

MOTOR VEHICLE REPAIR INDUSTRY

Organisation: [REDACTED]

Name: [REDACTED]

Date Received: 14/02/2014

Partially Confidential

**SUBMISSION TO THE MOTOR VEHICLE
REPAIR INDUSTRY COMMITTEE INQUIRY**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Our aim in this submission is to present some very confronting problems that we face continuously in our business. We know we are not alone regarding these concerns and that the Vehicle Smash Repair Industry as a whole has issues across the board. We can only speak of our own experiences and how these experiences affect us as a business and our clients which we strive to serve.

We, as repairers, have been struggling over a considerable period now to be able to maintain the safety, service and high quality repairs we wish to deliver to our customers. We have found that several factors have severely compromised our ability as repairers to meet these standards and it is at considerable cost to us that we have tried to do so.

These factors include (but are not limited to): -

1. Assignments of Debt and the refusal by [REDACTED] to use them
2. Steering by [REDACTED]
3. Hourly Rates - [REDACTED]
4. Hourly Rates - General
5. Parts - General

1. ASSIGNMENTS OF DEBT – [REDACTED]

[REDACTED] cash settles our mutual clients regardless of whether they are a third party claim or comprehensive.

When [REDACTED] advised that our clients were to be cash settled, we sought legal advice regarding the use of Assignments of Debt – or as the Motor Trader’s Association (MTA) have called them “Authority to Pay” forms. This advice was directed from the MTA, as well as our local and Sydney-based lawyers. All have advised that these forms constitute a legally-binding document and that provided the customer agrees to sign one, it should be treated as such.

After [REDACTED] was hesitant to agree to honour these terms, we emailed the Team Manager of NSW Rural Assessing North asking which forms were approved by [REDACTED] and what the issues were with the ones we were using.

After the form was forward to the [REDACTED] legal team and approved to use, we assumed the issue was resolved. However, throughout the next 12-18 months, the acceptance of these forms - by various departments in [REDACTED], were, to say the least, inconsistently received.

On 16 October 2012, we emailed the Team Manager of NSW Rural Assessing North enquiring again as to why more forms were being ignored. On 28 November 2012, we prompted him by email again, to which he finally replied that after discussing the matter with the claims department, that they had decided that the use of these forms which had been previously checked and agreed to by [REDACTED] own legal team, were no longer to be used (copies of emails are available if required).

A written query was sent to both the Government Relations Manager of IAG and Head of Government and Industry Relations of IAG with a copy forwarded to Senator John Williams. A meeting was arranged with Team Manager of NSW Rural Assessing North and Assessing Operations Manager – Rural North In April 2013.

(Copies of letter and reply are attached)

The reply we received implied that it was somehow for the good of the customer that Assignments of Debt are not honoured and “*While not specifically linked to your business...*” it also implied that we might use them to somehow manipulate our clients.

The reply continued on to say *“It is for these reasons, in addition to the view that the forms authorise but do not compel us to pay someone who is not the customer, that we will no longer accept the authority documents as a blanket rule across our business.”*

We interpret this as - regardless of the fact that an Assignment of Debt is a legal document ... which our clients agree to use - because [REDACTED] doesn't feel like honouring them, [REDACTED] are beyond the law.

In theory, a client should have the money in their possession to enable them to pay for repairs when they collect their vehicle.

However, it is common practice with the regional assessors to “Report On” what we feel to be an unreasonable quota of items, which then require us to submit an “additional” at a later date. By the time this is processed, the clients have taken their vehicle and very often we need to chase clients for payment and are, at times, lucky if they come back to pay for such matter. This is also an inconvenience for the “honest” clients who chase claims and fight for their entitlements.

This has caused financial detriment to us as repairers as well as embarrassment in that we have to ask clients to chase money already authorised to be paid to us.

2. STEERING - [REDACTED]

As mentioned in our introduction, the [REDACTED] has built a solid and loyal clientele in the [REDACTED] area.

Over the past few years, we have had numerous clients complain to us that they have not been free to come to us for repairs - as directed by [REDACTED]

Some, who are not game enough to challenge [REDACTED] directive to attend their “preferred repairers”, have expressed to us that if they defy [REDACTED] advice, they will be penalised in some way and they will move their business to another repairer. This change of heart inevitably occurs; after making a claim, after approaching us for a quote and then making a claim and even after in house assessments at our shop have taken place.

Assessors have been quite open in phoning and talking to our clients on our premises to advise them of the disadvantages of choosing [REDACTED] as their repairer.

We understand that [REDACTED] work with a network of Preferred and Partnered Repairers and they have the right to explain to customers the so called “benefits” of attending a Preferred Repairer.

We understand as business owners that a business may wish to promote something that benefits your business.

However, we also understand that customers have freedom of choice and should be given choices without undue pressure. We also feel that since [REDACTED] has had such a long standing, previously reputable and big name in the insurance industry, that clients tend to “want to believe” that they will be secure with what [REDACTED] tell them.

In that context, what chance does a small business have to put forward their perspective to clients – unless their clients are extremely loyal or have formerly endured adverse experiences elsewhere?

We experienced one instance (name & claim number can be provided) where our client was booked in for a repair and parts were ordered. When we contacted the client to check on his arrival, he was quite abusive (in a defensive manner) and said that the job had already been done as he was told to go elsewhere by a representative of [REDACTED]. We were unable to return parts and were subsequently out of pocket for them.

More recently, a client (name & claim number can be provided) who had just been involved in a serious accident, was making a claim from our office as he had requested his vehicle be towed to us. The gentleman was visibly shaken after the accident and we assisted him to phone [REDACTED] to lodge his claim.

During his conversation with the Call Centre operator, our office staff heard him say repeatedly that he had previously come to us for repairs and wanted to stay with us. We did advise our client that he could go where ever he chose to and that if he wanted to go elsewhere, that was his decision and would not be a problem with us. He insisted though, that he had been to us on previous occasions, was happy with our work and wanted to stay.

The gentleman was very upset by the end of the call to which our office staff member asked the Call Centre Operator if she was aware that he was very shaken having just had the accident and that she felt the steering that had taken place during this call was above and beyond. She continued to say that there was a difference in advising a client and applying pressure. The customer won on this count, but he had to fight for his choice of repairer to which we are grateful.

In other general instances:

*Clients have been told that they need to wait longer to have their vehicles assessed, when we have booked others in for the following week. (Assessors travel around rural areas and visit weekly).

*██████ put doubt into clients' minds by saying they don't guarantee our work – to which we reply that we guarantee all our work and did so even when we were a Preferred Repairer

*Clients are told if they come to us they may have out-of-pocket expenses above the cash pay-out settlement cheque amount.

*Clients are told they may need to get two quotes.

*Clients tell us constantly that they feel bullied and are confused as to why so much pressure is applied to them. Indeed, some are quite visibly upset by the process.

*When clients are able to come here, they cannot be given a time frame for their cash settlements. ██████ have previously advised that payment should be finalised 7-10 working days after an assessment. However, more recently, this has taken much longer and when queried by a client earlier this year, ██████ advised that they have no procedures in place for this. This means repairs are being held up whilst clients wait for payment from ██████ – which would not present as a problem if Assignments of Debts were accepted (Item 1).

*Hail claims are steered to out of town hail repairers who do not come back to follow up on repairs.

These examples may not seem to be overly threatening however when a client has no idea of their rights and again are influenced by a powerful entity, we understand these points can be construed to be very persuasive.

We can provide if needed lists of clients names and their claim numbers who have had to fight to come to us and others who have been heavily persuaded to attend other repairers. Some would gladly speak up, whereas others are not so willing for fear of reprisals/repercussions, which is very understandable.

3. HOURLY RATES – [REDACTED]

[REDACTED]' hourly rate has not changed since the inception of "Real Time Real Money". During a meeting with [REDACTED] representatives last year, we raised the topic and were basically told (by the Assessing Operations Manager – Rural North) that yes, we could renegotiate a rate with [REDACTED]. We were however warned that if we did apply for a rate rise, the rate could actually be reduced as he frankly told us it had done so for other repairers. As we understood it, we would need to sign a contract with [REDACTED] to become a Preferred Repairer in their network to do so. Both not wanting to sign with [REDACTED] and the threat of our negotiated rate being lowered, we were unwilling to jeopardise this and felt pressured to leave rates as they currently stand. One can only be bewildered when expenses are rising as to how could rates possibly go down?

As an exercise, we have compared quotes at our [REDACTED] rate of \$72 per hour with another large insurance company who pay \$30 per hour. The companies with lower hourly rates allow more time than [REDACTED]. Therefore with cuts to times to the [REDACTED] quote, according to the [REDACTED] approved [REDACTED] website, (which our noted times often manage to differ from the assessors') before assessment we were still approximately \$230 behind on the [REDACTED] rate.

We understand that [REDACTED] want to keep a tight rein on where they spend money and how much. We have previously participated in the [REDACTED] "preferred repairer scheme" and we have been repeatedly asked to join that scheme again with the most recent suggestion made during the previously mentioned meeting in April 2013. However with unrealistic bench marks and allowances and penalties for not meeting these demands, we do not find it economically prudent to join the scheme again. We feel that their main aim is to obtain a cheap job at whatever cost to repairers.

4. HOURLY RATES – GENERAL

██████████ has been in business for over eleven years and to date, no insurance company has raised its' hourly rate short of a few cents in allowances. To our knowledge it has been at least fifteen years since any significant rate rise has occurred.

We have however incurred rises in:

- *Employee pay rates – which leads to higher superannuation, worker's compensation and payroll tax
- *Employee superannuation which has risen to 9.25% and is set to rise to 12% in upcoming years
- *Consumables – basics needed to perform repairs, painting and clean vehicles (some which no allowances are made by insurance companies at all)
- *Utilities – Electricity, gas, water
- *Rents
- *Insurances
- *Sublets – Costs of sublets rise and can be greater than what insurance companies will pay. We have found this especially with air conditioner re-gas and wheel alignments.

Previously, Motor Vehicle Repairers have voiced their concerns regarding their situation, to which ██████████ kindly raised their rates, yet lowered times to reflect very little if any change overall – and, as previously mentioned, depending on the hourly rate, not at all.

Every other industry is able to increase its prices to coincide with rising expenses; however Insurance Companies cannot see the need for this with repairers. Not even to factor in CPI rate increases.

5. PARTS – GENERAL

After Market or Exchange Parts on New Vehicles – We have been instructed to replace Exchange Radiators and Air Condensers to vehicles under twelve months old. [REDACTED] first enforced this practice and recently other insurance companies have followed suit.

At the previously mentioned meeting with [REDACTED] in April 2013 (copy of letter and reply attached), we raised concerns that new car warranties would be compromised and although this saves insurance companies money, a new car should have new, genuine parts.

One [REDACTED] customer has written a letter to complain of this practice after they paid for the difference between the parts for fear of any reprisal. These customers pay a premium for a new car policy and repairers are forced to use cheaper parts to keep costs down.

In addition to this, repairers are now required to source parts from insurance companies' preferred suppliers, as they – the insurance companies, are able to get a better rate. This causes concern in rural areas as it is forcing small suppliers to either supply at a lower cost and lose money or shut down. Specialised suppliers like this can repair and service in a small town, whereas to freight back and forward if there is a problem defies logic.

In other instances, insurance companies are now only allowing a \$15 service fee on parts. Repairers could previously negotiate a rate with suppliers and as long as we charged list price on new parts if we could take advantage of a discount, it helped when hourly repair rates are so poor.

CONCLUDING REMARKS

[REDACTED]

Our main aim in presenting our case is to show the challenges of a small business trying to keep its doors open whilst supporting local families and providing a service whilst trying to comply with unrealistic expectations from larger, often intimidating entities.

Small businesses do not have the resources, knowledge, connections or often the time to address issues and if they do, it can be to the detriment of the business owners, with a flow-on effect to staff and customers.

We have made several queries with the ACCC regarding issues raised in this submission and have been told to gain further legal advice. Unfortunately, to pursue a legal path can prove to be very costly and a single voice will not be heard against the hoard of professionals representing large companies.

We ask that we be able to play on a fair playing field and that all insurance companies and their representatives be more accountable for seemingly unconscionable actions.

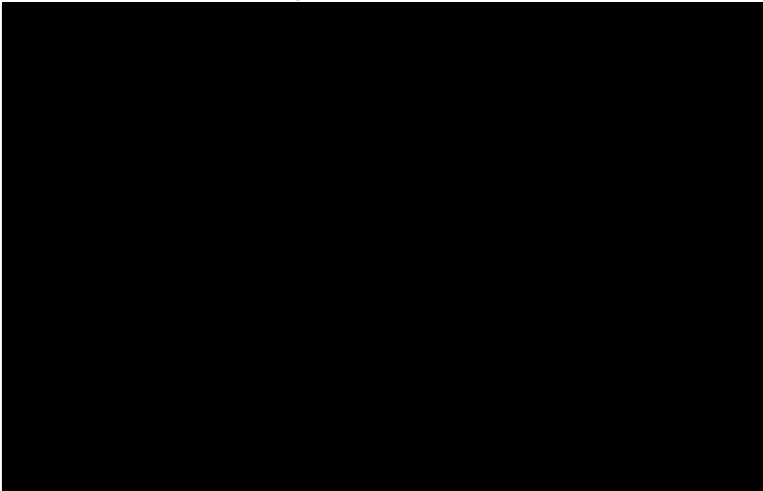
We ask for fair pay for our work and that we are not forced to either cut corners or suffer financially for safe and quality repair work.

We ask that through this inquiry, fair and just recommendations can be made so as to benefit all involved.

[REDACTED]

[REDACTED]

11 March 2013



To Whom It May Concern

Following a teleconference Tuesday 26 February 2013, please see following the issues which were brought to your attention regarding the practices **NRMA** impose on Vehicle Smash Repairers, namely

AUTHORITIES TO PAY – When **NRMA** advised that our clients were to be cash settled, we sought legal advice regarding the use of these “Authority to Pay” forms. This advice was directed from the MTA, our local solicitor and our Barrister who is based in Sydney. All three agreed that these forms are a legal document and that provided the customer agrees to sign one, it should be treated as such.

After **NRMA** was hesitant to agree to honour these terms, we emailed **NRMA** asking which forms were approved by **NRMA** and what the issues were with the ones we were using. After the form was forward to the **NRMA** and approved to use, we assumed the issue was resolved. Throughout the next 12-18 months, the acceptance of these forms - by various departments in **NRMA**, were to say the least hit and miss. On 16 October 2012, we emailed **NRMA** enquiring again as to why more forms were being ignored, but received no reply. On 28 November, we prompted **NRMA** by email again, to which he finally replied that after discussing the matter with the claims department, that they had decided with no reason behind the decision – to pass onto us at least, that the use of these forms which had been previously checked and agreed to by **NRMA**, were no longer to be used. – WHY?

Our clients assume, especially those who have completed an “Authority to Pay” form, that their repairs have been paid for and are mortified that – 1) We have needed to wait for payment 2) that we need to wait so long for payment 3) have expressed their annoyance regarding the inconvenience of them needing to chase payment for repairs they have had completed. In saying this, we had previously been advised by **NRMA** that payment should be finalised 7-10 working days after an assessment has been made.

2/...

STEERING: - The [REDACTED] name has been associated with the Smash Repair Industry in [REDACTED] for over 55 years, with [REDACTED] and [REDACTED] in more recent years building a solid and loyal clientele in that time. Backed by quality, mostly local staff (for example [REDACTED] has worked with the [REDACTED] family for 30 years) we have a good reputation with over 200 years of combined experience. We have modern equipment and employ 15 on staff.

Over the last couple of years, we have heard constantly of complaints and queries as to why our loyal clients are "not allowed" to come to us for repairs. Some have even commented that they felt "bullied" when [REDACTED] claims and/or assessors have advised them to take their work to another repairer. We often assist our clients when making a claim as they are not familiar with processes, are nervous, aged, hard of hearing or upset after just having an accident. Our clients are advised - even when teleclaims know they are phoning from our office, that they need to go to an NRMA preferred repairer as they do not guarantee our work. - [REDACTED] have always guaranteed our work, even when we were Preferred Repairers for [REDACTED]

[REDACTED] are preferred repairers for other insurance companies. At times we have had clients present to our office saying that they were told they *had* to come here - to which we respond that it is the client's choice. If they would prefer to use their own repairer, we are OK with that and have encouraged them to pursue this.

We also have claims where an assessor has contacted clients after vehicles have been quoted, quotes have been assessed and adjusted at our shop and persuaded (or tried to persuade) our clients to go to another shop. The assessor would speak in person or by phone to our clients on our premises to steer them.

We have names of clients who are more than happy to testify to the steering [REDACTED] have tried subjecting them to.

ASSESSING:

NTAR Website - [REDACTED] use the NTAR website to procure repair times for each [REDACTED] quote. Even after using this method, every quote is altered for repair times to various degrees. If we are using the same site as assessors, how are these alterations possible?

Report Ons - Are fair and necessary if it is not obvious that work will be needed on a vehicle. Repeated Report Ons are issued by one assessor (others have also commented in passing that it is excessive) and then additional are knocked back especially if it is forgotten that something has been looked at on the assessor's rounds. We have numerous examples of Report Ons being followed through by Additional (as originally quoted) because of these deletions. Again, we need to chase payment for these and this process can take months - especially when we need to inconvenience clients to chase payments.

Failure to supply Add Strips – An add strip is confirmation of what an assessor allows for a job. [REDACTED] assessors used to supply these Add Strips, but refuse to do so now as we need to complete our own. This process would be fine except, we are given no other formal confirmation of what needs to be paid on a claim especially when assessors change allowances between leaving copies at our shop and making further alterations before forwarding their calculations for payment. It is up to our clients to tell us what they have been paid, we check their payments compared to our calculations and if there is a difference, we need to work out why. – This process is neither fair nor practical when we have to guess what to charge our clients and drill them for the information.

After Market Parts on New Vehicles - [REDACTED] have had two instances where we were instructed to use After Market Parts on vehicles less than 12 months old at the time of assessing. After querying this regarding "New Car Warranty" with dealers, we understood their advice to be that these items would void any warranty the car manufacture covers. An email from an assessor had been forwarded to us by a client, where he assured our client that it would not be an issue, because "we" [REDACTED] would guarantee the parts.

Another client paid the difference between new parts and the After Market parts for fear of voiding warranties. They have told us that they are frightened that should something else happen whether a hail storm or accident they are not game enough to make a claim. This client is willing to complain formally and has written a letter as such.

Inability to communicate with [REDACTED] hierarchy regarding issues: This relates to both repairers and clients. Clients have complained to us that they have found it very difficult to express their concerns, as have we. For repairers, if the "goal posts" are going to move, communication is necessary! Where do we go? The [REDACTED] has suggested unconscionable conduct regarding our steering and Payment Authorisation (and lack of payment) issues. Do we need to call the [REDACTED] every time there is an issue?

Hourly Rates: [REDACTED] hourly rate has been \$72.00 since the inception of Real Time Real Money. As it was explained to [REDACTED] last Tuesday it is up to us to apply for a rate increase, which will be imperative for us to follow through.

This raises the question however - Is this the reason why our clients are being steered to shops who have a lesser hourly rate than ours? How much more would we be penalised when our shop has more staff, modern equipment and a solid reputation for quality repairs and customer service in our small country community?

With your financial backgrounds, you would appreciate that all previously mentioned factors considered, our hourly rate needs to be higher than other, smaller, less equipped workshops. Do [REDACTED] want quality jobs or cheap jobs?

The name of [REDACTED] was one which held very high respect within the Smash Repair Industry. In recent years it has become one of disrepute.

I appreciate your consideration of these matters and trust that a fair and amicable resolution can be made so that [REDACTED] can once again be given the respect it once deserved.

Yours sincerely

[REDACTED]

[REDACTED]

[REDACTED]

17 April 2013

Dear [REDACTED]

Thank you for the opportunity to address the topics brought to the attention of [REDACTED]. A copy of this letter has been provided to [REDACTED].

While we can't offer Preferred Supplier relationships to every repairer in NSW, we're committed to establishing an improved working relationship with you and your business. The following points address those you've highlighted, however I welcome continued dialogue regarding any additional questions or concerns you may have.

Communication with [REDACTED] Your local Relationship Manager is committed to addressing any concerns you may have. Outlined later in this letter is a dispute resolution mechanism under the Motor Vehicle Insurance and Repair Industry Code of Conduct that you can also use.

We take customer complaints seriously and have a process through which we seek to resolve them. Any customer concerns can be addressed by calling [REDACTED] or by emailing us. Further details can be found on our website: [REDACTED]

Hourly Rate Review: We encourage all repairers to regularly review their business costs to understand if a rate review is required. Enclosed is the necessary documentation.

Authority to Pay: [REDACTED] has a network of Preferred and Partner repairers we work with to help deliver high quality, safe repairs for our customers.

Unlike some insurers, we are committed to 'Choice of Repairer' and our customers can ultimately choose who repairs their car.

The 'Authority to Pay' document has historically been used by some repairers.

While these forms have been used for the period of time you identify, we are no longer able to accept these forms due to the risks they create for our customers. While not specifically linked to your business, we have identified instances where these forms have been used to the customer's detriment. For example, we have identified instances where:

- Where the repairer has been paid but the work is not yet completed - customers have told us they feel they have lost any control of the repair process;
- In extreme cases we have paid a repairer a fair and reasonable repair cost however they then hold a customer's vehicle hostage while demanding additional payment;
- We have also identified instances where customers who were initially happy to manage a repair themselves, later request our ongoing involvement in rectifications of defective repairs.

It is for these reasons, in addition to the view that the forms authorise but do not compel us to pay someone who is not the customer, that we will no longer accept the authority documents as a blanket rule across our business.

We have considered opportunities internally to assist you in addressing issues faced by your business regarding outstanding customer payments, including providing information to you confirming if our customer has been paid, however due to privacy reasons we are unable to provide this information.

We also acknowledge the document provided on outstanding customer payments, however our obligations to our customers are met when they are paid the cost of repairs, and we cannot act to recover outstanding debts on your behalf.

Steering: [REDACTED] works with a network of Preferred and Partner repairers to help us meet our customers' needs for both a quality repair and exceptional service outcomes. We make no apologies for explaining to our customers the benefits and services available from using our Preferred and Partner repairers so that they can make an informed choice.

The scripts used by [REDACTED] consultants in our call centres were developed in line with the Code. We have processes in place to help ensure they are followed.

We remain committed to 'Choice of Repairer' however if you have identified any instances you feel require investigation we kindly ask you to provide relevant claim numbers to enable us to look into the specific matter.

Our industry has a recognised system of managing Code disputes and you may like to lodge any Code complaints direct to:

- Email: [REDACTED]
- Websites:
 - [REDACTED]
 - [REDACTED]

Should you feel it required after accessing our internal dispute resolution process, there is also an external mediation process under the Code available at the above.

NTAR Website: The NTAR site provides scheduled remove and replace and paint times. These times vary by the size of the repair and actual repair time is determined by the individual assessor at the time of inspection.

Report Ons: Report on items are generated when quoted operations require substantiation. It would be unfair to repairers to determine this on the spot and our process allows a repairer to establish a true and accurate time or allowance.

In reference to report items being missed on assessor rounds, we've previously communicated we require these items to be booked to allow our assessing team to manage their daily workloads.

It is unreasonable for assessors to arrive at a repairer with one job booked and be asked to inspect several other additional jobs. The flow-on can unfairly impact other repairers and customers who have made a booking for that day.

Add Strips – The add-strip has historically been an internal document we have used that supports our assessing practices, however throughout the roll-out of NTAR we offered this to repairers to validate the correct material and consumable allowances. All quoting packages however are now aligned to NTAR.

NTAR has been the assessing methodology for sufficient time that the repair industry now has a full understanding of how the allowances are calculated, with their respective quoting packages having inbuilt calculations for these allowances.

██████████ no longer provides add-strips to repairers for the above reasons however we would be happy to leave a copy of the adjusted quote to aid your internal processes.

Parts: ██████████ has an industry leading Repair Quality Framework, an important part of which includes strict parts guidelines. We have investigated the matter brought to our attention and can confirm our parts guidelines have been followed.

I trust the above, in addition to our visit today, adequately addresses your concerns.

My details are below if I can be of any further assistance.

