

MOTOR VEHICLE REPAIR INDUSTRY

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**MOTOR TRADERS' ASSOCIATION OF NSW
SUBMISSION TO THE SELECT COMMITTEE
ON THE MOTOR VEHICLE REPAIR INDUSTRY**

*Inquiry into the relationship between the New South
Wales Motor Vehicle Body Repair Industry
and the Motor Vehicle Insurance Industry*

14 February 2014

Chief Executive Officer's Foreword

On behalf of the Motor Traders' Association of New South Wales ('the MTA') I thank the Honourable John Barilaro MP and the committee members for the opportunity to make submissions to the Parliament of New South Wales with respect to the Auto Body Repair Industry.

This Inquiry follows the recently enacted *Motor Dealers and Repairers Act 2013* (the Act) which brought to the public's attention, concerns about the effectiveness of the new Act in protecting the rights of consumers in the Automotive Body Repair Industry.

Whilst the MTA welcomes the Act, it was not intended to (nor will it) govern the relationship between insurers and repairers.

Background to the Motor Traders' Association of New South Wales

Established in 1910, the MTA is the oldest state based motoring association in Australia. The MTA represents the interests of over 4,000 businesses and 60,000 employees in the motor trade industry in New South Wales. The MTA are also a registered training organisation and carry out on site training of apprentices in the motor trade industry.

Members of the MTA are categorised into 28 different membership categories. Those include the Body Repair Division, Body Repair Heavy (Truck), Motor Vehicle Assessor and Inspector Division and the Rental Vehicle Division.

The MTA and its members agree to be governed by a constitution, rules, and a code of ethics. The code of ethics promotes (among other things),¹

1. a competitive market;
2. high quality standards; and
3. consumer protection.

In 2013 the Body Repair Division of the MTA published a policy document providing an invaluable insight into the Auto Body Repair industry.²

For many years, the MTA has taken proactive action to maintain an open dialogue with the insurance industry. In the past, the MTA was able to create a forum for representatives of both the repair and insurance industries to meet and collaborate in relation to issues facing each industry. Despite the MTA's best efforts, this forum no longer exists.

The MTA has identified the following major problems in the relationship between the insurance industry and the motor vehicle repair industry:

- a lack of transparency in insurance business practices;
- minimal quality control and standard approval processes of repair works for insurance companies;
- unsafe or insufficient repair works for insurance companies;

¹ MTA Code of Ethics (Annexure 1)

² MTA Body Repair Division Policy Document (Annexure 2)

- a decrease in consumer choice;
- Insurers have vehicles repaired to a price not a standard; and
- Insurers are accepting poor quality repairs because of the low costs associated

These submissions outline the major issues with the current relationship between the insurance and motor repair industries and propose a number of **recommendations** to alleviate those major issues.

- Mr Greg Patten, CEO

Overview of the Automotive Body Repair (Smash Repair) Industry in New South Wales

The Automotive Body Repair (Smash Repair) Industry in New South Wales is made up of approximately 1,800 small to medium size businesses. The insurance companies are the lifeblood of the smash repair industry and it is estimated that over 90% of the supply of smash repair work to the market is controlled by insurance companies.

It follows that insurance companies have most of the bargaining power within the Auto Body Repair Industry. Insurance companies have used that unequal bargaining power to dictate to smash repairers the scope and cost of repairs.

One example of the insurance companies' misuse of their stronger market position is the influence exerted over smash repairers to manipulate or adjust scopes of repair works solely for cost reasons without regard for the effectiveness of a repair measure.

Trust underpins the relationship between consumers, insurance companies and repairers. The consumer is required to place trust in the insurance company that his/her vehicle will be repaired to a reasonable and safe standard. The consumer will often not be in a position to assess whether that has been achieved.

Accordingly, consumers are directly affected by the grossly unequal bargaining power between repairers and insurance companies. In brief, consumers are detrimentally affected because of:

- the lack of transparency throughout the repair process;
- the insurance industry's preference to repair to a price, not to a quality standard;
- the resulting low quality repair works;
- lowered resale value arising from poor quality repairs; and
- the consequential expense and inconvenience of having subsequent repair works

The MTA is concerned that if the relationship between the insurance companies, [REDACTED] and smash repairers are not regulated, the entire auto body repair industry will collapse as a result of a lack of consumer

confidence or the public's safety will be jeopardised as a result of unsafe vehicles on the road.

"Repairing to a price, not a quality standard"

Auto body repairers are under significant pressure to meet the expectations of their biggest customer, the insurance companies. The insurance companies use a number of different methods which reflect the underlying theme of the industry, "repairing to a price, not a quality standard".

Issue – Two-Quote Model

Insurance companies are known to adopt what is commonly referred to as a 'two-quote model'⁴ in selecting a repairer for each repair job. A two-quote model (also referred to as a multiple-quote model) is the method of an insurer procuring more than one quote for a particular repair job and choosing the repairer who prepared the cheapest quote.

The use of the two-quote model is extremely disadvantageous to consumers as it encourages repairers to provide unrealistic quotes to vehicles that have not been dismantled which result in works not being done to a quality standard.

It is commonplace for insurance companies to procure quotes based solely on digital images of damaged motor vehicles. This practice does not allow for repairers to complete a proper inspection of damaged vehicles before preparing a quotation for repair, and accordingly results in further compromise to the quality of the repair because the repairer is repairing to a price, not a quality standard.

In the alternative, where an insurance company procures multiple quotations, consumers can be required to drive damaged vehicles⁵ and are often left without a car for weeks, or even months whilst waiting for their vehicle to be repaired. For consumers who are not covered by a comprehensive policy which includes unlimited days car hire, their position is compromised by the delay caused by obtaining multiple quotes.

The two quote system should be abolished as it revolves around the underlying principle of repairing to a price, not a quality standard.⁶

Issue – Adjustment of Quotations

It is becoming common practice for an insurer to adjust an appointed repairer's quote (even after the 'two-quote' method of selection). Many insurance companies, such as AAMI [REDACTED] [REDACTED] openly reserve their rights to make an assessment and to adjust the quotation of a repairer who 'won' a job. Adjustments made by insurance companies usually reduce the cost of a repair.

⁶ The MTA refers the Inquiry to Recommendation 14

AAMI make the following disclosure on their website:

"While operating under a competitive quoting model, AAMI retains the right to make adjustments to the more competitive quote where appropriate."

More often than not, the insurer's assessor who is responsible for making adjustments to quotations, does not have the skills, expertise or knowledge to undertake any meaningful assessment of the technical work or labour time required for each repair. [REDACTED] assessors refuse to negotiate adjustments with repairers in time, they will only negotiate in dollars.⁸ There is a clear conflict of interest because assessors have a duty to their employer to act in the best interest of the insurance company and simultaneously to ensure the damaged vehicle is repaired to a quality standard. Through its members, the MTA are aware that the interests of the insurance company prevails majority of the time.

After the two-quote method and a further adjustment to the quote, repairers either need to adjust the technical work and hours of labour actually spent on a repair in order to comply with adjustments made by the assessor on behalf of the insurer, or to reject the job.

With a large selection of smaller repairers in New South Wales and a small number of large insurance companies, repairers have little bargaining power throughout the two-quote method and any adjustments.

The repairer accepts and follows the instructions from the insurer or assessor for fear of retribution by the insurer for not complying. The consequence of not following the insurer, in many cases would be future vehicles that would then be steered / directed away from that repairer.

As a result of the two-quote method and the quote adjustment, the actual works completed are often completed to meet the price that has been quoted. This might mean a repairer will engage an underqualified person, use incorrect tools, use a cheaper but incorrect method to repair, use cheap parts, or generally save on costs wherever possible.

The business practice of the two-quote method and the adjustment of quotes should be abolished. The MTA recommend that independent, third party and licensed assessors be made solely responsible for assessing damage and cost of repairs.⁹

Issue – Fixed Price Repairs

The major insurance companies have fixed price contracts with repairers to fix smaller accident damages vehicles at a fixed price. The principal of this business model is to supply a large number of vehicles with a set criteria to repair the damage in the fastest and most cost effective manner. More often than not, the repairer would not repair the damage that would not be seen by the consumer due to inadequate amount of money. This model is not in the consumer's interest and promotes poor repairs.

Issue - Nature of Work

⁸ The MTA refers you to recommendations 4, 11 and 12

The estimation, assessment and repair of motor vehicles is becoming increasingly challenging for repairers and assessors. Vehicle construction now uses a variety of materials which are not as workable as materials formerly used in construction of vehicles. As a result, replacement procedures can require a number of different processes to that used on a production line. Technological advancements in vehicles have also resulted in many repair jobs being technology related (i.e. CPU adjustment).

Some manufacturers have responded to the increase in complexity by providing repairers and consumers with guidelines and procedures for repairing their motor vehicles. For example, Toyota provides repairers with technical information guidelines on how to repair their vehicles.¹⁰

Repairers and insurance companies should be required to follow specific guidelines provided by manufacturers. Repairers should also be required to document all repairs by keeping file notes, tax invoices, and progress digital imagery. This will ensure greater consistency within the industry and will improve the overall quality of repairs.¹¹

Issue – Cash Settlements

There has also been a staggering increase in 'Cash Settlement'¹² payments by insurers to consumers in situations where motor vehicles are subject to minor damage.

Lump sum payments risk the safety of drivers as it increases the likelihood of poor repairs in a vehicle. The MTA submits that there needs to be regulation on the insurance companies' ability to a restriction placed on this activity.

Code of Conduct

The *Industry Code of Conduct 2006* ('the Code') has been in operation for seven years. The Code has had minimal impact on improving the relationship between repairers and insurers. The MTA submits that a key reason for the Code's ineffectiveness is the lack of any enforcement or penalty for contraventions of the Code.

Issue – Penalties are not enforceable

The Code does not impose any real and significant penalties on insurance companies or repairers for breaches of the Code.

The Code does allow for repairers to lodge internal disputes with insurance companies for breaches of the Code. The majority of repairers will not commence internal disputes with insurance companies as there is a well-held scepticism in the dispute resolution effectiveness. In any event, due to the arbitrary manner of appointing repairers, repairers are reluctant to make use of the dispute resolution process due to the well-founded fear of losing favour with an insurance company and losing work by insurers steering / directing consumers.

¹⁰ Toyota recommendations (Annexure 7)

¹¹ The MTA refers you to the recommendations 20

The effect of ineffective penalties is that insurance companies are able to repetitively breach the Code to advance their financial positions at the cost of the consumer. Repairers alike are escaping penalties for breaches of the Code.

The Code should impose significant penalties and enforcement regime to encourage insurance companies and repairers, and independent licensed assessors to make accurate and realistic assessments of each repair job.¹³

In addition, the Motor Dealers and Repairers Act 2013 should also incorporate in the Legislation an online offence register which will 'name and shame' repairers, assessors and insurance companies which have committed offences relating to repair work as proposed by the Honourable Sophie Cotsis in the Legislative Council on 21 November 2013¹⁴ (extract from Hansard). The MTA submit "Food safety offences" hosted on the NSW Food Authority website is the appropriate model for the offence register.¹⁵

Issue – Network Smash Repairer Scheme

Network smash repairer schemes involve insurance companies to maintain a network of preferred repairers for recommendation to their clients. Clause 5 of the Code currently reads:

- (a) *"Insurers that have Network Smash Repairer (NSR) schemes will document and publish criteria for membership of those schemes, including information relating to the structure of the scheme".*
- (b) *"Insurers will provide mechanisms for Repairers to register their interest in joining an NSR scheme. These mechanisms will be documented and publically available."*

As a result of the ambiguous phrasing of the Code and a lack of enforcement measures, NSR schemes are not transparent. Many insurance companies contravene the Code by failing to publicise the criteria for membership or information with respect to the structure of their NSR scheme.

The flagrant attitude of certain insurance companies in relation to the Code is indicative of the ineffectiveness of the Code. The lack of transparency in being selected for an NSR scheme swings the pendulum of power imbalance further in favour of the insurance companies.

In 2013, the Executive Counsel of Australia made the following submission with respect to the Auto Body Repair Industry¹⁶:

"What is a matter of furious disagreement though, is whether this industry rationalisation represents the undeniable and transformative rule of market forces or the rampage of cost driven uncompetitive practice compelled by fundamental unequal market power."

The *Insurance Industry Code of California* ('**Code of California**') finds a common ground between the insurers' right to maintain an NSR and the rights of both repairers and

¹³ The MTA refers you to recommendations 4 and 5

¹⁴ Hansard (Extract Annexure 9)

¹⁵ The MTA refers you to recommendation 1

¹⁶ Copy of submission by Executive Counsel of Australia (Extract Annexure 10)

consumers.¹⁷ The Code of California does not allow for an insurer to suggest or recommend a vehicle is repaired at a specific dealer or alternative dealer(s) unless a claimant specifically requests a referral. The MTA submits that the Code of California maintains consumer choice and does not unreasonably inhibit repairers or insurance companies.¹⁸

Issue – Price Guidelines, ‘Funny Time, Funny Money’

The Code does not require repairers and/or insurers to comply with any specific methods of quoting or pricing repair works. In fact, Clause 6.2 of the Code provides the insurer with the unequivocal power over repairers when quoting repair works:

“The parties acknowledge ongoing changes in the industry in relation to the development of realistic times and rates:

a) Insurers will state clearly the estimation methodology to be applied.”

Accordingly, [REDACTED] most repairers and insurance companies have continued to adopt ‘funny time, funny money’. This is the practice of quoting fictitious times for repair works. “Funny time, funny money” distorts the comparison of cost between different repair methods.

Funny time, funny money allows repairers and insurers the flexibility to manipulate the hours of labour worked on a particular repair as well as the cost of that labour. It allows for insurers to adjust quotations provided by repairers to ensure cheap repair works (as previously mentioned in the ‘two-quote model’ submission) and allows repairers to adjust quotations in order to remain competitive.

Funny time, funny money creates significant financial uncertainty for repairers. Repairers are not able to accurately prepare budgets or forecast future earnings or losses.

Again it is the consumer who is at loss in this whole process, as the quality of repair works is often jeopardised by inaccurate quotes and a misrepresentation of works actually completed.

The Act should incorporate a provision which abolishes funny time, funny money. The Act should require quotations to reflect ‘real time’ spent on a repair which is comparable to an industry standard such as the ‘Realistic Times Glossary’ published by the MTA in 2005.²⁰ The Act should also require labour rates to be calculated annually by a common, impartial third party, such as the Small Business Commissioner.²¹

Business Practice of Insurers/Repairers – Bargaining Power of Insurers

As noted throughout these submissions, the insurance industry misuses its market power to influence and dictate terms of trade to repairers. The MTA note that insurance companies have substantial (if not exclusive) influence over the following:

- Whether the insurer will assess and authorise repairs with a particular repairer;

¹⁷ Copy of the Californian Code should be attached (Extract Annexure 11)

¹⁸ The MTA refers to recommendations 9 and 10

²⁰ MTA ‘Realistic Times Glossary’ (Annexure 13)

²¹ The MTA refers to recommendations 2, 3, 4 and 5

- How quotes are to be presented;
- The rates and allowances accepted;
- The method of repair;
- The parts and condition of parts used (that is, new, used, reconditioned or aftermarket); and
- Whether a quotation will be rendered based on the assessment of a vehicle on site or by digital imagery.

Issue - Vertical Integration

Some insurance companies have started to vertically integrate their operations to extend beyond the supply of insurance. For example, Suncorp have now opened and operate 26 repair shops across Australia, 8 of which are operating in New South Wales.²² In addition, [REDACTED] have formed a joint venture with the largest non-genuine OEM spare parts supplier in the world. This may have a major impact on consumer's factory warranty on their vehicle.

The effects of vertical integration are profound within the Auto Body Repair Industry. The MTA submit that vertical integration is likely to result in a substantial lessening of the competition in the repair industry. Vertical integration of repair workshops also presents as a clear conflict of interest between the insurance companies' interests and the consumer's interests.

To ensure the repair industry remains competitive which will benefit consumers, the insurance companies should be prohibited from vertically integrating by having any ownership interest in repair workshops.²³

Consumer Choice, Consumer Protection and Consumer Knowledge

Consumers currently only have recourse to the Financial Ombudsman Service which is under-resourced and sometimes unable to effectively deal with complex issues or the Courts. Currently, consumers have very little control or input in relation to matters which they are the ultimate beneficiary.

Without any regulatory scheme in place consumers:

- have limited choice about selection of repairers;
- may easily be misinformed of the actual cost and time spent on repairs; and
- are often provided with repaired vehicles which are of a low standard.

Consumers require regulatory assistance to ensure their rights are appropriately protected. The MTA submit that this regulatory assistance could be provided with a revision to the Motor Dealers and Repairers Act 2013.

Issue – Misleading Product Disclosure Statement (PDS)

Consumers are not properly informed of their rights or obligations when entering into an agreement of insurance with an insurance company.

²² Capital Smart Repair Shop Locations (Extract Annexure 14)

²³ The MTA refers you to recommendation 11

Insurance companies typically include terms and conditions of an insurance policy toward the end of a PDS document, some of which include important information which require customer approval prior to entering into the agreement. Such information can include the following:

- Conditional choice of repairer;
- Use of genuine/non-genuine parts; or second hand parts and
- Whether the policy is based upon 'agreed value' or 'market value'.

The MTA submit that this type of important information should be agreed upon prior to the consumer entering into the insurance contract. It is common knowledge that consumers will rarely read or understand an entire PDS for motor vehicle insurance. Therefore, the majority of consumers are therefore not aware of their rights and obligations under a policy before entering into that policy.

The Code Section 9²⁴ outlines the Disclosure Obligations of Insurers, clearly they are not being adhered to. A current Suncorp PDS document provides an alarming example of unclear and ambiguous wording in a PDS document which is likely to confuse consumers:

*"We will authorise repairs if we agree your repairer's quote is reasonable and will result in your car being repaired safely and in a cost-effective manner."*²⁵

A consumer cannot be expected to understand his/her rights under an insurance policy agreement where such ambiguity in the wording exists.²⁶

The motor vehicle insurance PDS should be regulated and standardised in terms of the set-out and requirement to be "user-friendly". The MTA submit this will promote greater certainty for all stakeholders.

²⁴ Code of Conduct Extract (Annexure 15)

²⁵ Suncorp PDS Document (Extract Annexure 16)

²⁶ The MTA refers you to recommendation 6, 15, 16 and 17

Recommendations

The MTA submit that the recommendations listed below will alleviate the issues which have been identified in these submissions. The recommendations proposed below are conceptual and would require further consultation to develop the required logistical matters to carry out the intended purpose.

Methods and process of insurer and repairer

1. A public register of offences (i.e. a Name & Shame website) be created to record breaches of the Code to be managed by the NSW Department of Fair Trading.
2. The Small Business Commissioner to produce a labour rate calculator for the Auto Body Repair Industry in consultation with all parties. The rates to be reviewed on an annual basis after collaboration with key stakeholders in the industry.
3. To determine “reasonableness” of a quote, an insurance company must only make reference to the labour rate calculator (proposed to be published by the Small Business Commissioner) and to a standard reference or guide in relation to time-guidelines for doing certain works.
4. Adopt an industry accepted time standards to be reviewed annually and maintained for all vehicles in Australia.

Methods and process of insurer

5. Auto Body Repair assessments, estimates and quotes must be produced using realistic times and rates referable to an industry accepted standard.
6. A standard process for determining the market value of a vehicle is established to protect consumers.
7. A new licensing category created called “independent motor vehicle loss assessor” which must be independent of the insurance companies and the repairers. The independent loss assessor to be responsible for assessing damages and approving costs of repairs.
8. Only licenced auto body repairers are permitted to prepare a quote for repairs and Insurers should not to be permitted to prepare a quote due to the conflict of interest.
9. Insurers must authorise repairs unless the consumer requests a cash settlement offer to be made. Use of cash settlement processes unnecessarily steer consumers towards the use of the Insurer’s recommended repairer.
10. Insurers are prohibited from recommending Preferred Repairers to customers as it does not recognise quality and service so is misleading to consumers, unless the consumer specifically requests a recommendation or referral.

Prohibitions

11. Insurance companies are prohibited from having an ownership interest in automotive repair facilities due to the inherent conflict of interest.
12. Prohibit insurance companies from requiring that repairs must be made by a particular contractor or repair facility as a condition of the policy. This is likely to require a ruling from the ACCC that such third line forcing arrangements are not able to be exempt from prohibition.
13. Records about vehicle damage assessments need to be enforced. Abolish the current practice of self-assessment where repairers carry out repairs without a proper assessment.
14. Abolish the use of a two-quote process where repairers submit quotes to "win" a job as there is overwhelming evidence to indicate it leads to poor quality repairs and the process for choosing the winning repairer is corrupt.

PDS Regulation

15. A standard definition be developed for the Insurance and Repair industry in relation to terms used to describe spare parts type e.g. new, used, aftermarket, recycled, parallel, and reconditioned.
16. All insurer PDS to advise consumers prior to entering into the contract words to the following effect – "Aftermarket and parallel parts may void the vehicle's manufacturer's warranty".
17. Consumers must agree to the key elements of the insurance policy prior to entering the contract, e.g. unconditional choice of repairer, use of genuine or non-genuine parts, whether the policy is based on an agreed or market value.

Methods and processes of the repairer

18. A standard of shop grading (rating system) be introduced and managed by Fair Trading
19. Fair Trading inspectors be allowed to become involved in insurance disputes that relate to repair quality and the NSW Civil and Administrative Tribunal (the NCAT) to be the final adjudicator.
20. Digital images are to be taken and kept on all repairs that require structural repairs or welded panel replacement to assist in verifying repairs were carried out correctly.
21. Code of Conduct – if the current Executive Counsel Australia review recommendations are not introduced then NSW move to introduce suitable changes for NSW.

22. In the event where the *Industry Code of Conduct 2005* does not impose sufficient prohibitions on the activity of insurers and/or repairers, or penalties for breaches of the Code, implement a 'stand alone' Code of Conduct in New South Wales.
23. The Industry Code of Conduct Committee constitution needs to be amended to have 7 members, 3 represented by the insurance companies, 3 representatives from the auto body repairers, and 1 independent member to adjudicate on any future changes required to the code. This will ensure that the Code evolves to meet the requirements of the industry and the consumer, for the future.

Conclusion

The MTA submit that all of the issues addressed in these submissions are not insurmountable. The MTA submit that its recommendations made with these submissions would re-distribute the power imbalance with the consequence of driving competition in the market and improving quality standards and safety in the repair industry to the benefit of consumers.

The MTA submits the recommendations would dispel the current market practice of "repairing to a price, not to a quality standard."

Finally, the MTA extend its gratitude to the Honourable John Barilaro and the committee members of the Inquiry for considering these submissions. The MTA are able to provide further comment or clarification in relation to any issues and Mr Greg Patten, CEO invites those enquiries.

ANNEXURE '1'



MOTOR TRADERS' ASSOCIATION
OF NEW SOUTH WALES

CODE OF ETHICS

Adopted on 19 November, 1996



MTA NSW CODE OF ETHICS

The MTA Code of Ethics is the foundation of members' high level of public credibility.

It is a public commitment that MTA members will go about their business professionally and fairly.

It is this understanding which sets MTA members apart from the others in our industry and provides an advantage in the marketplace over non-member competitors.

MTA MEMBERS WILL:

- act honestly and fairly in all dealings with the public and conduct business with strict professional courtesy and integrity;
- comply with state and federal laws, regulations and codes of practice applicable to their business or duties;
- offer a firm quotation for repairs to a vehicle including parts, labour and sub-contracting, or where this is not possible make it clear to the consumer that only an estimate, not binding on either party, is being furnished;
- notify the consumer in advance of any dismantling charges necessary to arrive at a quotation;
- notify the consumer and seek permission to continue work if during the progress of any work it appears that the estimated charges will be exceeded;
- provide on invoices full details of work carried out and charges for labour, spare parts, materials, parts disposal, environmental levies and subcontractors used;
- guarantee repairs and service performed against failure due to defective parts *supplied by the repairer* or the faulty workmanship for a specific number of kilometres or period of time (subject to the consumer's rights at law);
- not knowingly mislead a consumer in relation to the condition of a vehicle or be a party to improper practice in relation to the sale or purchase of a vehicle;
- pass an unencumbered title to any vehicle sold, but in the event that the encumbrance cannot be cleared, make good loss suffered by the consumer;
- provide reasonable facilities to enable prospective purchasers to examine any vehicle prior to sale; and
- not misrepresent any product or service in any form of advertisement published or displayed and ensure that all claims and descriptions made in any such form of advertising are genuine.

General

1. This Code of Ethics ("the Code") has been prepared and adopted by the Motor Traders' Association of New South Wales ("MTA").
2. The Code governs the conduct of all MTA members to whom the Code is expressed to apply.
3. Many of the provisions of the Code are a restatement of principles and practices which have been observed by MTA members for many years.
4. MTA members recognise that fair and genuine competition is fundamental to the service to which consumers are entitled.
5. The Code demonstrates the high standards adopted by MTA members and the advantages and protection a consumer has in using the facilities and services offered by MTA members.
6. The provisions of the Code may be altered from time to time as the occasion demands.
7. The principles set out in the Code are intended to be read subject to existing law.
8. In the event of inconsistency between the Code and MTA's Constitution and Rules, the latter shall prevail.

Application

9. The Code Applies to all MTA members.

Objectives

10. This code is intended to:
 - a. record the ethics and practices to be observed by MTA members in the conduct of their businesses and in their dealings with others;
 - b. set forth the principles and standards which shall apply be observed by, and which consumers may expect of, members in relation to:
 - i. The sale or purchase of vehicles; and
 - ii. The repair, service and maintenance of vehicles;
 - c. ensure that the public receives the best possible attention and service from MTA members at all times;
 - d. ensure that the public interest shall predominate in all competitive trading between MTA members;
 - e. maintain and enhance the reputation, standing and good name of MTA and its members generally; and
 - f. publicise the provisions of the Code and make known to consumers and others the ethics and practices expected of MTA members in the conduct of their businesses and in their dealings with others.

General

11. A member will:
 - a. accept the Code entirely;
 - b. ensure the compliance with the Code by all employees;
 - c. act in a manner which does not conflict with the best interests for the public and conduct business and perform duties in accordance with strict professional courtesy and integrity;
 - d. comply with state and federal laws, regulations and codes of practice applicable to their business or duties;

- e. Conduct business and perform duties in free competition with fellow members and refrain from criticising the actions or damaging the reputation of competitors who are MTA members, whether directly or by implication; and
 - f. not engage in any activity which would adversely affect the reputation, standing or good name of MTA.
12. A member will ensure, so far as is practicable, that a manufacturer, supplier, or subcontractor will not jeopardise their ability to fulfil the requirements of the Code.
- b. if capable of employing and indenturing/contracting apprentices or trainees, accept responsibility for training such apprentices or trainees.

Member identification

15. A member will use only MTA member identification material authorised for use by MTA and only in the manner recommended by MTA.

Advertising

16. Advertisements published or displayed by MTA members will not:
- a. contain any references to guarantees or warranties which take away or diminish the rights of a consumer; nor should they be worded as to be understood by the consumer as doing so;
 - b. misrepresent any product or service offered to consumers; or
 - c. contravene federal or state law.
17. A member will ensure that all claims and descriptions made in advertisements are genuine.

Workplace safety

13. A member will:
- a. maintain premises which are safe for all employees and non-employees;
 - b. select and maintain safe plant and equipment; and
 - c. maintain safe work systems for employees.

Industry training

14. A member will:
- a. undertake a responsibility in training skilled trades persons required by the motor industry where it is reasonable to do so; and

Environmental obligations

18. A member will implement and maintain adequate trade waste management systems and will adhere to all environmental and anti-pollution statutes.

3

Part Three Obligations of MTA Members – Repairs, Service and Maintenance

Quoting

19. The preparation of a quotation by a member will be treated with care, as the acceptance of a quotation may constitute the basis of a contract between the member and the consumer.
20. A member will:
- a. offer a firm quotation for repairs to a vehicle including parts, labour and subcontracting, or where this is not possible make it clear to the consumer that only an estimate, not binding on either party, is being furnished;
 - b. notify the consumer if a quotation or estimate does not include prices for spare parts or any other materials used;
 - c. provide a written quotation or estimate at the consumer's request;

- d. notify the consumer in advance of any dismantling charges necessary to arrive at a quotation;
- e. explain any work included in the quotation or estimate given;
- f. provide the consumer with an estimated vehicle repair or service time and inform the consumer if this estimated time cannot be met; and
- g. notify the consumer and seek permission to continue work if, during the progress of any work, it appears that the estimated charges will be exceeded.

Replacement spare parts

- 21. Parts replaced by a member during the repair or service of a vehicle will be made available at the completion of work and on request by the consumer, unless a warranty is involved or unless the parts have to be submitted to a supplier because replacement parts are being supplied on an exchange basis.
- 22. A member will not refit parts to a vehicle if the fitment of those parts would, in their opinion, render a vehicle unsafe or unroadworthy.

Invoicing

- 23. Invoices issued by a member will: a. give full details of the work carried out and charges for labour, spare parts, materials, parts disposal, environmental levies and subcontractors used; and b. record dates and odometer readings where applicable.

Protection of consumers' property

- 24. A member will take reasonable measures to prevent loss of, or damage to, a consumer's vehicle (and vehicles contents) between the time of vehicle delivery by the consumer to the member, and the time of vehicle delivery by the member to the consumer.

Guarantees/Warranties

- 25. A member will, subject to clause 26, guarantee repairs and service performed against failure due to defective parts supplied by them or faulty workmanship for a specific number of kilometres or period of time.
- 26. Such a guarantee will:
 - a. be of reasonable duration having regard to the use of the vehicle by the consumer;
 - b. warrant that all services will be rendered with due care and skill and that any materials supplied in connection with the services will be reasonably fit for the purpose for which they are supplied; and
 - c. comply with the requirements of any appropriate consumer legislation.

Method of Payment

- 27. A member will notify consumers of their preferred method of payment before work is accepted and commenced.

Subcontracting

- 28. A member will be responsible for the quality for a subcontractor's work provided that the subcontractor has been nominated by the member.

Advice on defects not covered by work

- 29. While a member's contractual responsibility to the consumer is limited to the work agreed to be performed, a member will advise the consumer of any defects in the vehicle not covered by the work to be performed and which may become apparent while the work is being carried out.

Temporary repairs

- 30. The obligations of a member under clause 25 and 26 of the Code will not apply in relation to any repair or service which the member and the consumer agree is of a temporary nature only.

Fair trading

31. In conducting businesses as a new or used motor vehicle dealer, a member will:
- a. have a thorough knowledge of, and comply with, the provisions of the Motor Dealers Act 1974 (and regulations);
 - b. offer used vehicles for sale on their merits and without exaggeration, concealment or misrepresentation; and
 - c. ensure that vehicles sold are of merchantable quality and fit for the purpose for which they are required.
32. A dealer will not in connection with the sale or purchase of a vehicle:
- a. knowingly be a party to any improper practice concerned therewith;
 - b. wilfully or falsely represent that a vehicle is available for sale when it is not;
 - c. knowingly mislead a consumer in relation to the condition of a vehicle;
 - d. knowingly or negligently state or misrepresent the year of first registration of a vehicle; or
 - e. misrepresent the model designation of a vehicle.

Unencumbered title

33. A dealer will pass an unencumbered title to any vehicle sold, but in the event that the encumbrance cannot be cleared, make good any loss suffered by the consumer.

Agent transaction

34. A member, when acting as an agent in the sale of a motor vehicle, will act in a fair and honest manner in dealing with all parties to the sale.

Inspection facilities

35. A dealer will provide reasonable facilities

to enable prospective purchasers, or their nominees, to examine a vehicle prior to sale in order that any defects which ought to be revealed at the times of sale are made known to both parties.

Odometer readings

36. If a dealer has reason to doubt the accuracy of an odometer reading of a vehicle to be offered for sale, reasonable steps will be taken to verify the accuracy of that reading and to inform the consumer of any discrepancy between the odometer reading and the actual distance travelled.
37. Odometer readings will not be quoted in advertisements or negotiations relating to the sale of used vehicles if the dealer knows, or has reasonable cause to know, that the reading on the odometer is not a true representation of the distance travelled by that vehicle.

Contract of sale

38. When selling a vehicle, a dealer will use a contract of sale form which makes clear to both parties all terms and conditions upon which business is being done.

Warranties

39. Before delivering a new vehicle, a dealer will draw to the attention of the consumer the terms of the manufacturer's warranty and provide the consumer with any relevant documents.
40. Any commitment made to a consumer which is not included in, or covered by, the manufacturer's warranty or any other warranty form will be clearly set out in writing and signed by the parties before delivery of the vehicle.

Financing

41. A dealer will not:

- a. ask a consumer to enter into a contract to finance the purchase of a vehicle without explaining the repayments and charges required by law (making available to the financier all relevant information supplied by the consumer); or
- b. advertise a method, or indicate that a method is available, for financing the purchase of a vehicle which is not permitted by law or is misleading.

Advertising

42. When advertising a vehicle for sale a dealer will not:

- a. present comparisons with other models of different manufacture in a confusing or misleading manner;
- b. offer a minimum trade-in allowance;
- c. state that the price of a second hand or demonstrator vehicle has been reduced by a specified amount or proportion, or from a specified amount, unless also specifying the cash price of the vehicle;

- d. state that the price of a new vehicle has been reduced by a specified amount or proportion, or from a specified amount, unless also specifying that the reduction is related to the manufacturer's recommended retail price;
- e. display a vehicle as available for sale when it is not in fact available for sale;
- f. entice consumers to inspect a vehicle because of the terms or price advertised, with the preconceived intention of having a consumer purchase another vehicle not advertised in a similar fashion, and not available for sale on similar terms;
- g. offer free gifts or substantially discounted goods (for example domestic whitegoods or holiday trips) not directly related to the supply of motor vehicles and which are intended to, or could, act as inducements to prospective purchasers of motor vehicles, except where those gifts of a manufacturer's national promotion; or
- h. offer unrealistic minimum deposits.

5**Part Five Complaints and Disputes**

- 43. A member must have an internal complaints handling mechanism. This mechanism must be:
 - a. available to all consumers; and
 - b. free of charge to the complainant.
- 44. A member must handle inquiries and complaints from consumers (whether made orally or in writing) in a timely manner and advise consumers when a resolution can be expected or whether there will be delays.
- 45. A member should attempt to resolve all consumer complaints and provide remedies that are fair and reasonable in the circumstances, fulfil legal obligation and reflect good industry practice. Remedies available to the complainant should include (but not be limited to) refund, replacement, repair, substitution, technical assistance or

goodwill payment.

- 46. Subject to clause 47, in the event of a dispute (an unresolved complaint) arising between a member and a consumer, MTA will, with the agreement of both parties and on the understanding that MTA's costs will be met by the parties, attempt to resolve the dispute through mediation.
- 47. MTA will not necessarily mediate in disputes between a member and a consumer where the subject matter of that dispute has been referred to any other organisation or body for conciliation and/or arbitration.
- 48. If requested, a member will provide information to the complainant on the availability of alternative industry dispute resolution mechanisms including statutory dispute resolution bodies.



**MOTOR TRADERS' ASSOCIATION
OF NEW SOUTH WALES**

43-51 Brisbane Street
Darlinghurst NSW 2010
Locked Bag 5012
Darlinghurst NSW 2010

TELEPHONE: (02) 9213 4222

FACSIMILE: (02) 9212 6889

EMAIL: mtaenquiries@mtansw.com.au

WEB: www.mtansw.com.au

ANNEXURE '2'



MTA BODY REPAIR DIVISION POLICY

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
 - Repairers 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

ANNEXURE '7'

WORK NOTICES AND PRECAUTIONS > PRECAUTIONS FOR WELDING**REMOVAL OF ADJACENT COMPONENTS**

- a. To prevent damage to the body and parts, apply protective tape to the body and tools before removing the parts.

NOTICE:

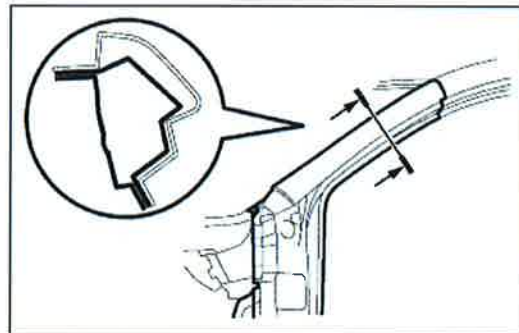
If the paint film is damaged, make sure to refinish the paint.

**CUTTING WORK**

- a. When cutting a panel, be careful not to damage the surrounding panels or any panels underneath.

NOTICE:

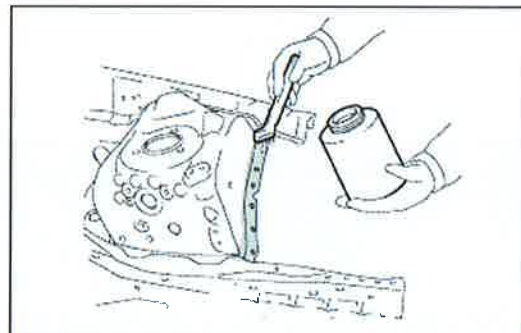
If any panels are damaged, be sure to repair them.

**ANTI-RUST TREATMENT BEFORE WELDING**

- a. Apply welding primer to the contact surfaces of the welding areas to protect them from rust.

NOTICE:

Do not apply welding primer outside of the contact surfaces.

**WELDING WORK**

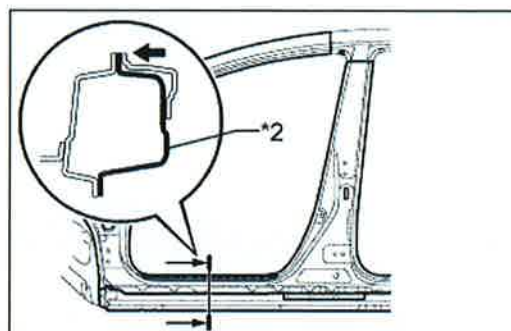
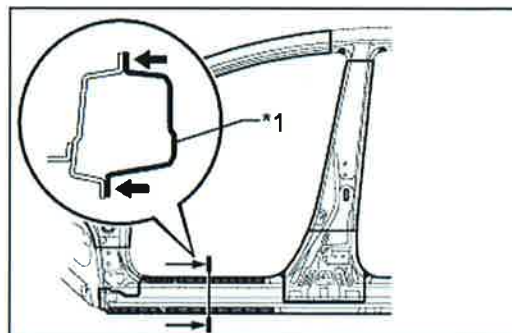
- a. Follow the welding conditions below when welding ultra high strength steel to assure sufficient weld strength.

Text in Illustration

*1 980 MPa Ultra High Strength Steel

When welding 2 panels together including 980 MPa ultra high strength steel.

Spot weld	Pressure	2940 N (300 kgf, 661 lbf)
	Weld current	10000 A
	Weld time	18 Cyc. (0.30 Sec.)
Plug weld	Plug diameter	10 mm (0.39 in.)
	Wire type	AWS A5.18 ER70S-3
	Shield gas	Metal active gas



Text in Illustration

***2** 980 MPa Ultra High Strength Steel

When welding more than 3 panels together including 980 MPa ultra high strength steel. (When plug welding a third panel to 2 panels which are welded under the conditions described above.)

Plug weld	Plug diameter	Same as the standard method (See the introduction)
	Wire type	AWS A5.18 ER70S-3
	Shield gas	Metal active gas

b. Standard Number of Welds

980 MPa ultra high strength steel	Number of spot welds	More than the number of welds made by the manufacturer
	Number of plug welds	More than the number of welds made by the manufacturer
Normal steel or high strength steel	Number of spot welds	More than 1.3x the number of welds made by the manufacturer
	Number of plug welds	More than the number of welds made by the manufacturer

NOTICE:

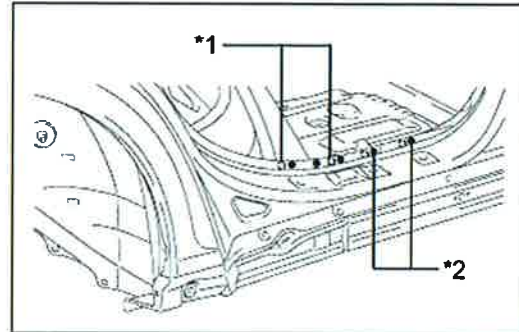
- Inspect the welds after spot welding. For points with insufficient weld strength join the panels using plug welds.

c. Spot weld locations

Text in Illustration

*1	Old Spot Locations
*2	New Spot Locations

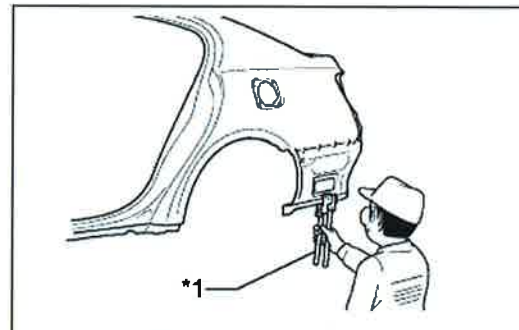
Avoid welding over previously welded areas.

**MAKING HOLES FOR PLUG WELDING****Text in Illustration**

*1	Puncher
----	---------

- a. For areas where a spot welder cannot be used, use a puncher or drill to make holes for plug welding.

Thickness of welded portion	Diameter of plug hole
Under 1.0 mm (0.04 in.)	Over 5.0 mm (0.20 in.)
1.0 to 1.6 mm (0.04 to 0.06 in.)	Over 6.5 mm (0.26 in.)
1.7 to 2.3 mm (0.07 to 0.09 in.)	Over 8.0 mm (0.31 in.)
Over 2.4 mm (0.09 in.)	Over 10 mm (0.39 in.)



ANNEXURE '9'

Division 3 Register of offences and penalty notices

48 Secretary to keep register of offences

(1) The Secretary is to keep a register of information about offences under this Act or the regulations under this Act relating to serious breaches of this Act or the regulations.

(2) The register may contain any of the following information in relation to a person who has been convicted by a court of, or has been issued a penalty notice for, an offence under this Act or the regulations that, in the opinion of the Secretary, is a serious breach of this Act or the regulations:

- (a) the name of the person;
- (b) the name and address of the place of business at which the offence was committed, including the local government area in which it is located;
- (c) the name and address of the usual place of business of the person;
- (d) the trade name under which the person trades;
- (e) if the person is a company, the name of the chief executive officer and any director of the company;
- (f) a description of the nature and circumstances of the offence, the decision of the court and penalty imposed or the order made against the person;
- (g) any other information of a general nature in relation to matters connected with the motor vehicle dealing and repairing industry that the Secretary thinks necessary.

(3) Information relating to a particular offence is not to be published on the register until:

- (a) in the case of a person who has been convicted by a court:
 - (i) if no appeal is made—after the last day on which an appeal may be made against the conviction; or
 - (ii) if an appeal is made—after a final order has been made on appeal affirming the conviction; and
- (b) in the case of a person who has been issued a penalty notice:
 - (i) the amount payable under the penalty notice has been fully or partly paid; or
 - (ii) a penalty notice enforcement order under Part 3 of the Fines Act 1996 has been issued in respect of the penalty notice; or
 - (iii) at least 70 days have elapsed since the penalty notice was served and the penalty notice is unresolved.

(4) The register may be kept in any form that the Secretary considers appropriate.

ANNEXURE '10'



decision for the CAC to make as part of its direct Code deliberations but rather an issue to be taken up with the Government on behalf of the industry. This goes to the thematic nature of the 2013 Review going forward.

There were many issues thrown up by the Review, assessor repairer relations, industry bullying, insurer “steering”, “genuine” versus “non-genuine” parts and “funny money funny time”.

But by far the most challenging question was the rapid – and seemingly inexorable development – of Network Smash Repairers (NSR’s). All sides of the debate see these networks and their logical end points - insurer owned mega smash repair shops – as shaping the future of the industry.

What is a matter of furious disagreement, though, is whether this industry rationalization represents the undeniable and transformative rule of market forces or the rampage of cost driven uncompetitive practices compelled by fundamentally unequal market power.

No Code clause can necessarily address such issues conclusively. But it is one that might properly concern the CAC in some form of debate about the developing culture of the industry.

“Report Recommendations” in this Review represent the considered findings of the Report based on submissions received.

“Industry Recommendations” in this Review represent the views of individual industry participants as reflected in submissions made to the Review.

The context – code history

ECA would like to acknowledge that it has drawn heavily on party submissions and one-on-one interviews to present this section.

The Australian Motor Vehicle Insurance and Repair Industry (MVIRI) Code is a voluntary code designed to improve the effectiveness of relationships between insurance companies and smash repair businesses, with the ultimate aim of delivering quality insurance and vehicle repair outcomes for Australian consumers.

First released in 2006, it followed the completion of a comprehensive investigation of the Australian Smash Repair Industry by the Australian Productivity Commission (APC) in March 2005. The APC investigation followed a period of significant tension between insurance companies and smash repairers. This centered on smash repair industry concerns about the procedural fairness and overall transparency of preferred smash repairer schemes.

The operation of the MVIRI Code is overseen by the Code Administration Committee (CAC), which comprises six industry representatives – three from the Insurance industry and three representatives of the smash repair industry. The CAC is required to monitor compliance with the Code and manage the conduct of a review of the Code every three years.

The most recent review of the Code was undertaken in December 2009 and January 2010. Again, The Review was primarily organised on the basis of written submissions received from interested stakeholder parties who operate under the Code.

ANNEXURE '11'



State of California
Department of Insurance
Dave Jones, Insurance Commissioner

AUTO BODY REPAIR CONSUMER BILL OF RIGHTS

Amended effective January 1, 2010

A Consumer is entitled to:

1. Select the auto body repair shop to repair auto body damage covered by the insurance company. An insurance company shall not require the repairs to be done at a specific auto body repair shop.
2. An itemized written estimate for auto body repairs and upon completion of repairs, a detailed invoice. The estimate and the invoice must include an itemized list of parts and labor along with the total price for the work performed. The estimate and invoice must also identify all parts as new, used, aftermarket, reconditioned or rebuilt.
3. Be informed about coverage for towing and storage services.
4. Be informed about the extent of coverage if any, for a replacement rental vehicle while a damaged vehicle is being repaired.
5. Be informed of where to report suspected fraud or other complaints and concerns about auto body repairs.
6. Seek and obtain an independent repair estimate directly from a registered auto body repair shop for repair of a damaged vehicle, even when pursuing an insurance claim for repairing the vehicle.

Complaints within the jurisdiction of the Bureau of Automotive Repair

Complaints concerning the repair of a vehicle by an auto body repair shop should be directed to:

Toll Free (866) 799-3811

California Department of Consumer Affairs/Bureau of Automotive Repair

10240 Systems Parkway

Sacramento, CA 95827

The Bureau of Automotive Repair can also accept complaints on its website at: www.autorepair.ca.gov

Complaints within the jurisdiction of the California Insurance Commissioner

Any concerns regarding how an auto insurance claim is being handled should be submitted to the

California Department of Insurance at:

(800) 927-HELP or (213) 897-8921

California Department of Insurance

Consumer Services Division

300 S. Spring Street

Los Angeles, CA 90013

The California Department of Insurance can also accept complaints on its website at:

www.insurance.ca.gov

ANNEXURE '13'

Motor Traders'
Association of NSW

MTA NSW Realistic Times Glossary

Realistic Times Includes:

- ◆ Frequently Asked Questions
- ◆ Consumables Guide
- ◆ Sundries Guide



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Section 1: Frequently Asked Questions

I | Transition from Funny Time Funny Money (FTFM) to Real Time Real Money (RTRM)

1.1 What is FTFM?

Funny Time Funny Money (FTFM) was the system that the repair industry worked under for decades in the past. FTFM never kept up with the many changes that happened within the Motor Body Repair Industry which affected the business costs of repair workshops. These changes included the introduction of the GST, the Superannuation levy, stricter compliance to OH&S regulations and a move away from the “pen and paper” practices to using electronic business system methods. Other changes include the manufacturing of the motor vehicles with increased usage materials that are harder to repair, such as high and higher strength blended metals. This has led to an enormous increase in the complexity of repairing vehicles as well as increases in the technical capability of the employees, which flows through to increased wage demands and equipment requirements. The FTFM methodology had become unrealistic and unsustainable based upon lack of increases to labour, consumables and materials costs over time.

1.2 What is RTRM?

Real Time Real Money (RTRM) is a new system that was initiated by the Motor Traders’ Association of NSW (MTA) on behalf of the body repair industry. The MTA has been working on RTRM since 2005; educating repairers and insurance companies, working on labour rate calculators and establishing a new online realistic times guide – eMTA. Basically, RTRM is using realistic times (the time that it actually takes to carry out the operation based upon a formula or based upon time trials) with realistic money (different labour rates for different businesses, based on that business’ labour costs). Also built into RTRM is the ability to pass on the increase in materials and consumables when necessary, which will be reviewed annually.

1.3 Why move from FTFM to RTRM?

FTFM developed over time as a way Repairers dealt with rising costs of doing business that the Industry failed to address by raising rates. This led to a way of quoting that meant that the labour component of the quote was inflated (the times) to make up for another part of the quote (the designated shop labour rate) as it was well under the required amount. This is not a transparent way of doing business and as time went on other issues arose such as significant increases to consumables and materials. The industry needed to change in order to move ahead in a sustainable way into the future. The Motor Vehicle Insurance and Repair Industry Code of Conduct, which is law in NSW, states:

6. ESTIMATE, REPAIR AND AUTHORISATION PROCESS

6.2 The parties acknowledge ongoing changes in the Industry in relation to the development of realistic times and rates:

(a) Insurers will state clearly the estimation methodology to be applied; and

(b) Repairers in their estimation methodology may separately cost paint, parts, significant consumables and mandatory government environmental levies in so far as they apply to a repair.

The Productivity Commission, in its report “Smash Repair and Insurance”, 2005, states:

In the Commission’s view, the abandonment of FTFM is a necessary step towards clarifying the nature of returns in the repair industry and improving commercial relations between repairers and insurers.

1.4 Are Insurance Companies supporting the move to RTRM?

MTA has been working with the major insurance companies to keep them informed and to consult with them about the move to RTRM. Particularly, MTA has been working closely with NRMA Insurance to develop realistic times and a labour rate calculator. MTA has also met with other major insurers. Whilst all insurance companies are at different stages, it is generally accepted that RTRM is here and that the Government (through the Code and Productivity Commission Report) has recommended its implementation. MTA will continue to meet with the Insurance Council of Australia (ICA) and major insurance companies to assist the transition to RTRM.

1.5 Will Insurance Companies accept my quotes in RTRM?

The Motor Vehicle Insurance and Repair Industry Code of Conduct, which is law in NSW, states:

4.2 Insurers

In their dealings with Repairers in relation to repair work, Insurers will:

(b) not refuse to consider an estimate on unreasonable or capricious grounds.

6.2 The parties acknowledge ongoing changes in the industry in relation to the development of realistic times and rates:

(b) Repairers in their estimation methodology may separately cost paint, parts, significant consumables and mandatory government environmental levies in so far as they apply to a repair.

It is important to note that the only research that has been done with separating significant consumables has been through the realistic times and rates methodology.

Different insurance companies are at different stages with RTRM, so some may ask you to submit a RTRM and a FTFM quote. It is up to you, as a business owner or manager, as to how you decide to proceed regarding this.

The information that MTA has received from the major insurance companies to date is that NRMA Insurance will only accept RTRM quotes from 1st June 2009. AAMI are currently accepting RTRM quotes. Suncorp GIO will commence RTRM from 1st January 2010. Allianz, Lumley, QBE and Zurich are looking at moving to using a realistic times and rates methodology and are accepting quotes written in this format.

1.6 Can I receive training on how to quote and run my business under RTRM?

Significant information has already been offered to the Industry in this regards through area meetings. Other sources of information may be obtained from various Industry stakeholders, such as I-CAR Australia and PPG. MTA also recommends that you contact your quoting system provider to ensure that you have access to eMTA's online realistic times guide



2 | Labour Rates

2.1 What is a labour rate?

A labour rate is different for each business as it is based on the different costs and productivities of each shop. A labour rate is based on your labour costs, labour productivity and available working hours. It does not include parts, materials and sublets. It is the rate that labour operations are charged at under RTRM.

2.2 Does my labour rate include my rent or equipment?

No. The labour rate only takes into account the productivity of your labour. This is based upon 80% productivity and 20% for loss of productivity.

For example, out of a 5 day week, 1 day of productivity is lost due to doing other things not directly related to repair work, such as customer service, moving cars, general tidying up, talking, breaks and phone calls.

2.3 How can I calculate my labour rate?

Your labour rate can be calculated by using any of the following methods:

- MTA Labour Rate Calculator
- Using your Accountant
- Doing comparison quotes by converting invoiced FTFM estimates using RTRM methodology
- (For IAG/NRMA Insurance) Use the Deloitte's calculator, available at www.ntar.com.au.

2.4 Will insurance companies accept my labour rate?

Your labour rate should represent the actual return on your labour investment that your business needs. It will differ from shop to shop.

Generally, you will need to submit your labour rate to an insurance company and they will go through a validation process. Some insurance companies may try and negotiate a rate, or advise you of a maximum area average rate.

An insurance company may seek evidence in support of your application before agreeing on a labour rate.

When negotiating your labour rate with an insurance company, keep in mind what your minimum allowable amount is and also remember that the rate should be reviewed after 12 months. The point of a labour rate is that it reflects your actual business costs and productivity.

2.5 Is my labour rate confidential?

Initially it was understood that your labour rate should not be disclosed by an insurance company to anyone else or any other business. However, the labour rate of individual repairers is received by other Insurers on recoverable claims. These claims are presented to other Insurers to claim back costs in the format that the Insurer received them.

Confidentiality is no longer considered to be an issue with other Industry stakeholders.



3 | eMTA Times Website

3.1 Why are there two times databases?

Whilst the times have been developed through a joint effort , two times websites/sources will be maintained to ensure that everyone in the industry has access to realistic times. NRMA Insurance's website, NTAR, is only for the use of Repairers completing quotes for that insurer. The MTA has endorsed eMTA Australia Pty Ltd to be a provider of times for all other insurers and may be used by any repair shop for quotes for all types of motor vehicle body repair work.

3.2 Who can access the eMTA times website?

eMTA is designed to be electronically accessed by both Insurers and Repairers. eMTA has automatic interfaces into the major smash repair quoting systems and an interface platform for assessing systems.

4 | Quoting

4.1 How is quoting methodology different under RTRM?

The major changes are representative of the needs of the Industry to separate labour from consumables and being able to cost these separately whilst being able to use your business' actual labour rate. The quoting systems are able to automatically calculate these consumables so the actual method of quoting is very similar.

Other important improvements to RTRM include the introduction of loadings on repair times and other components, such as used parts or exchange bumper bars that require extensive preparation.

NOTE: There are some differences between what insurance companies state the maximum is that they will pay or how loadings will apply for their work and what MTA recommends. Ensure that you understand how the Insurer that you are dealing with applies these loadings.

4.2 Will repair quotes increase under RTRM?

Initially it was expected that overall, repair costs will remain cost neutral. What RTRM does is make the system transparent and create a mechanism for increases in costs to be charged on in the future. For example, since the inception of RTRM, there have been increases to repair and paint consumables as well as increases to paint liquids.

4.3 What do I do if an Insurance Company doesn't accept my RTRM quote?

If an insurance company doesn't accept your RTRM quote, you should initiate an "Internal Dispute Resolution" (IDR). The IDR process is detailed in Section 11 of the Motor Vehicle Insurance and Repair Industry (MVIRI) Code. This requires filling out an IDR Form and submitting it to the insurance company (fax a copy to MTA on 02 9212 6889). IDR forms are available for download from the MTA website – click [here](#) and then download the IDR form "Refuse to Assess Estimate" and/or "Realistic Times Methodology". This will require the Insurer to respond in writing to you within 5 working days and resolve the issue in another 10 working days.

Note: Under the MVIRI Code of Conduct, section 6.2 (a), Insurers are entitled to convert your realistic times estimate into their own stated estimating/assessing methodology. Please ensure that a fair and transparent process has been adopted in negotiating repair costs.

5 | Times

5.1 Where can I access the new realistic R&R times?

The new realistic times can be accessed through your Quoting Software Provider (if your Provider has built this into its software). If available in your software, you can download the times directly into your quote. If you are not sure if this is available through your software, contact your Quoting Software Provider directly.

5.2 How have the new realistic R&R times been derived?

The new realistic times have been researched, tested and trialled by a group of 16 trial repairers who have sat on a Times Committee. The Times Committee consists of these trial repairers, MTA representatives and NRMA Insurance staff. The Times Committee has conducted countless hours of research to ensure that the times are realistic. The times were trialled in controlled environments and then tested under workshop conditions. The results acted as sample information which was then presented to the Times Committee for review. Determinations were then made on the realistic time. The Times Committee has now evolved into the National Times committee with regular monthly meetings

5.3 What do I do if I disagree with the scheduled realistic R&R times?

e-MTA Field Report Process

The eMTA has designed an automated field report process via the Estimage assessing system. This will then be forwarded to the MTA NSW for review. *IAG/NRMA Insurance Field Report Process*
To submit a field report to IAG/NRMA Insurance, go to the NTAR website, www.ntar.com.au and select "Field Report" (located on the upper left hand side of page). Fill in relevant details and you will receive an automated response. Your field report will then be investigated and depending on the nature of the submission, existing formula based query or something that may require field testing will be presented to the Times Committee for review. Once the Times Committee has received a field report, it is examined and if it is agreed to, the changes are made to both the NTAR and E-MTA websites. If the Times Committee disagrees with the field report, further investigation will be undertaken.

5.4 How have Sundry items been calculated?

The Sundry items have been agreed to by a group including MTA representatives, trial repairers and NRMA Insurance staff. If you would like to put forward any feedback on the Sundry items, please submit a Field Report via the Estimage system or the NTAR website.

5.5 Are times available for prestige vehicles?

The MTA has formed a Prestige Times Committee which is meeting regularly to establish prestige times. As this progresses the Industry will be kept informed.

5.6 How will repair times be calculated?

Repair times will be negotiated between yourself and the assessor. The guide only covers R&R and Refinish times but also includes applicable loadings on repaired or recycled panels and exchange bumper bars.



Section 2: MTA NSW Consumables Guide

I | Glossary – Overview

1.1 Remove and Replace Operations (see R&R Glossary Items & descriptions)

Each Remove and Replace time has been calculated allowing all standard fittings for the individual model and type. As a result, times may vary between top of the range and base models.

1.2 Repair Operations

Blended and High Strength Metals

New types of steel have been developed and are now used for various parts on motor vehicles. These metals differ from plain carbon steel in that they include alloying elements and/or they have undergone heat treatment to attain levels.

NOTE: NSW Fair Trading Act Part 5E and Motor Vehicle Insurance and Repair Industry Code of Conduct

Under the NSW Fair Trading Act and the Motor Vehicle Insurance and Repair Industry (MVIRI) Code of Conduct, Motor Body Repairers should seek manufacturer's specifications or other such Industry recognised sources, when required to formulate estimates and to carry out repairs on vehicles with HSS, BORON or other such BLENDED metals.

2 | Refinishing

2.1 Refinish Times

The refinish times have been constructed to identify the physical process following recommended refinish procedures supplied by leading paint companies and other leading industry sources for carrying out the refinish painting process. These refinish operations are described as 1 Layer, 2 Layer and 3 Layer.

The labour times applied to Layers 1, 2 and 3 do not include consumables or materials.

- | | |
|---------|---|
| 1 Layer | Time is for a standard single refinish process used for Solid painting. |
| 2 Layer | Time is for refinish processes that require base coat and a clear top coat.
This is applied to Clear over base, Metallic 1 and Metallic 2 refinishing processes. |
| 3 Layer | Time applies to the refinish processes that require Base coat, Pearl coat and a Clear top coat. |

2.2 Refinish Blends

70% of the “out” time for the Panel being refinished using the blend process. For example, divide the refinish time of the outside of the panel by 70%.

2.3 Refinish Spot Blends

When the refinish process is kept in a “Spot” section of a single panel with no other panel being refinished, the refinish time required will be based upon the full outer refinish time.

2.4 Refinish Preparation Loadings

The following refinish preparation loadings are to be applied to the following panels:

- ◆ Replaced Welded and Re-skinned general panels (Beaver panels, Door Skins, Radiator Supports, Rail & Skirts, Sills, Pillars)
= 0.50 hour per replaced panel
- ◆ Replaced Major Welded Panels (Qtr, Turrets, Body Side Panels)
= 1.00 hour per replaced panel
- ◆ All Repaired Panels (including all inner panels requiring primer / putty)
= 0.20 per repair hour
- ◆ Recycled panels to be applied to the Refinish In / Out time, where these times apply.
= 10% refinish loading time
- ◆ Exchange bumper bars
= 10% refinish loading time
- ◆ Special Hardened Clears (applied to all replaced, repaired or blended panels)
= 10% refinish loading time

All refinish preparation loadings are to be placed in the refinish area of the estimate.



3 | Materials and Consumables

These allowances are as a result of the MVIRI Code of Conduct where significant consumables and materials may be separated from the labour operations.

3.1 Panel Consumables

This allowance is designed to cover the cost of consumables used during the welded panel Remove & Replace and Repair processes of mild steel panels.

Panel Consumables are currently calculated @ \$3.35 per repair hour.

3.2 Welded Heavy Panel Consumable Allowance

Due to the increase of High Strength Steels and other Blended metals now used in the manufacturing of structural panels, where one of these Remove & Replace welded panels is required, a **Welded Heavy Panel Consumable** allowance of \$30.00 may be included to cover the cost of these type of consumables used during the Remove & Replace process. These panels may include Turret and Quarter and Body Side panels.

Panel Consumables are currently listed in 'Miscellaneous' section of the quote.

3.3 Paint Consumables

This allowance is designed to cover the cost of consumables used during the refinish process.

Paint Consumables calculated manually @ \$5.92 per paint labour hour.

3.4 Paint Materials

This allowance is designed to cover the cost of materials used during the refinish process.

There are different paint material allowances for different paint colour groups. Below are the current agreed allowances for IAG only:

Layer 1	Layer 2	Layer 3
S1 = \$17.51	S2 = \$19.49	M3 = \$27.74
	M1 = \$21.13	
	M2 = \$24.36	

3.4 Paint Setup Time

This allowance is payable on all quotes to cover time spent identifying, mixing and matching colour and the cleaning of guns, equipment and other consumables required to carry out these operations.

Paint Setup Layer 1 = 0.30 @ paint labour rate for layer 1 colours, add 0.30 for a 2nd colour.

Paint Setup Layer 2 & 3 = 0.50 @ paint labour rate for COB, Metallic & Pearl colours,

Add 0.50 for a 2nd colour.

Paint Setup Colour Match = from 0.50 for difficult, complex colours, or to save blends, negotiable.

To be included in the Refinish Section of the estimate. Consumables and Materials apply.

Panel Consumables	\$3.35	Per Repair hour (IAG Agreed Rate)	
Welded Heavy Panel Consumable	\$30.00	This allowance applies to all major welded panels being replaced. This is shown in the Miscellaneous section of the quote.	
Paint Liquid Materials Guide (IAG Agreed Rates)	LAYER 1 SOLID 1 @ \$17.51	LAYER 2 SOLID 2 / COB @ \$19.49 METALLIC 1 @ \$21.13 METALLIC 2 @ \$24.36	LAYER 3 METALLIC 3 @ \$27.74
Paint Consumables	\$5.92	Per Paint hour (IAG Agreed Rate)	
Setup / Colour Match Solid colours	0.30	Of an hour @ The Repairers labour rate; 2 nd colour add extra 0.30 Located in Refinish area, Consumables apply	
Setup Colour Match 2 Layer COB & Metallic's Pearl colours	0.50	Of an hour @ The Repairers labour rate; 2 nd colour add extra 0.50 Located in Refinish area, Consumables apply	
Setup / Colour Match	From 0.5	Used to offset painting other panel, complex paint formulas or difficult colour match. Located in Refinish area, Consumables apply	
Preparation Loadings Apply the Following: All Repaired Inner and Outer panels.	0.20	Apply preparation allowance of 0.20 per repair hour can be added for any repaired panel Located in the Refinish area, Consumables Apply Does not apply to Paintless Repairs	
Major Replaced Welded Panels	1.00	An allowance of 1.00 hour applies to replacement Qtr panels & turrets Located in the Refinish area of your estimate. Consumables Apply	
All Other Replaced Welded & Re-skinned panels	0.50	An allowance of 0.50 of an hour can be added for replacement of Boot floors, Rails, Skirts, Pillars, Sills, Beaver panels and Door Skins. Located in the Refinish area of your estimate. Consumables Apply	
All Used Panels or Exchanged Bars	10%	A 10% allowance of the paint time can be added for a recycled panel or exchange bumper bar is fitted and where in/out paint times apply. Located in the Refinish area, Consumables Apply	
Booth Setup	0.25 Up to 1.0	Negotiated allowance based upon complexity & number of items required to be moved in & out of the booth. This is to be placed in the Misc section of the estimate.	
Blend Allowance	70%	Applies to the "Outer" paint time of the panel, Consumables Apply	
Single Panel Masking Allowance	Up to .50 Negotiated	An allowance of up to 0.50 of an hour at the repairer's hourly rate applies where a single panel only (with no adjoining blends) requires refinishing and is to remain on the vehicle. This is to be shown in the Miscellaneous section on the quote	
Fine Line Masking	Up to 0.50 Negotiated	An allowance of up to 0.50 of an hour at the repairer's hourly rate applies where a fine line masking is required for refinishing. This is to be shown in the R&R section on the quote	
Scratch Resistant Clear Refinish Labour	25%	Add to Any Panels where the panel is painted in 'Scratch Resistant Clear' Located in the Refinish area, Consumables Apply	

Section 3: MTA NSW Sundries Guide



8 | Sundries Guide

Sundries	Guide Pricing (less GST)	Item Description
Air Conditioning Degas	\$40.00	Includes evacuate and store gas and record details
Air Conditioning Regas R34a	\$90.00	Includes oil, gas and test and check system and refit drier
Body Foam/anti flutter doors and skins	\$30.00	Includes labour to apply and materials including the use of 1 disposable tip
Body Foam/anti flutter quarter panels, sills and pillars	\$35.00	Includes labour to apply and materials including the use of 1 disposable tip & including preparation, masking, etc
Body Foam/anti flutter turrets	\$50.00	Includes labour to apply and materials including the use of 1 disposable tip
Chip/Stoneguard lower front door	\$25.00	Includes supply and apply stoneguard and materials and consumables
Chip/Stoneguard lower front guards	\$15.00	Includes supply and apply stoneguard and materials and consumables
Chip/Stoneguard lower Quarter panel (if factory join evident)	\$20.00	Includes supply and apply stoneguard and materials and consumables
Chip/Stoneguard lower rear door	\$20.00	Includes supply and apply stoneguard and materials and consumables
Chip/Stoneguard sill panel (includes lower Qtr section)	\$60.00	Includes supply and apply stoneguard and materials and consumables
Chip/Stoneguard Underbody floors,	Negotiation based upon size & area	Includes supply and apply stoneguard and materials and consumables
Chip/Stoneguard Underbody Front skirt, rear wheel arch	\$25.00	Includes supply and apply stoneguard and materials and consumables
Front or Rear Glass Urethane kit	\$35.00	Material only
Front screen supply and fit (remote)	Invoice + 10%	Includes the removal and replace, supply glass as well as necessary materials and moulds
Interior Detail – Glass removal	\$90.00	Broken or shattered glass removal – in-house
Interior Detail – Glass removal	Invoice + 10%	Special Sublet
Mould retape	Negotiation	Negotiated price based on complexity and suitability. To include labour and necessary consumables as required.
New panel tape and edge beading sealer - new bonnet / liftgate	\$35.00	Includes supply and apply of materials and consumables
New panel tape and edge beading sealer - new boot lid/tailgate	\$30.00	Includes supply and apply of materials and consumables
New panel tape and edge beading sealer - new doors/skins	\$25.00	Includes supply and apply of materials and consumables



New panel tape and edge beading sealer – wheelarch	\$20.00	Includes supply and apply of materials and consumables
New protector mould - urethane	\$5.00	Applies when a protector mould is bonded with adhesive from factory (per mould)
Paint Stripping Operations – 50% of outer panel paint time	50%	All consumables and materials including labour - stripper, masking tape, sand paper, rags, plastic sheeting etc
Paint Stripper Second Application 20% of outer panel paint time	20%	For panels requiring a second application of stripper.
Paint protection	Invoice + 10%	
Number plate frame - plastic bezel type	\$5.00	Each
Panel bond adhesive Non OEM – Per cartridge	\$110.00	Negotiated based on quantity required, material only
Panel bond adhesive - OEM	OEM	List price in parts area, material only.
Pinstriping and decals	Invoice + 10%	
Proofcoat/Cavity Wax	\$10.00	Includes supply and apply of material - per panel
All Fluids and Oils	OEM	Refer to OEM Guidelines
Rust proofing	Invoice + 10%	Warranty papers or original invoices required
Remove and replace Front/Rear screens, side or Quarter glass	Invoice + 10%	Includes the removal and replace as well as necessary consumables
Side glass supply and fit (remote)	Invoice + 10%	Includes the removal and replace, supply glass as well as necessary materials and moulds
Sound deadener – matting	Invoice + 10%	Non OEM – Specialist supplier - placed in Parts area
All Fluids and Oils	OEM	Refer to OEM Guidelines
Rust proofing	Invoice + 10%	Warranty papers or original invoices required
Remove and replace Front/Rear screens, side or Quarter glass	Invoice + 10%	Includes the removal and replace as well as necessary consumables
Side glass supply and fit (remote)	Invoice + 10%	Includes the removal and replace, supply glass as well as necessary materials and moulds
Sound deadener – matting	Invoice + 10%	Non OEM – Specialist supplier - placed in Parts area
Sound deadener – matting	Invoice + 10%	Non OEM – Specialist supplier - placed in Parts area
Sound deadener – matting	Invoice + 10%	Non OEM – Specialist supplier - placed in Parts area



Sound deadener padding	\$25.00	Per perforated sheet -(adhesive type – A4 sized sheet)
Sound deadener padding	\$20.00	Per non-perforated sheet (adhesive type – A4 sized sheet)
Specialist sublet	Invoice + 10%	
Sealers - Brush on – Inner Beaver	\$30.00	Includes supply and apply of material - per panel
Sealers - Brush on – Outer Beaver	\$20.00	Includes supply and apply of material - per panel
Spray on sealers - per outer panel	\$40.00	Includes supply and apply of material and necessary masking and gun cleaning.
Spray on sealers - per inner panel	\$40.00	Includes supply and apply of material and necessary masking and gun cleaning.
Welded Panels	@ \$2.00 per R&R Hour	To be applied to all welded panels and listed in Miscellaneous area
Wheel Alignments	Invoice + 10%	Excludes transport to and from specialist
Wheel Balance Alloy or Steel	Invoice + 10%	Excludes transport to and from specialist
Window tinting (max prices)	Invoice + 10%	Quarter Glass
	Invoice + 10%	Side Glass
	Invoice + 10%	Cargo Glass
	Invoice + 10%	Rear Glass

NOTE: Towing: Subject to current RTA Guidelines

Section 4: Disclaimer

13 | Disclaimer

MTA NSW has taken all reasonable care to ensure that the information contained in this guide is accurate.

The realistic times guides are based on data and information collected by MTA NSW and information accepted in good faith from various other sources associated with this work. However, no warranty or representation can be given that the information and materials contained in it are complete or free from errors or inaccuracies.

MTA NSW accepts no responsibility for any deficiency, misstatements or inaccuracies contained in this guide. To the extent permitted by applicable laws, MTA NSW accepts no liability for any decision, action, loss, damages or expenses of any kind including without limitation, compensatory, direct, indirect or consequential damages, loss of data, income or profit, loss of or damage to property, or claims by third parties howsoever arising in connection with the use or reliance on the information in this guide.

By viewing this guide, you are acknowledging that you have read and agree to the above disclaimer.

ANNEXURE '14'

Locations

S.M.A.R.T. is a national business. S.M.A.R.T. centres are operating in Melbourne, Sydney, Brisbane, Adelaide and Perth.

To find your nearest S.M.A.R.T. Centre, use our interactive map below.



WHO DO I CONTACT FOR INSURANCE CLAIM OR REPAIRS?

Please contact your insurance company direct for any enquiries in relation to your insurance claim or related collision repair.

CAPITAL S.M.A.R.T. REPAIRS

S.M.A.R.T. centres are more environmentally sustainable than traditional models because we use recycled water, less power, water based paint and generate less CO2 emissions.

ANNEXURE '15'

9. DISCLOSURE OBLIGATIONS

- 9.1** Insurers will clearly state, in unambiguous and plain language, upfront in their Product Disclosure Statements, their policy in relation to choice of Repairer.
- 9.2** Insurers will disclose in their Product Disclosure Statements their policy relating to the use of new, non genuine and recycled parts, sub-let repairs and guarantees and warranties.
- 9.3** Insurers will not make misleading or deceptive statements about the quality, capability or timeliness of Repairers that are not members of an Insurer's NSR scheme;
- 9.4** Repairers will not make misleading or deceptive statements about the quality, safety or timeliness of repairs based on who the Insurer is or the approach the Insurer uses to allocate repairs or manage claims; and
- 9.5** Sub-clauses 9.1, 9.3 and 9.4 also apply to telephone enquiries and sales.

ANNEXURE '16'

If your car is damaged

Choice of repairer

You can choose:

- ▶ to allow us to arrange the repair of your car; **or**
- ▶ your own repairer.

If your car is not safe to drive

We will arrange to move your car to either one of our assessment centres or repair facilities, or to another location nominated or agreed to by us.

If your car is safe to drive

We will arrange a time with you to bring your car into one of our assessment centres or repair facilities, or to another location nominated or agreed to by us.

If you allow us to arrange the repairs

- ▶ we ordinarily obtain two competitive quotes from our recommended repairers (where available) and select the most appropriate quote;
- ▶ we authorise the repairs based on the most appropriate quote and manage the repair process with the repairer;
- ▶ we will keep you informed of the progress of the repairs **and** will advise you when your car is ready for collection.

If you choose your own repairer, which may include one of our own recommended repairers:

- ▶ after you obtain a quote from your repairer, we will arrange a time with you to drive your car (if it is safe to do so), or you must let us move it, to one of our assessment centres or repair facilities, or another location nominated or agreed to by us;
- ▶ we will authorise the repairs if we agree your repairer's quote is reasonable and will result in your car being repaired safely and in a cost effective manner.

If we don't authorise repairs

If we don't authorise repairs, we will pay you what it would have cost us to repair your car and the lifetime guarantee will not apply. The amount we pay is normally determined by obtaining a quote from a repairer we choose.

Lifetime guarantee on authorised repairs

For repairs we authorise, the quality of the materials and workmanship are guaranteed for the life of your car, even if you no longer own it. If a defect arises in the lifetime of your car as a result of faulty materials or workmanship, then we will rectify the problem.