

Hon. Barry Bishop, MLC

Member for North Western Province

1 February 2005

**SUBMISSION TO THE PRODUCTIVITY COMMISSION RE ITS INQUIRY INTO
THE RELATIONSHIP BETWEEN THE SMASH REPAIR INDUSTRY AND THE
INSURANCE INDUSTRY**

May I welcome the Productivity Commission's Inquiry into the relationship between the Smash Repair Industry and the Insurance Industry as my office has had numerous complaints over the years of the insurance industry's unreasonable attitude to repairers.

I have noted the Productivity Commission's Draft Report and whilst not professing to be an expert, I believe the Industry's Code of Conduct is an excellent step forward and would appear to go a long way towards creating a more sustainable structure for the whole industry.

I support the Productivity Commission taking a strong line that in the event of the Industry not being able to come to a voluntary agreement to form a Code of Practice that this be mandated under the Trade Practices Act.

Representations to my office strongly indicate a Code of Practice must be across the whole industry because of the domino effect if one of the links of the chain is not part of a Code of Practice.

The Code of Practice should also contain an appropriate mediation process that would independently resolve issues quickly, efficiently and economically across the industry.

The issues I have had raised with me by both repairers and customers I believe would be addressed by a strong Code of Conduct and they include;

1. An hourly rate, as the current rate has not been adjusted since the mid 1980's
2. Lack of a repairer's capacity to recover full costs in relation to subletting repairs
3. Pressure to reduce costs of repairing by use of second hand parts/repairing instead of replacing and delayed payment if costs are not reduced

4. Most repairers offer a three-year warranty which I am advised is the VACC Certificate of Repair, however insurance companies want a lifetime warranty. A Code of Practice could define the responsibility levels of repairers/insurers over different time frames.
5. Insurance companies request that second hand parts be used, which vehicle owners don't like, particularly if it's a new or relatively new vehicle. This can also reflect on the repairer's reputation, particularly in regional and rural areas where most repairers are well known in the community.

I am also advised that second hand parts are difficult to access in regional and rural areas as most insurance companies transport wrecks to the capital cities for wrecking and parts distribution. Mark-up on second hand and new parts is an issue often raised with my office as is the windfall gain to the insurance company where they previously paid the 'wholesale sales tax' which was not reclaimable, whereas they now pay the GST but are able to claim it back.

6. The 'preferential repairer' issue appears restrictive to both the repairer and the customer. An example quoted to me by repairers is the limited number of preferred sub-contractors in (for example) the radiator and air-conditioning sectors.

From the customer's point of view again, particularly in regional and rural areas, they have no choice of a repairer even though they may have a strong preference for any number of reasons to prefer a particular repairer.

7. The 'funny times – funny money' quoting system is a ridiculous process which I suspect is tied up with the present hourly rates and the general view expressed to me is that it should be abandoned and replaced with a proper transparent modern quoting and costing system that is consistent across the whole industry.

Whilst there are many more issues that would benefit from a strong and transparent Code of Practice and, whilst there may not be total industry agreement, it is imperative that a Code of Practice be put into place as this would benefit the sustainability and transparency of the industry, which of course is crucial for the person ultimately responsible for the cost, the consumer.

Another issue that is often overlooked is a national approach to the industry, ranging from different rules and regulations to payment levels.

To those of us who live in border areas, border anomalies can be very difficult, so I would urge the Commission to examine this vexed issue in an attempt to achieve national uniformity and recognition for the Smash Repair Industry.

In conclusion, as always, it is a difficult task to achieve that delicate balance of competition, sustainability, credibility and reliability in an industry where the bulk of the work comes from a highly competitive insurance industry mixed in with the 'Australian', (almost emotional) attachment to the vehicles that we use and rely upon in our everyday lives.

Although a difficult task to find the balance, I strongly believe that this Inquiry into the relationship between the Smash Repair Industry and the Insurance Industry offers a huge opportunity to 'get it right' for the future, and I urge the Commission to take note of the issues I have raised that predominately came from smaller rural and regional smash repair businesses and their customers in Victoria.

Yours sincerely

Hon. Barry Bishop, MLC
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