

## Acorn Car Hire

Dear Sirs

Acorn Car Hire have supplied the repair industry with courtesy cars since 1990 and at one time owned over \$6 000 000 of new vehicles which were predominantly supplied to customers of repair shops. We therefore consider ourselves to be an integral part of the repair / insurance industry.

We have made thousands of demurrage claims so know very well how the insurance industry works.

It is my opinion that the insurance industry as a whole uses bullying tactics to squash the repair industry into poverty. I have first hand experience of this.

They misuse their superior market position to gain unfair financial advantage over weaker market players. They do because they can, there is no governing body to stop them.

The repairers are at the mercy of the insurance industry in a very simple way. Ie the insurance companies hold the purse strings. Hence the scandalously low hourly rate that the repair shops are made to accept.

At Acorn we supply the repair quotes with our demurrage claims because it is requested for the insurance company to theorise on the repair period based on the hours on the job. We see the hourly rates as low as \$26.00 per hour. The insurance companies would no doubt argue that the repairers all accept the same price and are therefore happy..... so that must be the going rate. They would also argue that repairers exaggerate the total hours to compensate for any accusations of low hourly rate.

I cannot comment on the excessive amount of hours as I am not qualified in that field but it seems to me that the assessors strip any excess off with the stroke of the pen so the repairer gets it from both ends. Ie low rate AND low hours. Correct me if I'm wrong.

My suggestion is that a MINIMUM hourly rate be set by the Commission and recommended to the Government. That way the assessors can adjust the hours as usual and the correct overall rate for the job is the result.

I suggest the hourly rate should be calculated using a married man with two children as the example. Lets say he needs a minimum \$650 per week in his hand.

Therefore :

Gross weekly wages	\$850 per week = \$44 200 per annum
Holiday days off	20 days
Holiday loading 17.5%	\$595 per annum
Sick Leave	8 days
Public holiday days off	8 days
Superannuation at 9%	\$3978 per annum
Long service leave	\$520 per annum
Workers comp.	\$1200 per annum
Apprentice training 1 day per month	12 days

He costs the company  $44\,200 + 595 + 3978 + 520 + 1200 = \$50\,493$  per annum.

There are 260 working days per year and he has 36 days off. He therefore works 224 days per annum.

He works a 38 hour week which is 7.6 hours per day.  $224 \text{ days} \times 7.6 \text{ hours} = 1702.4$  hours per annum

Divide \$50 493 (Annual cost of worker by 1702.4 hours (hours he works per annum = \$29.65 (The amount he cost the repair shop)

Workshop costs naturally vary, but say an average shop costing \$30 000 per month to run with 10 workers means that a worker has to generate \$3000 each to support the workshop shop.

Therefore  $\$3000 \times 12 \text{ months} = \$36\,000$  per annum to support the shop.

$\$36\,000$  Divided by 1702.4 hrs = \$21.14 per hour to support the shop.

He therefore needs to generate  $\$29.65 + \$21.14 = \$50.79$  per hour for the repair shop owner to break even.

Naturally a panel shop owner turning over a few million dollars a year would expect to make a profit, not just provide jobs for his workers so his profit must be taken into consideration. This profit would be used in lots of cases to buy new equipment such as ovens and spraying equipment. A commercially acceptable mark up should be in the order of 100% on hourly break even rate.

$\$50.79 + \$50.79 = \$101.58$  per hour

Therefore \$101.58 per hour should be the minimum government enforced hourly rate for the lowest paid worker.

With respect to the delay of payment of invoices by the insurance companies. As stated, Acorn have made thousands of Demurrage claims and are sometimes nowadays paid within 24 hours by electronic transfer by some insurance companies, however some still take 6 months or a year to pay and others still short pay as a matter of course. We sue in every case and have issued 354 statements of claim so far. The names of the worst offending insurance companies will be supplied on request. We have recently been paid for a number of claims that are 6 YEARS OLD!!!! It took some doing but we got there.

The Government should also make third party property damage insurance compulsory as is the case in the UK. This would generate extra revenue of the insurance companies and could be used as a way of regulating P plate drivers from owning superfast cars and endangering peoples lives.

I hope this investigation can address this unbalanced situation and that the insurance companies can be regulated and be made to pay the correct rate for the job AND in a timely manner, say 28 days.

If it means increasing the insurance premiums then so be it, however looking at the company figures of, say AAMI, they make enormous profits and it seems this may be at the expense of the repair industry.

If an insurance company is found to be insolvent then it should be wound up and divided amongst the solvent ones so that this deliberate damage of the repair industry is stopped.

Yours faithfully

Stephen Martin