbourne, Transport) the appropriate cost index to use?

Response 6 – The current cost index is based on transport companies that transport multiple goods from A to B, but accident towing is restricted from taking more than one vehicle at a time. At an accident scene it would be possible for a tilt tray to tow two vehicles however it is not allowed under the ACT. In summary we do not believe that using a generic transport CPI indicator be effective.

Question 7. What are the potential sources of productivity increases in the industry?

Response 7 – With enhanced technologies and the ever changing composition of motor vehicles, a lot more debris is being created at accidents ie. Plastic crumbles into bits, whereas metal just dents mainly. Time spent at an accident has increased since the last review. Drivers have to spend more time clearing a scene than ever before.

Question 8. 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 requirements?

Response 8 – Salvage can only be determined after you have done the job as you don't know how hard it is going to be until a vehicle has been salvaged.



Question 9. Should a fee for basic salvage be prescribed?

Response 9 – No, further to the previous questions a set price for salvage is not fair and reasonable as how do you know what is going to happen (ie: is it going to roll over back onto its wheels or are the wheels to collapse, is the engine going to fall out.)



Question 10. If basic salvage charges are regulated, what is the appropriate charge or methodology for establishing the level of the charge?

Response 10 – No salvage is basic as there is too much that can go wrong, and if you treat any salvage as basic someone is going to get hurt. No minimum charge for salvage should be set. It is a case by case basis, as this may cause operators/drivers to take shortcuts.

Question 11. What rates have been charged for secondary tows over recent years, and what was the nature of the secondary tow?

Response 11 – When trade towing became de-regulated a lot of the smaller towing companies or one truck operators stopped paying for marine insurance, public liability insurance and some don't even have car insurance as there is no government body checking to see that a minimum standard is being maintained. Now you get the operators that have no overheads and can do tows for nothing, but they put the lives of the public at risk eg see below



The insurance companies are now using cheap towing companies to try and make the bigger towing companies do trade tows for less than half of what they have been charging for the last two years.

Generally secondary tows are charged per kilometer basis. Example within a 20km radius tow the fee is \$110.00 (incl GST) then \$3.10 per excess kilometer thereafter. Included in the base price of \$110.00 is the out of storage tow for \$88.00.

Question 12. Should a fee for secondary towing be prescribed? Alternatively, should secondary towing (or certain types of secondary towing) be included in the base towing fee, or are there non-price mechanisms to ensure reasonableness in secondary towing fees and practices?

Response 12 – The second tows need to be towed by someone that knows what they are doing, as it is just as hard and dangerous to load a car that has been smashed at the depot as on the side of the road. When you pick up a hard hit at the scene of the accident and you end up with petrol and oil all over your tray, it takes an hour to degrease your tray and get the oil off and then when you second tow the car somewhere for the owner or the insurance you have to go through cleaning all over again.

Secondary towing fees should not be prescribed.

Question 13. 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?

Response 13 – An out of storage tow fees are charged when a tow operator is required to remove a vehicle from its premises once it has been delivered to its towing yard after a smash tow. This type of service has been charged by our company at the rate

of \$88.00 including GST. As you still have to load and unload and clean up the mess on the tray and in the depot. You cannot let other towing companies into your depot to load cars as you are ultimately responsible for what happens on your premises.

Question 14. Should out of storage tows be part of the accident towing service (and therefore be covered by the existing base towing fee), or be considered secondary towing?

Response 14 – Out of storage tow have been charged at \$88.00 as you still have to load and unload and clean up the mess on the tray. You cannot let other towing companies into your depot to load cars as you are liable you any damage they do to other cars or to themselves.

Question 15. Should a fee for out of storage towing be prescribed?

Response 15 – It takes the same time as a minimum tow to load and unload so an out of storage tow is charge at your minimum tow.

Question 16. Should the Act be amended to clearly specify the services that are included in the base towing fee?

Response 16 – Yes, The act should clearly specify that the services that are included in the base towing fee. This will assist avoid conflict between tow operators and insurance companies who always want to pay as little as possible for towing services.

Question 17. To what extent are non-commercial tows undertaken by operators? To what extent are they undertaken because owners do not claim their vehicle from the depot, and to what extent are non-commercial tows of abandoned vehicles undertaken at the direction of police or other authorities?

Response 17 – The police will direct you to tow a car no matter whether you are going to get paid or not. The police will have a car towed even if the owner does not want the car towed as they don't have any money to pay for the tow.

Question 18. How should the costs of non-commercial towing be recovered?

Response 18 – Accident Allocation needs to start to take down the callers details so, the towing operator has someone to follow up with. If you order the tow you should have to pay for the tow, the towing company still has to pay for the driver, the fuel, the e-tags and any other cost that arise for the tow.

Question 19. Does the cost of non-commercial tows fall evenly across all depots/operators?

Response 19 – No some depots/operators would have a higher cost of non-commercial tows because of the areas that they cover. Poorer areas are more likely to have uninsured cars on the road than the “better off” areas. Different operators charge different rates depending on their particular circumstances.

Question 20. Is outcomes-based regulation an approach that should be considered for accident towing?

Response 20 – No, outcomes based regulation should not be considered.

Question 21. If outcomes-based regulation is applied, what are the key outcomes that should be required of accident towing operators?

Response 21 – Not Applicable

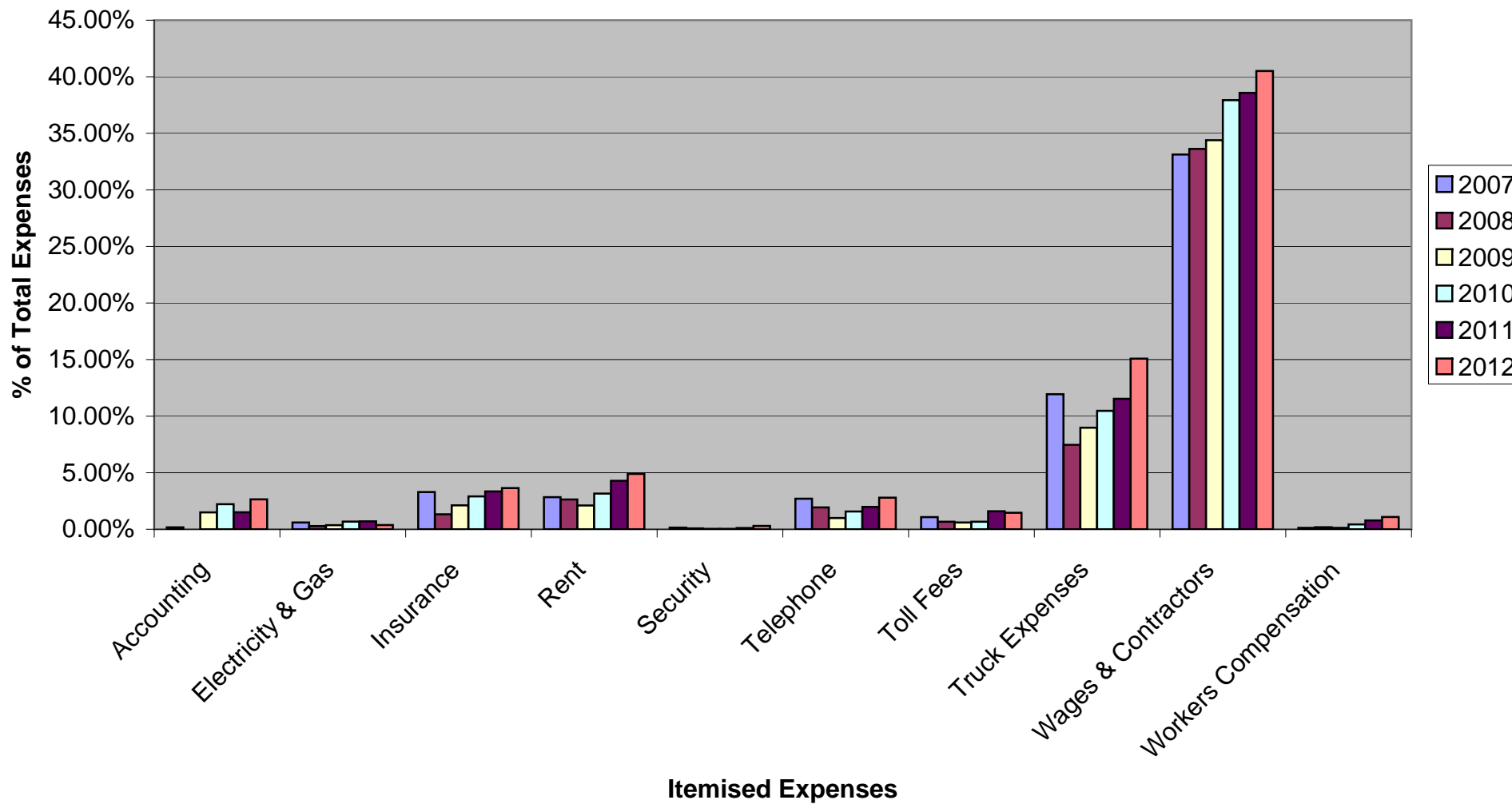
P.S. A towing operators job has so many factors to make it harder and nothing to make the job easier. Vic Roads keep changing the rules and regulations to suit them and make it harder for the tow truck drivers. The roads are getting busier and busier but we still have only ½ an hour to try and get to the accident. This time limit should definitely be increased as it is not fair and reasonable, especially in peak hour traffic. As there is no regulation of trade towing more and more people are buying tow truck and doing whatever they want to do i.e. towing car from accident scenes when they are not allowed to do so.

Accident Allocation are constantly taking allocations and fail to pass on caller's name and contact details so as to assist the tow truck driver in the event he/she cannot locate the accident. Often if you go to an accident and the highway patrol (Victoria Police) are there, 3 times out of ten you will have to argue with them because the owners insurance ring to book a tow and the patrol officer will book another tow. This causes mass confusion as too many tows are being allocated per job. We are also often called to accidents that do not eventuate in a tow being completed and we have to wear this cost. No-one takes responsibility for “dead allocations” and it is the towing operator who suffers. There should also be scope for tow operators to send out whatever trucks they deem necessary for smashes. You often get a situation where a tilt tray has been ordered but a conventional tow truck can tow the vehicle.

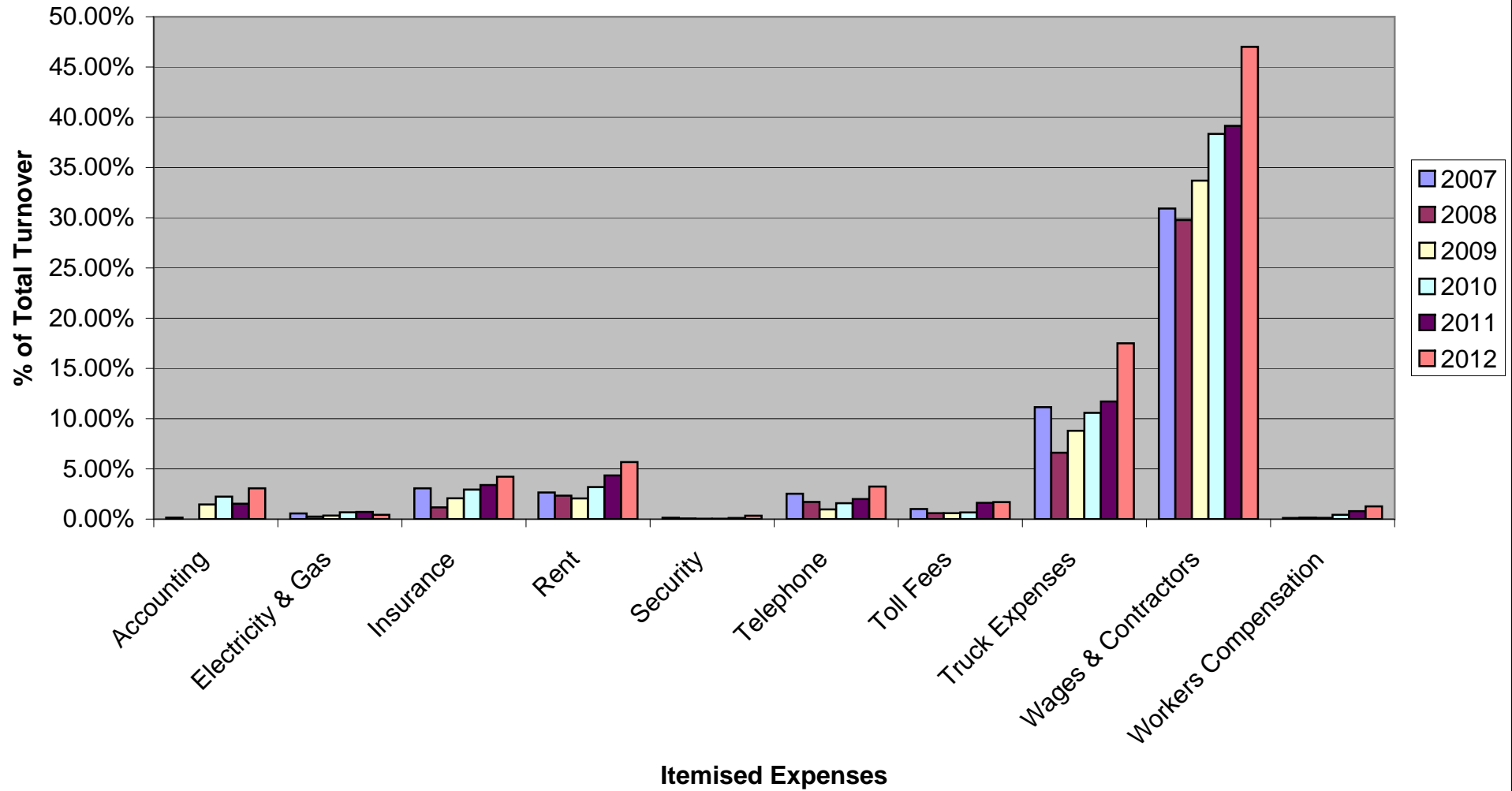




Itemised Towing Costs Summary v Expenses



Itemised Towing Costs v Revenue



Disclaimer:

The information contained in the above analysis has been prepared solely for our client. No audit has been conducted and accordingly no assurance is expressed.