

REPORT OF PROCEEDINGS BEFORE

SELECT COMMITTEE ON THE MOTOR VEHICLE REPAIR INDUSTRY

INQUIRY INTO THE MOTOR VEHICLE REPAIR INDUSTRY

—

At Sydney on Friday 21 March 2014

—

PRESENT

Mr J. Barilaro (Chair)

Mr B. M. Doyle (Deputy Chair)

Mr J. D. Williams

Mr G. M. Piper

Ms T. Mihailuk

DAVID KRAWITZ, Chief Operating Officer, Allianz Australia Insurance Limited, and

PETER HARTMAN, National Technical Manager Motor Assessing, Allianz Australia Insurance Limited, sworn and examined:

NICHOLAS SCOFIELD, General Manager Corporate Affairs, Allianz Australia Insurance Limited, affirmed and examined:

CHAIR: I declare the Select Committee on the Motor Vehicle Repair Industry inquiry open this morning. In relation to any media who might be in the gallery today, I advise that the media are to abide by the guidelines issued by the New South Wales Parliament, a copy of which can be obtained from the Committee staff who are here today. I welcome this morning from Allianz Australia Insurance the Chief Operating Officer, David Krawitz, the General Manager Corporate Affairs, Nicholas Scofield, and National Technical Manager Motor Assessing, Peter Hartman. Can you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to examination of witnesses today?

Mr KRAWITZ: I can confirm we have.

CHAIR: Do you have any questions about this information?

Mr KRAWITZ: No, we do not.

CHAIR: The Committee has received a submission from your organisation. Do you want the submission to form part of your formal evidence?

Mr KRAWITZ: Yes.

CHAIR: Would you like to start with a brief opening statement?

Mr KRAWITZ: We do have a brief opening statement. Allianz welcomes the opportunity to participate in this inquiry and thanks the Committee for the invitation to appear before you today. Members of the Committee have our submission, so I will only comment briefly on the contents. I would then like to make some short remarks on the issues being considered by the Committee. Allianz has a long track record in Australia and competes across most classes of insurance. As part of the largest general insurers globally we also have access to significant expertise in all facets of insurance, including claims management. Our claims operations in Australia are widely considered at the Allianz group level to be international best practice.

The key points Allianz sought to highlight in our submission are as follows. Like the insurance industry, the smash repair sector is in a state of ongoing change. A key driver of this change is the reduced frequency and severity of car accidents resulting from road safety initiatives and safer vehicles. For example, the New South Wales Centre for Road Safety reports that reported crashes are down by more than 20 per cent since 2000 and the crash rate is down by more than 40 per cent. This is surely a big positive for society.

In addition to reduced accidents the industry is being shaped by technological change in the manufacture and repair of vehicles, specialisation by repairers and improved efficiencies from increasing operational economies of scale. Allianz is not aware of any business that does not operate in a dynamic and changing commercial environment, nor are we aware of any sector that over time does not experience structural change, including the exit of less efficient operators and the entry of new ones. Allianz believes these features of the commercial environment in which both insurers and repairers operate are unremarkable.

Competitive forces exist between any two parties in a purchaser/supplier relationship and, quite naturally, this is the case between insurers and repairers. This is one of the reasons that Allianz supports the National Insurance and Repair Code of Conduct. Such codes should evolve over time so they continue to meet the needs and expectations of the parties. In this regard Allianz supports the recommendations of the recent review of the code to extend external dispute resolution procedures to include an arbitration mechanism. It is also true that there is a small element of unethical, dishonest and even criminal behaviour by some in the repair sector, and in this regard Allianz supports measures to crackdown on the activities of third party recovery agents which effectively seek to defraud insurers and which can result in consumers suffering long delays in getting their vehicle repaired and leave them financially worse off.

Allianz has, with few exceptions, a very good relationship with the repair sector. Under Allianz's single quote approach we directly engage with repairers on a car-by-car basis to arrive at a mutually agreed price for each repair, and under Allianz's choice of repairer approach we need to be able to do so potentially with every repairer in New South Wales. In 2013 Allianz carried out more than 31,600 repairs in New South Wales and we were able to agree a fair and competitive price with the repairer on all but eight occasions, or 0.025 per cent of our repairs. Our approach works well for Allianz, our policy holders and the overwhelming majority of repairers, noting that a recent independent survey indicated repairers by quite a large margin considered Allianz the best insurance company to deal with.

Allianz also surveys our customer satisfaction in terms of the quality of motor vehicle repairs, and in our 2013 survey 83 per cent of customers rated the repair quality as excellent. The rectification rate is also a good measure of repair quality and our rate is below 0.5 per cent of all repairs. Notwithstanding the success of our model, we wish to make it clear that we have no concerns about the business models employed by other insurers. We recognise that a number of our competitors have very different models to ours and we consider this to be a reflection of a robust and competitive insurance market.

The nature of such inquiries is that stakeholders focus on points of concern no matter how uncommon they may be, and this is natural enough, but it does pose the risk that the Committee receives a distorted or unrepresentative view of the actual industry practices and performance. In our experience, for example, many of the allegations in the Motor Traders' Association of New South Wales [MTA] submission are best described as exaggerated or unsubstantiated. Firstly, Allianz strongly disagrees with the repeated assertions made by the MTA of alleged widespread quality and safety issues, and we note that the MTA submission provided no rigorous evidence in support of these allegations. We further find it troubling that the MTA is asserting that smash repairers, including, we presume, its own members are knowingly allowing unsafe vehicles back on the road on a regular basis. These allegations by the MTA in no way reflect our experience and we strongly believe that the repairers we work with would never knowingly allow an unsafe vehicle back on the road, and the facts support this with our rectification rates, as previously mentioned, below 0.5 per cent across all vehicles we repair.

Finally, we note the MTA's statement that the industry could collapse without further regulation. We fail to see how an industry with 1,800 existing repairers is in danger of collapsing and, given our business and that of other insurers is dependent upon a robust and health smash repair industry, I fail to see how such an outcome could even be possible. The MTA in its recommendations has asked the Government to prohibit the business model used by virtually every insurer in the market and mandate an anti-competitive repair price and model. The MTA's proposed regime would, ironically, be in breach of its own code of ethics, which obliges its members to perform duties in free competition with fellow members. Without question, the regulation proposed by the MTA would substantially increase the cost of vehicle repair and, hence, motor vehicle premiums.

Allianz's experience indicates that the repair sector is more than capable of repairing the vast majority of vehicles to a high standard at a competitive price. Allianz works with numerous New South Wales repairers on a daily basis and, over the course of a year, with most of them. Overwhelmingly, we find repairers to be honest, competent and savvy commercial operators. We firmly believe that repairers that invest in the equipment and skills needed to achieve ongoing quality and productivity improvements will have a sustainable, profitable future in the industry. However, those that do not are unlikely to have a long-term future, and no amount of regulation will alter these outcomes. We welcome any questions you have.

CHAIR: I will start initially with some of the Government's administration issues. The Committee has so far heard concerns about the make-up of the Code Administration Committee. Would you support changes which would see it possibly comprise three insurer members, three repairer-appointed members and maybe an independent member as chair?

Mr SCOFIELD: We think one of the strengths of the current arrangement is that the code evolves in a mutually agreed and consensual way—some might argue that it evolves more slowly because of that. But there is quite a risk to the ongoing commitment of the parties to the code by virtue of the fact, if you like, that a seventh person can determine at various points in time to side with one side or the other and make amendments to the code that the losing party finds highly objectionable and difficult. We think that over time that would undermine the code and probably do it no great service.

CHAIR: One of the criticisms at the moment is that we may not get agreement from the insurer representatives and the industry representatives; therefore, we do not make any changes or it is a very slow process. Having the seventh person, an independent person who hopefully looks at the facts and information in front of them, I think it would be appropriate to have that independent chair so that we can move with the changes that the industry and possibly the insurance companies are looking for.

Mr SCOFIELD: As you would be aware, there has been a recent review. I think one of the best things that came out of that was a recommendation to give the code more teeth, as it has been described, by extending the external dispute resolution procedure to include an arbitration mechanism. We support that. We think that a number of the other members of the insurance council support that as well, and presumably the repairers do. So I do not see a lot of difficulty, for example, with that change. I think it is worth noting that it is a national code. It is only mandated in New South Wales and I think our submission suggested that was probably an unnecessary level of regulation. The mandatory provisions have never been used. We are obliged by other laws to abide by the code if we say we will. We have a legal obligation all over Australia to abide by the code by virtue of consumer protection laws. The fact though that the code is voluntary everywhere other than New South Wales does pose a risk that if it evolved in directions that one side or the other had serious problems with then people would withdraw from the code. Maybe not in New South Wales if it was mandatory, but in other States people could withdraw from the code and what we would end up with would be multiple codes across the country in a sense. I think most of the insurers are operating nationally. I think there is great value in having a national code.

CHAIR: The Committee has heard evidence about the Repair Industry Code of Conduct, and you made comment earlier about it being a toothless tiger. In fact, the Committee has heard that it has failed because it is not backed up by penalties. I think you indicate in your submission that under the Fair Trading Act there are penalties but they are not being used. Would you like to comment in relation to this Committee considering penalties and, of course, enforcement?

Mr SCOFIELD: There are penalties as far as I am aware under the Fair Trading Act for breach of the code. I guess one of the ironic things is that as far as I am aware no dispute has ever been taken through the Fair Trading Act in terms of a breach. So I guess one answer to the question is that penalties already exist; they are not being used. I do not know that penalties are, to be honest, much of a solution. We can only talk for ourselves. We have very few disputes. I think we have had less than five EDRs in the last seven years or more that the code has been in operation. Now they do it at present in a conciliation process, which is another way of saying that they can end in a "We just agree to disagree" outcome.

We have found in every case in which we have been involved that the understanding of each side of the other's position has been quite valuable. I think the addition of arbitration then allows someone with a legitimate concern, and if it is one that has a financial aspect to it, for there to be an outcome. So if it is that the insurer should have paid more for the repair or whatever, then an arbitrated outcome could deliver that. I think it is fair to say that the code was a negotiation, a consensual agreement. Some clauses of it are not the most crystal clear representations of the English language you will ever see. In that sense I suggest to you that sometimes whether there is a breach of the code is in the eye of the beholder. I think in those circumstances to have penalties could be problematic whether it was on repairers or insurers.

CHAIR: What qualifications does an Allianz assessor have?

Mr KRAWITZ: All of our assessors today are motor trade qualified. In addition we conduct extensive internal training, which is very important. As our assessors are constantly on site at repairers they are continually exposed to new techniques and new technologies, which allows them to continue to hone their skills. Peter, would you like to add to that?

Mr HARTMAN: We have also got continuing internal and external training. We do a lot of internal training, especially when there is new compliance and repair techniques that we identify. We have a structure whereby we deliver that through our assessing managers to our assessors. We attend external training of I-CAR. We fly assessors to Melbourne, for example, for BMW training. We get involved with any training that is there. Importantly, we are exposed to the new technology and techniques because we are in that repair shop and it certainly gives us the opportunity to continually hone our skills. We do the majority of our assessments on site.

CHAIR: Would you support licensing for assessors? You once had it in the industry.

Mr HARTMAN: That is a hard one to answer. I would really have to give a lot more thought as to how that would work.

CHAIR: A second part to that would be independent assessors.

Mr SCOFIELD: We are certainly opposed to independent assessors.

Mr RAY WILLIAMS: Why is that?

Mr SCOFIELD: Who would be paying them?

Mr RAY WILLIAMS: Them, as their own entity, their own business just like a repair business.

Mr SCOFIELD: No, but they have to be paid by someone.

Mr RAY WILLIAMS: That is right. So they would charge.

Mr SCOFIELD: Would they be paid by the insurer or the repairer?

Mr RAY WILLIAMS: No, they would charge their price applicable to the repair of the vehicle completely independent of insurance companies and completely independent of repair companies.

Mr SCOFIELD: Someone has to pay them.

Mr RAY WILLIAMS: Yes. And then the price is paid as per the repair of the vehicle.

Mr SCOFIELD: So the repairer pays them?

Mr RAY WILLIAMS: It would be factored into the cost of the repair.

Mr SCOFIELD: So presumably the repairer engages them. If they are going to pay them then they would engage them.

Ms TANIA MIHAILUK: No.

Mr SCOFIELD: So who engages them?

Mr RAY WILLIAMS: Either one, whether the customer approached the insurance company or whether the customer approached the repair company. They would then engage an independent assessor that was recognised, as the Chairman pointed out, a licensed assessor. That independent assessor would then assess the estimate or the quote that the repair company had done and it would then determine the clear methodology of the repair, the requirements for the paint, the times in real time—not the funny time that you still proclaim to use but in real time—actual time, actual value, determine the cost, present that to you as an insurer—as an insurer I believe your major role is to compensate people for loss—and you would then pay for that loss on behalf of your consumer and everybody would go away. The repair companies would then get a fair price for the business that they are engaged in.

Mr SCOFIELD: As you would know, there are three parts to a repair: parts, remove and replace—taking on and off parts and panels—and repair of, if you like, the panelbeating side. There are no times for panelbeating.

Mr RAY WILLIAMS: Pardon?

Mr SCOFIELD: There are no times for panelbeating.

Mr RAY WILLIAMS: Just let me explore that for a moment. I just pointed out that the major role of an insurance company is to compensate customers in their time of loss. Would you agree with that?

Mr SCOFIELD: Yes.

Mr HARTMAN: I add that we have an obligation to ensure that we are getting value for money for our customers.

Mr RAY WILLIAMS: Exactly. Why should you, as an insurance company, determine what prices are paid for the repairs, what is provided for the repairs and what parts are used?

Mr KRAWITZ: We do not.

Mr RAY WILLIAMS: You specify in your schedule of works exactly what a repairer will charge you, the insurance company, for their work.

Mr SCOFIELD: No, we do not.

Mr RAY WILLIAMS: We do not have a fair market at this point in time because you specify what the repairable estimate should be from your determination of the time and the parts needed. You just said before that there are no timed repairs.

Mr SCOFIELD: We do not, Mr Williams. I can only repeat that what you are saying is incorrect.

Mr RAY WILLIAMS: You do not have a schedule of work that your preferred repairers have to abide by?

Mr SCOFIELD: We do not have any sort of schedule where we go to a repairer and say, "We are going to give you X number of units of time to undertake a particular operation and we are going to pay you at a certain dollar amount per unit. Do the maths; that is what you are going to get." We negotiate with the repairer, as we have said, and agree a time.

Mr GREG PIPER: Can I just confirm Allianz's practices? Mr Williams is referring to what we have heard about the practices of other insurers. You are saying that your model is different from that of other insurers. You said earlier today that you have no problem with the way other insurers do their business, but you are saying that your model is different.

Mr KRAWITZ: Our model today is a single-quote model.

Mr RAY WILLIAMS: Explain that to the Committee.

Mr KRAWITZ: The repair shop has a quote that they think is appropriate for the repair of that vehicle.

Mr RAY WILLIAMS: Will you explain to the Committee—

Mr KRAWITZ: That is what I am doing right now.

Mr RAY WILLIAMS: It is a fair question.

CHAIR: Mr Williams, allow Mr Krawitz to answer Mr Piper's initial question, then we will move on to a second question.

Mr KRAWITZ: In the single quote model, the repair shop will pull together a quote based on what it thinks is required for the vehicle. We send an assessor out to discuss that quote. In the discussion between the assessor and the repairer, we agree a price for that vehicle. I point out that in 2013 we were able to agree more than 99.9 per cent of the time. With regard to the first question about the notion of a quote by independent assessors, I ask: What is the problem we are trying to fix? From Allianz's experience, we do not see a problem with the repairers we work with. That is our opinion today. That is why we are able to agree more than 99.9 per cent of the time.

Mr RAY WILLIAMS: I would like to clarify that, whilst Allianz are the largest global insurer, they currently have only 5 per cent of the market in New South Wales.

Mr SCOFIELD: It would be closer to 10 per cent.

Mr RAY WILLIAMS: You largely insure the higher end of the market, what I would call the more expensive vehicles.

Mr KRAWITZ: While we have a number of relationships with prestige vehicles, we certainly have a significant share of business across all the other classes.

Mr RAY WILLIAMS: It would probably be easy for the Committee to assume, therefore, that, given that you are insuring prestige vehicles—as you just agreed—your customers would perhaps be paying a higher premium than average.

Mr KRAWITZ: It is very difficult to make any judgements on premiums between one insurer and another.

Mr RAY WILLIAMS: I am not judging you in any way, shape or form. I am just saying that you have a higher premium; therefore, you are only insuring 10 per cent of the market while your competitors are insuring roughly 70 per cent. I believe that, because of your higher premiums, your repairers are getting a better dollar rate and that is represented in the low rate of rectifications by Allianz insurance. This Committee wrote to all the insurance companies requesting that they provide evidence of their own rectifications. I note that Allianz did not provide that information.

Mr SCOFIELD: We delivered it by hand to Parliament House yesterday.

Mr RAY WILLIAMS: Was it a full list of Allianz rectifications over the past two years?

Mr SCOFIELD: Yes.

Mr RAY WILLIAMS: I just want to clarify this. Allianz has provided a full list of all the vehicles that were repaired and then subsequently rectified, or re-repaired, in the last two years, with full identification of those vehicles?

Mr SCOFIELD: No.

Mr KRAWITZ: We provided the information that we were able to in the 48-hour time frame that we had to pull the information together.

Mr SCOFIELD: In the time that we had available we could not get together two years worth of information.

Mr RAY WILLIAMS: So the answer to the question is no.

Mr SCOFIELD: That is right.

CHAIR: On that point, given the time constraint, would you assist the Committee by providing further information in due course?

Mr KRAWITZ: The issue with rectification, as we pointed out in our response yesterday, is that it is an extremely small margin for Allianz. We do not have a flag within our system to track it, so getting that information is a manual process.

Mr RAY WILLIAMS: Mr Krawitz, did you not suggest in your opening remarks that you believed that the rectification rate was about 5 per cent?

Mr KRAWITZ: Based on the information—

Mr SCOFIELD: It is less than 0.5 per cent.

Mr KRAWITZ: It is less than 0.5 per cent, which is based on information from a manual review of all our repairs in 2014 to date.

Mr RAY WILLIAMS: I want to pick up on a point that you made in your opening comments. You referred to the submission by the Motor Traders Association and you mentioned that the Motor Traders Association had not provided any substantial evidence of poor-quality repairs and vehicles being returned. I advise you that the Motor Traders Association provided this Committee with a list of 130 vehicles. Of those 130 vehicles that had been repaired then required rectification in the last 18 months, 40 were listed as being a total loss after being reassessed. A majority of those vehicles listed as being a total loss have now been removed from New South Wales roads and are in wrecking yards or being used for spare parts.

Mr SCOFIELD: That does not mean that they were unsafely repaired.

Mr RAY WILLIAMS: Will you explain that to the Committee?

Mr SCOFIELD: I will.

Mr KRAWITZ: I would like to make a couple of points.

Mr RAY WILLIAMS: Mr Krawitz, I will stop you right there. Mr Scofield, you made a comment. I raised with you the point that the majority of those vehicles were written off, were no longer on the road, and you said that that does not mean that those vehicles were unsafely repaired. Please go on.

Mr SCOFIELD: The first point to make is that 130 out of probably 500,000 repairs in the State over the last 18 months is an astronomically small number.

Mr RAY WILLIAMS: So you are happy that those vehicles are driving around New South Wales roads?

CHAIR: Mr Williams, let Mr Scofield answer the question.

Mr SCOFIELD: The answer to your specific question is that most vehicles are written off for commercial reasons. Most vehicles are written off because the repair costs exceed the sum of the insured value, not because they are unsafe. If a car is repaired then comes back for rectification, that will add to the cost of the vehicle. That will add to the cost of the repair.

Mr RAY WILLIAMS: Why was it not repaired appropriately in the first place, Mr Scofield?

Mr SCOFIELD: I am not a repairer. I cannot answer that. You could ask the 130 repairers.

Mr RAY WILLIAMS: You just made the comment that that does not mean that these vehicles were unsafely repaired. Mr Chairman, I again state for the record that 130 vehicles were unsatisfactorily repaired. The owners of those vehicles approached the Motor Traders Association because they were getting no satisfaction from the insurance companies. The Motor Traders Association had their vehicles reassessed and 40 of them were judged to be total losses.

Mr SCOFIELD: That is not true of the Allianz vehicles.

Mr RAY WILLIAMS: You have made the comment that that does not mean that they were unsafely repaired. I put to you that 40 of those vehicles were completely unsafely repaired.

Mr KRAWITZ: I do not think that we can speak to the specifics of vehicles covered by other insurers on the list. We were quite surprised that the Motor Traders Association information was publicly posted on the website, given that it contains what we consider to be private information. It contains registration numbers and names of people including one of our insured. Only one of the 130 vehicles was insured with Allianz. We looked into that situation. There was a minor defect in that repair which had not been caught the first time around. The person had a second incident, and the second repairer noticed that there was some damage that he believed had not been previously repaired to the standard that it should have been. It was rectified, and it was clearly never a safety issue.

Mr RAY WILLIAMS: The point I want to make—

Mr GREG PIPER: We are halfway through.

Mr RAY WILLIAMS: I understand that. The point I want to make concerns the information that we received. I asked this Committee, on the basis of this information, to write to every insurance company to ask them for a full list of their rectifications so that we could correctly analyse whether or not vehicles are being safely repaired and returned to the streets of New South Wales. That is what our inquiry has been established to look into. We have since been provided with lists from other insurance companies that are staggering. They point to the hundreds and hundreds of vehicles that have been inappropriately repaired and returned to the streets of New South Wales, endangering the lives of my family and your families on the road. That is why this inquiry has been set up, and we will make all that evidence available in our recommendations.

Mr KRAWITZ: I know some time has passed, but there were a number of comments by Mr Williams about Allianz having higher premiums than others in the market. I do not support that comment. I see no evidence to suggest that our premiums are materially higher than our competitors.

Mr RAY WILLIAMS: Deloitte Access appeared before the Committee on Monday and provided a graph highlighting that insurance premiums in New South Wales on average were between \$150 and \$200 dearer than in our neighbouring States of Victoria and Queensland and that we have the highest insurance premiums.

CHAIR: Mr Williams, Mr Krawitz is correcting the record in that you indicated that Allianz had higher premiums.

Mr GREG PIPER: I come back to the broader issues the Committee is looking at rather than the specifics. From your submission I get the picture that overall the industry is working quite well although it is going through a transition. I am concerned about whether that transition is being hastened by some methodologies of the big insurers who have the capacity to lever smaller operators out of the market. To me the problem is the murky way things are done in the industry. One area that is an eye-opener is the terms "funny time, funny money" and "oneies", where there is a difference between rates charged for repairs if the repairs are to be charged to another insurer. It is a big industry and yet there appears to be no clarity at all in the accounting procedures and methodologies. We need to clean this up so customers can have faith in the industry. There needs to be an objective and clearly discernible methodology for doing these things. Please tell me about industry practices and whether Allianz will continue to use "funny time, funny money" as you have said you do. Does the company use "oneies" or other methods of balancing your accounts in relation to repairs?

Mr KRAWITZ: In terms of the quote on a vehicle, we do not have different practices for third-party vehicles and Allianz-insured vehicles; we use the identical practices for both. As stated in our submission, we do what is commonly referred to as "funny time, funny money". In our single-quote methodology that results in an agreed quote between us and the repairer more than 99.9 per cent of the time. As far as alternatives are concerned, the challenge we have when looking across the industry is there are no alternatives that have both rigorous and complete vehicle data and widespread repairer acceptance. Until something satisfies both those requirements, we believe the methodology we use today is our best approach for its high success rate.

Mr GREG PIPER: In your submission you say you work with all repairers.

Mr KRAWITZ: We do.

Mr GREG PIPER: I imagine there are some preferred repairers for certain makes.

Mr KRAWITZ: We have no arrangements or contracts with any repairers in New South Wales.

Mr GREG PIPER: If we refer to the practice of steering, as alleged by some insurers, do you have no such practices?

Mr KRAWITZ: We have a list of what we call select repairers that any eligible repairer can be on. There are no contracts for being on that list. We derive that list and it changes based on quality, value and customer experience. Yes, we will try, when appropriate, to have vehicles go to one of those repairers, but ultimately, the way our policies are written and our business model operates, it is our customers' choice of where they have their vehicles repaired.

Mr GREG PIPER: In your submission you refer to incentives paid to employees to direct vehicles to certain repairers. Please expand on the incentives.

Mr KRAWITZ: I cannot think of any commercial business that does not have some type of incentive program for its staff to encourage what we consider to be appropriate behaviours. In our instance, we have a program for referring vehicles to our select repairers: those we consider to give high quality, good value for money and a good customer experience.

CHAIR: Is your incentive in recognition of quality or is it based on saving dollars?

Mr KRAWITZ: It is neither. It is based on referring vehicles to the select repairers that we consider deliver high quality, good value for money and a good customer experience.

CHAIR: It is not based on price?

Mr KRAWITZ: No.

Mr SCOFIELD: We should make sure we are not overlapping two things. The question was about incentives in relation to steering.

Mr GREG PIPER: Incentives that might go to staff.

Mr SCOFIELD: That is right, whereas the Chair's question might have been referring more to assessors.

CHAIR: Yes, I am talking about assessors.

Mr KRAWITZ: I am answering with respect to what is called steering.

Mr GREG PIPER: I assume you have completed your answer and do not intend to tell us any more about what those incentives might be, but you believe it is a reasonable practice.

Mr KRAWITZ: Yes.

Mr GREG PIPER: You do not think this is a tool used by the insurance companies to squeeze the capacity of the smaller repairers? This seems to be a tool that can damage others in the industry.

Mr SCOFIELD: We do not have a network and that is why it is worth distinguishing between models. When we talk about select repairers, this is not a network. They are repairers that, through our experience, provide good quality work, good value prices and a good customer experience. When someone rings—and most people do not have a preferred repairer as they do not have accidents often—and they ask us for a recommendation, we would give them a repairer from our list that is geographically convenient for them. As the list is made up of repairers providing competitive pricing and good quality service and repairs, to the extent that they are getting more work and that has any impact on industry structural change, I believe it is a positive effect.

Mr RAY WILLIAMS: What I am hearing is that if a customer with a preferred repairer rings you and says they want to use their preferred repairer, you have a business plan to pay incentives to your staff to redirect people to go to your preferred repairer as opposed to the customer's preferred repairer. Is that correct?

Mr KRAWITZ: In the overwhelming majority of cases, if a customer calls and says, "I am planning on taking my car to repairer X," that is exactly where the car will be repaired.

CHAIR: The question was: Do you have incentives in place?

Mr RAY WILLIAMS: On the record you have suggested that you have incentives in place for your office staff to redirect a customer from their request for a preferred repairer, which they can do under your policy, to your choice of preferred repairer.

Mr KRAWITZ: I would say that while we have an overall program in place around referring business to our selected repairer list, we certainly have no program in place around incenting our people to change someone's mind—

Mr RAY WILLIAMS: That is in direct contradiction to what you just said, Mr Krawitz.

CHAIR: Mr Williams, Mr Krawitz is answering the question.

Mr KRAWITZ: — and to get them to do something other than what they have chosen to do.

Mr JOHN WILLIAMS: Mr Krawitz, you have just contradicted yourself because in your previous answer to that you suggested exactly that: You did have that plan.

Mr SCOFIELD: We did not say that we had that. When we were talking before, the general situation is that if people ask us for a repairer, we will give the names of repairers on our selected lists. If they come to us and the first thing they say is—

Mr RAY WILLIAMS: The question was based—

CHAIR: Let Mr Scofield answer.

Mr SCOFIELD: —I would like to take my vehicle to X repair shop, then our customer choice policy will mean that that is likely where it will end up.

Mr GREG PIPER: In previous hearings from other persons we have heard that at that point a response from the person in the call centre might be, "We don't know that company", or, "We haven't dealt with that company", or, "That company is not on our preferred repairer list", or something, just to seed some doubt and to start the process of steering, if you like. You are suggesting here that that is not the case. If I call Allianz and say, "I wish to use X", there is no further influence exerted or no doubt seeded in my mind about that particular repairer.

Mr KRAWITZ: I could not speak to what happens on every conversation that we have with one of our policyholders.

Mr GREG PIPER: But there is no policy on it.

Mr KRAWITZ: We have very limited what would be called scripting around these types of issues, and I would say if you listen to our phone calls you will find that each one is fairly unique, based on the circumstances.

Mr SCOFIELD: I mean, these are call centre operators. They would not have a clue about anything to do with a repairer that was nominated by a policyholder. They would be in no position at all.

Mr RAY WILLIAMS: Would they have a list of preferred repairers in front of them?

Mr SCOFIELD: Yes—not preferred; well, selected repairers.

Mr RAY WILLIAMS: Why would they have that list there, if your answer was correct in relation to what Mr Piper asked?

Mr SCOFIELD: Because, despite the impression you may get from others, most people do not have a selected repairer. The vast majority of people do not have one.

Mr RAY WILLIAMS: We are only getting the impression from you. You are the one who is on the record at the moment under oath, so you just tell it like it is.

CHAIR: Mr Williams—

Mr SCOFIELD: Most do not have a repairer so they seek our advice. That is why we have a selected repairer list.

Mr RAY WILLIAMS: But the question was—oh, gee. This is worse.

CHAIR: Mr Williams, Mr Doyle has some questions as well.

Mr RAY WILLIAMS: Absolutely.

CHAIR: I think we have answered it.

Mr RAY WILLIAMS: I do not think we have. We have had three different answers.

CHAIR: We can come back to that shortly.

Mr RAY WILLIAMS: Absolutely.

Mr BRYAN DOYLE: In relation to your estimation methodology, you use the process of funny time, funny money. Could you just explain briefly to a layman like me what that means?

Mr KRAWITZ: I think I might hand that over to Peter.

Mr HARTMAN: Basically, we are working in units in New South Wales around the \$30 mark. It is a unit of time more than an hour. I will use the example of the repair of a guard. You may look at repair on a guard and the assessment of the repairer, for that repair on the guard, the repairer will put up a time on that guard and it may be four units at \$30. That does not suggest \$120, by using simple maths. That does not suggest that that four units is four hours. It may be one hour's work. It is just the methodology that has evolved over time when an hour was an hour and rates did not move in the marketplace. Other means were there.

Obviously, the quote goes up when costs go up. The same methodology ends up the whole part of the quote, like the fact that you may have a paint time on a guard of two and a half hours and you multiply that by a rate, say, of \$50. There is a known time that we have been using. It has been going for the last 50 years. Some means whereby you put a time on a guard and you multiply by an allowance. It does not necessarily mean that that time—that you put on the guard for the paint time—that unit of time is an hour. So you are multiplying. You may have on a repair component, where a repair you are looking at, might be an hour's repair, but you might have four units on it so you will multiply that by four. That is what we have had in the marketplace, so that is what we have had to use. I think all the repairers will tell you that at one point in time that was all we had, so we continued with that methodology.

Mr GREG PIPER: It is fantastic that it is so clear now!

Mr BRYAN DOYLE: Mr Piper, I just have a line of questions I would like to put.

CHAIR: Mr Doyle, continue please.

Mr BRYAN DOYLE: For how long has this unit method or unit rate been in place?

Mr SCOFIELD: Maybe if I answer that? In the early seventies, repairs were paid in, if you like, a piece-rate fashion. It was, "Change the light bulb on that blinker, I'll give you 50 cents", or whatever. Repairers found that to be an unsatisfactory way of being remunerated and it was not keeping up with what was involved in terms of the actual, you know, labour time involved in that. So the industry moved to what is now called the "funny time, funny money" method as a way of enabling a fair and reasonable price to be determined. That has now been in place for the best part of 50 years. All repairers know this method and all our assessors understand this method because the vast majority of our assessors are former smash repairers. It is really just a starting point. It is a starting-point framework for the discussion we have around the price.

Mr BRYAN DOYLE: Thank you.

Mr SCOFIELD: As I say, we hear about the collapse of the industry. Well, I mean, this system has been in place for over 40 years and it has worked perfectly well. Is there a better system around? Quite possibly.

Mr BRYAN DOYLE: Allianz has been a signatory to the code of conduct since 2006.

Mr SCOFIELD: Yes.

Mr BRYAN DOYLE: I draw your attention to 6.2 of the code, which states: "Parties acknowledge ongoing changes in the industry in relation to the development of realistic times and rates." What is Allianz doing to work towards realistic rates and realistic times?

Mr SCOFIELD: I will let Peter go into the details but, essentially, since then we have been involved in a whole range of different processes, which includes piloting the eMTA real times, real rates system, piloting other internationally used real time, real rates systems. Look, I do not know if it is secret.

Mr HARTMAN: We did pilot the first version of eMTA, contrary to what some people may think.

Mr BRYAN DOYLE: What is the eMTA?

Mr HARTMAN: It is a time system that the New South Wales Motor Traders' Association is party to.

Mr BRYAN DOYLE: Okay.

Mr HARTMAN: The first version we did try many years ago. There were some changes to that system when the current version was brought out. We have been evaluating new time systems—or, I have been involved in evaluating new time systems since probably 2007 that have been in the marketplace. We look for something that we can turn on, that the industry wants to use and that we can use across the country with our 80-90 assessors. At this point we have been looking through that. We have done a lot of work in analysing the differences between the two and the holes in the system that we need to sort out for it to be workable for us. I think you would be surprised how much time we have put into it. We have been doing comparisons and we have looked at quotes and changed them and analysed the system on what the changes are.

We have looked at what would stop us from turning the current system on. We are constantly working on that. We have got people who work on that now. I have a colleague that works with me now. He and I look at the system now. We have had a close look at eMTA. We have been encouraged to turn that on by the repairers. Probably what slowed us is—I will give you an example—you want to turn a system on, and tomorrow it all works. We have a 3 series current model BMW and we need to put a new A pillar on it. Can I go into eMTA and find a time to put that new A pillar on? Is there a time there? You can find out. You can ask that question after the meeting and find out if there is a time to put that pillar on. Well, there is not. How do we solve that? We still need to do some more work on the processes to come up with those times.

Certainly we do not really want to be at the point that we want to find out known information. If there is a known time for that A pillar, we would be happy to use that A pillar and work towards it. It is just that, at the moment, we cannot go into that eMTA system and find out the time to put an A pillar on and use it. There are some items there that have to be worked through, but we have been looking at the system. We have been analysing the differences. It is also a competitive market.

Mr BRYAN DOYLE: My final question is that I think you have said you have had five external dispute resolutions [EDRs] under the current code?

Mr SCOFIELD: How many have we had—three?

Mr HARTMAN: I have actually had three.

Mr SCOFIELD: I said less than five.

Mr BRYAN DOYLE: That is all right.

Mr HARTMAN: I think some of them were interstate. There were at least three including Queensland.

Mr BRYAN DOYLE: Sometimes they seem like five. You have had three external dispute resolutions. How many of those have resulted in a definitive result? How many have resulted in an agree to disagree?

Mr SCOFIELD: Well, I mean, it is probably fair to say all of them have been an agree to disagree outcome. As I said before, we have much better understood what their issues were, and vice versa, but I mean we are talking about things that occur post repair in many cases. Some of them are, if you like, about the amount of money that was charged. Some of them are about our repair quoting methodology. So, you know, in those circumstances there may be repairers who would like to move to a different methodology to the one that we use now, and we understand that. Obviously, as Peter said, there is no comprehensive, complete real-time system that New South Wales repairers are willing to adopt that we are aware of, so we do not have an alternative at this point. In those cases, I mean, we have got our system; they may prefer another one. I mean, there is no other outcome other than to agree to disagree. So in those circumstances there may be repairers who would like to move to a different methodology to the one we use now, and we understand that. Obviously, as Pete said, there is no comprehensive, complete, real-time system that New South Wales repairers are willing to adopt that we are aware of. We do not have an alternative at this point. In those cases, we have our system, they may prefer another one: there is no other outcome than to agree to disagree.

Ms TANIA MIHAILUK: Mr Piper discussed staff incentives. I want to be clear about the incentives for assessors. My question requires a simple yes or no answer. Are assessors given a bonus? Is an incentive scheme in place at Allianz for assessors?

Mr KRAWITZ: We deal with a range of factors, including quality.

Ms TANIA MIHAILUK: Would you accept that driving down repair costs and insurance claims also is a factor for assessors?

Mr KRAWITZ: Ensuring that we are getting value for money, yes.

Ms TANIA MIHAILUK: It is about respect, yes. Would you accept also that the goal or objective for repairers may be to try to be accepted on your select list of repairers?

Mr SCOFIELD: No. As I say, this is not a preferred network. This is not shops that have Allianz signs on them. There are no contracts involved. Repairers would not be aware that they are on it, in the main.

Ms TANIA MIHAILUK: They are not aware they are on it?

Mr SCOFIELD: Most probably would find out but, as I said, it moves around. Because it is based on our experience with service and value, repairers can move on and off it. Those that come on it will become aware of it.

Ms TANIA MIHAILUK: Would you not accept that certainly that is an objective? I am sure repairers would prefer to be on a select list than not?

Mr SCOFIELD: I do not know if Peter has a comment on that.

Ms TANIA MIHAILUK: For all intents and purposes, I would suggest yes.

Mr HARTMAN: Ideally, every repairer needs workflow. They need work.

Ms TANIA MIHAILUK: That is right: every repairer needs work. I am concerned about the code and the current dispute resolution process. I believe repairers are reluctant to take up matters within the current procedural system or dispute resolution processes and perhaps may be reluctant based not just on cost but also on the fear that they may be impacted in any future arrangements developed with Allianz and other insurance companies.

Mr KRAWITZ: I have a very hard time seeing that to be the case with the repairers that Allianz works with.

Mr SCOFIELD: Under our choice model the customer has the primary input into the decision of which repairer to go to. Even on the selective list, there is going to be more than one repairer within the geographic area that will be convenient to that customer.

Ms TANIA MIHAILUK: No, excuse me Mr Scofield, I am concerned about the current code and system. I respect that it is a mandate because it is in New South Wales. In a previous answer you suggested the reason for the low number is that most cases are resolved and that there might be a need to create some code arbitration system. I do not know whether that is the right way forward, but I do not reject that concept. I put to you that the current system makes it very difficult for repairers—certainly disadvantages repairers—having three representatives with the MTA and three representatives from the insurance council. The difficulty appears to be that an incentive system exists within the entire industry for repairers to become the preferred or select repairer for insurance companies. What is your view on that?

Mr KRAWITZ: I can only answer from experience. I would attribute the extraordinarily low rate of any disputes we have to our model today, which is to get out on basically each and every vehicle and to work with the repairer to agree a price on a vehicle-by-vehicle basis. I believe the fact that we have such high acceptance and a high percentage of times that we agree is why we have such a low-dispute rate and no other external factors.

Ms TANIA MIHAILUK: No other reasons where there may be a reluctance—

Mr SCOFIELD: We do not have a network as such that if someone becomes, you know, a vexatious complainant we can sort of decide to end their contract because we do not operate that sort of model. The customer has choice of repairer. I think in our system the link does not exist to create the disincentive. I think I would agree with you that there may be a reluctance to go through the process in the knowledge that because it is just a conciliation process it may not actually result in all that much. That is why we support an arbitration system: repairers know that whatever happens at the end, they will get an outcome and it will be either in their favour or against, but there will be a definitive outcome.

Ms TANIA MIHAILUK: Have you put that view to the insurance council?

Mr SCOFIELD: That is the view we are currently putting. We are represented on the CAC. They are currently considering the recent review that was done and that particular recommendation. That is the position Allianz is putting in that process: to support the addition of arbitration to the code EDR mechanism.

Mr RAY WILLIAMS: Mr Hartman, as manager for motor assessing you would be confronted with different cost recoveries et cetera from some of your competitors in the insurance market. Are you aware of any fixed pricing schemes your competitors have with their preferred or partner repairers?

Mr HARTMAN: Certainly, the talk is in the marketplace, but I could not say that I could confirm my knowledge of how they actually work.

Mr RAY WILLIAMS: But you have heard that said in the marketplace?

Mr HARTMAN: Certainly the talk is in the marketplace. I could not confirm how they work or whether they exist or what the workings of the system are. Publicly, no; most of the repair industry is still regular, but I could not give you any knowledge that I have.

Mr RAY WILLIAMS: You have heard of it but you cannot guarantee it?

Mr HARTMAN: I would not know how it works. Often you hear repairers mention it and they question—

Mr RAY WILLIAMS: How often would they mention it?

Mr HARTMAN: Time gets away. I do not know; a couple of years.

Mr RAY WILLIAMS: You have not heard of one this morning, for instance?

Mr HARTMAN: Not this morning. I have not talked to any repairers this morning.

CHAIR: I think he has answered your question, Mr Williams. Thank you for appearing before the Committee today. The Committee may wish to send you some additional questions in writing, the replies to

which will form part of your evidence and be made public. Are you happy to provide written replies? They do not always have to be public.

Mr KRAWITZ: Yes, we would.

(The witnesses withdrew)

STEVE BUBULJ, Acting Head of Supply Chain, NRMA Insurance, and

ROY BRIGGS, Executive General Manager Marketing, Reputation and CTP, NRMA Insurance, sworn and examined:

CHAIR: Thank you for appearing to give evidence before the Select Committee on the Motor Vehicle Repair Industry. Can you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

Mr BRIGGS: Yes, we have.

CHAIR: Do you have any questions about this information?

Mr BRIGGS: No, Mr Chairman.

CHAIR: The Committee has received a submission from your organisation. Do you want that submission to form part of your formal evidence?

Mr BRIGGS: Yes, we do.

Mr BUBULJ: Yes.

CHAIR: Before the Committee asks questions, would you like to make a brief initial or opening statement?

Mr BRIGGS: Yes, I would, thank you. Mr Chairman and members of the Select Committee, thank you for the opportunity to address this Committee. While NRMA Insurance has made a detailed submission to this inquiry, I would like to summarise our views and position on several key matters, particularly in relation to statements made before this Committee earlier this week. Firstly, let me say that we have no greater priority than to ensure our customers' cars are fixed to the highest quality of safety standards. If we fail in this regard, we are failing the commitment that we make to our customers. We have heard negative comments made during this inquiry about the profitability of insurers. We find this statement ironic, given that if we are not profitable we cannot pay claims. In being profitable and successful we can provide certainty to our customers, our partners and the broader community. This is indeed why we chose to work with the smash repair industry and individual smash repairers rather than choosing to open our own shops.

However, I would like to comment specifically on matters raised by the Motor Traders' Association [MTA] earlier this week. In doing so, I would like to say that our relationship with the MTA is one of mutual respect and indeed we continue to work with them on many mutual initiatives. However, I found parts of the MTA statements on Monday a little bit extraordinary. It would be fair to say that under an MTA state there would be no competition between repairers because all repairers would be made equal. The MTA believe that no repairer should develop a competitive advantage or establish a commercial partnership over another, particularly with insurers. Under an MTA state, insurers would offer little protection for the 75 per cent of customers who want us to recommend an appropriate repairer and manage repairs on their behalf. Under an MTA state, insurers would offer no added services to customers or manage every step of the repair process for them. Under an MTA state, independent assessors who do not value customer service as a priority would be used to set a price with no regard to the quality of the repairs, their capability, track record or their ability to provide great customer service. Under an MTA state, small business people who are innovative and have formed partnerships with insurers would be destroyed. The fact is that under the state that the MTA desires, New South Wales motorists could not afford to insure their cars. Instead, they would pay for the lack of process and quality the MTA encourages, and the repair of their vehicles and the service experience provided would become a complete lottery.

On a positive note, I can say that the reality of what is happening under the NRMA Insurance model is very different. Our partner model was initiated by repairers and developed for repairers who came to us seeking a more certain future. We recommend our partners to customers because they demonstrated they can perform high-quality repairs, shared our customer service values and, equally as important, they wanted to work with us. The Committee may be interested to note that the Australian Competition and Consumer Commission [ACCC] reviewed our model in detail. This review included such things as cash settlement, our quality framework and

the promotion of our partner network to customers. During this process we also shared our call centre scripts with the ACCC and, as a result of this review, no issues were raised by the ACCC. Indeed we also shared our scripts with the MTA New South Wales and the only substantive issue that was raised was that they did not like us promoting the fact that our partner repairers committed to wash and vacuum our customers' cars.

I would like to also address the issue of fixed costs as I know that has been raised. The way this issue is expressed does not reflect the reality of how we work with repairers. Indeed, the MTA is pushing this to distract from the fact that our model was designed in collaboration with our partners and built around what they wanted, which was a process which allows repairers to be rewarded for running efficient, high-quality businesses. The notion of fixed cost is that we pay the same cost for every repair. That is not true. That is not what we do. By way of example, we have brought some copies of invoices from our partner repair network. Each one is different, as you will see, and each of these invoices reflects the damage and the specific repair work required to fix a customer's car to manufacturer's standards, and we used real time to do that. We have tens of thousands of these examples, should the Committee want to see them.

CHAIR: Mr Briggs, have you got those invoices with you?

Mr BRIGGS: I do.

CHAIR: Would you like to officially table those documents?

Mr BUBULJ: Yes.

Documents tabled.

Mr BRIGGS: If the MTA is attempting to make the connection between our commercial model and quality, I am absolutely happy for that to occur because our model demonstrates that we get higher quality within our network than we do outside it. Let me talk a little bit about quality for a moment. Our quality program is the only one of its kind offered by any insurer in this country and it is focused on monitoring and addressing quality issues. It is about fixing cars properly. The program has conducted more than 100,000 vehicle inspections since its inception in February 2011 and it is very important to note we established this program—the quality program—across the industry before we made any other single change to our network. Quality came first and continues to come first. NRMA Insurance, through this initiative, is providing protection for customers from poor quality and unsafe repairs and will continue to do that.

Through thousands of quality inspections and years of experience, we have learned a few things: first, we do understand quality; secondly, human errors do occur, which is why we have the program; and thirdly, one of the interesting statistics is that we find that there are three times the number of quality issues with repairs conducted outside our network, so we want to make a connection to smash repairs, commercial models and quality that is absolutely there and established.

I will talk for a moment about our new model. About five years ago the industry was at a crossroads and we had a lot of repairers coming to ask us, "Is there a better way?" We were asking questions of ourselves: Would we repair cars ourselves and own our own shops—and indeed we did own two shops until recently in Melbourne—or would we choose to work with the industry and work with individual repairers. We chose the latter, and we would never apologise for protecting our customers and supporting the repairers who are now our partners. It is a mutually beneficial relationship we have with the repair industry. The model was not imposed on repairers; they chose it, designed it and collaborated in the construction of it.

NRMA Insurance partners are committed to the highest standards and we are committed to working alongside them to meet and exceed those standards. Our customers deserve that. Let me also say that the majority of mutual repairer relationships are positive, respectful and professional. We have invested over many years to foster and develop a strong professional and ethical smash repair industry in New South Wales, but we also know that we cannot make every repairer happy. This we have also learned over many decades. Any desire to satisfy every repairer at the expense of protecting customers and fostering true, mutually beneficial commercial partnerships between insurers and repairers would be a costly mistake and the biggest loser would be the New South Wales motoring public. Thank you, Mr Chair, we welcome any questions.

CHAIR: I ask everybody to pull their microphones a little closer. We have had some indication from people at the back of the room that they cannot hear the responses.

Mr BRYAN DOYLE: Can you outline to the Committee what rectification rates you have on average for repairs?

Mr BUBULJ: Is that for all of our repairers?

Mr BRYAN DOYLE: Yes.

Mr BUBULJ: We have provided the Committee with three years of data, so that is almost half a million repairs. There are 1,200 issues there, and that roughly relates to a quarter of 1 per cent over that three-year period.

Mr BRIGGS: Could I also say that our rectification rate includes, for example, everything from a difficult structural repair right down to a speck of paint, so it is a broad range.

Mr BRYAN DOYLE: It comes down to quality and safety.

Mr BRIGGS: Absolutely.

Mr BUBULJ: Yes, and we capture everything. We inspect up to 30 per cent of vehicles in New South Wales at times—it just varies on our resource levels—and we are committed to that. We commenced this intense inspection process back in 2011 and we actively capture everything, whether we find it or whether a customer complains to us. We capture it all.

Mr BRYAN DOYLE: The NRMA is a signatory to the Code of Conduct 2006 model?

Mr BRIGGS: Absolutely.

Mr BRYAN DOYLE: Will you tell the Committee what is your methodology for estimating repairs?

Mr BUBULJ: We use new times and rates. That was established in collaboration with the MTA over a number of years, 2006-07, and we rolled out in 2008 so we have been using, call it real time real money or new times and rates, there are a number of different names for it, but we moved to that methodology six years ago now. It is standard practice for all repairers in New South Wales and the ACT. We have also rolled that out into Victoria. We attempted to move it to other States across Australia but, interestingly, they rejected our advances to move to those methodologies.

Mr BRYAN DOYLE: Would you explain to a simple layman like myself how your methodology operates?

Mr BUBULJ: Sure. We established times from our research centre. They are vehicles which are dismantled and calculations around what individual times take and a repairer charges us their hourly rate. The hourly rate is negotiated on an individual basis. Some years ago that average rate was around about \$80. I could not comment on what that average rate is today. I dare say it would have increased as our costs have increased but effectively that is what the rate is at. It is a real rate or perceived one. People have different connotations as to what it is and is not but it is certainly a move towards a realistic times of rates which is what we have committed to, and we are not moving away from that.

Mr BRYAN DOYLE: In relation to dispute resolution under the code, how many internal dispute resolutions have you had? How many of those have escalated to external dispute resolutions?

Mr BUBULJ: We have had a small number go to EDR. I do not know the exact number but I can certainly come back to you around the exact number there. We have had a lot of internal dispute resolutions—they would number in the hundreds and that is over a period since the inception of the code. We certainly found that a lot of those started around about 2009. I think some education around the code was happening through the various trade associations so there was a better awareness, which was fine by us. We established a good process to be able to deal with that so we respond in certain timeframes that we have under the code and deal with each of those issues. The majority of those issues were resolved successfully. There would be a couple of instances where they were not and they might have progressed to an EDR. I do not know the exact number but it would be about a dozen over that period of time which went to EDR.

Mr BRYAN DOYLE: Is that a dozen in a year?

Mr BUBULJ: Over the entire period.

Mr BRYAN DOYLE: How many of those EDRs resulted in a decision where both parties agreed or agreed to disagree?

Mr BUBULJ: I could come back. We could analyse each of those EDRs, we can absolutely do that. I would imagine there is a combination—there were certainly circumstances where we agreed to disagree, I am aware of that. However, I cannot provide the exact number to each of those where we agreed to disagree, but we are happy to look into that.

Mr BRYAN DOYLE: Are you aware of any EDRs where you have come to a decision which is not "we agree to disagree"?

Mr BUBULJ: There have been a number of circumstances where it has ended and there have been no more disputes or further discussions around the particular issue.

Ms TANIA MIHAILUK: Have you provided any examples of your partner agreements?

Mr BUBULJ: Yes, we have provided that with the information that was requested from us the other day. So the copies of the partner agreements—

CHAIR: Yes we received the submissions this week.

Ms TANIA MIHAILUK: What is the difference between your partner agreement and IAG or Suncorp?

Mr BRIGGS: I could not comment specifically on what our competitors do. It is probably worthwhile just stepping back a bit and going through the process that we went through when we started the conversations with the industry. We basically went to the industry and said, "What do you guys want?" They wanted some pretty simple things. They wanted access to work. They wanted the right volume of work and the right style of work. A repairer might have wanted 10 jobs a week, for example, but they did not want to do BMWs. The third thing they wanted was for us to get out of their way so they could repair cars. We concluded that we could actually deliver that but we could not deliver it for the whole industry.

So then we went through a process to select partners and it was the first time it had ever been done. We did a request for a proposal across all of New South Wales metro and invited every single repairer, not just our previous partner repairers or preferred network, in New South Wales to apply into that process. We had about 540 responses—

Mr BUBULJ: Five hundred and forty-seven.

Mr BRIGGS: Five hundred and forty-seven in metro New South Wales, which meant about 700 repairers chose not to participate in that process, and from there we went through a process to select them on their quality and capability and their desire to work with us. Then when we shortlisted off the capability and quality of their shops we then moved into commercial conversations. So that is how the network works. And our contracts, interestingly for the first time, in attempting to deliver what repairers want, actually provide a commitment from us around best endeavours to provide the volume of work that repairers want, which is effectively a bankable solution for them. It is a contract that for the first time actually provides them with the ability to invest and build a future. We have actually in my view created a model for sustainability for these small businesses that they have never ever had before.

Mr BUBULJ: If I could also add—previous to the roll-out of that model, as you would be well aware, we had a tendering model where cars were taken to an assessment centre and multiple quotes were established. So the feedback we were getting five years ago was that repairers were sick and tired of quoting and not getting work. There was a better way of doing business. They analysed their business. Also, the majority of our work is driveable work so 85 per cent roughly is driveable and non-structural work, very simple straightforward work. With certainty of volume repairers are telling us if we could just get some volume and provide that on a consistent basis we would be able to provide a much better quality outcome, much better customer service. We

will be able to provide some cost certainty and also will be able to get the cars back on the road, which is ultimately what we want. So we moved from a model of multiple quotes—

Ms TANIA MIHAILUK: You signed up for 500?

Mr BRIGGS: No, 500 participated in the process.

Ms TANIA MIHAILUK: How many signed up to a partner agreement?

Mr BUBULJ: Ninety-six.

Ms TANIA MIHAILUK: For how long do these agreements last?

Mr BRIGGS: Five years.

Ms TANIA MIHAILUK: Under what conditions would you end those partner agreements?

Mr BRIGGS: The repairers are entitled to leave them at any time they like. So 30 days' notice, which is a requirement under the code so, of course, we comply with that. But their performance measures, and I will probably hand to Steve to answer this in more detail, are around quality, customer service and the commercial arrangements in place.

Ms TANIA MIHAILUK: Under what conditions can you exit those partner agreements?

Mr BUBULJ: If I could explain a bit further. There are two customer service measures, which is a customer survey and the cycle times—how quickly a car gets back on the road. All that information is within those contracts there.

Ms TANIA MIHAILUK: How quickly the car gets back on the road?

Mr BUBULJ: Yes in cycle times, so key to key, a number of different expressions for it which are used colloquially. So there are the two customer service measures, two quality measures, which is the overall score. So all of those inspections we conduct we generate a score which is ultimately the presentation of the vehicle and the quality. Of course, the rectification rate, because we do not want our partners exceeding any rectification rate which is unreasonable and, of course, the cost which is negotiated and agreed with the repairer.

Ms TANIA MIHAILUK: What is your measure of "unreasonable"?

Mr BUBULJ: Our contracts state no more than 3 per cent. I want to add, we know that repairers will not always get it right. We are not there to hang people out to dry. We want to make sure we work with the industry. We are not going to go to this much effort to set up these relationships only to make our partners fail. It is not in our interests, it is not in our partners' interest because what we were hearing loud and clear five years ago is we wanted some certainty in the industry and that is what we had to work towards.

Ms TANIA MIHAILUK: You have approximately 90 partner agreements at any given time. How many would you end in a year?

Mr BUBULJ: There would be a number in a year. There have been four which are not in the partner network now. Remember, we started close to 18 months ago.

Ms TANIA MIHAILUK: Did you end those arrangements?

Mr BUBULJ: We ended those arrangements, yes.

Ms TANIA MIHAILUK: For what reason did you end them?

Mr BUBULJ: The majority, I would have to check, but I think for not meeting their commercial benchmarks.

Ms TANIA MIHAILUK: Would you provide the Committee with information about them?

Mr BUBULJ: Yes, we can.

Mr GREG PIPER: Gentlemen, I think you were present during the earlier contribution by Allianz. I also note they are still here. I asked them about what I see as the obscurity around the whole process within the industry. I respect that Allianz tried to explain, for example, "funny time, funny money". I am still somewhat lost about that. However, will you comment on your company's participation, particularly in reference to you saying that you are now using a real rate? I think you referred to real time.

Mr BUBULJ: We call it new times and rates.

Mr GREG PIPER: Okay, new times and rates. I would like a little more advice as to what that means because in an earlier answer from Allianz they gave an example of a three-series BMW with a particular component that is able to be found and identified under the skills under funny time, funny money but not under other systems. How is that being applied or are you developing this along the way? Are you setting the rate? Is it being fairly set? How is that developed? There are other areas that are obscure to many people, for example, around these onesies—I hate the term.

Mr BUBULJ: So do we.

Mr GREG PIPER: There were different rates being set if the insurer can make a claim against another company. These are all issues that I would like you to try to shine some light on for my purposes.

Mr BRIGGS: I will take the onesies question first. Our quoting methodology is standard and consistent: Whoever is paying the bills, if it is us or another insurer, we do not participate in any arrangements that would unfairly advantage anyone in that process. We have never participated in the onesies thing, nor would we. It would be to our ultimate disadvantage and it would not be within NRMA's nature to participate in a process like that. From a new times and rates perspective or a real time real money process, I will seek to provide some detail. That process was developed out of the last review. We worked with the Motor Traders' Association of New South Wales and continue to work not only with the association but also other industry bodies in an attempt to create a national and consistent model across real time, real money nationally.

We are working with all of the Motor Traders' Associations around Australia and that work is ongoing. We were the first insurer to move to new time. The rates were established based on a revenue model. In other words, we are changing timings so we wanted to make sure that we did not disadvantage repairers. In other words, what they were earning on funny time, funny money they at least continued to earn in the real-time process. Again, those models were discussed and developed in conjunction with the Motor Traders' Association.

In terms of maintenance of the models, we have the only insurance research centre in Australia and we are a member of the Australasian New Car Assessment Program [ANCAP]. We are also involved in safety and quality of new vehicles. One of the roles of that research centre is to continue to assess and to develop times as new vehicles are brought onto the market. There is a committee where we work with repairers to make sure that the times developed are seen as being fair and equitable. Steve, do you want to provide any additional information?

Mr BUBULJ: We do not have times for every single vehicle. That would be difficult to achieve with the size of the fleets out there and the amount of makes, models and years. We have got quite a large database covered and we continue to schedule vehicles on a weekly basis, it is something we continue to produce.

Mr GREG PIPER: Is the information you have for your own purposes going to become part of the general industry at some stage or is that a commercial edge for you?

Mr BRIGGS: Again, it is premature to be fair, but we have for the last two years worked with the Motor Traders' Association on how we would provide a nationalised process and provide open source real-time information to the entire industry with no advantage to us. We are working with a small group of other insurers and all of the industry bodies around Australia to achieve that end.

Mr GREG PIPER: In your opening statement you referred to questions asked by this Committee about profitability. I am not sure if you were here for last Monday's hearings.

Mr BRIGGS: No, I was not.

Mr GREG PIPER: You have obviously been given some kind of précis. It might refer to a question I put to representatives of the Insurance Council of Australia, which I think they misunderstood and certainly made a fairly hostile response.

Mr BRIGGS: Okay.

Mr GREG PIPER: I was not trying to say that I do not think that your company should be profitable, but it had been suggested that while there is a burgeoning number of players in the insurance market the insurance industry looks to be quite well, at least looking from the outside. However, on the repairer side there seems to be a real problem, particularly with the smaller repairers. I was asking if there is a correlation between an increase in overall profitability in the insurance industry at the expense of the other end of the game. It was not a comment that insurers should not be profitable.

Mr BRIGGS: I understand.

Mr GREG PIPER: I know we work in an open market and that is good. Could you comment further on that?

Mr BRIGGS: It is interesting. This might sound counterintuitive, but when we first started developing our partner model five years ago one of the first things I said to our organisation was that we needed to ensure that the repairers we partner with are profitable. They cannot give us the quality, customer service or the commercial outcomes we need unless their businesses are sustainable and they can invest. That might sound counterintuitive because you might think that would drive up costs. However, what we wanted was for our partners to run efficiently, to use their capacity—because the industry has massive over capacity—so we can drive sustainable outcomes. That is why our contracts are for five years and that is why we provide, for example, best endeavours in terms of volume of work. It provides the repairers, for the first time ever, with a future. There are myriad examples of our repairers being profitable, and we want them to be profitable. My comments about us sharing and being part of this industry are actually genuine.

Mr BUBULJ: It has been well documented that there is on average at any given time roughly five repairs per week available for each of repairer in the industry. The average repairer capacity that we had on our books prior to going to this model was 20 cars per week. We know with the technology, processes and efficiencies available, from all sorts of places around the world, that there are facilities that can repair up to 50 or 60 cars per week. That is what is available to the marketplace. The industry is changing, it is getting smarter and it is getting better. However, under our previous model there is no way that capacity could be utilised with only five repairs per week. It is hard to make a commitment to a repairer when that is all we have. We cannot make a commitment to everyone; all we can do is make commitments to the people who want to work with us.

Mr RAY WILLIAMS: Mr Briggs, as I have said several times, this Committee initially received a list of 130 vehicles from the Motor Traders' Association. As has been said, the association does not go out and seek this information. This information is from people off the street who have not had any satisfaction from insurance companies and repairers who initially undertook to do their repairs. They sought some support from the Motor Traders' Association, who reassessed the vehicles. Of those 130 vehicles—I have shown this list many times to this public inquiry—40 were subsequently found to be total losses and the majority of them have been written off and are on what is now known as the Written-off Vehicles Register and are simply spare parts, they should never have been on the road.

I asked this Committee to write to all of the insurance companies requesting information so that this inquiry could establish under the terms of reference whether or not it was seeing the safest possible repair of cars returned to the roads after they have been repaired. To your credit you have provided a list with 1,200 instances of rectifications, and I greatly appreciate your honesty. None of the other insurance companies have provided us with a comprehensive list of rectifications. I can say that openly and honestly, and I did ask the question of one of your competitors and they have not provided that information. I give full credit to the NRMA for providing this public inquiry with that information. However, the amount of rectifications is still alarming. I note that a large majority would be paint blemishes and paint repairs to the 100,000 vehicles that you have inspected since 2011. I commend you on your quality control. Unfortunately, I do not think we are seeing that from some of your competitors.

Mr RAY WILLIAMS: Can I just ask the question? Do you believe vehicles that are not repaired to a high standard pose a danger to the occupants of other cars on the road?

Mr BRIGGS: I think the answer to that would be absolutely, yes. That is why we have such a strong commitment to quality.

Mr RAY WILLIAMS: You probably understand my concerns when I look through that particular qualified list from the Motor Traders' Association. Following on from that statement, a vehicle had originally been repaired by Rios Motor Vehicles. It became a total loss when it was reassessed after the owner raised concerns. During the time this vehicle was first repaired and then returned to the owner, it was an inappropriately repaired vehicle, which posed a subsequent danger to other people on the road. Would you agree with that?

Mr BRIGGS: I am not familiar with that specific vehicle.

Mr RAY WILLIAMS: This particular smash repairer is one of your preferred repairers.

Mr BUBULJ: That is not correct.

Mr RAY WILLIAMS: Okay. Well that is interesting because I believe there was another significantly damaged vehicle, for which I can state the registration number, that was an insured NRMA vehicle and also repaired by that particular repairer. Are they not your preferred repairers?

Mr BUBULJ: They are not a partner repairer, no.

Mr RAY WILLIAMS: No, no, were they an associate repairer; were they a preferred repairer; were they a repairer that NRMA used to repair NRMA insured vehicles?

Mr BUBULJ: An associate repairer and any repairer under our choice policy can repair a car through NRMA.

Mr RAY WILLIAMS: So the answer to that question is, yes, they were a vehicle repairer that the NRMA insurers chose to use? The Roads Transport Act 2013 states quite clearly that vehicles not repaired to an appropriate standard by repairers could be referred to the Department of Fair Trade. Given they were a repairer that NRMA chose to use and were twice found to have inappropriately repaired a vehicle, did you refer that particular repairer to the Department of Fair Trading and if not, why not?

Mr BUBULJ: I would have to check on that specific example. If those particular examples are factual, I can come back to the Committee. Since the inception of the quality program in 2011, we have had a relationship with the Office of Fair Trading and Roads and Maritime Services on multiple fronts. We have referred quite a number of vehicles to the Office of Fair Trading. With respect, the Office of Fair Trading has a number of priorities and competing issues to deal with at any given time. However, we have agreed with the Office of Fair Trading that we will provide a quarterly report. So the information that we have provided to the Committee was provided to the Office of Fair Trading, and we have agreed a process whereby where we have any serious issues there is a comprehensive form to be completed. It has images and details and quotes on everything that happened with that vehicle.

We put that together and hand that to the Office of Fair Trading. I do not know exactly, but there is at least a dozen we have referred to the Office of Fair Trading, so to answer that particular example, I am more than happy to look into it to ensure that we did in fact follow that process and I will come back to you. As part of our quality framework, once we have dealt with an issue, once we have validated it, once we have got the customer sorted out, which is the most important thing, then we take action around of what are we going to do with this; what do we do with the repairer; do we need to work with them; do they need action plans; do we need to refer them to the Office of Fair Trading? All of those things come subsequently.

Mr RAY WILLIAMS: In light of what you are suggesting, you have stated that you do refer repairers that have inappropriately repaired vehicles to the Department of Fair Trading.

Mr BUBULJ: Yes.

Mr RAY WILLIAMS: Do you believe that a name and shame list should be set up by the Department of Fair Trading to publicly name those particular repairers for vehicles that were inappropriately repaired?

Mr BRIGGS: I think naming and shaming has been on the agenda for some time and it seems to be considered to be some sort of panacea to cure the quality ills of the industry. I am not sure that is correct. There are a number of other name and shame websites that exist, for example for restaurants, et cetera. I am not sure they actually serve to deliver the quality outcomes that we are looking for. I guess what I can say is that we are absolutely committed to ensure that the repairers who are licensed in New South Wales can and do carry out the work to a standard that the consumer demands. Whether the name and shame helps to deliver that, to be honest, I am not sure.

Mr RAY WILLIAMS: Can this Committee assume that vehicles insured by NRMA Insurance Australia Group that have been repaired have subsequently required rectification work and those inappropriately repaired vehicles have been returned to the road, which poses a safety risk, as you would agree, that NRMA Insurance Australia Group still use those repairers that returned vehicles that are now on the Written-off Vehicles Register, and that NRMA Insurance Australia Group does not advise its customers that those repairers are being used, and that you do not want them registered on a name and shame list? Is that what we are hearing?

Mr BUBULJ: A customer can choose any repairer they like, so when a customer lodges a claim similar to—of course, we have 600-odd staff that take calls every day and we do not have particular details of repairers about their capability performance. The system is designed and set up to promote a Partner network. A customer can still choose to use a repairer. If it is issued by the partner repairer, we will deal with that through the quality framework, and we have the mechanisms in place to deal with that. If it is an associate repairer, we will do the same. If it is someone not in our network, we will do the same. However, it could be a non-network repairer that could do the poor quality repair, but the customer can still choose them. If they say, "I want to use Joe Blow Smash", and he has done some poor work, that is where a cash settlement comes in. If there are examples where we do not authorise repairs of a particular repairer—we authorise 97 per cent of our claims in New South Wales and the Australian Capital Territory, so it is a very small number. We do not do anything to discourage because the repairers do not want us to do that because we do not want to spread misinformation. It is very difficult to control messages from 600 call centre staff about one particular repairer out of 5,000 in Australia because we are a national business. All we can do is deal with those repairers once we have dealt with an issue and go from that point onwards.

Mr RAY WILLIAMS: We have acknowledged that poor quality repairs have been undertaken. We have acknowledged that there are literally thousands of vehicles that are in need of rectification following their particular—

Mr BRIGGS: Can I make a point on rectification? Sorry to interrupt, but the vast majority of those repairs, or the vast majority of those rectifications are actually captured and recognised before the vehicle leaves the shop, so the rectifications or rather they are quality control measures that they place as part of our process, so the vast majority of them—people are not driving around in cars—we discover the issues before that happens.

Mr RAY WILLIAMS: Mr Briggs, the point that I have made and will continue to make is that following subsequent repair of a motor vehicle, it is returned to the owner, and the owner who is unsatisfied with the vehicle seeks support from either an insurance company, which they have not received, or a repairer, which they have not received, and they have subsequently ended up at the Motor Traders' Association. When 130 of those vehicles were reassessed, 40 were deemed a total loss and a large majority are now on the Written-off Vehicles Register. I will go through it again. The point that I am making is that people are driving on our roads today in repaired vehicles that should not be on our roads. We know there is a degree there, whether a percentage of rectification is raised or not. The point I make, I believe insurance companies have a duty of care to their customers to acknowledge the problem, whether that is by way of a name and shame register with the Department of Fair Trading or whether you specifically state that you are using repairers that have this problem and they are not conducting repairs appropriately. I am not feeling from the NRMA Insurance Australia Group that you have that duty of care.

Mr BRIGGS: May I challenge that? We absolutely take a very serious duty of care to our customers, which is why we are committed to quality and why our partnership network is so important to us, because within that network we are attempting to build and have built a high quality set of repairers where the standards and qualities that they deliver is as high as we can possibly achieve. We cannot be held responsible for every

repairer in New South Wales or Australia. As I said earlier, there is still human error. Some of it is not deliberately shonky, but some of it you might describe as shonky and substandard. Some of it is simply human error which takes place. Do we have a commitment to ensure that no cars go back on the road in an unsafe manner? Absolutely. Absolutely we are committed to that.

Mr RAY WILLIAMS: This Committee has received quite a lot of evidence from repairers across the industry stating that they do not believe they are receiving a fair and equitable return for the repairs they are providing. This Committee has also received evidence highlighting that, because of that, repairers are cutting corners and doing whatever they can to stay in business. Cutting those corners means there is a poorer quality of repair, and that is what we are seeing in the vehicles on our roads at this point in time. You raised earlier an issue in relation to fixed price repairing. You said that NRMA-IAG does not have a fixed price repair model.

Mr BRIGGS: That is right.

Mr BUBULJ: We have an average repair price.

Mr RAY WILLIAMS: Did NRMA-IAG ever have a fixed price repair model?

Mr BUBULJ: Not to my knowledge, no.

Mr BRIGGS: Just to be clear, would you indulge us and explain what you mean by a fixed cost model? I think that is important.

Mr RAY WILLIAMS: Perhaps you could explain to the Committee what you believe a fixed cost model is. I have in front of me a conventional Predictive Cost Model [PCM] which states fixed costs and which—as we had confirmed to this Committee only three days ago—is an internal NRMA-IAG document.

Mr BUBULJ: I would have to have a look at that document to verify it. If the Committee would give us a copy to have a look at and to verify then we would be happy to do that.

CHAIR: This is not actually a Committee document; this is one of your own documents.

Mr RAY WILLIAMS: That is true. We have already had confirmation from one of your colleagues that this is an IAG internal document with fixed price costs listed.

CHAIR: I think the NRMA contacted the Committee during the week because they believed that a member of this Committee may have a copy of an internal document.

Mr RAY WILLIAMS: Would you like me to read you the email?

CHAIR: Yes.

Mr RAY WILLIAMS: I am happy to. It says, "On Monday, following questions to Mr Rob Whelan from the Insurance Council of Australia [ICA] regarding a predictive cost model, Mr Ray Williams held up what appeared to be an internal IAG document."

CHAIR: So the words are "what appeared to be".

Mr RAY WILLIAMS: Does that then confirm that NRMA-IAG does in fact have a fixed cost model for repairs?

Mr BRIGGS: May I go back to the original question, with my personal apologies—but what do you mean by fixed cost? It is a little bit like funny time, funny money. An explanation would be good.

Mr RAY WILLIAMS: I will read from your own document. In the second paragraph on page 10 of your predictive cost model explained it says, "Suppose that a repairer has carried out five repairs across a month. IAG has agreed to pay \$2,000 per repair for this level of work. Therefore the total revenue amount is \$2,000 multiplied by five equalling \$10,000." That to me would be a fixed cost model for the repair of motor vehicles, would you agree?

Mr BRIGGS: It is a fixed revenue model, absolutely, for the repairers. Sorry, let me rephrase that—it is a commercial model that we have in place with a very small select group of repairers that enables them to predict their revenue and provide certainty. So we contract with them the volume of repairs that we provide and they contract with us the price. Let me be really clear about this: each job is quoted and priced on the work that is required. So, for example, a \$7,000 repair is quoted and paid for as \$7,000, and indeed a \$500 repair is quoted in the same way. What happens when a large volume of repairs takes place is that you move back very close to the average. So what you are talking about are adjustments at the absolute margin. What that enables the repairer to do is to be very efficient and quick in repairing—and not spend hours and hours negotiating prices with us—because they have certainty about the volume and they have certainty about the price. Let me say that we have not imposed that process on anyone, and the repairers who are using it like it because it drives profitability and the future of their business.

Mr RAY WILLIAMS: Just picking up on what you said there, they have some certainty in regard to the number of vehicle repairs and certainty in regard to cost. I will ask you a question in line with that particular statement you have made. You would therefore be directing an agreed number of vehicles to certain partner repairers and you would also have in place an agreed amount of money you would be paying each month to them for the repair of that number of vehicles? Is that correct?

Mr BUBULJ: No, that is not correct; because we have a number of arrangements which were negotiated through the request proposal process, which we mentioned earlier, a number of years ago. Repairers came up with a number of ways to be able to achieve—some of which accords with what you are saying: so it is an agreed volume for a repair cost. But every car is individually quoted on and authorised by one of our assessors.

Mr RAY WILLIAMS: I know exactly what is happening. Do you have confidentiality clauses in regard to agreements signed by some of your partner repairers?

Mr BUBULJ: The only contracts we sign are the repairer contracts.

Mr RAY WILLIAMS: Do you have confidentiality clauses signed with some of your partner repairers under NRMA-IAG? Do you have any confidential documents signed stating that they will not divulge any of the information publicly with your partner repairers? It is a yes or no answer.

Mr BUBULJ: There is a small number of repairers who use the predictive cost model, and there are a number of models available, through paint manufacturers and industry consultants, which repairers are free to use—whatever they like; we do not mandate that.

Ms TANIA MIHAILUK: With all due respect, that was not the question.

Mr BUBULJ: There are no signed documents. There is a document which has some confidential disclaimers on it. The reason for that is that the model is subject to a patent application. That is the only reason for it.

Mr RAY WILLIAMS: So certain repairers have signed confidentiality clauses pertaining to agreements that NRMA-IAG have with partner repairers?

Mr BUBULJ: I am not aware of confidentiality agreements in respect to the predictive cost model.

Mr RAY WILLIAMS: I am talking about certain aspects of confidentiality regarding the agreements that they have signed with NRMA-IAG.

Mr BRIGGS: If the inference is that—

Mr RAY WILLIAMS: I just want to point out the fact that both witnesses are appearing under oath. Whilst people might sign confidentiality clauses, it does not stop them from having a yarn to someone at the pub.

Mr BRIGGS: I get that, Mr Williams, but if the inference is that in some way we are being duplicitous—because we do not want them to tell the industry or because what we are doing is bad or in some way illegal, nasty or damaging to repairers or the repairs industry—then that is absolutely incorrect. If indeed

we have signed confidentiality agreements with repairers—and maybe we have, I do not actually know so apologies for that—then it would be to protect our intellectual property, and only that. As Steve said, this particular process is subject to a patent application. Our view is that it is actually quite a good process. It works for repairers and it works for us, and we do not want our competitors to have it. I think that is reasonable and normal commercial behaviour.

Mr RAY WILLIAMS: Mr Briggs, as the Executive General Manager for Marketing, Reputation and CTP, I find it astonishing that you would not know that you are entering into confidentiality agreements with your partner repairers. My point is that this Committee, through the evidence that it has received, believes that the two largest insurance companies—namely, NRMA-IAG and Suncorp—through having 70 per cent of insured cars across New South Wales and the power that comes with that are manipulating the price that is paid to repairers. The manipulation of the price that repairers are receiving, whether they are preferred repairers or non-preferred repairers in that they are not doing insurance work, has created a situation where we are seeing a high volume of cars returned to our roads that are unsafe and that are jeopardising the safety of the people of New South Wales.

Mr BRIGGS: Just to be clear again, the connection there is that because of our partner network quality is suffering; is that your hypothesis?

Mr RAY WILLIAMS: That is your comment. You have agreed that you have a fixed cost model in place with some of your repairers. You stated that on the record. I put it to you that if a repairer is repairing a vehicle and you are paying them \$2,000 when the value of that repair could actually be as high as \$7,999 then we are getting poor-quality repairs; and that is due to the price that you are paying repairers for those particular repairs.

Mr BRIGGS: I would completely disagree with that but the reality is that if it is a \$7,999 repair then that is the price we pay. I will go on record, and indeed the invoices are there, to support that. It is a complex model, which is why it is subject to a patent application.

CHAIR: Mr Williams, I am going to allow Mr Briggs to complete his answer.

Mr BRIGGS: You talk about a \$7,000 repair for \$2,000. That could also be a \$500 repair. I am telling you the truth.

Mr RAY WILLIAMS: Explain how it could be a \$500 repair.

Mr BRIGGS: Because the range of repairs is anything. It could be a scratch on a bumper, which we would repair and it would go through that same process. The reality is we would be invoiced and we would pay \$500 for that repair and we would be invoiced and pay \$7,900 for that repair. Because these particular arrangements are subject to high volumes of repairs they move back to the average. That is the process.

Mr RAY WILLIAMS: I will just pick you up on that average. Thank you for the explanation but I think you have established that if that is the fixed price at \$2,000 then that is the fixed price the repairer is getting for that repair. However, just going into your average cost model, which is slightly different, let me for the benefit of the Committee and the public gallery—

CHAIR: Mr Williams, I remind you that we are getting close to time.

Mr RAY WILLIAMS: In relation to your average cost model, as I said to you before, whilst people may be signed to confidentiality it does not stop them from having a yarn over a beer. I put to you that vehicle repairers are provided with an agreed amount of vehicles from you. They are then paid an agreed cost, which is the same cost every month. If I picked out for you very simply as an example that you agreed to provide 20 vehicles to a repairer through the month and then agreed to pay them \$40,000 at the end of the month they would adjust their estimates of their costs to fit in with the \$40,000 average cost. I can tell you that information has been provided to me from repairers working in the industry.

We also have evidence of fluctuations in the estimates. We also have information stating that if those repairers get too many repairs that are upwards of \$4,000 or \$5,000 they simply flip those to other repairers so they do not do them and they can ensure that they keep their average. That is the situation today that we have to deal with. That is the information this Committee has been provided, which is resulting in a poor quality of

vehicle being returned to the road. I commend you for your honesty and providing your rectifications. I commend you for the accountability that you provide to the industry. But I state quite honestly and fairly that it cannot continue if we are going to have a viable repair industry at a time when insurance companies are seeing record profits and insurance companies across New South Wales have a premium that is almost \$200 dearer than your competitive States of Victoria and Queensland and when we have seen a 16 per cent decline in motor vehicle repairers over the past 10 years. No further questions, Mr Chair.

CHAIR: We talked about incentive schemes. I am sure most modern businesses have incentive schemes for their staff, but I want to get a bit more detail. Do you provide incentives to assessors to drive down the cost of insurance claims and repair costs?

Mr BUBULJ: We have provided the Committee with all the information offered for incentives for our assessors and for our call centre staff. There is an overall financial result. There is 2 per cent of an entire remuneration for an assessor or one of our call centre people. They are paid to assess cars. They are paid to conduct quality inspections. They are paid to deal with our customers. Two per cent of their overall remuneration is in relation to that. That is the same in terms of allocations. I know there was a discussion around allocation previously. We reward sticking to the scripts, complying with the scripts, offering good customer service more than we do allocation to a partner repairer network. We have provided you with that information.

CHAIR: Are there incentives to customers? Examples would be free car washes, taxi fares, et cetera, to go to a preferred repairer over a repairer of choice.

Mr BUBULJ: If a customer wants to use a partner repairer they do receive a taxi to and from the premises.

CHAIR: They would not receive that if they went to a repairer of choice?

Mr BUBULJ: No. If I can add, over a large period of time customers have asked us to choose repairers for them. They have asked us to get a quality repair and get their cars back on the road quicker than ever before. That story has not changed for 20 years. Neither has average price. We have been managing to average price for 15 years. It is across many different industries, it is used across the world. Our customers are asking us to get them a repairer to get them back on the road as soon as we can. That is what this is about.

CHAIR: My line of questioning is more about what choice we give customers and if there is any steering towards a repairer. On that point, are there times when your teleclaims staff, assessors or partner repairers would get an advantage in relation to the time they take to process a claim? We have heard that at times claims take a lot longer to process if I wanted a repairer of choice and I picked my repairer X. Is that a way of steering away to a preferred repairer?

Mr BUBULJ: All we do in our script is explain the process and we offer our customer choice. They can use a partner repairer and we explain that process. That process is: we book the customer in for a time for inspection and—

CHAIR: But is there a significant time difference when someone chooses to go with your partner repairer versus a choice repairer?

Mr BUBULJ: In order to get their vehicle back on the road?

CHAIR: For getting it assessed, fixed and back on the road.

Mr BUBULJ: For the whole lot, yes, it is quicker in a partner repairer network.

Mr BRIGGS: But it is not deliberately slower in the non-partner network. What we have done is we have built processes with our partners. Remember, and I think it is important to note, these are small business people. They are not in some way part of NRMA. These are small business people.

CHAIR: But your client hears that if they go through a partner repairer they can have their car back on the road in five days versus if they do not they will get their car back on the road in three or four weeks. Do you have an average of the time difference?

Mr BUBULJ: I would not be able to answer the average right now.

CHAIR: I will put that as a question on notice that we can come back to. I agree with statistics that I have seen from a number of different insurance companies that most clients probably do not have a choice repairer and they would probably go with the repairer you have partnered with. If within that there are incentives or ways of steering or directing customers to pick a particular repairer I have a concern that we are not offering real choice.

Mr BUBULJ: The crucial part for our call centre staff is to follow the script. That does not talk about promoting over timeliness. That talks about offering the choice so our customers are in an informed position to choose their own repairer or a partner repairer. If that is occurring we would like to know about that because that should not be happening. We invest heavily in coaching and training of all of our staff and that is something that we will remain committed to because that is just what we do. It should not be used as an incentive to either choose or not choose.

Mr BRYAN DOYLE: Will you explain how the new times and new rates methodology ties in with your predictive cost model?

Mr BUBULJ: The new times and rates methodology is used for all of our quotes irrespective of whether it is an average cost or if we are assessing line by line or it is at a non-preferred repairer. Whatever the case may be we always use new times and rates.

CHAIR: Thank you for appearing today. The Committee may wish to send you some additional questions in writing, the replies to which will form part of your evidence and will be made public. Would you be happy to provide a written reply to any further questions as well as the questions you have already taken on notice?

Mr BUBULJ: Yes.

(The witnesses withdrew.)

(Short adjournment)

ROB BARTLETT, National Industry Relations Manager, Suncorp Group Limited, and

SEAN DEMPSEY, Executive General Manager, Shared Insurance Ventures, Suncorp Group Limited, affirmed and examined.

CRAIG SUMMERS, Executive Manager of NSW Motor Claims, Suncorp Group Limited, sworn and examined:

CHAIR: Before I welcome the next witnesses I need to state that earlier this morning Mr Williams identified registration numbers or identification numbers on a number of vehicles. For the sake of privacy it is appropriate that I order that that information be suppressed from the public. At this stage, because I am not sure if those registration number or identification numbers are on the public record and for the sake of the individuals who may have those numbers, it is appropriate that I do that.

I welcome Mr Rob Bartlett, Mr Sean Dempsey and Mr Craig Summer from Suncorp Group Limited. Thank you for appearing at today's Committee hearing. Can you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

Mr DEMPSEY: Yes, we have.

Mr SUMMERS: Yes.

Mr BARTLETT: Yes.

CHAIR: Do you have any questions about this information?

Mr DEMPSEY: No, we do not.

CHAIR: The Committee has received a submission from your organisation. Do you wish that submission to form part of your formal evidence?

Mr DEMPSEY: Yes please.

CHAIR: The Committee will have a number of questions but first I offer you the opportunity to make a brief opening statement.

Mr DEMPSEY: Thank you. I would like to take advantage of that, if I may. We thank the Committee for the invitation to address this inquiry and the very important issues outlined in your terms of reference. We have introduced ourselves; I will not do that again. Central to Suncorp's success is the partnerships that we have built with the repair industry to ensure that New South Wales consumers receive quality products and the highest levels of service from Suncorp and that New South Wales motorists are returned to the road safely after an accident. We have invested significant resources in developing a standard for our aligned repairers and creating industry-leading repair capabilities with innovative repairers in providing repairers with the information they need to repair the modern motor vehicle, in educating the industry in modern repair techniques and in supporting the training of the next generation of smash repairers and spray painters. We do this because Suncorp is an important part of the New South Wales community and we believe we have a key role to play in protecting our customers at all levels.

We provide insurance products and services to millions of New South Wales residents and are a significant contributor to the New South Wales economy, paying more than \$1.4 billion in insurance claims to New South Wales consumers in 2013 and directly employing more than 4,000 people in New South Wales. At Suncorp protecting what matters most for our customers is at the heart of what we do in all of our products, including motor insurance, and our business success over the past two decades has been built on creating products and delivering services that respond to our consumers' needs. Our biggest brands including AAMI, GIO Just Cars, Vero, Insure MyRide and Shannons are all different products aimed at meeting the needs of different groups of consumers. From the family looking for a stress-free claims service and repair by asking their insurer to manage their claim from end to end to the motoring enthusiast who can confidently manage their own claim, Suncorp is committed to meeting the varied needs of New South Wales consumers.

We have provided a range of information to the Committee on our key quality metrics to demonstrate how we fulfil this commitment. Customer satisfaction across the 126,000 vehicle repairs completed in New South Wales under a Suncorp claim in 2013 is extremely high, with 76 per cent of all our customers rating our service an 8, 9 or 10 out of 10. The very large majority of our customers in New South Wales tell us that they are satisfied with our products and our service. To achieve this outcome we have partnered with a diverse range of independent smash repairers in New South Wales and we have invested with two innovative and entrepreneurial Australian smash repairers to create Capital S.M.A.R.T Repairs and Q Plus. These are industry-leading services with a focus on quality, customer service, sustainability and governance.

Repair quality is at the core of all of these partnerships and as our analysis shows, less than 1 per cent of all repairs undertaken for our customers could result in possible safety issues out of the 4 per cent of issues requiring some sort of rework under a Suncorp claim, the very large majority of these being related to paint finish. By way of comparison Suncorp notes that in the last year alone approximately 6 per cent of all cars on Australian roads, over 800,000 vehicles, were recalled by the manufacturer for rectification or replacement of parts based on production line faults. Humans design, manufacture and indeed repair cars and error is unavoidable but errors can be reduced and we must all focus on how best to achieve this.

Where repair faults occur Suncorp's absolute priority is to ensure our customers are safe and to ensure that we address issues to provide them with better outcomes. We do this because all of our people, from our front-line staff, our call centre staff, to the people sitting before you today, want to fulfil the promise that we make to consumers when they purchased our policies. In contrast to consumers who deal directly with the smash repair industry, insurance consumers are protected by strong regulation at a State and Federal level. Suncorp welcomes this regulation. Unfortunately some within the repair sector, such as not-at-fault focused recovery agents, repairers and assessors, are not governed to provide the same level of consumer protection and our submission provides clear examples of poor outcomes for consumers in this regard.

Crime remains a large problem within pockets of the industry and combined with fraud continues to drive premiums up for consumers and we strongly advocate greater action to tackle this issue to reduce the burden on New South Wales consumers. Any regulation in these areas must ensure that quality is delivered whilst balancing the need for affordable premiums and affordable repair costs, given the cost of living pressures facing particularly New South Wales residents. Removing Suncorp's ability to oversee repairs on behalf of our customers in the way we currently do could raise premiums significantly for consumers. Just as importantly regulation with unintended consequences such as empowering unscrupulous recovery agents, repairers and assessors or even worse returning us to the days of tow trucks dualling at accident sites to win illegal drop fees could have severe ramifications for the quality of service to New South Wales consumers and certainly on the cost of insurance. Given the importance of these issues to our customers, to the community and to this Committee, again we thank you for the opportunity to address your questions and to clarify how we operate our business to deliver on our commitment to our consumers. Thank you.

CHAIR: Thank you, Mr Dempsey. We will commence with questions.

Mr GREG PIPER: During the course of the morning I have asked a number of questions around industry practice and pricing. A clear understanding of how this works still eludes me. It seems you have to have been in the industry for a long time to understand funny time, funny money. I understand some changes have been looked at but I understand that funny time, funny money is still being used and I would like your comments on how you go about pricing repairs. Areas that tend to cloud the waters and cause suspicion to a layperson looking at the industry is having something called "funny time, funny money" and "one-ies"—I do not like the term but obviously it relates to a price being varied, adjusted or inflated where a claim is actually redeemable against another insurer. Could you respond to those matters?

Mr DEMPSEY: I might ask Mr Bartlett to answer that question. We would be more than happy to explain to you how within our business we look to set up a price for a repair.

Mr BARTLETT: Suncorp does not specifically request or propose that people put their prices to us in funny time, funny money. Suncorp is very clear that we accept all pricing methodologies and that the ultimate price is determined in competitive cash comparisons. The most important component of a repair is determining the methodology of the repair and determining how the process of the repair is going to be undertaken. It is only after that is agreed that we consider what the comparative price between the two quotes might be. We do not set funny time, funny money; we do not set an hourly rate. We believe that the market can set these things and

therefore the market price can shift around, depending on the type of vehicle and the type of repair but more particularly the type of methodology that needs to be undertaken by the repairer. In relation to the second part of your question, you mentioned onesies—

Mr GREG PIPER: Onesies, is it—one-ies, whatever?

Mr BARTLETT: That is something I can refer to my colleague.

Mr GREG PIPER: I think onesies are a form of nightwear.

CHAIR: I think you are referring to one-ies.

Mr GREG PIPER: I do not want my grandchildren involved in one-ies.

Mr DEMPSEY: We heard the term "one-ies" or "onesies" in the NRMA submission and we do not wish to specifically comment on their submission. I am not sure exactly what you would like us to respond to in terms of onesies or one-ies.

Mr RAY WILLIAMS: Maybe the question should be do you refer what is notionally known as one-ies to your preferred repairers as a sort of bonus to the repairer when it is a recovery from another insurance company?

Mr DEMPSEY: I think that is a specific question. Craig, can you answer that?

Mr SUMMERS: Absolutely. I can absolutely and categorically say that we do not use that method. One-ies, or whatever they are referred to, there is absolutely no use of that with our Suncorp repair panel or any of the repairers.

Mr GREG PIPER: In this whole question about there are types of behaviours or concerns about this, whether or not they are a genuine impact on the bottom line, which is a quality outcome for the insured at a reasonable price—a quality and safe repair—there are also the issues about the choice of repairer. I note that Suncorp as an umbrella organisation has a number of offerings out there for their different providers, but there is a very real question that has been put to us that even where people have purchased a product that provides for choice that there is some—steering is the term that is used—but there are some coercive methods to get people to move away from their preferred option, and I believe that Suncorp has been mentioned a number of times in relation to that, particularly in relation to the types of incentives that are being provided for the teleclaims people to persuade people to move away from their preferred repairer, but also coming right through to the incentives that have been alleged to have been made to those people who are doing the assessments of the vehicle repairer. Could you give any comment about the incentive schemes? Does your company steer and do you believe that is a reasonable thing within the market?

Mr DEMPSEY: If we might, with respect, focus on the question of the choice of repairer first and then I will ask Craig to talk about the specifics. You are correct in your opening piece that we provide a wide range of products for our consumers. At the centre of what we try to do in building products is respond to consumers' needs. The vast majority of consumers—69 per cent—tell us that they do not want to manage their repair if it came to that. Some customers though do say that "I have the confidence and the knowledge to manage the repair". So we try to build products to respond to those wide needs. In terms of customers accessing choice as one part of their policy, I will ask Craig to respond to that, if I may.

Mr SUMMERS: Choice, as Sean has indicated, is really important to some of our customers, and within our submission we highlight that through our research there are a number of customers that flag that that is important; 27 per cent of the customers that were researched flagged that that was important to them in the event of a claim. As you pointed out, there are policies that have been created specifically to cater for that need, and our mechanisms and processes within the company support that for our customers. So there is no steering. I do not see any cases of steering and there are no incentives directly related to that sort of activity.

Ms TANIA MIHAILUK: Your customer service staff you mean? There is no incentive for them?

Mr SUMMERS: There is no incentive. The scheme that we have in the organisation in that respect for our contacts and the staff or the people that are working with our customers at the time of lodgement is to steer a customer in any direction. There is no incentive scheme.

Mr GREG PIPER: It is an important point because it is one of the very strong things that have been brought to the committee, concerns about steering through methods such as if somebody, for example, says, "I would like my vehicle repaired by repairer X"—just comments. They might be quite subtle in some ways but we do not know; the teleclaims person might say, "We don't know about that particular repairer; we have not had any dealings with them", when that might not really be the case and, regardless, it is not relevant—suggestions of other repairers that are preferred repairers that we have confidence in and experience with but also, obviously, incentives with the options of taxi availability and things like that.

Certainly that is something that has come to us, including the allegation that teleclaims persons are given a bonus based on a certain achievement of steerage, if you like, to preferred or network repairers. I do not know if it was a fact or if it was used just as a hypothetical but they may get additional days off or there might be holidays, things like that. Can you categorically say that that is not the case with your system?

Mr DEMPSEY: Before Craig, I am sure without any qualification whatsoever, answers your question, we operate in an enormously competitive market and for us to spend millions of dollars on advertising in building products and to then restrict access to consumers to the benefits under their policy would be not sensible for us to do and we do not do that. On the specific terms of incentive schemes or steering, I think we have got quite a strong position.

Mr SUMMERS: I absolutely agree. There are two points. I think it would be worthwhile to just provide some context around our approach with that. Customer satisfaction and the quality of repairs are central to what we do, and that is what this is all about. The approach we take with our contact centre staff, as well as all our staff that are involved in the claims process, is to make sure that the quality of their training and their understanding about products and services is at the forefront. We have submitted documents today or last night around some of the training and some of the processes that those people use, but it is all focused on understanding the products and services available to customers and helping customers through that claims process. I am absolutely confident that the right behaviours are generated through that training and that we do get the right outcomes for our customers. It is certainly backed up with the customer satisfaction results that we achieve, and that is what our customers tell us at the end of the day.

Mr DEMPSEY: Our customers that have a choice of policy in New South Wales rate our service eight, nine or 10 out of 10—80 per cent of those customers who experienced a claim rate our service eight, nine or 10 out of 10. If we were restricting their access to their policy then it is for choice. I am sure we would not be receiving that level of success. But to ensure that our answers are very clearly understood: there is no incentive to steer customers away from their choice of repairer—there are no days off, there are no financial incentives to take that choice away from consumers. We will provide a number of options to consumers who want them but we will not steer.

Ms TANIA MIHAILUK: Mr Dempsey, your role is General Manager, Shared Insurance Ventures, is that correct?

Mr DEMPSEY: That is correct.

Ms TANIA MIHAILUK: So would you be the chief decision-maker in why Suncorp set up, for example, Qplus?

Mr DEMPSEY: I was certainly central to the decisions to invest with a number of—

Ms TANIA MIHAILUK: What was the basis of that? What was the basis of why Suncorp chose to enter or vertically integrate within the industry?

Mr DEMPSEY: The sole basis was that we were approached in the case of Capital S.M.A.R.T by Jim Vais—a very innovative, intelligent business person—with a business proposition; and in the instance of Qplus we were approached by Daniel Zammit to build a facility to co-invest with him to ensure that we were investing adequate amounts of resources to look at the technology, the training, the equipment required to repair modern motor vehicles.

Ms TANIA MIHAILUK: You did not initiate this?

Mr DEMPSEY: We did not initiate those approaches. Jim Vais approached Suncorp and Daniel Zammit approached Suncorp.

Ms TANIA MIHAILUK: QPlus is based at Riverwood?

Mr DEMPSEY: QPlus is based at Riverwood, yes.

Ms TANIA MIHAILUK: How many vehicles do you repair at Riverwood per week?

Mr DEMPSEY: I will ask Craig to answer the specifics of that, if I may?

Mr SUMMERS: The facility at Riverwood currently repairs between 80 and 100 vehicles per week.

Ms TANIA MIHAILUK: At full capacity would you be able to do more? How have you set this business up? I understand it is about 150 structural repairs?

Mr SUMMERS: That is exactly right. The approximate number is 150. It is certainly capable of repairing 150 vehicles per week.

Mr DEMPSEY: If I may? Before we opened the facility we were quite open with the entire industry in stating that number. We wanted the industry to know that we were investing in this. We did not want to hide that and we spoke about this facility being able to repair up to 150 non-drivable structurally damaged cars per week at full capacity.

Ms TANIA MIHAILUK: How did you set it up? How many staff do you have?

Mr DEMPSEY: I will ask Craig again to answer the specifics. We did not set it up. Daniel Zammit approached us.

Ms TANIA MIHAILUK: So he runs it.

Mr DEMPSEY: Daniel Zammit runs it. Daniel Zammit set this up, yes.

Ms TANIA MIHAILUK: But Suncorp owns it?

Mr DEMPSEY: It is on public record that we own 60 per cent of QPlus. Daniel Zammit owns 40 per cent of QPlus.

Ms TANIA MIHAILUK: It is a substantial investment. How much did Suncorp invest in setting QPlus up?

Mr DEMPSEY: I am reminded that I am under oath. I do not know the specific number. I would like to take that question on notice and I will be more than happy to provide the exact number that we invested in QPlus. Look I would prefer not even to take a stab. It is in the millions of dollars.

Ms TANIA MIHAILUK: You were central in the decision-making process that QPlus could be a profitable investment for Suncorp?

Mr DEMPSEY: There were a number of people who were part of that decision. I most certainly was, yes.

CHAIR: Ms Mihailuk, I think Mr Summers was going to say something in answer to that part of your question in relation to the number of employees.

Mr SUMMERS: I do not know the exact number. Rob may know the number and the number of apprentices.

Mr BARTLETT: I believe it is currently at 154 staff. There are 31 apprentices currently employed. It is Australia's largest employer of apprentices. Many of those staff have been in the industry for many years and some have worked with the Zammit family for many years. It has a very high focus on training and developing staff. That is why they have so many apprentices because they want to bring those young people through to be their tradesmen of the future.

Mr GREG PIPER: Ms Mihailuk was referring to the vertical integration, particularly with QPlus and the other centre you have, but it obviously goes beyond that. You also have a stake in spare parts—LKQ Corporation, is it?

Mr DEMPSEY: Yes.

Mr GREG PIPER: So you have a very significant role in vertical integration into this market. We have just heard that you were approached by some business people about the repair workshops and that you saw it as a wise business investment. What about the spare parts supplier? Was it a like situation or was it a decision that came from within Suncorp to invest in that area as well?

Mr DEMPSEY: I will give a little bit of context. Suncorp spends nationally more than \$500 million per year on smash repair parts, collision parts and mechanical parts. Clearly it is in our best interests to intimately understand the supply chain and in doing that we conduct global research, which is where we came across the organisation that you referred to: LKQ. In precisely the same way as us wanting to invest with innovative Australian smash repairers, we decided to invest with LKQ—a USA company that has the know-how to effectively take damaged vehicles and recycle parts and can effectively look at alternative sources of parts other than original equipment. So it is very similar in its nature other than it does not repair motor vehicles; it provides spare parts.

Mr GREG PIPER: It sort of completes the chain in your vertical integration model and because Suncorp is so large, you have so many major insurers under your umbrella, many people would think you are probably the most influential insurer driving the industry. What would your response be to claims that because of this model you are going to drive many repairers out of the business? This is one of the considerations that I have been raising through the inquiry. We have small repairers out there—I am not talking about those that might have clouds over them for other reasons—honest, hardworking people who have been doing a good job for many years but who they feel that they are being wedged out. Last Monday I asked questions also of the Insurance Council as to whether or not the profitability of the sector as it has increased—not necessarily unduly—has seen a decline in the small players in the market. Are they being leveraged out at a rate that goes beyond normal market forces, the normal evolution of the industry?

Mr DEMPSEY: Rob in his position is best placed to answer this but, I have been involved in this industry since 1991. A contracting repair industry has been evident for the 23 years that I have been involved in this industry, quite significantly at different points in time as contraction and consolidation has been evident across the globe in the smash repair industry. I think Rob might have some figures, but the final point I make is that S.M.A.R.T. repaired its first vehicle in approximately 2009, QPlus in 2013 and the parts business has used it to become operational. Consolidation, repairers going out of business in this market is anything but new.

Mr BARTLETT: I confirm those statements. Certainly when Sean joined the industry there was perhaps 15,000 repairers in Australia. Today, it depends who you speak to, but we believe there is somewhere in the range of 3,600. Industry consolidation has been very significant. That was found to be the case when the Productivity Commissioner reviewed the industry in 2005-06. The issues in the industry are those faced by many small businesses and are not unique to the smash repair industry. We still send 79 per cent of our work to independent smash repairers in New South Wales, small businesses that we rely on to deliver for our customers. So they are an absolutely vital part of our business.

Ms TANIA MIHAILUK: Is that still your projected goal for the future?

Mr BARTLETT: That is the current percentage.

Ms TANIA MIHAILUK: Is that your projected goal for the future? You must have some sort of projections?

Mr BARTLETT: Again under oath, I have no—

Mr GREG PIPER: Are you after world domination?

Mr DEMPSEY: No, we are not after anything of the sort. A strong, independent repair sector is critical to our survival. A strong, well trained, well equipped—

Ms TANIA MIHAILUK: Sorry, a strong independent—

Mr DEMPSEY: I believe it is referred to in our submission. But a strong, independent, well-trained and well-resourced repair industry is vital to Suncorp's success.

Ms TANIA MIHAILUK: The term "independent" is interesting. If I could just add a little bit to that because Mr Piper has asked some questions that I was proposing to ask. You have a series of arrangements with your innovative smash repairers, is that right? What arrangements do you have? NRMA has partner agreements. Do you have preferred smash repairers? Can you tell the Committee a little bit about your background?

Mr BARTLETT: We have a number of arrangements. There are joint-venture arrangements with Capital S.M.A.R.T. Repairs and QPlus.

Ms TANIA MIHAILUK: I refer to the arrangements with individual smash repairers.

Mr BARTLETT: We have some direct arrangements in specific locations where there is a geographical or particular market need. We have four of those in New South Wales. A great majority of our repairs are undertaken outside those two—

Ms TANIA MIHAILUK: What arrangements do you have in metropolitan Sydney?

Mr BARTLETT: I can refer that to my colleague, but I understand that there are four. As I said, 79 per cent of repairs are carried out by independent repairers and 51 per cent by our recommended repairers. People might be surprised to know that 28 per cent of repairs are undertaken by non-recommended repairers. We absolutely stand behind every single repair in our network, whether it is recommended, non-recommended, joint venture or otherwise, with a lifetime unconditional guarantee.

CHAIR: Did you want to add anything to that?

Mr SUMMERS: I think that was a comprehensive response, flagging that we have a number of repairers. We have aligned repairers and our joint ventures in New South Wales.

Ms TANIA MIHAILUK: For example, the NRMA has 90 partner agreements. How many agreements do you have?

Mr SUMMERS: Rob might be able to give the exact number, but it is over 150 in New South Wales.

Ms TANIA MIHAILUK: What is their duration?

Mr DEMPSEY: There is a single agreement with a series of repairers. We do not have variations of an agreement. We have one agreement with independent smash repairers in New South Wales. Rob can comment on the number and duration of those agreements.

Mr BARTLETT: As Craig said, we have approximately 150 across New South Wales. Over 100 of those are directly signed to what we call our Suncorp panel repairer agreement, which is referred to as SPIRA. The new version of that agreement comes into force on 1 April. That is a three-year plus two-year agreement. Both parties have the option to extend it for a further two years. I am fully expecting that to be close to a five-year agreement.

Mr BRYAN DOYLE: I take it that Suncorp is a signatory to the 2006 code of conduct?

Mr BARTLETT: I can confirm that we certainly are.

Mr BRYAN DOYLE: As part of that, there is an acknowledgement that the industry will move towards more realistic times and rates. Can you inform the Committee of your estimation methodology, as an insurer?

Mr DEMPSEY: I will provide some context. We operate a national business and it would be highly ineffective for us to run separate and disparate quoting methodologies around the country.

Mr BARTLETT: I gave some information in an earlier answer with respect to the fact that we accept all quoting methodologies, such as "real time, real money" or any other methodology that people might use.

Mr BRYAN DOYLE: My question is: What is Suncorp's estimation methodology when it assesses a vehicle? I am not asking how repairers do it.

Mr BARTLETT: One of the questions the Committee asked of us previously was about our assessment practices. A document we have provided to you today is entitled *Assessing the Suncorp Way*. I refer you to that for the specific detail. The most important thing for any assessor, for us or any other company, is to assess the vehicle in the first instance, to look at the damage and determine the appropriate method of repair. At that point we seek either a single quote or two quotes, to provide a choice of repairer. The most important thing is to determine that quotes are based on an appropriate method of repair and to proceed from there. We do not shy away from the fact that we ask for two quotes. That is to determine what the market price should be for that repair. The assessment practice is, first and foremost, to ensure that the vehicle is returned to pre-accident condition as best it can be. We absolutely keep our customers' needs in mind when determining the methodology of vehicle repair.

Mr BRYAN DOYLE: How does Suncorp, as a repairer, go about its estimations?

Mr DEMPSEY: QPlus and Capital S.M.A.R.T. are the repair shops. They scope, quote and invoice repairs on a job-by-job basis. Based on the damage that is in front of them, they will quote the amount of time and money required to repair the car. I neglected to add a second part to my earlier answer, and that is that the notion of realistic times and rates has not been accepted across Australia by the smash repair industry. It is more widely accepted in New South Wales than anywhere else. Our position must be that we will accept quotes from repairers in whatever form they choose. We certainly do not endorse funny time, funny money. We will accept quotes with realistic times and rates, or real time and real money. We will accept quotes in dollar terms. If the repairer has yet to move their system from funny time, funny money, as is the cause for many, we will work with them to understand what they would like to receive to repair a car.

Mr BRYAN DOYLE: Do you agree that section 6.2 of the code says, "The parties acknowledge ongoing changes in the industry in relation to the development of realistic times and rates"?

Mr DEMPSEY: We are a signatory to the code and we endorse the moves that the industry has made towards realistic times and rates. We absolutely accept quotes that include realistic times and rates.

Mr BRYAN DOYLE: The code provides for dispute resolution between repairers and insurers. Can you tell the Committee how many internal dispute resolutions you receive per annum and how many external dispute resolutions [EDRs] are escalated?

Mr BARTLETT: I do not have the precise numbers in mind. I can give you an order of magnitude and take the question on notice.

Mr BRYAN DOYLE: Are you aware of any external dispute resolutions?

Mr DEMPSEY: There have been a number of external dispute resolutions in the past 12 months, in single figures as I understand it.

Mr BRYAN DOYLE: Were they resolved on the basis of the parties agreeing to disagree or was there a definitive outcome?

Mr BARTLETT: As I understand it, the majority agreed. Some matters remain outstanding.

Mr DEMPSEY: We would be prepared to provide you with the specific details of each of those external dispute resolution processes and the outcomes, if you require them.

Mr BRYAN DOYLE: Thank you. Are you able to tell the Committee whether any of the repair shops that you are part owners of have been part of the internal or external dispute resolution processes?

Mr BARTLETT: Under the code, the internal dispute resolution process arises where the insurer and repairer disagree over a matter related to the code. We think that we have more than sufficient arrangements in place with our joint ventures to deal with any issues we might have.

Mr BRYAN DOYLE: The code makes a distinction between insurers and repairers. How do you deal with the perceived conflict of interest of being both an insurer and a repairer?

Mr DEMPSEY: We have said a number of times that repair quality is central to everything that we do. We believe it is in our interests and in the interests of our customers to ensure that the training of the people who work at these facilities, the equipment that is used and the information that is acquired on each job to ensure that repairs are carried out within manufacturer's specifications is high quality. That is a worthwhile investment. We believe that insurers benefit from that greatly.

Mr SUMMERS: I want to point out that the code is important to us. Two of the recommendations in our submission specifically relate to the code. I know that Rob is on the code committee. He might want to talk about the recommendations.

Mr BARTLETT: Absolutely. One of our recommendations relates to the fact that the code dates from 2006. It has been written into fair trading law in New South Wales. No other State has proceeded down that path; the voluntary code applies in all other States and Territories. We believe, as do others, that that could cause New South Wales to lag behind other States should changes to the code occur. Changes to the code have occurred since 2006, so the code in New South Wales is essentially six years out of date. We are also aware that the Code Administration Committee, which I am a member of as a representative of the Insurance Council, is considering an external review. That external review, which is being monitored by the Treasury through its small-business office, has identified a number of matters for consideration. The Code Administration Committee has taken that very seriously. I believe there will be movement in this area in relation to the code in the not too distant future.

CHAIR: I think assessors are essential to the environment of the smash repair industry and the quality of work. Also central is how they perform for the insurance company and the company would have a range of key performance indicators for assessors, as all modern businesses have for their staff. Is there a need for a licensing regime for assessors? Does the industry need independent assessors?

Mr SUMMERS: Absolutely. The focus of Suncorp, as you pointed out, is to make sure we drive the right outcomes for our customers. A big part of that is the quality of repair. We invest heavily in our assessing team. All our assessors in New South Wales—and across the country—have completed a certificate IV, which provided more than 1,500 training modules over the last year to the New South Wales assessing team. It has taken a lot of time, effort and expense, but we are committed to making sure they are trained professionals and making the right decisions to drive the right outcomes from a quality perspective. There is also a range of other internal mechanisms in place.

CHAIR: I have no doubt about the quality of your assessors and their ability and training to do their job, but there may be a conflict or a balancing act for an assessor trying to build a relationship with a repairer and making sure of the repairer's quality of work for the customer, who should be central to the decision-making, while at the same time being responsible to their paymaster. Would you support independent assessors? Your answer was about licensing and you could easily tick off the quality of your assessors, but do you support licensing of assessors? What about an independent model of assessors?

Mr DEMPSEY: With regard to licensing, anything that could be done to ensure the quality of assessors in New South Wales, not just ours, would have our full support. I am unsure whether that would be done by licensing, but we would endorse anything to improve the quality of assessors. In terms of independent assessors, an assessor's job is so much more than looking at the repair. It is ensuring that the customers' needs are taken into account after an accident. A customer is generally under enormous stress.

Mr RAY WILLIAMS: I am going to pull you up there because I do not believe that is correct for anyone in the repair industry. The requirement of an assessor is to make a determination when an estimate or quote to repair a vehicle is presented and to assess whether the correct methodology et cetera are acceptable, not to deal with a customer. A qualified assessor's role, under the code of conduct and the Act, is to assess how the car is repaired so we get a safe vehicle back on the road. I do not accept an assessor's role is anything other than that.

Mr DEMPSEY: Is that a question?

Mr RAY WILLIAMS: I am happy for you to argue with me about that. You commented on the role of assessors and said it was more than that, but I will not accept that. You need to clarify it for the record.

CHAIR: Mr Dempsey is answering my question.

Mr DEMPSEY: I do not wish to argue with anyone; we are here to help. Our assessors are trained to respond to our customers' needs. Most of our customers are under stress after they have had an accident. Assessors listen to consumers and respond to their needs. We measure the assessors' behaviour against a group of values. It is vital that all our people respond to consumers' needs. My concern with taking that away is that if we had independent assessors we would only be looking at the cost and scope of the repair, and the consumer would be left on their own despite 69 per cent of people telling us they want us to manage their repair.

CHAIR: There is a perception of conflict of interest and that assessors are working on behalf of the insurer, not the customer or the smash repair industry. I used the term "paymaster" because assessors are paid by the insurance companies and have to meet key performance indicators to get incentives from the insurer.

Mr RAY WILLIAMS: The Suncorp group is the second-largest insurance group in New South Wales with 30 per cent of the market. It insures almost a third of motor vehicles on the road today. You have several brands—namely, Suncorp Insurance, AAMI, GIO, Apia, Vero, Just Car Insurance, Bingle, InsureMyRide, Shannons and CIL Insurance. Are there any other brands I have missed?

Mr DEMPSEY: All the brands you mentioned are ours. I can look at the list.

Mr RAY WILLIAMS: I would be happy for you to take it on notice and provide us with all the insurance brands listed under the Suncorp group.

Mr DEMPSEY: All the brands you mentioned are our brands.

Mr RAY WILLIAMS: You have a number of preferred repairers and are the majority shareholder in the Capital S.M.A.R.T. and QPlus repair businesses. Are you satisfied that the repairs to damaged vehicles by those preferred repairers and your Capital S.M.A.R.T. and QPlus are of a high quality?

Mr DEMPSEY: The quality of repairs is central to everything we do. Unfortunately, there are jobs that require rectification, and that is not acceptable to us. Everything we do is trying to reduce the number of vehicles that are not repaired properly.

Mr RAY WILLIAMS: Can I deduce from your answer that you are not satisfied with the repairs by your preferred repairers and Capital S.M.A.R.T. and QPlus?

Mr DEMPSEY: We are not satisfied whenever a consumer has not received the level of product and services we commit to, including repairs.

Mr RAY WILLIAMS: Do you believe a high quality of repairs comes from your preferred repairers and Capital S.M.A.R.T. and QPlus?

Mr DEMPSEY: If you take the entire service delivered to our consumers by Capital S.M.A.R.T. and QPlus, for which repair quality is at their centre, those consumers are receiving a very high level of quality and service. However, any issue is unacceptable.

Mr RAY WILLIAMS: Can I deduce from your answer that vehicles not repaired to a high standard pose a danger to the occupants of those vehicles and other drivers?

Mr DEMPSEY: First and foremost, any poor quality repair that affects a consumer's product and service is unacceptable, but it does happen. Only 4 per cent of repairs completed within the 126,000 repairs we completed in New South Wales had some form of repair issue. That is 4 per cent too high, but the very large majority were minor cosmetic issues—in the main, paint issues.

Mr RAY WILLIAMS: If a vehicle is not repaired to a proper standard, does it not pose a danger to the occupants of that vehicle or other drivers?

Mr DEMPSEY: I might quickly answer that. If a vehicle has not been repaired to its manufacturer's specifications in terms of structural issues, there is an issue we are unhappy with, absolutely.

Mr RAY WILLIAMS: And you would believe that that poses a danger to the occupants and the other drivers on the road?

Mr DEMPSEY: I cannot comment to generally, sir.

Mr RAY WILLIAMS: You would not think so? So you do not think there is a danger to other drivers on the road if it is not prepared to the manufacturers specifications?

Mr DEMPSEY: I cannot comment generally on that, sir.

Mr RAY WILLIAMS: Either which way, I am happy for a yes or no answer.

Mr DEMPSEY: I cannot comment on that, sir.

CHAIR: Mr Williams, I think Mr Dempsey has answered the question.

Mr RAY WILLIAMS: He has not answered anything. That is what I am waiting for. I am waiting for an answer.

Mr DEMPSEY: I am sorry, sir. I believe—

Mr RAY WILLIAMS: So poor quality vehicles—you are accepting that poor quality vehicles out on the roads do not pose a danger to anybody?

Mr DEMPSEY: I believe that I have said that poor quality repairs are unacceptable to Suncorp because of the customer issue.

Mr RAY WILLIAMS: Do you think they pose a danger to anybody?

Mr DEMPSEY: Every repair is different. What I would say, though, is if there was a repair that was not completed to manufacturer's specifications, you would need to look at exactly the problem with that repair and understand whether it was a safety issue.

Mr RAY WILLIAMS: But the Motor Traders' Association, upon receiving information from an owner who was unsatisfied with the repair on their vehicle some time ago, actually purchased that particular vehicle. It was repaired by a preferred repairer of an insurance group. The Motor Traders' Association then took that vehicle and had it crash tested in the Roads and Maritime Services crash test laboratory. In a test at 80 kilometres an hour, which people can google and find because it is out on the web, it was found that because of the poor standard to structure of repairs, using your words not repaired to "manufacturer's specifications", if there had been occupants in the car they would have been killed. Therefore, so poor quality repairs pose a danger to people who pick up those vehicles, regardless of who repairs them, to the occupants or to other people on the road?

Mr BARTLETT: Well, I absolutely agree with Mr Dempsey.

Mr RAY WILLIAMS: About what? He has not answered the question yet. What do you agree with him about?

Mr BARTLETT: Perhaps if I could answer the question, Mr Williams.

CHAIR: Mr Williams.

Mr BARTLETT: I absolutely agree with Mr Dempsey.

Mr RAY WILLIAMS: I deal with politicians all day long, Rob. I just want to get to the answer.

CHAIR: Mr Williams, Mr Bartlett is trying to answer your question. I ask you to allow him to do so.

Mr BARTLETT: With our complete focus on ensuring that the customer's needs are absolutely met in a repair, any rectification that is not in accordance with the requirements that we set for our repairers under our agreements or any verbal expectation we have for them and that those repairers are required to make that right, to fix that car, if the customer is not satisfied with the repair there, they may, with our assistance, find another repairer to do that. I am not quite sure about the vehicle that you are referring to that has been crash tested. You have not referred to whether that was one of our vehicles or whether that was another vehicle.

Mr RAY WILLIAMS: I did not say that. I just said it was an insurance company preferred repairer.

Mr BARTLETT: But I believe I know the vehicle and I do not believe that it was an insurance repair or done by an insurance repairer. It was done during the Written-off Vehicles Register [WOVR] process and I believe it was a backyarder that was responsible for that. I have actually seen that vehicle in person. I do not believe that it was actually done by a licensed vehicle repairer, as I understand it.

Mr RAY WILLIAMS: I beg to differ, Mr Bartlett, but we do not have a lot of time.

CHAIR: Mr Williams, I am just mindful of time, if you want to continue with your questioning.

Mr RAY WILLIAMS: This Committee was established at the request of the Premier of New South Wales, Mr Barry O'Farrell, to inquire into the state of motor vehicle repairers. It is our absolute objective, by assessing and researching, to establish through this Committee the safety of motor vehicles that are currently being returned to our roads after being repaired. That objective is absolutely paramount. The Motor Traders' Association very kindly provided this Committee with a list of 130 vehicles. Of those 130 vehicles that were previously repaired, 80 were repaired by Suncorp under the Suncorp Insurance banner.

A large number, 40 of them, subsequently were inspected and found to be total losses. Therefore, many of them have now been listed on the Written-off Vehicles Register—very, very unsafe vehicles are out on the roads. They are similar to the example I raised about the vehicle that had been crash tested. That is why this Committee will do everything it can to establish whether or not quality repaired vehicles are being returned to the roads of this State. Other than the fact that we were given that information by the Motor Traders' Association, in order to thoroughly research the best possible approach and in the most thorough and forensic methods, I asked this Committee to request that all insurance companies provide us with the details.

I will read out just one part of the letter we sent your company:

... to provide us with the total number of rectifications annually for the past two years, including identification numbers of those particular vehicles.

That was a request to you, as the insurer of a third of the vehicles on the road and as one of the insurers of the vast majority of vehicles that have been repaired, to provide a short list so that we were not guessing that what we were seeing was accurate to make a determination. To the credit of your major competitor, IAG-NRMA, they provided us with that full list, and I commend them for doing so. However, to this day you have refused to provide us with a list of rectifications. What do you say about that?

Mr BARTLETT: Thanks very much for the question. As I understand it, we received the letter, I believe, on the Tuesday. Today is Friday. There is a significant amount of information to be gathered. We provided a response this very morning and have given information to the Committee, which I can see has been confirmed. That information touches on all of the questions.

Mr RAY WILLIAMS: I am going to interrupt, Mr Bartlett. We asked you to provide a list of rectification vehicles, which we did not receive. Will Suncorp provide this Committee with a full list,

identifying the vehicles that required additional repair work—that is, vehicles that were already repaired? Will you provide that information to this Committee—yes, or no?

Mr DEMPSEY: Sir, we will take your question on notice, as we have in the response. There are a number of identifiers, not only of the vehicle but of the individual and consumer who owns the vehicle. We are subject to very, very strict privacy laws in this country and we need to seek advice. If that advice is that we can identify and provide that information to you, I am sure we will, yes.

CHAIR: Thank you.

Mr RAY WILLIAMS: Do you believe it is better that you do not provide those details in order to cover up what this Committee believes is a very large number of poor quality vehicles being returned to New South Wales roads?

Mr DEMPSEY: No, sir.

Mr RAY WILLIAMS: You do not. Therefore, we can expect to receive all lists for the past two years.

CHAIR: Mr Dempsey has responded to that. They are going to look at their privacy issues.

Mr RAY WILLIAMS: Unfortunately, Mr Chairman, "Look at it" does not satisfy me or any of the people sitting in this room that we are going to see it. That is the point that I am making. I want to go a little bit further, Mr Chairman, and find out why. As I said before, of the list of 130 vehicles that was provided by the Motor Traders' Association—that is, the vehicles that that are all identified and that all have had re-inspections, reassessments and rework—40 were found to be total losses and the large majority of those vehicles are now in wrecking yards, never to be returned to the roads of this State. Of that 130, 80 of those vehicles, and some of the most seriously affected vehicles, were from insurance companies under the brand of Suncorp.

Mr DEMPSEY: Sir, if I may, in responding to the list that you are referring to, I would like to read a prepared statement. It will be quick.

CHAIR: Thank you.

Mr DEMPSEY: I cannot say that I have seen the list that you currently have in front of you. We have never been provided with that list by the Motor Traders' Association, and I do not know why. Let me state very clearly that our customers' safety is our number one priority and any error is one too many. We share the Committee's focus on this issue. We will report back as soon as possible in full. However, we wish to bring an important matter to the Committee's attention. In evidence to this Committee earlier this week, representatives of the Motor Traders' Association stated to the effect that they did not actively set out to compile a list; rather, they were flooded with cases which led to the compilation of the list. Now, we have not had the benefit of the *Hansard* transcripts, but we believe words to that effect were used. In the interests of transparency and to serve the Committee further, we would like to inform the Committee that such a statement does not accord with our understanding. The Motor Traders' Association has actively sought to gather such information to tarnish the insurance industry.

CHAIR: No, no.

Ms TANIA MIHAILUK: Mr Dempsey—

CHAIR: I am sorry, members. Mr Dempsey made the comment that he was going to read out a prepared statement. Allow him to finish his statement.

Mr DEMPSEY: The Motor Traders' Association has actively sought to gather such information to tarnish the insurance industry and the repairers that we work with, and I have a number of examples of that. We have further examples of the Motor Traders' Association's repeated solicitation for mistakes made by repairers. The Motor Traders' Association New South Wales is far from being a passive recipient of bad cases. As we have noted in our submission, cars are increasingly complex and faults occur off the production line. Indeed, 6 per cent of all vehicles on Australian roads were recalled in the last 12 months. That is above the rectification rate that we have submitted to you. Repairers are not immune, but in our experience they are fiercely proud of the work they do and the quality of repairs. Insurers and repairers need to work together and the MTA and insurers

need to work together to reduce the possibility of human error at all times. That is why Suncorp has a very strong quality framework in place.

Ms TANIA MIHAILUK: I am not here to defend the actions of one group or another, but every insurer so far has been more than willing to provide the information Mr Williams has asked for. Your reaction seems to be oversensitive because others have been more than willing and keen to provide that information in due course. I suggest to you that everybody has become involved in this inquiry in good faith. We have asked all parties to supply this inquiry with as much information as they possibly can, including the MTA.

Mr DEMPSEY: And we will look to do that. We are subject to extremely strict processes.

Mr RAY WILLIAMS: I refer to the opening statement of the Motor Traders Association when it appeared before a Committee on Monday morning when it specifically stated that, to use your words, it "did not actively seek to find those particular vehicles". As a matter of fact, Mr Dempsey, it is quite contentious to suggest that anybody could actively seek to go out, knock on someone's door and try to find out whether the motor vehicle was actually inappropriately repaired—as the MTA stated particularly. I put to you that those members of the public who were dissatisfied with the repairs to their particular vehicle and with the response from their insurance company went to the MTA seeking support. The MTA then compiled a list over the past two years—quite a comprehensive list I have to say—of 130 vehicles, 40 of which were reinspected subsequently. The majority are now listed pursuant to the written-off vehicles Act and are in a wrecking yard as nothing more than spare parts. That denotes that unsafe vehicles are on our roads because these examples are only of those who felt their vehicles were not appropriately repaired. I take objection to your comments that the MTA could in any way, shape or form actively try to seek to get those particular numbers. I shall proceed further with this line of questioning and return to this matter.

CHAIR: Being mindful of the time, I ask you to put your question as soon as possible.

Mr RAY WILLIAMS: I understand. That list has a particular repairer by the name of QPlus, which occupies 13 of the 130 vehicle rectifications. That is the highest number of rectified vehicles of any repairer on that particular list—QPlus. I believe you are the majority shareholder of QPlus, and of those 13 vehicles, that high number I have referred to, eight were the total loss vehicles about which I am talking. When we talk about trying to get to the bottom of whether we are seeing safe vehicles back on the road, I am seeing the majority of poorly repaired vehicles coming out of your repair shop. I say for the record that I do not believe QPlus has been operating for one year. That is an absolute indictment of the repairs coming out of your repair shop.

CHAIR: Is there a question?

Mr RAY WILLIAMS: Absolutely. Can you respond to that? After making a statement and sending us information stating that New South Wales has too many repair businesses, how can you then open up your repair shop—QPlus, the repair company you now own—that delivers the poor-quality cars I have just outlined and tabled for the benefit of this Committee and which at one stage was made public? I am more than happy to provide to you and read onto the record the registration numbers of the vehicles that were repaired with the names of the owners and repair shops, but I do not think time permits. I return to my point, the majority of those rectifications come from your repair shop. You made the statement that New South Wales had too many repair businesses, and then you invest heavily into the repair business market yourselves. You get skin right in the game. Now you are an insurance company—I established earlier with another insurance company—whose only role is to compensate consumers for loss, yet here you are now as an insurance company providing premiums, assessing vehicles, repairing vehicles and self-regulating those vehicles and we see poorly repaired vehicles on the road. This jeopardises the safety of every person on the road, including, most importantly, the occupants of those vehicles. I am more than happy for you to respond to that Mr Dempsey.

Mr DEMPSEY: I am unsure of your question, sir, but what I will say—

Mr RAY WILLIAMS: You are not sure of the question?

CHAIR: Order!

Mr RAY WILLIAMS: I guess that highlights perfectly the problem we have in the motor vehicle repair industry at the moment. You do not understand that?

Mr DEMPSEY: Sir, I would be happy to answer a specific question. Our role is to not just compensate consumers for their loss; it is to provide relief of stress, relief of anxiety and peace of mind after a motor vehicle accident.

Mr RAY WILLIAMS: You are not providing me any.

CHAIR: Order! Mr Williams will come to order.

Mr DEMPSEY: We believe we do that extremely well.

CHAIR: Mr Williams, do you have any further questions?

Mr RAY WILLIAMS: I would just state for the record that under the Act—

CHAIR: I am seeking questions.

Mr RAY WILLIAMS: The Act states that if insurers become aware of poor-quality repairs to vehicles, they could provide that information to the NSW Fair Trading. My final question to Suncorp Group Limited is: Have you provided examples of poor-quality repairs and the name of QPlus to NSW Fair Trading, yes or no?

Mr BARTLETT: Perhaps I can respond to that.

Mr RAY WILLIAMS: You have not? Did I hear correctly that you have not?

Mr DEMPSEY: No you did not hear that, sir.

Mr BARTLETT: Sorry, I have not had a chance to answer your question.

Mr RAY WILLIAMS: Sorry, I thought you said, "No."

CHAIR: Order! Mr Williams will come to order.

Mr BARTLETT: Again, I remind the Committee that we have not been provided with the list provided by the MTA, therefore, we probably have not had the opportunity to review them in as much detail as you may have.

Mr RAY WILLIAMS: But would you have your own list?

Mr BARTLETT: We have a very systematic process with our repairers in relation to every single repair. It is from the assessment all the way through to the return of the vehicle to the customer. If the vehicle is not satisfactorily repaired and we have conversations with our repairers about that, under our contract with our repairers we can remove them from our panel should they produce repairs that are an unsatisfactory level. I think in our submission we have identified that in the last 12 months we removed three repairers from our panel for—

Ms TANIA MIHAILUK: You were afraid of QPlus.

Mr BARTLETT: Perhaps I will just finish my answer. We have removed three repairers for that performance.

CHAIR: How many breaches did those three repairers commit?

Mr BARTLETT: I cannot go into the specifics of it. I am not sure. I will have to take that one on notice. Certainly, we have a "Go Straight to Go Policy" on some repairs. For the most part, in most repairs there are errors of judgement or mistakes. They are not systematic and we can work with the repairer to ensure they improve. They know the errors they have made and we work with them. It is a very significant—

CHAIR: Should the same not apply to QPlus?

Mr BARTLETT: It is a very significant commercial penalty to remove a contract from somebody and we take it very, very seriously.

CHAIR: Did you take it just as seriously when you were dealing with the rectification levels of QPlus?

Mr BARTLETT: We absolutely do, which is part of the reason those vehicles have been total loss. In New South Wales we take it very seriously. Every total loss vehicle in New South Wales cannot return to the roads—total loss vehicles on the WOV. In this instance, none of these vehicles was determined to be written-off vehicles under the regulation. We felt that the customer had been poorly serviced and we ensured that they were adequately assisted and compensated for that in those particular cases.

Mr RAY WILLIAMS: Mr Bartlett, in relation to the response that you removed three repairers that provided below-standard or below-quality repairs on your behalf, did those three repairers have the poor record to match QPlus's record that I highlighted to the public or was their record much worse?

Mr BARTLETT: I do not have the information before me to make that comparison, I am sorry.

Mr RAY WILLIAMS: I have just highlighted to you that 13 of those 130 were QPlus repairs for rectifications, eight of which were total loss vehicles. You have just mentioned that total loss vehicles should never be returned to the road. I ask again: Did the three repairers you removed as being your preferred repairers have as poor a record as QPlus has had in the last 10 months since it has been operating?

Mr BARTLETT: Again, I do not have that information to hand.

CHAIR: Put that as a question on notice.

Mr RAY WILLIAMS: Yes, because I would like to get a response, and we have a month to analyse all the information, so that would be appreciated. Does QPlus have qualified and accredited assessors, and what are the qualifications of your assessors?

Mr BARTLETT: Perhaps I can answer that. QPlus does not have any assessors in its employ. Any assessor on site is employed by Suncorp to ensure that New South Wales laws in relation to written-off vehicles are correctly and appropriately applied.

Mr RAY WILLIAMS: Mr Bartlett, given that you have made that comment under oath, I refer you to two quotations that I have from the QPlus Red Team at Riverwood and the QPlus Blue Team at Riverwood. I believe—and I am happy to table this information for the benefit of the Committee—in those repair quotes the assessor is listed as QPlus Auto Approver.

Mr BARTLETT: I think that is a misunderstanding of terminology.

Mr RAY WILLIAMS: I can understand it; it says "QPlus Auto Approver".

CHAIR: Allow Mr Bartlett to explain what QPlus Auto Approver may mean.

Mr BARTLETT: I think that is a misunderstanding of terminology. There are, I believe, four assessors that work on site. They are employed by Suncorp to—

Mr RAY WILLIAMS: I thought you said you did not employ assessors.

CHAIR: No, he said that QPlus did not employ assessors.

Mr BARTLETT: Perhaps again you have misunderstood me. There are no assessors employed by QPlus on that facility. All of the assessors for New South Wales legal purposes, or legislation purposes, are Suncorp-employed assessors who determine against New South Wales legislation for WOV purposes. An auto assessor, as I understand from that, is the process upon which QPlus settles the invoice approach with us.

Mr DEMPSEY: We do not have that document, and if you would be so kind as to provide us with a copy I will respond.

Mr RAY WILLIAMS: Perhaps I will ask the question, and it is in relation to all of your quotes: Do you list, and I believe you need to under legislation, who the qualified assessor is? The two quotes that I have list QPlus Auto Approver, being the assessor.

Mr DEMPSEY: I believe we are required to list the name of the assessor on our own policy and claim systems.

Mr RAY WILLIAMS: Therefore you are in breach on the two quotes that I have. How many other times have you been in breach?

Mr DEMPSEY: No, sir. That is not a Suncorp document from a Suncorp system; that is a QPlus document I believe.

Mr RAY WILLIAMS: And who is the majority shareholder in QPlus?

Mr DEMPSEY: They are a smash repairer, sir; they are not an insurance company.

Mr RAY WILLIAMS: Who is the majority shareholder in QPlus?

Mr DEMPSEY: Suncorp owns 60 per cent of QPlus.

Mr RAY WILLIAMS: Thank you very much, that is terrific, and therefore you take responsibility for the documentation produced by your repair business, and you should take responsibility for the qualifications of the assessors.

CHAIR: Mr Williams, I think Mr Dempsey was referring to the legislation that says that the insurance company must keep records of who the assessors are, not the invoicing of a smash repairer, regardless if that smash repairer is under Suncorp shareholding.

Mr DEMPSEY: We are required to record the name of the assessor on our claim systems.

CHAIR: As an insurer?

Mr DEMPSEY: As an insurer—and we do that.

Mr RAY WILLIAMS: You do not here.

CHAIR: That is not their document.

Mr RAY WILLIAMS: It is a quote for a customer.

Ms TANIA MIHAILUK: You mentioned earlier that you ceased arrangements with three repairers. Is that correct?

Mr BARTLETT: Yes, I believe we have made that clear in our submission to the Committee.

Ms TANIA MIHAILUK: You have taken, I would imagine, the same concern with QPlus in relation to breaches or high rectification rates coming from QPlus. Are there any minutes, correspondence, emails or any other type of information you could provide to this Committee that demonstrates that you have dealt with QPlus in relation to their poor rectification rate?

Mr BARTLETT: There are a number of questions there. The first is that you have asserted they have a high rectification rate. We have put in our submission a very clear number of 2.8 per cent for QPlus. We do not believe QPlus has a high rectification rate. The numbers on the sheet or the list that has been proffered I do not believe are a fair and accurate representation at a percentage level of the work they are doing. We are certainly aware of the percentage they have of rectification—it is 2.8 per cent—and that has been put before the Committee in our evidence. Matters of rectification we take very seriously indeed, whether it is one of our joint ventures or any other repairer, and we have regular dialogue with QPlus, and the advantage we have—

Ms TANIA MIHAILUK: Is any of that minuted? Is there any evidence of that that can be provided to the inquiry?

Mr BARTLETT: I will have to refer that to Mr Dempsey.

Mr DEMPSEY: I do not know, Ms Mihailuk. I am happy to take that question on notice and, if there are, respond to you. I do not know the answer to that question.

CHAIR: Ms Mihailuk, being mindful of the time, we can send further questions to the witnesses.

Ms TANIA MIHAILUK: Yes.

CHAIR: I thank Mr Dempsey, Mr Bartlett and Mr Summers for attending today's hearing and appearing before the Committee. The Committee may wish to send some additional questions in writing, the replies to which will form part of your evidence and be made public. Would you be happy to provide a written reply to further questions?

Mr DEMPSEY: Most certainly, sir.

(The witnesses withdrew)

(Luncheon adjournment)

RODNEY STOWE, Commissioner of Fair Trading, sworn and examined:

CHAIR: I welcome Mr Rod Stowe and thank him for appearing before the Committee. Can you please confirm that you have been issued with the Committee's terms of reference and information about the standing orders that relate to the examination of witnesses?

Mr STOWE: I have, Mr Chairman.

CHAIR: Do you have any questions about this information?

Mr STOWE: I do not.

CHAIR: Could you tell the Committee the capacity in which you are appearing today?

Mr STOWE: Yes. I am the Commissioner for Fair Trading in New South Wales.

CHAIR: The Committee has received a submission from Fair Trading. Do you want that submission to form part of the formal evidence?

Mr STOWE: Yes. I believe that is the New South Wales Government's submission, to which Fair Trading contributed. Yes, please.

CHAIR: Thank you very much for that. Would you like to make a short opening or brief statement before we commence with questions?

Mr STOWE: No. I do not wish to do so, thank you.

Mr BRYAN DOYLE: Fair Trading has a responsibility for looking after consumer interests in relation to motor vehicle repairs?

Mr STOWE: That is correct. We are responsible for administering currently the Motor Vehicles Repairs Act. The legislation recently has been changed. The new Act in its entirety, the new Motor Dealers and Repairers Act, will commence later this year. But you are quite correct: We are responsible for administering that legislation and overseeing the sector, yes.

Mr BRYAN DOYLE: And part of that consumer protection relates to the licensing of motor vehicle repairers.

Mr STOWE: That is correct, yes.

Mr BRYAN DOYLE: That is to ensure that people who repair vehicles are actually competent to complete that task.

Mr STOWE: That is correct.

Mr BRYAN DOYLE: Offences apply to being an unlicensed repairer?

Mr STOWE: That is true, yes.

Mr BRYAN DOYLE: I think the first offence carries a significant monetary penalty and a second offence even carries a jail term. Is that correct?

Mr STOWE: Correct.

Mr BRYAN DOYLE: Can you tell the Committee about any enforcement action that has been taken in relation to inspections of premises to make sure that all the workmen are licensed and any prosecutions that have followed?

Mr STOWE: I certainly can. I am pleased to say that Fair Trading in recent years actually has increased the number of inspections that we do for motor vehicle repairers. When I say "motor vehicle repairers", I am also including those parts of the industry that relate to automotive servicing. We do not distinguish. Over 300 of those were done last year. That is a much higher rate of inspection than was previously the case. In fact I was with some of our staff when we visited Lismore last year. One repairer told me that it was the first time he had had an inspector cross his threshold in 35 years. It is pleasing to know that the industry is recognising that we are active in that regard.

Mr GREG PIPER: Can I clarify the number? I just want to hear that again. Could you give that number again? Was that 300?

Mr STOWE: Yes, correct.

Mr GREG PIPER: Could you give that in a percentage because I am not sure. You have made that in globo, not just the motor repairers we are dealing with.

Mr STOWE: Yes.

Mr GREG PIPER: How many would we be talking about? What percentage of your figure?

Mr STOWE: There are over 12,000 licensees in New South Wales, and that includes both individuals and businesses. I suspect that over 300 in the course of a year is a pretty good effort. That inspection process is one where we check on the credentials of the people working in the business and also check the records of the business for compliance with the legislation.

Mr BRYAN DOYLE: It was 300 last year. How many was it the year before?

Mr STOWE: I am not sure. I will check for you. It is certainly an increase on the last couple of years. I will be happy to take that on notice and give you a full breakdown.

Mr BRYAN DOYLE: Is that actual business inspections or licence inspections of individual licence holders?

Mr STOWE: It is inspection of the business.

Mr BRYAN DOYLE: That was 300 businesses that were inspected?

Mr STOWE: Correct.

Mr BRYAN DOYLE: Of those 300 business inspections, were any repairers found to be unlicensed?

Mr STOWE: There were instances, mostly of employees who were not having the appropriate certificate. The employer was taken to task. I think that probably reflects a shortage of tradespeople in the industry. It is one of the things that we have been particularly anxious to ensure is properly done.

Mr BRYAN DOYLE: When you say some, how many unlicensed tradesmen did you find working during those inspections?

Mr STOWE: I do not think I have that statistic but, again, I am happy to provide that to the Committee on notice.

Mr BRYAN DOYLE: Commissioner, when you say the employers were "taken to task", what do you mean?

Mr STOWE: A business that is operating needs to ensure that the employees who are undertaking repairs have an appropriate certificate. In those instances, it was brought to the attention of not only the individual but the business owners that they needed to ensure that their employees were properly certificated. Those people were not able to continue work until such time as they had that certificate.

Mr BRYAN DOYLE: Was any prosecution action taken?

Mr STOWE: I can give you overall prosecution details for the year in terms of penalty notices. Again, if you want it broken down into individual categories, I can provide that on notice. But I can tell you that in the period 2012-13 we issued 82 penalty notices. We undertook three prosecutions and there were 15 disciplinary actions. Again I am talking about motor vehicle repairers generally. I am not talking only about smash repairers. I am also talking about the automotive service industry, which is part of that group.

Mr BRYAN DOYLE: Commissioner, Fair Trading also has a major role to play in relation to the industry code. That falls within the Act, does it not?

Mr STOWE: It does. It is mandated, so not only does it apply to members of associations but to all participants in that industry. You are right: It is mandated, and has been since 2006, under the Fair Trading Act.

Mr BRYAN DOYLE: The code has not been amended since 2006?

Mr STOWE: No, it has not. While the code, I think, itself has been, the code that is mandated is the 2006 one. There have been minor variations to the code since that time and I understand there has been a major review in recent times that has made some recommendations for change.

CHAIR: It was submitted earlier today that amendments to the code actually do not apply in New South Wales. Does that sound correct?

Mr STOWE: No. It is a national code so what New South Wales has done is mandate the national code. Since the code that has been gazetted became the mandated code, there have been some minor changes to the national code, which are not reflected in the mandated code. But I understand they are very minor.

CHAIR: Do you see any barriers to make the amendments or regulations on which we can act?

Mr STOWE: No. It is easy to mandate the most up-to-date code, but I would suggest that it would not be prudent to do so at the moment when we know there has been—

Ms TANIA MIHAILUK: I am sorry to interrupt. Are you saying that mandating a code would be easy, but you are suggesting amendments to the code?

Mr STOWE: No, I am saying that what is mandated is slightly different from the current national code. It would not be all that difficult to update it. However, what I am saying is that before we do that it probably would be prudent to see if there are going to be some changes. I know there are recommendations for change. Once that process works its way through, yes, we could look certainly at mandating the most up-to-date code.

Mr BRYAN DOYLE: I think the object of the code is to ensure fair, timely and transparent conduct between insurers and repairers so that consumers with damaged vehicles are not unduly inconvenienced or unfairly treated as a result of the business practices or disputes between insurers and repairers, is that the case?

Mr STOWE: That is correct.

Mr BRYAN DOYLE: In your opinion, how well is the code working to achieve that outcome?

Mr STOWE: We have no evidence that would demonstrate to us in terms of complaints that it is not effective. We have had only two complaints in five years about the code itself.

Mr BRYAN DOYLE: In your opinion, is the code actually working?

Mr STOWE: I have no evidence that NSW Fair Trading has received to the contrary.

Mr BRYAN DOYLE: This Committee has received evidence that the code has been ineffective in resolving disputes between insurers and repairers in that it never actually arrives at an outcome. Are you aware of that at all?

Mr STOWE: As I said, I can give you only factual information the department has. We get very little in the way of complaints; as I said, we have had two complaints about the code. Most of the inquiries we receive usually are prior to the participant actually utilising the code for a dispute.

Mr BRYAN DOYLE: Are complaints about the code from insurance companies or repairers?

Mr STOWE: We get some inquiries. I think we have had two complaints from repairers and we get occasional inquiries. But as I said, I understand that is usually before the participants actually have utilised the dispute resolution processes of the code.

Mr BRYAN DOYLE: Does NSW Fair Trading receive many complaints from consumers regarding shoddy repair work on their cars?

Mr STOWE: In relation to complaints about insurance work, we get about 10 complaints per annum over the last five years.

Ms TANIA MIHAILUK: Annually?

Mr STOWE: Per annum, yes. That is the average.

Mr BRYAN DOYLE: How are they resolved normally?

Mr STOWE: We have staff that are able in the first instance to speak to both parties to see if the issue can be resolved. Quite often that can be done over the telephone. We have also trained staff who have industry skills and can go on site and work with the two parties to see if they can get an outcome. I have to say that that is generally a very successful process.

Mr BRYAN DOYLE: Of those cases where you have inspected businesses and found unlicensed tradesmen working in the premises, has there been any follow-up action? Do you return to those places afterwards or do you just leave them?

Mr STOWE: Yes, we certainly do. In fact, that is the case of any non-compliance that we find in an inspection. We usually would provide an inspection report, which we would leave with the business owner outlining where there has been non-compliance. It is our practice to return to see whether they are compliant. Our experience usually is that that second visit finds that all the areas we identified have been complied with.

Mr BRYAN DOYLE: Have there been any cases where you have returned and there has been a second offence?

Mr STOWE: Not that I personally recall, but I am happy to take that on notice. Certainly, our overwhelming experience is that people are compliant after that first visit and we have identified the issues, including people who are working in the business and do not have the required qualifications.

Mr BRYAN DOYLE: As Commissioner of Fair Trading, if your inspectors found a second offence, would you expect a prosecution or warning? What action would be taken?

Mr STOWE: Certainly, I would expect a penalty notice straight away.

Ms TANIA MIHAILUK: Are you referring to the 10 complaints per annum that you receive?

Mr STOWE: No, we are talking now about inspections by NSW Fair Trading officers.

Ms TANIA MIHAILUK: Are you talking about the 300 or something inspections that you run?

Mr STOWE: Yes, that is right. Just to clarify, we have had 10 consumer complaints about smash repair insurance-related matters on average over the last five years. As I say, we do over 300 of these inspections.

Ms TANIA MIHAILUK: Are those inspections random or also based on complaints?

Mr STOWE: They are random and also linked to the My Place program we have. As you probably are aware, we visit various parts of New South Wales for a period of a week or so and in addition to education programs we also do compliance work. During that period we also would be doing inspections of other areas that we regulate, such as real estate agents, builders and the like. It is part of that general program.

Ms TANIA MIHAILUK: Would those NSW Fair Trading inspectors we are talking about be across all these different areas? Are they specifically inspectors in the automotive industry?

Mr STOWE: Yes, some of them are, but some actually have specific skills in the motor vehicle area.

Ms TANIA MIHAILUK: How many NSW Fair Trading inspectors do we have in this State?

Mr STOWE: I think it is about 60 all up, but again I am—

Ms TANIA MIHAILUK: How many would be specifically for the automotive industry?

Mr STOWE: I would rather not give you a guess.

Ms TANIA MIHAILUK: Perhaps if you could provide that information?

Mr STOWE: I am more than happy to give it to you, yes. It changes from time to time.

Ms TANIA MIHAILUK: I am interested to know how many of the 60 are specifically trained to be able to identify concerns within the automotive industry.

Mr STOWE: Yes.

Ms TANIA MIHAILUK: Some feedback this inquiry is receiving, and this is no criticism, is the suggestion that people are not necessarily ringing NSW Fair Trading as their first point of call when they are concerned with their insurer in these instances. That might suggest why you are receiving only about 10 per year.

Mr STOWE: Yes, sure.

Ms TANIA MIHAILUK: The Motor Traders' Association's [MTA] submission suggests there are far more complaints and they are more likely going through to the specific repairers and then directly on to the MTA.

Mr STOWE: I think it is likely that the first port of call, and we would recommend this, is the internal dispute resolution system that the insurance company provides.

Ms TANIA MIHAILUK: That is interesting. If an individual calls, would staff ordinarily ask the individual have they dealt with that issue?

Mr STOWE: The first thing we always say in any dispute is, "Have you taken your concerns up with the trader?"—in this case the insurer. We let them know that each insurer is required to have an internal dispute resolution process and recommend that they use that in the first instance. But we always say, "Please come back to us if you need any further assistance." We make people aware also of the industry Ombudsman that operates.

Ms TANIA MIHAILUK: The Financial Ombudsman?

Mr STOWE: That is right, the Financial Ombudsman service, and the role they can play in assisting. I have to say, I think that our industry Ombudsman schemes have been some of the best self-regulation we have and do play a very active and useful role. What I think is useful is that they are actually funded by the industry as well.

Ms TANIA MIHAILUK: If they are referred to a Financial Ombudsman, is that feedback or perhaps the outcome provided back to Fair Trading? Is there anything to suggest that we get feedback?

Mr STOWE: Only in a general sense. We get regular reports from the Ombudsman's office about categories of complaint and how they are resolved. We do not get individual data about individual complaints.

Ms TANIA MIHAILUK: Is the individual who takes the call a customer service person?

Mr STOWE: Yes. It is our call centre that takes the call in the first instance. Those people are well trained. We have a number of queues. Different queues have people with expertise in different areas.

Ms TANIA MIHAILUK: With all due respect, they are not likely to have any training in the automotive industry?

Mr STOWE: No. They are our first line. They are there to provide general information. If somebody wants to lodge a complaint, they would be encouraged to go to our website or to lodge a written complaint with us. It is not always the case. If we find that it is a vulnerable consumer who can only make that contact over the phone. We are happy to take it. Then we have dispute resolution staff who would then get involved in intervening in the complaint and handling the complaint. They are different staff again. I am speaking generally now, just not only about smash repair complaints, but generally those staff are able to get on the phone, talk to the parties and see if they can organise an outcome. We have a pretty good success rate. If they are not successful, we have specialist staff, and this is the case in the automotive area, those people can take over and speak to the parties. We find that because those staff have trade experience, people feel confident—both traders and consumers—that those people can help them to an outcome.

Ms TANIA MIHAILUK: And they also involve having face-to-face interviews?

Mr STOWE: Yes.

Ms TANIA MIHAILUK: Where would that be?

Mr STOWE: Usually on site.

Ms TANIA MIHAILUK: So the inspectors themselves will go out?

Mr STOWE: To the consumers.

Ms TANIA MIHAILUK: Or this particular expert will go out to the consumer?

Mr STOWE: That is right, or it might in some instances be the smash repairers, if that is where the vehicle, for instance, happens to be that is the subject of dispute.

CHAIR: I have a number of questions in relation to assessors. Why were the licensing requirements for assessors deregulated in 1996 and will a requirement for assessors to be licensed be introduced in the new regulations in the Motor Dealers and Repairers Act?

Mr STOWE: There was a general review of regulation back in 1996 right across government and, as a consequence of that red tape-cutting exercise, a number of licences were repealed and the assessor licence was one of those. My understanding is that when that review was undertaken consideration was given to assessors' activity in some of the other jurisdictions where there was not a licensing requirement, which found that there was no high level of consumer detriment, and that was one of the factors that led to the decision to repeal the licence. It is an issue that has come up from time to time and I know that there is a view that it is an area that perhaps should be regulated. In response to that, I would say that we would have some concerns in as much as there is already some provision for the way in which assessors operate in terms of qualifications.

As the Committee probably knows, under the code of conduct insurers are required to ensure that assessors are appropriately trained and have appropriate technical experience. That technical experience involves successfully completing an approved assessors course or having no less than five years experience as an insurance motor assessor. In addition to that, the Road Transport Act and regulation require that where motor assessors are involved in assessing vehicles as a total loss they must have prescribed training qualifications or experience, and those prescribed requirements are the assessment provided by a training provider accredited by the Australian Skills Quality Authority, or a course which covers identified instructions on how to assess motor

vehicles. So one of our concerns I think is that introducing licensing would be a third level of regulation in an area that already has a number of requirements in terms of having technical qualifications.

CHAIR: So there are regulations around assessors in New South Wales?

Mr STOWE: Yes, there are, in relation to the Road Transport Act and also in relation to the code of conduct itself. Having said that, under the new legislation we are currently developing the regulations and we will be having a process of public consultation on what areas of the industry need to be licensed and the like, so there is an opportunity for the public to let us know what their views are as we do that regulatory process.

Mr RAY WILLIAMS: Is there a requirement to divulge the name of the qualified assessor on estimates that are done for the repair of vehicles?

Mr STOWE: I could not answer that question; that is not part of the legislation that we administer.

Mr RAY WILLIAMS: Would you not think it was appropriate that, if they have to be a qualified certified assessor, the name of the assessor is divulged?

Mr STOWE: One would think that, if you want to ensure that somebody is properly qualified, they are identified, yes.

Mr RAY WILLIAMS: If I pick up two quotes from a company at Riverwood by the name of QPlus, in the section that says "Assessor" it says, "QPlus approved", what is the qualification of that?

Mr STOWE: I cannot give you an answer to that because, as I said, Fair Trading is not responsible for the day-to-day operation of the code of conduct—

Mr RAY WILLIAMS: I am going to get to a few more of those things because I do not think it is an accurate reflection of the state of the industry when you are only receiving 10 complaints a year for five years.

Mr STOWE: Per annum.

Mr RAY WILLIAMS: Did I not say per year?

Mr STOWE: Sorry, I misheard you.

Mr RAY WILLIAMS: Is it not the same thing? I thought it was; it was when I went to school.

Mr STOWE: Sorry, I misheard you; I thought you said over five years.

Mr RAY WILLIAMS: I do not think it is an accurate reflection of where we see the industry at the moment, and I am quite sure that if the Premier of this State felt that it was an accurate reflection this inquiry would not have been established, and one of the fundamental requirements under the terms of reference is to establish whether or not we are seeing vehicles repaired to a safe standard on the road. I believe that the Motor Traders' Association provided you with a qualified list of 130 vehicles. I believe you have received that particular list. On that list of 130 vehicles there were 40 vehicles that, when reassessed following subsequent repair were a total loss, and the large majority now appear on the Written-off Vehicles Register.

Mr STOWE: I am certainly not aware personally of having received that data. I am not saying that it is not the case, but I have no personal knowledge of receiving that data.

Mr RAY WILLIAMS: So the Department of Fair Trading is not aware of the list that the MTA has provided it?

CHAIR: That is not what the commissioner is saying.

Ms TANIA MIHAILUK: The commissioner just said he is personally not aware.

Mr RAY WILLIAMS: The commissioner has been kind enough to come along to an inquiry into the motor vehicle repair industry. Would you not do some research to find out if your department has received information like that, commissioner?

Mr STOWE: I certainly have done some research; that is why I am surprised to hear that that is the case, because I am not aware of that particular document being—

Mr RAY WILLIAMS: I think that is a very poor reflection on your department, just quietly, and I am happy for that comment to be made on the public register. This is a list from the Motor Traders' Association and when they appeared before this public inquiry on Monday they said they do not seek to source people who have problems with their vehicles; that is not their role. They are in the business of training appropriate people to work in the repair industry. These 130 people approached the MTA because they were unsatisfied with the response from their repairer. You said that your department advises people to talk to their repairer if they are unhappy with the repair. They were unhappy when they spoke to their insurer so they subsequently knocked on the door of the MTA. Of the 130 vehicles on that list, 40 were found to be a total loss after being reinspected, and a large number of them are now in wrecking yards used for nothing more than spare parts. Having received subsequent evidence, we believe that is just the tip of the iceberg. I like to research things when we are about to undertake inquiries and spend taxpayers' money on such inquiries, and I asked this Committee if it would be willing—and it was—to write to insurance companies, and I will just point out to you one of the requests I made.

CHAIR: Mr Williams, are you going to ask a question?

Mr RAY WILLIAMS: I am going to ask a question because I think it cuts to the heart—

CHAIR: What is the question?

Mr RAY WILLIAMS: Let me get to it, Mr Chairman. Do not be hasty, we have a long time—the sun will not go down for another three hours. The question was asked if insurance companies would be willing to provide us with a full list of all the vehicles that had to undergo rectification work prior to having previous repairs done and then provide us with the details of that rectification work and the identification of the vehicles. I say on the record that only one insurance company was willing to do that, and that was IAG. The other insurance companies have thus far refused to provide us with that information, being Allianz Insurance and Suncorp, and all you can glean from that is that they do not want that information in any way, shape or form advised to the public. On the record today, representatives from IAG stated that there were in fact 400 cases in the last two years of vehicles that required rectification.

I come back to my original comment that I do not believe it is a reflection of the motor vehicle repair industry when your office is only receiving 10 inquiries per annum over the last five years. Given that we have received this information, given that we have heard copious submissions and heard in camera from people who sadly are required to drive unsafe vehicles on the road, given that the MTA took to test one of those vehicles in a crash lab some years ago and found that any occupants in that car would have been killed if the vehicle had an accident on the road at 80 kilometres per hour, we believe there is a very serious situation with regard to the motor vehicle repair industry today. I do not believe the Department of Fair Trading is the cop on the beat, I do not believe it is fulfilling that role on behalf of consumers, and I am happy for you to respond to any of that, if you would like to.

Mr STOWE: I can only provide the Committee with factual information. I hear what you say about some of the allegations that have been made but they are not sustained, Mr Williams, by the experience of the agency.

Mr RAY WILLIAMS: I cannot hear you, Mr Stowe, something about not being sustained?

Mr STOWE: I said that I am here to provide you with factual information that the department has, I am aware that there are allegations of the sort you have made. The department does not have information that sustains that. I can only give you information that the agency has. In terms of those other claims you have made about worthiness of vehicles and the like, we just do not have that evidence.

Mr RAY WILLIAMS: I think you said you are not even aware of the evidence?

Mr STOWE: I would be interested to pursue that, Mr Williams.

Mr RAY WILLIAMS: I am sure the evidence the Committee has gathered can be provided to you so you can go through it and assess that.

Mr STOWE: Sure.

Mr RAY WILLIAMS: I would say that I believe the primary role of an insurance company is to compensate people for loss, end of story. Would you agree with that? The insurance companies tended to agree with that all morning, that they compensate people for loss. Why have we got a situation where insurance companies are setting a schedule of works, what parts will be provided on motor vehicles, employing their own assessors and in some companies we are seeing what they call vertical integration by setting up their own business in which they are the major shareholders, such as Q Plus and Capital S.M.A.R.T Repairs? Why have we got a situation in New South Wales where insurance companies have become de facto estimators in terms of the vehicles? Is that an appropriate role for an insurance company to play?

Mr STOWE: I cannot give you commentary on the commercial arrangements of the business community. That is something I am not qualified to give you advice on.

CHAIR: We have the Commissioner of Fair Trading here and I will talk about the ways forward to help industry. I believe that some of your questions are not appropriate or relevant for the commissioner. I will continue on from here. The Committee has some set questions.

Mr RAY WILLIAMS: Is the role of NSW Fair Trading to protect consumers?

CHAIR: Of course it is, Mr Williams.

Mr RAY WILLIAMS: That is correct, Mr Stowe?

Mr STOWE: It is. Can I make clear that issues over competition are issues for the Federal Government and the Australian Competition and Consumer Commission. We are not involved in regulating issues around competition, which I think you are also leading to in what you have just said.

Mr RAY WILLIAMS: Understood. I will pursue this once more: If the primary role of the NSW Fair Trading is to protect consumers—

Mr STOWE: —In terms of the legislation that we are responsible for administering, yes.

Mr RAY WILLIAMS: And we have legislation that currently is failing the consumers of New South Wales and we have a code of conduct that is failing the consumers of New South Wales—coming back to what I said about insurance companies—if we have insurance companies that now have their own businesses that have the worst rate of repair on that list of 130, is that not affecting the consumers, the people driving around on the streets of New South Wales?

Mr STOWE: Again I can only comment on factual data. I have heard the claims that you make and I am happy to look at that information.

Mr RAY WILLIAMS: Mr Stowe, it is evidence provided to the Committee, it is not just my claims. It is strong evidence that has been provided to the Committee?

Mr STOWE: As you would appreciate I have not been sitting through the rest of the Committee hearing, I am not able to comment on that.

Mr GREG PIPER: Mr Chair, Mr Williams has strong opinions on this and I may ultimately agree with him. However, he is putting a position that is his personal position because this inquiry has not made a determination as to the facts of those matters. I am concerned that people in the audience understand, and the record shows, that the Committee has not arrived at a determination as to those matters. It may well do but I would ask Mr Williams to temper some of his comments.

Mr RAY WILLIAMS: Mr Chair, I said we have received evidence, I never said the Committee made a decision. I said the Committee had received evidence.

CHAIR: Mr Piper has rightly identified a number of statements and claims you have made today on behalf of the wider Committee. I am going to continue with my question. The Motor Traders' Association has suggested a name and shame list. We know there are other sectors where Fair Trading has had name and shame programs. Would you let the Committee know how that is working and is it possible to put something in place with the repair industry?

Mr STOWE: I think that suggestion has great value. However, I do not think it should be confined to the motor sector. What NSW Fair Trading is anxious to do is put more information about the conduct of traders into the community. In fact you might have heard Minister Ayres only yesterday speaking about proposals we have to make more information available about the conduct of traders. We think there are a couple of advantages in doing that: It can change the behaviour of traders that are not compliant and have a bad record of complaint and market place history and it will assist consumers in making decisions about who to engage when it comes to services and goods. There will need to be an amendment to the Fair Trading Act to do that. The Minister and I have the capability to name individual traders if there is thought to be a problem in the market place and consumers are endangered, but that is very much a one-off power and there needs to be a comprehensive approach. The Minister's Fair Trading Advisory Council has provided some guidance as to how we might make such a register work. I think there is considerable value in that proposal but not limited to the motor trade industry.

Ms TANIA MIHAILUK: I am conscious of the fact that it might be quite difficult to have a broad name and shame register, why would we not specifically look at one for the automotive industry? It was suggested in one of my amendments last year and it was rejected in the upper House.

Mr STOWE: We would like to see a broader process and I think the consumers in New South Wales are entitled to know what the people in Fair Trading know. There are employees in my organisation who would not buy goods or services from a number of traders in this State because they are privy to information that the general public do not know.

Ms TANIA MIHAILUK: I do not dispute that.

Mr STOWE: My intention is to make sure that information is more generally available and the Minister supports that view, subject to the Government's agreement. I do not think it should be confined to a particular sector. We already look, and know, what traders are giving us the greatest amount of complaint at any one time.

Ms TANIA MIHAILUK: Not in the automotive industry?

Mr STOWE: We have data about all traders in New South Wales, how many complaints we get about them every month and how many times a year.

Ms TANIA MIHAILUK: You told us you had 10 consumer complaints in relation to the automotive industry?

Mr STOWE: In relation to the relationship between insurers and smash repairers but there are broader complaints in that industry that relate to the motor servicing industry that are not part of that data.

Mr GREG PIPER: Earlier today we had representatives from two of the major insurers give evidence. I cannot think which one made reference to the name and shame list and whilst they did not disparage the idea they were saying that they did not believe that the name and shame list that has been introduced already, particularly into the restaurant-cafe environment, has been particularly effective. You seem to be quite enthusiastic about it. If that is the case can I ask: If one was created and that mechanism was available that incorporated the motor vehicle repair industry would you expect to see a significant increase in the number of entries or inquiries to your department?

Mr STOWE: I certainly would. What we would propose is putting that data on our website and I am sure consumers would value that information. We would have to have a process that we would put traders on notice. We have a better trader program now. If problems occur in the market place such as poor customer

service that causes consumer complaint—it is not always the case of breaching legislation—we bring that to the attention of businesses and our intention would be to put them on notice that if we did not see an improvement over a period of time they would find their way on to that list.

Mr GREG PIPER: You would need to be careful that you were dealing with—

Mr STOWE: Genuine.

Mr GREG PIPER: —it fairly and that there is no vexatious element to this?

Mr STOWE: Yes.

Mr GREG PIPER: There is obviously a significant cost associated with that. Someone will need to talk to Mike Baird. The cost would be substantial, would it not?

Mr STOWE: I think we could do it within our resources. I am not saying that we would have hundreds of names up there. The Minister has talked about perhaps the top 50 or maybe starting with the top 10. I might add that no consumer protection agency in the country currently provides that data. This would be something that New South Wales would be leading the other states and territories on. I know other states are interested in our proposals.

CHAIR: Commissioner, recommendations and submissions have been made to the inquiry, for example, the Motor Traders' Association have recommended that Fair Trading inspectors become involved in insurance disputes that relate to repair quality and the New South Wales Civil and Administrative Tribunal be the final adjudicator. What barriers, if any, can you see with this proposal?

Mr STOWE: As members are probably aware one of the amendments that was included in the new legislation, the motor vehicle dealer and repair Act, is the capacity for motor vehicle dealers to go to the Small Business Commissioner and ultimately NCAT in relation to disputes with manufacturers. That issue was raised in consultation on the legislation. It was a particular problem, I think, for that industry where their relationship with the manufacturer dominates the way in which they operate and they basically, in most instances, only have the one supplier.

In the consultation on the legislation there was no suggestion to us that the smash repair industry should receive similar coverage. I know that has occurred outside of the consultation. I suppose the other point I would make is that the relationship that smash repairers have with their customers is a little bit different to dealers and manufacturers where smash repairers do usually have work from several insurers and customers directly. It is not that same very significant relationship that is critical to dealers. In fact, what we were finding was allegations that dealers, just before a contract was coming up, were requiring dealers to spend extraordinary amounts of money on showrooms and stock with the possibility of the contract not proceeding. We really did believe that an unfair contracts provision needed to exist to cover that part of the industry.

Can I also point out more broadly that Commonwealth and State Ministers are looking at potential amendment to the Australian consumer law to allow the provisions that relate to unfair contracts to have coverage of small business. Should that be successful then there would be much broader coverage and other businesses such as the smash repair industry would be able to take advantage of that legislation. A regulation impact statement will be released shortly making those proposals. The Commonwealth Minister, I understand, has given an election commitment to introduce such legislation, so we think it is highly likely.

CHAIR: One of the big issues that has arisen in the past few days and throughout the submissions—and Mr Williams has referred to it often—is rectification numbers in the industry. I think there is a question mark around what are those numbers. How genuine are those numbers? How do they reflect on the industry? Insurance companies have their own numbers. The MTA has a list here. Mr Williams refers to rectification numbers. If there were legislative requirements for repairers and insurance companies to notify Fair Trading of vehicles requiring rectification after repair works, do you see any barriers preventing the department from maintaining such a register in relation to vehicles that have been rectified?

Mr STOWE: That is really a policy decision for government.

Mr RAY WILLIAMS: Your department could not handle that?

Mr STOWE: We have got many registers, as you are probably aware. If the Government so directed we could certainly have such a register but that is really a policy decision for the Government.

Mr RAY WILLIAMS: Do you agree that the main aim of the industry is to minimise the rectification work as opposed to setting up a register? If I had a choice or if consumers had a choice I believe they would say they would prefer to get a high-quality repaired vehicle rather than the repairer end up on a register having undertaken vehicle rectification. I have also been provided with evidence that there is an insurance company operating in this country that employs the services of independent assessors that are not employed by the insurance company as we currently have in New South Wales, which I think is a conflict of interest. However, that is just my view. The insurance company that employs the services of independent assessors receives an estimate of a quote to repair a car. The independent assessor assesses the vehicle. The assessment is then provided to the insurance company. The insurance company then pays the compensation, which is what I believe is its role.

Is that not just a very simple way that we could reduce the amount of rectification work? I might just say that that particular insurance company has the lowest rate of rectification work of any of them, almost. Is that a simple approach and all we really need to provide is for the independence of assessors to determine what a qualified assessor is supposed to do—the methodology, the parts, determine the time and make that assessment to the insurance company? The vehicle gets repaired, end of story. Would that not be a better way forward?

Mr STOWE: I am not in a position to have the expertise in that industry to give you a qualified comment.

Mr BRYAN DOYLE: Will you outline to the Committee how the Motor Vehicle Repair Industry Contingency Fund is managed? How does it operate?

Mr STOWE: Yes, I can. That fund is maintained for instances where a consumer comes to Fair Trading where poor repairs have been done to a motor vehicle. In some instances the business may have taken in the vehicle and started repairs, and then collapsed. In those circumstances the consumer can make a claim and the agency is able to make a payment to that consumer to compensate them for the potential loss. We have a similar scheme that operates in relation to motor dealers as well where dealers go into liquidation or are unable to make warrantable repairs after the business no longer exists.

Mr BRYAN DOYLE: How is that fund funded?

Mr STOWE: Fees that are paid by industry licensees contribute to that fund.

Ms TANIA MIHAILUK: I refer to dealers now having access to the Small Business Commissioner. You said that you did not think that smash repairers needed to have the same sort of access to the Small Business Commissioner with respect to manufacturers. A substantial amount of information was provided by the MTA, or part of the MTA, to suggest otherwise.

Mr STOWE: Not at the time of the consultation on the legislation. I am aware that during the parliamentary debates there was certainly information at that time. However, I understand the Government did not support—

Ms TANIA MIHAILUK: No, it did not. Hopefully after this inquiry more consideration will be given to that. I also suggest that that relationship, given industry changes, between the smash repairer and manufacturer will, I think, begin to be almost on par that dealers have with manufacturers when changes in the industry take place. I refer to Fair Trading inspectors. Could you provide information in relation to how many were specifically industry trained within the automotive industry?

Mr STOWE: Yes, sure.

Ms TANIA MIHAILUK: Would you also provide the Committee with the type of training and background they must have to inspect in that industry?

Mr STOWE: Sure.

Ms TANIA MIHAILUK: You were asked about the involvement of Fair Trading inspectors in insurance disputes in relation to quality repair. In your mind does that require additional training or further resources for the Department of Fair Trading to be able to enter into those types of insurance disputes?

Mr STOWE: Are you talking about consumers complaints about insurers?

Ms TANIA MIHAILUK: Yes, and the idea that we are proposing the concept of Fair Trading inspectors having an active role in conciliating those types of resolutions prior to being adjudicated potentially by NCAT?

Mr STOWE: Under the Insurance Act, which is a Commonwealth Act, it precludes other forms of dispute resolution other than that prescribed by the Insurance Act. We are not talking about the consumer-insurer relationship.

Ms TANIA MIHAILUK: I think in each case I am talking about the smash repairer as well as the insurer and that type of relationship rather than the consumer.

Mr STOWE: I suppose our view is that we have got a code that has been developed between the two industry groups. We would be supportive of its continuation. It seems to us that the industry associations themselves are best placed to come up with a dispute resolution process that works. I know that there have been recommendations for change. I think some of those recommendations are worth pursuing.

Ms TANIA MIHAILUK: Sorry to interrupt. With all due respect, we have heard throughout this inquiry that at least half the members of the committee do not believe it is a workable code and that the structure of the committee should be revisited.

Mr STOWE: I think that is worth doing. In fact, if you look at some of the best practice arrangements for the codes, some of the recommendations that have been made by having independent members on the code committee are what we see, so I think some of those recommendations may well assist the code work more effectively into the future.

Mr RAY WILLIAMS: Mr Stowe, motor mechanics inspect the cars on the road once a year.

Mr STOWE: Are we talking about the Roads and Maritime Services?

Mr RAY WILLIAMS: Yes.

Mr STOWE: Yes, it is the responsibility of the Roads and Maritime Services to ensure there are annual inspections.

Mr RAY WILLIAMS: My point is, given once a year we ask appropriately qualified motor mechanics who are bound by the Roads and Maritime Services under acts of legislation in New South Wales to determine whether our vehicles are safe to be on the road, why do we not apply the same standards when a vehicle has had major structural repair work done after being damaged?

Mr STOWE: Again, that is a policy issue for government, Mr Williams.

Mr RAY WILLIAMS: Understood. In your opinion should we apply those standards, given that the cars we drive around in may not have had an accident but the Roads and Maritime Services requires consumers to have their cars inspected every 12 months? A vehicle that has suffered severe structural damage can be repaired and the quality of that repair may be self-assessed by the insurance company or the repairer and the car returned to the consumer to drive on the road again. Do you think that represents safety on behalf of the consumer?

Mr STOWE: I have no evidence to say otherwise. As I said to the Committee at the outset, my task today is to provide you with the factual information that relates to the functions of my agency.

Mr RAY WILLIAMS: Perhaps when we provide you with all of the evidence, Mr Stowe, you might write back to the Committee and give us what you believe to be an honest assessment of the 1,200 rectifications made by the insurance companies, the 230 vehicles that the Motor Traders' Association have provided to us,

and the submissions that have been provided to this Committee about the horror stories that we have heard about the vehicles that people are driving on the roads. After you have received that evidence, would you be kind enough to write back and give us your view for the safety of the consumers of New South Wales?

CHAIR: Mr Williams, the Committee can make those decisions in their deliberative meetings. We will leave that decision for the Committee to make at a later stage.

Mr RAY WILLIAMS: I have no further questions.

CHAIR: Mr Stowe, thank you for appearing today. The Committee may wish to send you some additional questions in writing. The reply will form part of your evidence and be made public. Would you be happy to provide a written reply?

Mr STOWE: Yes.

CHAIR: Thank you.

(The witness withdrew)

The Committee adjourned at 4.13 p.m.