

BMW Group Australia Submission

Smash Repair Inquiry
Productivity Commission
PO Box 80
Belconnen ACT 2616

We welcome the opportunity to contribute to the Productivity Commission.

As an importer and distributor of prestige motor vehicles we have a keen interest in the integrity of the smash repair industry, in particular the interaction between insurers and repairers in returning properly repaired BMW vehicles to the customer.

In simple terms our objective is that following an accident, customer's cars be restored to pre-accident condition without compromise in strength or integrity, or risk of increased danger to occupant safety should the same, or similar accident recur.

Implicit in this are several imperatives:

- Quality of repair is critical and as might be expected, links closely to the continued safety of driver, passengers and other road users. In this context, post-repair compliance with ADR construction and safety standards should be regarded as mandatory.
- Developments in vehicle manufacturing technology and related repair requirements mean that body repairers simply must have ready access to the latest technical information and support. To this end, repairers should only accept vehicles that they have the skills and resources to effectively repair.
- In addition to skills enhancement, access to specialist tooling and repair equipment becomes even more important. Vehicle construction techniques are evolving across the entire automotive industry and wider use of alternative materials such as aluminium, thermoplastics and high strength steel are becoming commonplace - not just amongst prestige vehicles.
Specialised construction requires specialised knowledge, not to mention specialised tools and equipment.
To give just one example: damaged load bearing components constructed from high strength steel (e.g. door pillars, chassis rails) must be 'cold-straightened' and if this is not possible, replaced. The traditional practice of applying heat for repair/reshaping in such cases can lead to a loss in original strength of up to 40%!

The above points are matters of growing importance for the long-term viability of vehicles on Australian roads. We have seen many instances of vehicles requiring complex repairs referred to repairers with inadequate experience, resources and training, purely on the basis of cost.

The potential safety-related consequence of an out-of-date repair approach in the example quoted above is frightening.

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For our part BMW Group Australia has recognized this need by appointment of a national network of specialist BMW body repairers. Regular training and briefings on new vehicle design/construction/electronics and related repair techniques form an important part of our ongoing support for these repairers.

Further, as part of a deliberate initiative to develop a constructive dialogue with the insurance industry, we have in recent years extended such information sessions to insurance assessors. We would be happy to share the content of such sessions with members of the Commission upon request.

Thinking broadly about the overall scope of the current inquiry, and in the context of the need to face and embrace change, we take this opportunity to make several observations on aspects of the current vehicle insurance and repair industry which we find of concern:

Quoted repair times/labour costs

We believe this could be the only service/repair industry where initially quoted labour costs/repair times are significantly at odds with both reality and the eventual outcome. This issue has a long history and will no doubt be painful to change. However, we believe there is no reason that by working together the insurance and repair industries could not arrive at mutually agreeable solution based on transparent repair times and hourly labour costs. This would support a greater degree of accountability and professionalism in both industries.

Replacement Parts

Last year's ACCC document notes an expanding range of terms to describe the differing range of replacement parts allegedly available on the local market (parallel, OE, nongenuine, genuine, recycled, second-hand etc etc). Apart from introducing unnecessary confusion and obfuscation in the industry in general and importantly in the eyes of customers, this also raises the spectre of poor quality repairs through the expedient use of arguably inferior (but possibly cheaper) parts.

For our part we endorse only the use of new, genuine parts in all repairs and in our opinion this need not necessarily be at the expense of cost effective repairs.

Lifetime Guarantees

Again referring to the 2003 ACCC document, we note that such arrangements invariably place all onus on the repairer, with no evidence of formal support or ongoing endorsement from the insurer. This is ironic and would appear inappropriate given (a) the potential influence of the insurer on the manner in which the repair is effected, and (b) claims regarding 'ownership' of the customer and the repair by the Insurance industry in general.

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In summary, we suggest this inquiry should take into account three simple yet vital points:

1. Customer choice

To have a say in their vehicle being repaired by a suitably skilled and equipped body repairer.

2. Repair quality

An appropriate minimum standard of repair quality as a driving imperative in referring work to a given repairer - not 'Lust' price.

3. Changing repair techniques

Arising from developments in vehicle construction technology, more widespread use of alternative materials, and the need to ensure repairer's staff are adequately skilled and equipped to successfully carry out repairs in this environment.

In closing we wish to emphasise that we wholeheartedly endorse the current Productivity Commission Inquiry and appreciate the opportunity to table our views.

BMW Group Australia places a high priority on the safety of and choices available to the customer. To that end, we support the development of a comprehensive national Code of Conduct that would serve as a realistic set of guidelines for all participants in this vital, yet volatile industry.

Yours sincerely,

BMW Group Australia