

BULLETIN

Body Repair Division



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State of the Victorian Body Repair Market – September 2017

Dear BRD member,

This report outlines the current state of the insurer-repairer market in Victoria.

What are the main challenges/opportunities facing your body repair market?

Insurers are still writing off vehicles at around 60% which is hurting work flow.

What trends are evident in the market?

Networks are starting to develop across the State. Small family businesses are struggling to keep up with changes in technology and investment required in repairing new vehicles due to funny time and funny money assessments distorting the real cost of returning vehicles to pre-accident condition. This expansion of networks also means that non-payment of realistic rates by insurers to small businesses means they haven't got the money they need to invest in change and technology adequately.

What specific body shop trends are emerging?

Repairer profits are meagre or in recession, and repairers are looking at ways of increasing their volume and productivity in their shops. There is still a tendency to replace instead of repair as OEMs push their programs for parts sales.

How are insurers influencing the repair sector? What impact is this having on supply chain relationships?

Relationships are strained between the insurers and body repairers as they are still squeezing costs and in the case of one large insurer group failing to acknowledge and pay legitimate costs to repairers that, until recently, they did pay. Other insurers are using unconscionable methods to reduce assessment amounts for repairers by using either unrealistic times, unrealistic hourly rates, removing materials, consumable or paint costs to eventually unfairly cash settle vehicle owners on a reduced amount. Some insurers are brazen enough to not even remain at arm's length from the calculation of reduced, so called, alternative quotes.

What 'standards' are currently in operation in the sector? How are they monitored?

VACC has put to the Motor Vehicle Insurance and Repair Industry Code of Conduct (the "Code") Code Administration Committee (CAC) significant amendments to the Code we believe must be adopted if the voluntary Code is to remain important ([click here for code](#)). If these amendments are rejected, VACC will turn to a regulation of the Code with suitable amendments to adjust the balance of power insurers have over body repairers. VACC seeks only a fair playing field and clear rules of the game which are enforceable. That means insurer and repairers agree to play fair.

Importantly for VACC members who are doing the right thing and fully support the expectations, spirit and principles of the Code, non-VACC repairers and non-signatory motor vehicle insurers will legally have to follow the same rules of good practice or risk penalties. We will keep you posted on these advancing issues.

VACC Body Repair Division (BRD) has also endorsed the VACC Body Repair Industry Standard for Producing a Realistic Times and Rates Estimate. VACC is supporting the development and roll out of a national shop grading standard for body repairers. This standard will help with Code compliance and will press Assessors to produce only Realistic Times and Realistic Methods assessments of repairers estimates.

What impact/influence is new vehicle technology having on the sector?

Access to repair information for body repairers is being aggressively pursued as a preventive measure. The mechanical repair sector of the industry has experienced diminished access if you are a non-dealer repairer. We are ensuring that the current level of access for body repairers is not only maintained but expanded.

There is also a shortage of qualified body repair and spray painting artisans. VACC through its national body is pursuing a U-turn on recent 457 visa restrictions to reopen access for repairers to hire overseas spray painters.

We are working with the Victorian Government for the attraction of apprentices and transfer of ex-vehicle manufacturing employees to body repair and towing sectors.

What influence is repair technology (processes, systems, tools etc.) having within your market?

Most body repair shops are on insurer constructed systems such as Audatex or NTAR etc. Cloud-based technology will play a significant role with integration models in the future.

In no way should a member be forced into using such system. Their use is your choice.

VACC's position is that it is the body repairers right, obligation and responsibility to construct the estimate (including times, rates, materials, parts and other consumable and miscellaneous costs to fully recover repair expenses) and submit it in a manner they prefer. We have produced [the body repair industry standard](#) to help guide our members. While insurers may state a 'preferred methodology' it is not mandatory, and if they demand you use it, this can be construed as a breach of Unfair Contract Terms Law (take-it-or-leave-it).

Contact me via email (jquest@vacc.com.au) if this is a concern for you. Again it is your choice whether or not to use it. We caution a "buyer beware" approach and like all contracts, PSRs, etc. read them carefully and make sure all the terms are clearly laid out on the form and in plain English before you sign anything. Get your contract law legal adviser to check them and if necessary ask them to tell you whether the PSR contract conforms to Unfair Contract Terms Law.

What is the current status of the next generation/employee/ skills market for the sector?

Skills and training is a major problem with school leavers not being attracted to the trades. Body repairers will have to put in extra effort in getting new blood into the market and there is a pressing need for skilled and trained new artisans in the market. The skills of current tradespeople are good. However, these skills are not being passed on to the next generation.

Regards

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