

**Submission
No 71**

MOTOR VEHICLE REPAIR INDUSTRY

Name: Mr Colin Hallinan
Date Received: 28/02/2014

Partially Confidential

COL'S BODY SHOP
BODYWORK BY PROFESSIONALS

924 VICTORIA ROAD WEST RYDE NSW 2114 Tel:(02) 9808 2511 Fax: 9807 3774

Lic No: 42

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13/02/2014

To Whom it may concern,

My name is Colin Hallinan and I have smash repair businesses in Mona Vale and in West Ryde in Sydney. We are finding that with the recent introduction of insurance company owned repair facilities and network repairer groups (fixed price repairs), are having a major impact on our work due to the loss of business and a higher risk for the consumer regarding the safety and quality repairs done to their vehicles.

Another important point to make is that the facilities such as [REDACTED], are reducing our ability to train apprentices as our mix and quantity of work is being driven away. Already we are finding a qualified panelbeater hard to get to employ. So not being able to train young people into our trade will only diminish the tradespeople coming into our industry.

The local economic impact on a variety of businesses that supply to our shops also suffer with the introduction of these networks and smart shops eg, the local tyre fitter, the local radiator supplier, motor wreckers, couriers, sandwich shops, parts suppliers and mechanical shops.

Another economic factor is the consumer is not given a price or method of repair through the [REDACTED] until the job is done so they are going in without knowing the real cost of repair or what they are getting in terms of how the car is being repaired. This conflicts with the competition, safety and quality standards as the insurance company is controlling all aspects of the repair process. Nothing is transparent.

There is now a facility operating [REDACTED] that is taking approximately 50 vehicles a week out of the area to be repaired, the owners of the cars are not even sure where the car is being taken or what's being done. When the facility is fully operational the targets are being set at 150 cars a week that will be travelling out of the area, not to mention the drastic impact it will have on local traffic with pickups, more tow trucks, drop offs, taxis etc.

Whilst this facility is in its infancy stage [REDACTED], we are seeing a lot of panic amongst local business trying to keep their shops running and their staff employed all the while [REDACTED] sits back and have no community concerns what so ever, hoping to pick up the staff of these long standing businesses that they are sending to the wall.

Recoveries by these companies is also an issue. If you are a person that does not have insurance and you cause an accident which makes you at fault, these companies assess and repair the vehicle at what they deem a fair and reasonable price send the letter of demand to you to recover the cost and most of the time these are just paid by the at fault party due to the amount being less than an excess, the quote is misleading to the relevant damage and confusing to the insurance company recovery agents. In these cases I think an independent assessor needs to be appointed prior to the commencement of repairs, and a post repair inspection be mandated to confirm that all work quoted and parts fitted have indeed been done. When paying for something doesn't the consumer have a right to see what they are paying for?

I realise that there is not a lot that people, government and council can do about large corporations such as these, but on the other side of the coin are decent, hardworking

people supposed to put up with having their dreams and their life's work and in many instances the businesses their families have created over generations be taken away by these entities? We all know where this can lead, but we all hope it does not go down that road.

As an [REDACTED], I am in full support of the MTA's submission and all valid points made in the submission. I would also liked to see a revision of the code of conduct for it to be made stronger to enforce a result for all instead of a stalemate amongst the parties concerned.

Quotes and claims number and submissions that accompany this letter:

1 Hansard submission from Rob Stokes MP

[REDACTED]

My goal in writing this submission for this inquiry is to have a more level playing field, and to see that insurance repair networks and insurance companies having interests in smash repair facilities are non existant and to mandate freedom of choice for consumers on all insurance policies.

Yours Sincerely

[REDACTED]
Colin Hallinan

Rob Stokes

Pittwater MP



With Compliments

1725 Pittwater Road MONA VALE NSW 2103
Phone: 02 9999 3599 **Fax:** 02 9999 0922 **Email:** pittwater@parliament.nsw.gov.au
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Smash Repair Industry

Extract from NSW Legislative Assembly Hansard and Papers Thursday 23 August 2012

SMASH REPAIR INDUSTRY

Mr ROB STOKES (Pittwater—Parliamentary Secretary) [5.43 p.m.]: Today I inform the House about a number of concerns raised with me by members of the smash repair industry in Pittwater. There are a number of great local smash repairers in my community, including Sam Femia Smash Repairs in Mona Vale and David and Colin from Polo Smash Repairs also in Mona Vale. Another example is Tony and Rose Papalia of Warriewood Smash Repairs in north Narrabeen. They and other smash repairers have raised a number of concerns about practices by insurers that are exacerbating the contraction of the industry and potentially forcing reputable businesses to close. The northern beaches smash repair industry has contracted by a third over recent years, from 60 businesses down to 40. This is a real problem for young people trying to get an apprenticeship in this industry locally.

Of course, the insurance industry points to research, such as that conducted by IBIS World in its 2011 report in *Smash Repairing in Australia*, that there are too many repair shops for too few motor vehicles, and that the exit of inefficient small owner-operators will improve the profitability of the industry. Insurers point to the fact that over the past decade the motor vehicle industry has become far more complex, with only six manufacturers operating in Australia in 1990—more than 40 are operating today—making repairs more complicated. This is all true, but it does not mean that all smaller smash repairers should be forced out of business or that centralisation of repairs will improve outcomes for claimants. Insurers need to ensure that a drive for efficiency does not come at the cost of quality service and choice. The issue of choice raises a real problem, which has been explained to me, with insurer adherence to the Code of Conduct for Smash Repairers.

A concerning example of this surrounds the choice of repairer provisions, where customers involved in motor vehicle accidents can source their own repairer. Like most consumer decisions, this involves approaching businesses that may be known to the customer, have a good community reputation, are well accredited or offer attractive customer services. However, I understand that some insurance companies, while claiming to offer their customers their own choice of repairer, make the process much more difficult and time consuming than it should be, and go to significant lengths to steer their customers towards repairers willing to undercut prices significantly. This is particularly dangerous and undermines all the efforts of reputable smash repairers to provide quality repair work and uphold vital safety standards.

One alarming example I have been told about is that of a local repairer who had a lady in his office who was trying to lodge a claim with her repairer over the phone and was being actively persuaded to search around for other repairers who may do the work cheaper. Despite telling the insurance assessor repeatedly—on five occasions—that she had chosen her smash repairer due to the business locality and good reputation, the coercion that was applied to her to go bargain hunting on the assessor's behalf was completely over the top. This is despite her policy stating that she had a choice of her own repairer. This example points to plain dishonest activity by the insurance company. Unfortunately I have received far too many examples of this happening. Luckily, on this occasion the lady was savvy enough to hold firm on the fact that she wanted a local, reputable repairer to do her repairs and did not want to go hunting around for lower prices.

Choice of repairer should mean choice of repairer—that is what reputable smash repairers are screaming out for—to ensure that quality standards within the industry are upheld. Unfortunately almost all smash repairers are able to recount examples of horror repair jobs they have seen or heard about, where cars had been repaired inadequately and costs had clearly been cut. While the repairer may have received the money and the insurer is happy with the money that was saved, the whole episode is to the detriment of the vehicle and the safety of its passengers. Fortunately, the industry is lucky to have enough reputable and honest smash repairers, including those in my community, who are doing the right thing and sticking up for their customers and the safety of all drivers on our roads.

Others matters of concern in the motor insurance industry also have been raised with me, including the difficulties and concerns associated with online tendering, where the cheapest quote wins the work. Not only does this present uncertainty to customers surrounding where their vehicles are to be repaired and a sense of loss of control over the issue; I understand it also has led to concerns amongst repairers about some operators significantly reducing costs to win tendering work and then inflating quotes on other work in order to recoup any profits lost on the jobs for which they have tendered. For repairers throughout Pittwater who operate honestly and try to develop strong relationships with their customers and generate good reputations, the whole process surrounding tendering can clearly be disheartening.

The clear message from reputable repairers to their customers is: Do your homework when signing up to an insurance policy. They believe there are plenty of insurers who value quality work and help uphold high standards in the industry and that these are the ones to support. It is in absolutely no-one's interest for customers to be coerced into hunting for the cheapest quote for their vehicle repairs. There is too much risk involved. Vehicle repairs are one area where lowest price should not be the determining factor. I admire all the reputable smash repairers in Pittwater for doing the right thing, sticking up for their customers, upholding quality standards and opposing cowboy insurance companies entering the market simply to maximise their profits.

MTA Recommendations

1. The Small Business Commissioner to be asked to produce a labour rate calculator for the Auto Body Repair Industry in consultation with all parties
2. Insurer PDS are to include the following text – "Aftermarket and parallel parts; these replacement parts are not covered by the vehicle manufacturer's warranty"
3. Insurance companies are prohibited from having an ownership interest in automotive repair facilities as there is a conflict of interest with the consumers' right to choose
4. Prohibit an Insurer from requiring that repairs must be made by a particular contractor or repair facility as a condition of the policy
5. "Independent repair facility", be defined as a person or business operating in the State of New South Wales that is not affiliated with a manufacturer or manufacturer's authorised dealer of motor vehicles, which is engaged in the diagnosis, service, maintenance or repair of motor vehicles
6. Road Transport Regulation 2007 Reg 83I – Records about vehicle damage assessments
There is a requirement that an assessor must carry out an assessment
7. What is the process for determining the market value of a vehicle

Outcomes we are seeking

1. stop the 2 quote system – freedom of choice
2. stop insurer ownership of repair businesses
3. stop insurers writing estimates / quotes
4. stop cash settlements, except for extreme cases
5. stop Insurers from having Preferred Repairers
6. have a name and shame for dodgy repairers and assessors
7. shop grading to better inform consumers
8. use of Realistic Times and Rates for estimates
9. Fair Trading inspectors to be involved in customer disputes
10. Code of Conduct – improvements – arbitration after mediation
11. Spare Parts definition – transparency for all
12. Images to be taken for all structural repairs
13. Independent Assessors instead of Insurance Company Assessors



Motor Traders' Association of New South Wales

Body Repair Division Policy

Version 1.1 | November 2013

Members of the Body Repair Division of MTA are:

1. **Opposed to tendering and '2 quote' systems used by some Insurers**
 - 2 quote systems are used to win jobs, not to repair vehicles correctly.
 - Insurers can manipulate results by using such means as 'quote incomplete' or 'labour excessive'.
 - Not all damage is visible until dismantling of the vehicle has been carried out.
 - The repairer may change the method of repair after the job has been awarded.

2. **Opposed to insurer recommended repairer programs**
 - Where cost of repair is the primary determinant for recommended status.
 - Fixed price or average price does not allow for each vehicle to be assessed on merit.
 - Quality of repair and customer service are not given due consideration.
 - Scoring of repairers is not always objective and can be misleading.
 - Recognition is not afforded to non-recommended repairers.
 - Repairer's goodwill in their business is removed with recommended programs.
 - Customers should be able to choose who repairs their property.
 - Specialisation is not recognised.

3. **Opposed to Insurers operating or having financial interest in a repair business**
 - There is a conflict of interest when the repairer is also the estimator and assessor.

4. **In agreement that structural repairs and welded panel replacement**
 - Require documented repair procedures.
 - Should only be performed by suitably trained and equipped repairers.
 - Apprentices must be closely supervised.
 - Customer safety must be guaranteed.

5. **Strongly in support of realistic times, rates and allowances to be used in quotes/estimates**
 - Quotes/estimates should clearly indicate the work to be carried out (comprehensive).
 - Methods of repair should be warrantable, if not it should be highlighted.
 - Methods of repair require documented repair procedures.
 - Fixed pricing is opposed; it does not guarantee quality and is unfair to 'at fault drivers'.

6. **In strong support of workshop presentation reflecting professionalism**
 - Office and workshop should be clean and tidy.
 - Customer parking and deliveries should be accessible and safe.
 - Staff should be dressed appropriately for their position.

MTA Head Office

214 Parramatta Road Burwood, NSW, 2134 | Ph: (02) 9016 9000 | Fax: (02) 9016 9099.

Postal address: PO Box 715 Burwood 1805

ABN 63 000 008 088 | www.mtansw.com.au

MTA City Office

Suite 3, Lvl 3, 162-166 Goulburn Street,
Sydney Hills, NSW 2010

MTA Canberra Office

23 Garratt Street,
Wanniasra, ACT 2903

MTA Apprenticeships Plus Office

8-10 Palmer St, Parramatta, NSW 2150
Ph: (02) 989 76300