

Geoff Gwilym
EXECUTIVE DIRECTOR



**Victorian Automobile
Chamber of Commerce**

ABN 63 009 478 209

VACC House
464 St Kilda Road
Melbourne 3004

P: 03 9829 1103

E: ggwilym@vacc.com.au

21 September 2018

Via email: ron.ben-david@esc.vic.gov.au

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

Dear Ron

VACC is please to make this supplementary submission to the Essential Services Commissions (ESC), August 29, Draft Report - Review of Accident Towing and Storage Fees. We would like to point out to the extent that any advice given below conflicts with VACC's May 2018 submission, the May 2018 advice will prevail.

Accident Towing Fees

Firstly, VACC takes this opportunity to extend an invitation for the Essential Services Commission (ESC) and VACC researchers to work collaboratively for the next review. We believe that both organisations can work together to develop a robust cost methodology so that the current benchmarking approach to Accident Towing Fees is not relied upon for future periodic reviews. The objective would be to establish a new agreed methodology that can be relied upon.

We believe the base fee should be about \$20.00 more than the current fee and this should receive a favourable upward adjustment by the ESC.

Storage Fees

We are pleased to see in the Draft ESC Report – Review of Accident Towing and Storage Fess (29 August 2018), that ESC is recommending a storage fee which is heading in the right direction. We consider the \$25.00 (excluding GST) as being a reasonable and sensible adjustment although it is at the lower end of the range we initially proposed.

ESC should introduce an increased, regulated, storage rate after seven days to expedite the clearance of stored vehicles. There needs to be greater incentive for owners of vehicles and insurers to remove vehicles from storage to free space for incoming accident vehicles. We suggest an interest rate factor may also be considered which is added to a regulated, post seven day storage rate.

Productivity Adjustment Factor/CPI

The towing industry is acutely aware that there are several fundamental limitations with the productivity adjustment factor as prescribed in section 212H of the *Accident Towing Services Act 2007*. Firstly, accident towing in the Melbourne Controlled area is not a competitive market. The number of tow truck licences has been capped at 421 licences for almost forty years and each accident towing operator is limited to the allocation zone it has been given by VicRoads.



The productivity adjustment factor needs to include the productivity gains and losses that have occurred across other key towing services that are provided by accident towing operators; specifically, the trade towing sector. Any increase or decrease in trade towing activities affects tow truck utilisation rates and the hourly cost to provide towing services.

Accident towing is subject to greater regulatory barriers compared with the transport sector and this denies accident towing operators the ability to improve processes and practices to reduce the hourly cost of accident towing.

VACC is concerned that Victorian Government regulatory fees are automatically subject to annual CPI increases without any requirement to deliver productivity improvements. In view of these regulatory restrictions, VACC strongly recommends that the productivity adjustment factor for accident towing and storage fees be removed from the CPI (Melbourne Transport) annual adjustment mechanism.

Salvage Fee

VACC supports the ESC's recommendation to not impose a base salvage fee.

In closing, we'd also like to extend a welcome for ESC officers to be involved in a storage field exercise in which time can be spent on say, four operator shops so ESC officers can experience the tow operators work activity first hand.

We also appreciate the way ESC have consulted the towing industry regarding the 2018 review.

Kind regards

A handwritten signature in black ink, appearing to read 'G. Gwilym', written in a cursive style.

GEOFF GWILYM