



JOINT STANDING COMMITTEE UPON SMALL BUSINESS

The Illawarra Experiment

Report on the NRMA's Quality Repair System

May 1998

Report 1/51

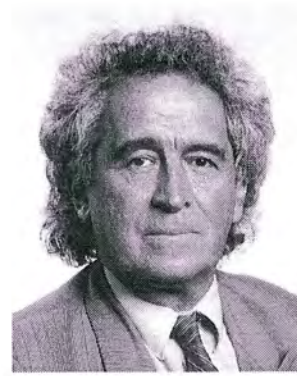
**JOINT STANDING COMMITTEE
UPON SMALL BUSINESS**



Hon Edward Obeid MLC
Chairman



Mr Jeff Hunter MP



Hon Richard Jones MLC



Hon Mark Kersten MLC



Ms Reba Meagher MP



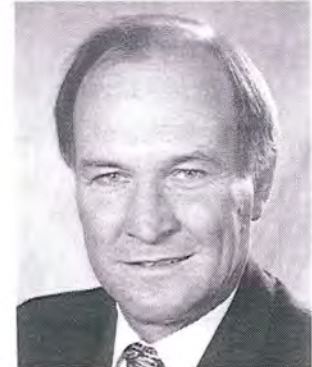
Hon Joe Schipp MP



Mr Joe Tripodi MP



Mr John Watkins MP



Mr Tony Windsor MP

Foreword

The small business sector is a unique entity in the Australian economy. With over 3,500,000 people employed in small businesses throughout Australia, the sector provides 47% of total employment.

The size and diversity of small business operations means that small businesses face problems which are multidimensional. It is commonly acknowledged that approximately 65% of all small businesses fail within the first five years.

The Committee's examination of the issues contributing to the sector's hardships has proven to be a complex and difficult assignment.

During initial discussions on the future operations of the Small Business Committee, Members of the Committee identified the power imbalance between 'small' business and 'big' business in some market situations as a key issue for the small business sector.

The introduction of the NRMA's Quality Repair System pilot represented circumstances which the Committee wished to examine.

The ensuing dispute between small businesses (smash repairers and tow truck operators) and the NRMA over the introduction of the pilot, presented the Committee with the opportunity to assess the impact of changing policy directions on small businesses.

In the course of this inquiry, it has been demonstrated that the small business sector can successfully campaign against big business practices which have the potential to adversely affect their business operations.

In this instance opposition to the pilot by the smash repair and tow truck industries resulted in the NRMA undertaking consultation with affected smash repairers. This consultation resulted in a number of changes being implemented to the operation of the pilot programme.

On behalf of the Committee, I would like to place on record our appreciation and thanks for the efforts of all participants in the inquiry. Their contribution has led to a better understanding of the issues and a clearer vision for the future.

The Committee is particularly grateful to the operators of smash repair businesses in the Illawarra who met with Members of the Committee when we visited the district and to those who came to Parliament House to share their experiences and opinions with the Committee Members.

The Committee would like to make particular mention of the following people:

Mr G Cepak, Director to the Committee.

The staff of the Committee Secretariat.

Mr E. Klein, Access International Management, Consultant to the Committee.

The staff of the Parliamentary Library.

While all Committee Members were instrumental in the finalisation of this Report, special mention must be made of the contributions of the Hon. Joe Schipp MP and Mr Joe Tripodi MP, who devoted so much of their time to the Sub-committee on this particular topic.



**The Hon Edward Obeid MLC, OAM.
Chairman**

Executive Summary

This report was undertaken by the Joint Standing Committee on Small Business as a result of continuing smash repair and tow-truck industry objections to NRMA's Quality Repair System pilot in the Illawarra.

The NRMA identified the rising cost of repairs as the major factor in the escalation of insurance premiums and claimed that the NSW smash repair industry is 30% more expensive than in Queensland and 18% more expensive than in Victoria.

In order to contain claim costs the NRMA announced the introduction of Quality Repair System pilot on 22 January 1997 with operations commencing on 3 February 1997.

Vehement opposition to the proposal has been publicised by industry bodies representing smash repairers, tow-truck operators, some NRMA Board members and policyholders as well as by candidates in the recent NRMA Board elections.

The Committee adopted an informal process of visits and briefing sessions where all interested parties were given an opportunity to highlight their concerns, experiences and future planning.

The main concerns expressed in press reports and submissions to the Committee were:

- lack of consultation and notice by the NRMA;
- loss of the policyholders' right to repairer of choice;
- potential loss of business and goodwill by established smash repairers;
- the adverse impact on investment, employment and business confidence.

The Committee noted significant benefits of the Quality Repair System for NRMA comprehensive insurance policyholders, such as the 5% rebate of premiums paid to all comprehensive policyholders in the Illawarra.

However, the Committee was at pains to emphasise the concerns of small business to NRMA management and delayed its inquiry process during the NRMA Board elections only when it was assured that the announced expansion of the Quality Repair System had been put on hold.

The NRMA advised that a number of changes had been made to the way the pilot scheme was operating.

These changes provided improved tendering processes, clearer recognition of specialist equipment requirements and improved flexibility for policyholders. At all times the Committee advocated the resumption of productive talks between the parties and was

encouraged by the consultative arrangements put into place in the latter part of 1997 between the NRMA, the Motor Traders Association and the Illawarra Progressive Smash Repairers Association.

While the future of the Quality Repair System has not yet been finalised, the NRMA briefed the Committee on a further development: a new pilot in the northern beaches of Sydney known as "Competitive Partnering"

The Committee noted and applauded some of the changes demonstrated by the NRMA in their implementation of this new pilot.

These changes included:

- introduction of a partnering scheme based on mutual trust between the insurer and repairer;
- wide spread consultation prior to the announcement of the pilot with the support of industry associations;
- processes and criteria for becoming a 'partner' and for severing that relationship were established and agreed to by industry associations prior to commencement;
- smash repairers' business control and goodwill remained intact;
- a majority of repairers (51) participating in the pilot;
- policyholders retain their right to choice of repairer; and
- the duration of the pilot was set at 3 months.

The NRMA management has confirmed that both the Quality Repair System and the Competitive Partnering pilots are under continuous monitoring and that the Committee will be advised as soon as any formal decision is taken by the NRMA Board regarding their future.

The Committee continues to urge the Board of the NRMA to finalise and announce its decision regarding the future of the Quality Repair System pilot.

At the completion of this Report, the Competitive Partnering pilot has been in operation for 3 months. At present the Committee has not received any feedback from repairers over the operation of the pilot.

Finding & Recommendations

The Committee has reviewed the information from this inquiry and classified its findings and recommendations into 3 categories:

1. those relating to the NRMA
2. those relating to small business
3. those relating to government and government agencies

Findings

NRMA:

- The NRMA's development and implementation of the Quality Repair System pilot was contentious and far removed from best practice for the introduction of pilot programmes.
 - The NRMA's implementation of the Quality Repair System pilot in the Illawarra was undertaken with insufficient consultation with local smash repair businesses.
 - Press reports intimate that the NRMA Board members were not fully apprised of the impact of the pilot on key service providing sectors.
 - Since the introduction of the Quality Repair System, the NRMA has recognised the need for greater consultation with smash repairers and industry bodies.
 - The NRMA found that significant changes to its pilot scheme were necessary in order for it to operate efficiently and to establish a co-operative framework with Illawarra region smash repairers.
 - As a result of these changes enough smash repairers are now willing to tender for work through Quality Repair System.
 - A majority of Illawarra region smash repairers and the Motor Traders Association apparently remain opposed to the scheme and determined to boycott the opportunity.
 - Due to problems encountered with the implementation of the Quality Repair System, the NRMA's intention to extend the scheme to Newcastle, Canberra and the Sydney Metropolitan area was put on hold.
 - After the implementation of the Quality Repair System pilot proved more contentious than anticipated, the NRMA has gone to considerable lengths to develop another pilot (Competitive Partnering) using radically different
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philosophies and relationships with smash repairers.

- The Competitive Partnering pilot introduced by the NRMA in the northern beaches of Sydney appears to have avoided many of the problems identified in the Quality Repair System pilot implementation phase.

The NRMA is to be commended for displaying such a capacity to adjust.

The Committee intends to continue monitoring this issue until a final decision is announced by the Board of the NRMA regarding the future of the Quality Repair System pilot.

Small Business:

- The Committee found that the Quality Repair System pilot is continuing to adversely affect the confidence and investment decisions of Illawarra smash repair businesses.
- A process of change and adjustment has been achieved by public protest, consultation and identification of the NRMA's and the repair industry's needs, and lobbying of Parliamentarians which ultimately led to investigation by the Joint Standing Committee on Small Business.

This process has been an example for all small businesses in NSW.

- The smash repair industry campaign opposing the introduction of the Quality Repair System was based on:
 - ☞ early identification of the threat that the Quality Repair System posed to the smash repair industry;
 - ☞ strong articulation of the smash repair industry's opposition to the Quality Repair System;
 - ☞ support of a majority of smash repairers;
 - ☞ attendance at public meetings;
 - ☞ adequate financial support;
 - ☞ sympathetic media coverage; and
 - ☞ impartial political overview.
- The Committee believes that small business associations should build upon the success of the smash repair industry's campaign and encourage them to use similar strategies when faced with big business policy changes which threaten the future development of the small business sector.

This inquiry confirmed the strength and effectiveness of small businesses when they unite to challenge big business policies, which adversely affect small business interests.

Government and Government Agencies:

- **Regulatory bodies including the Tow Truck Industry Council and the Motor Vehicle Repair Industry Council have monitored aspects of the pilot scheme.**

Both agencies reported they were satisfied that there were no known breaches of any legislation or regulation.

- **Although both the Tow Truck Industry Council and the Motor Vehicle Repair Industry Council made their respective investigations, neither had a mandate to undertake a public review.**

It fell to the Joint Standing Committee upon Small Business to perform this important function.

Recommendations

NRMA:

- ① **The Committee recommends that a final decision be made by the NRMA Board on the future of the Quality Repair System pilot and announced as soon as possible so that local businesses are allowed to resume trading in an environment of relative certainty.**

Small Business:

- ② **The Committee recommends that the Parliament endorse guidelines for the introduction of projects which significantly affect the viability of a large number of small business and a local industry as a whole.**

Major business enterprises, such as the NRMA, must not only continue to behave for the benefit of their shareholders and members, they must recognise and be sensitive to the social and commercial impacts of their business strategies.

When big business strategies result in dramatic changes in methods of operation and require significant adjustment on the part of small businesses, they should utilise the following guidelines:

- i. **establishing prior consultation with stakeholders;**
- ii. **test reaction through pilot programmes;**
- iii. **planning for timely announcements, introduction schedules and pilot duration;**

- iv. **maintaining consultative mechanisms with interest groups throughout the period; and**
- v. **establishing criteria throughout the monitoring phase, which are transparent and can be discussed with interest groups and during the consultative processes.**

Government and Government Agencies:

- ③ **The Committee recommends that Government Ministers and Government Agencies mediate where there appears to be any controversy surrounding the exercise of unequal market power to the detriment of the small business sector.**
- ④ **The Committee recommends that formal ministerial statements and references for public reviews of such initiatives be encouraged and undertaken as a priority using the guidelines endorsed.**
- ⑤ **The Committee recommends that in the absence of a directly responsible Minister or Government Agency, the Minister for State Development exercise their responsibility through the Department for State and Regional Development when the interests of small businesses are threatened by the economic decisions of big business.**

Chapter 1: Introduction

The Joint Standing Committee on Small Business was established on the 27th November 1996, to inquire into issues affecting small business in New South Wales. The then Minister for State and Regional Development, the Hon Carl Scully MP stated that the Committee would:

“have a brief to listen to the concerns of the small business sector and make recommendations to guide its future growth...” and “...enable the Government to become more attuned to the needs and problems of the dynamic small business sector.”¹

1.1 Terms of Reference of the Committee

The Terms of Reference of the Joint Standing Committee upon Small Business are:

“That notwithstanding anything in the Standing Orders of both Houses, a Joint Standing Committee be appointed to inquire into and report upon Small Business in NSW with the following terms of reference:

- (1) The functions of the Committee are to report to Parliament on:
 - (a) matters which reflect the importance of small business to the economy;
 - (b) the streamlining of the provision of services to small business
 - (c) the reduction of regulatory control over small businesses;
 - (d) the creation of employment opportunities within the small business industry;
 - (e) the provision of assistance to small businesses in niche marketing;
 - (f) the provision of assistance in the promotion of small business in regional development;
 - (g) the provision of assistance to small business to become internationally competitive;
 - (h) the provision of advice to persons intending to start a new business and to new starters in small business; and
 - (I) any matters relating to or arising out of the above terms of reference.
- (2) The Committee is to consist of 9 Members of both Houses, 3 being members of the Legislative Council (one supporting the Government, one Opposition and one Independent) and 6 being members of the Legislative Assembly (4 members supporting the Government, one Opposition, one Independent and in the event that

¹LA Hansard Articles 51st Parliament, pg 6355

an Independent member is unavailable to serve on the Committee a member of the Opposition will be nominated instead). Members will be nominated in writing to the respective Clerks of the House.

- (3) The quorum of the Committee is 5 Members, provided that the committee meet as a joint committee at all times.
- (4) The Chairman shall be a supporter of the Government.
- (5) The Chairman or any Acting Chairman, has a deliberative vote and, in the event of an equality of votes, a casting vote.
- (6) The Committee has leave to sit during the sittings or any adjournment of either or both Houses, to adjourn from place to place; and to make visits of inspection within Australia and overseas.”

The Committee Members are:

Legislative Assembly

Mr J. Hunter	ALP
Ms R.P. Meagher	ALP
The Hon. J.J. Schipp	Lib.
Mr J.G. Tripodi	ALP
Mr J.A. Watkins	ALP
Mr A.H. Windsor	Ind

Legislative Council

The Hon. R.S. Jones	Ind.
The Hon. R.S. Kersten	Nat.
The Hon. E.M. Obeid	ALP (Chairman)

1.2 Definition of Small Business

As this is the first report by the Joint Standing Committee upon Small Business (the Committee), it is appropriate to discuss what the Committee considered constitutes a small business.

Small businesses range from companies which operate on the international markets to self employed people doing a few hours of word processing, to family retailers, to well established small manufacturers, to rural and farm businesses, to franchises and agencies with varying levels of technical and marketing sophistication.

There are a number of definitions for ‘Small Business’. Some of those adopted by Australian agencies are outlined in Appendix 1.

At a meeting held on the 22 April, 1997, the Committee agreed to adopt the following definition of small business:

1. *Managerial Characteristics:*
 - *they are independently owned and operated*
 - *they are closely controlled by owner/managers who also contribute most, if not all, operating capital; and*
 - *the principal decision making function rests with the owner/manager.*
2. *Size component:*
 - *any size component should only serve as a functional addition to classification, rather than being of primary importance.*

It should be noted, however, that Australian Bureau of Statistics (ABS) information provided in this report, and considered by the Committee during its deliberations, relate to the ABS definition of small businesses, that is, those employing less than 20 people.

1.3 Context of the Inquiry

In February 1997, significant media coverage drew attention to plans by the NRMA to have policy holder's damaged vehicles taken to a centralised holding yard and repair work put out to tender - the Quality Repair System (QRS).

Press reports focused on meetings of angry panel beaters who feared that the plan would hurt the trade and cause employment reduction in the industry. Tow truck drivers claimed there would be virtually no tow truck industry under the new scheme. (Refer to Appendix 5a to 5j)

Public protest by tow truck operators in Wollongong and at the NRMA's Clarence St, Sydney Head Office as well as a meeting of more than 1500 panel beaters at the Bankstown Town Hall called on the NRMA Board to reconsider this scheme.

As the controversy continued the Committee resolved at a meeting held on the 24th July, 1997 to inquire into the NRMA's Quality Repair System and to assess its impact on small businesses in the industry. A Sub-committee consisting of the Chairman, The Hon Eddie Obeid MLC, Mr Joe Tripodi MP, Member for Fairfield and The Hon Joe Schipp MP, Member for Wagga Wagga was appointed to pursue a process of inquiry.

The Inquiry Process

The Committee adopted a comprehensive process of inquiry. This commenced with a site visit to the region affected in October 1997.

During this visit the Committee inspected the NRMA Repair Distribution Centre (RDC) and met

Table 2 : Location and Employment Size of Smash Repairers by State

	←5	5-9	10-19	20-49	50+	Total locations	Total employment
NSW	1,358	695	219	29	-	2,301	11,282
VIC	1,176	424	167	23	1	1,791	8,267
QLD	853	301	86	21	-	1,261	5,483
SA	353	134	43	9	1	540	2,527
WA	424	169	61	7	2	663	3,163
TAS	109	37	11	2	-	159	708
NT	32	10	7	-	-	49	229
ACT	42	24	12	2	-	80	466
Total	4,347	1,794	606	93	4	6,844	32,125

ABS: *Business Register Database*, June 1996.

Table 2 indicates that of the 2,301 smash repair businesses located in New South Wales (NSW):

- 1,358 (59%) of smash repair business employ less than 5 employees;
- 695 (30%) of smash repair business employ 5-9 persons;
- 219 (10%) of smash repair businesses employ 10-19 persons;
- 29 (1%) of smash repair businesses employ 20-49 persons; and
- 11,282 persons were directly employed in the smash repair industry - each smash repairer employing on average 4.93 persons.

Of the 2,301 smash repairers located in NSW, 1,524 were located in the Sydney Statistical Division; 133 in Newcastle; 73 in Wollongong and 571 elsewhere in the State.

The typical small size of a smash repair business in the motor vehicle repair industry results from low barriers to entry and a relatively modest need for capital.

The main equipment outlays consist of:

- a spray paint booth (approximately \$60,000);
- hydraulic hoist (approximately \$40,000);
- aligner (approximately \$50,000); and
- welding equipment (approximately \$20,000).

Some smash repairers invest in more expensive advanced diagnostic equipment which is increasingly required for the repair of the new generation of sophisticated vehicles.

The equipment costs involved in establishing a business in smash repairs has led to a tendency for participants in the industry to divide into larger, relatively capital intensive firms capable of carrying out a wide range of repairs, and smaller labour intensive businesses.

Since 1991/92, turnover figures for smash repair businesses have fallen 2% from \$892 million to \$876 million. Although turnover has only fallen 2%, \$16 million in lost turnover has a significant impact on the number of individuals employed within the industry. This may, therefore, account for the differences in employment in smash repairs between 1991/92 (11,988) and 1995/96 (11,282).

The average wage or salary of an employee in the NSW motor vehicle repair industry is approximately 11% higher than the national average - the typical pay in the industry being between \$35,000 and \$55,000 a year.

Although the average wages and salaries are substantially higher in NSW than the national average, ABS statistics have shown that the average cost of labour in the smash repair industry in NSW has risen only 3% per annum between May 1991 and May 1996.³

ABS statistics have also shown that the return per employee for small sized smash repair businesses is nominally higher than for larger repair businesses. For small smash repair businesses trading profits before owners' salaries and benefits is approximately 21% of turnover. In comparison, trading profits for medium sized repair businesses are approximately 12% of turnover and for large repairers 10% of turnover.⁴

This higher profitability of smaller smash repair businesses reflects the labour focus of most of the smaller repairers. This can be influenced significantly by proprietors and employees working longer hours and the businesses being more likely to avoid overheads associated with courtesy cars and tow trucks.

Larger, long established smash repairers invariably have significant investment in sophisticated equipment and substantial overheads associated with their business. This means that in competitive quoting situations they have a higher overhead that requires amortisation which in turn requires higher tender prices than smaller less sophisticated and more labour intensive operations.

Though employment of trade-persons in the smash repairs industry has increased since the recession of the early 1990's, the downturn in demand caused a number of problems for many smash repair businesses particularly those exposed to interest costs.

Exit from the industry was financially unattractive to many smash repairers since the recession caused a slump in the prices of used equipment. Many proprietors therefore decided to trim their labour costs in an attempt to stay in business. This labour shedding was directed at less experienced panel beaters.

³ ABS Business Register, June 1996

⁴ Ibid

This statement is supported by the *Labour Force Survey 1991/92* which notes that the share of persons aged 15-24 in total panel beating employment declined from around 40% to approximately 30%. Since then the number of panel beaters aged 15-24 has continued to decline. Alternately, the number of employed panel beaters aged 50 and over has reached nearly 20%.

According to trade educators at the Sydney TAFE only about 20% of smash repairers hire apprentices regularly.

A survey of 76 smash repair businesses across Australia, conducted by the Financial Management Research Centre at the University of New England in 1994/95 found that:

- less than one in five repair businesses with less than five employees employs an apprentice.
- medium sized businesses with 5-14 employees usually employ an apprentice.
- large sized businesses with more than 14 employees generally include a couple of apprentices on their payroll.⁵

Table 3: Number of Persons Commencing Vehicle Trades Apprenticeship Programs in NSW.

	Average 1987 → 1990	Average 1990 → 1993	Average 1993 → 1996
Vehicle mechanics	1,704	1,064	1,482
Panelbeaters	443	273	298
Vehicle painters	257	184	220
Vehicle body makers	56	30	32
Vehicle trimmers	32	19	22
TOTAL	2,492	1,570	2,054

Department of Education, Employment Training & Youth Affairs.

Table 3 provides support to the argument that the smash repair industry is still in a rebuilding phase after the recession of the early 1990's.

Panelbeaters, for example, employed 443 apprentices on average between 1987-1990. With the economic downturn of the early 1990's, panelbeating apprentices were cut back with only 273 employed in the period 1990-1993.

The end of the recession and a subsequent improvement in the Australian economy has led to the number of panelbeating apprentices to increase to 298 on average in the period 1993-1996. Despite improvements in the number of apprentices being employed as panelbeaters in the period 1993-1996, this represents only 67% of the pre-recession level.

⁵ E Klein, Access International Management, *Briefing and Background Information: NRMA & Panel Beaters*, Consultant Report to the Committee, 9 October, 1997

Apprenticeship numbers in the smash repair trades in the Illawarra region has been monitored by the Motor Vehicle Repair Industry Council. Further details are available in Section 3.2.

Industry regulation and the Motor Vehicles Repairs Act 1980 (NSW)

In his second reading speech on the Motor Vehicles Repairs Bill, the then Minister for Industrial Relations, the Hon Patrick Hills, Member for Phillip, stated the Bill was intended to address “numerous afflictions” plaguing the industry which had been raised in submissions made by industry bodies to the Government and during two inquiries by departmental committees. The Minister indicated the findings and recommendations of these inquiries had shown:

“that the state of the motor vehicle repair industry was bad for the industry itself and was reflected in the quality of service provided to motor vehicle owners.”⁶

The Motor Vehicle Repairs Act 1980 (NSW) established the Motor Vehicle Repair Industry Council (MVRIC) aimed at promoting vehicle repair standards and education in the motor vehicle repair industry.

Under the legislation all repair businesses must hold a licence for the type of repair they are conducting and all people engaged in automotive repair work must hold a MVRIC trades person’s certificate or be an apprentice under the supervision of a qualified trades person.

The Act also establishes the Motor Vehicle Repair Disputes Committee which has the responsibility to investigate disagreements between motor vehicle owners and repairers over the fair cost of a repair or the manner in which a repair was carried out and, through a process of conciliation and arbitration, to settle the dispute.

Prior to the establishment of the MVRIC nearly one third of the repair industry’s work force was unqualified and there was no effective means of redress for consumers.

2.2 The Tow Truck Industry: Costs to the Consumer

The tow truck industry in NSW is subject to the Tow Truck Act 1989. According to a report prepared by Ernst and Young for the NSW Government in 1993⁷, in NSW there were approximately:

- 980 tow truck businesses
- 5,300 licensed tow truck drivers and
- 1,730 tow trucks
- 90% of the trucks have permits to tow smashed vehicles
- 80% of the businesses had 2 trucks or less

⁶ LA Hansard Articles 46th Parliament, p5012.

⁷ Ernst & Young: *Review of the Effectiveness of the Tow Truck Act 1989*, December 1993.

- 70% of tow trucks are owned/operated by smash repairers
- 50% of the trucks are in the metropolitan areas.

The Tow Truck Industry Council published a schedule of maximum charges valid from December 1995, which provides that smash towing may be charged at up to:

- \$102.50 call out
- \$3.70 per km
- \$45 an hour for salvage time after 30 minutes
- 20% additional after hours.

It is estimated that approximately \$20 million is spent each year by repairers (and indirectly by insurance companies) on tow truck operations.

The cost of smash repair to insurers have increased more rapidly in the last ten years than is explicable by increases in smash repair rate and increases in the cost of parts and labour.

The Committee agrees with evidence that inducements other than prices and quality of repairs have been necessary to attract business.

To a large percentage of smash repairers, tow trucks and loan cars are now an integral part of gaining business.

There is considerable evidence pointing at an oversupply in tow trucks, which is paid for by cross subsidy, chiefly by larger repairers who by and large are also owners of the tow trucks.

The Ernst & Young Report indicates that approximately 70% of the tow trucks are owned and operated by smash repairers. In NSW it is estimated that 85% of the tow trucks operating accident tows are linked to a smash repairer.

While the average accident towing rate is approximately \$150, it is alleged that 'drop fees' provide the real monetary benefits to tow truck operators. 'Drop fees' are commissions paid by repairers to tow truck drivers for delivery of a smashed vehicle to their repair shop - an illegal practice

The 'drop fee' was generally 10% of the value of the repair work according to an *Industry Commission Report* published in 1995, other industry opinions estimate this amount to around \$700 per smashed vehicle.

Given that each tow truck handles on average 2.5 accident tows per week, it is estimated that 'drop fees' generate over \$80,000 in annual income per tow truck per year.⁸

⁸Industry Commission Report No. 43, 1995, *Vehicle and Recreational Marine Craft Repair and Insurance Industries*, AGPS, Canberra

Grave concerns regarding operations of the tow truck industry continue. In a press release dated 25 March, 1998 the Minister for Transport and Minister for Roads, the Hon Carl Scully MP, announced the appointment of Hon. Peter Anderson as Chairman of the Tow Truck Industry Council and chair of a review of the tow truck industry.

The Minister stated in his press release that :

“The Government is determined to protect the motoring public and clean up the tow truck industry...There have been disturbing allegations of thuggery and criminal activity among tow truck drivers and operators”.

2.3 Motor Vehicle Insurance

Since the manufacture of motor vehicles began in the early twentieth century there has been one certainty in the industry - motor vehicle accidents will happen. It is hardly surprising therefore that smash repair and insurance industries developed hand-in-hand with the manufacture of the motor vehicle.

In 1942, the NSW Government recognised the increasing cost to the community of motor vehicle accidents through the introduction of the Motor Vehicles (Third Party Insurance) Act. Under this Act, the Government Insurance Office (GIO) was made the sole provider of third party insurance in NSW.

This Act continued to operate without any major changes until 1991 when the Greiner Government transferred sole control from the GIO to 14 licensed insurance companies. The invitation for private sector insurance companies to become involved in third party insurance was a result of:

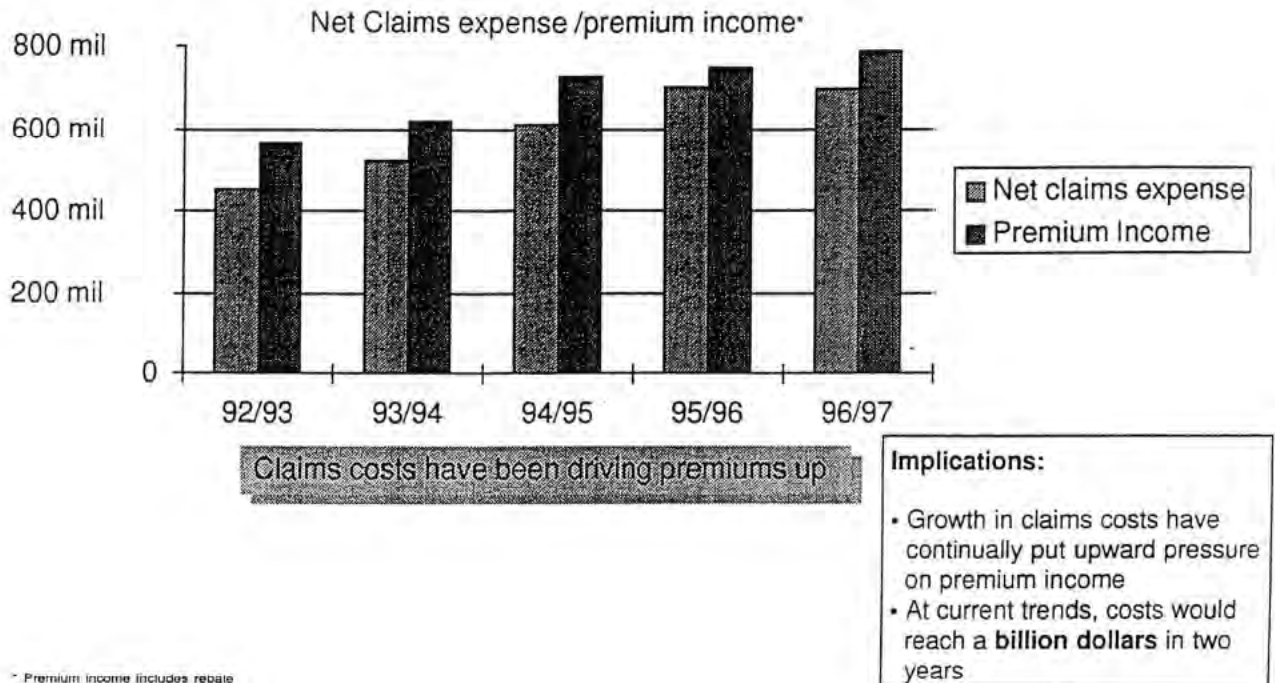
1. The belief that the private sector could operate in a more efficient and cost effective manner than could a government controlled insurance agency.
2. The introduction of competition into third party insurance would provide substantial reductions in third party insurance premiums.

Despite initial reductions, the cost of premiums, during the later part of the 1990's have continued to rise at a significant rate. Insurance companies have laid the blame for continued rises in the cost of third party insurance premiums with the increased court awarded payouts for accident victims.

In a briefing before the Committee on 18 November 1997, Mr Ian Mabbutt and Mr John Bowman supported this premise noting that consistent growth in both third party and comprehensive claims costs during the 1990's has put upward pressure on the NRMA's premium income.

It is estimated that at the present rate, claims costs will reach a billion dollars by the year 2000.

Figure 1: Why Are NRMA Premiums Rising?

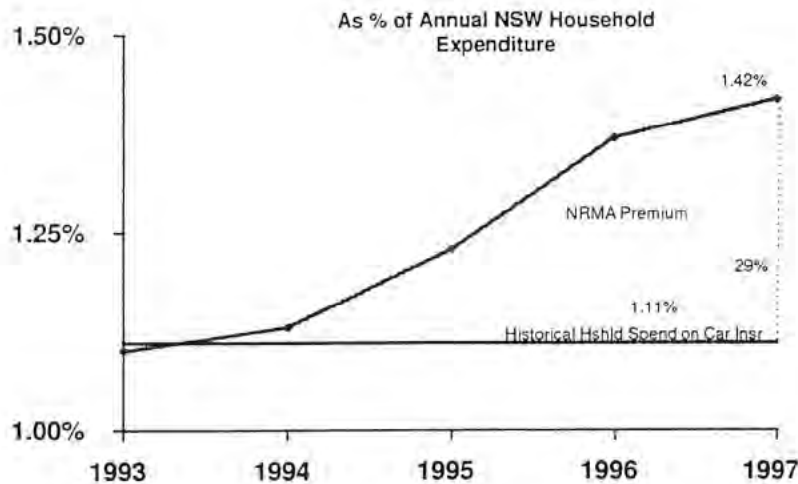


NRMA: Briefing to the Committee, 18th November, 1997

As premiums continue to rise, policyholders have become increasingly dissatisfied. Studies undertaken by the NRMA have indicated that increasing the NRMA premium above 1.1% of the average NSW household expenditure will result in a loss of customers. In 1997 the NRMA was asking for 1.42% of the average NSW household expenditure - an increase of 29% above the historical level of 1.1%.⁹

⁹ NRMA: 'How does the average NRMA premium compare to the average NSW household expenditure on car insurance?'. Presentation before the NRMA Sub-committee of the Joint Standing Committee on Small Business, 18 November 1997.

Figure 2: How does the average NRMA premium compare to the average NSW household expenditure on car insurance?



Implications:

- Increasing the NRMA premium above 1.1% of the average NSW household expenditure will result in a loss of customers
- Customers who cannot afford the rising premiums will do one of three things:
 - Search the market for a cheaper policy
 - Reduce their level of cover
 - Cease to insure their vehicle

NRMA is currently asking the average New South Wales resident to pay 29% more for car insurance than what they have historically paid

¹ ABS Household Expenditure Survey. Assumes constant of 1.11% of household spend
² NRMA car insurance premium divided by the number of NRMA car insurance policies. Rebates have been excluded to reflect what the policyholder actually spent

NRMA: Briefing to the Committee, 18th November, 1997

In a briefing before the Committee, Mr Bowman stated that customers who cannot afford the rising premiums will do one of three things:

1. search the market for a cheaper policy.
2. reduce their level of cover.
3. cease to insure their vehicle.

Cummins and Weiss note in their article '*Regulation and the Automobile Crisis*' into the current motor vehicle insurance problems in the United States of America (USA) that :

For some drivers the price of insurance has begun to approach the value of their insured vehicle. Not surprisingly...high premiums have forced many driver in urban areas to go without insurance. That practice further increases prices for drivers who continue to buy coverage, as prices for the uninsured motorist

component of the auto policy rise more rapidly.¹⁰

In the 1997 NRMA Annual Report, Mr Jones the Chief Executive Officer stated :

The cost of car claims continued at approximately 93 cents in every premium dollar. To contain premiums, we must therefore contain claims costs.¹¹

Further, Mr Jones outlined that continued improvements in the afford ability of car insurance was a priority of the NRMA's in 1998:

NRMA recognises the need to reduce the high cost of insurance premiums, which are driven by the cost of claims - the single biggest expense facing the organisation. NRMA will continue to address this in a number of ways: through initiatives such as NRMA Crime Safe and the National Vehicle Theft Taskforce, which both aim to reduce theft; a reduction in our administration costs; and through improvements in the process of vehicle repairs.¹²

Improvements in efficiency and cost effectiveness in the vehicle repair industry would lead to a subsequent reduction in claim outgoings; savings which could then be passed on to the customer in the form of lower premiums.

In their presentation to the Committee, representatives of the NRMA indicated that they believed that both insurers and repairers have a common interest in the provision of cost effective repair services to motorists. If such services are not provided in a cost effective manner, fewer motorists will choose to insure, less smash damage will be repaired and significant repercussions will be felt by both the insurer and small businesses.

2.4 Concluding Comments

The smash repair industry in NSW is dominated by small businesses. In 1996 out of a total of 2301 business there were only 29 in NSW employing between 20 and 49 people and no businesses in the 50 plus category. 59% of businesses employed less than 5 people.

Since 1980 the motor vehicle repair industry has been regulated. All businesses must hold an appropriate licence and all tradespeople working in the industry must hold an MVRIC certificate.

Employment prospects in the industry are far from bright. Some recovery has occurred since the recessionary levels in 1990-93 but apprenticeships numbers are still low and the proportion of

¹⁰Cummins, J.D and Weiss, M.A: 'Regulation and the Automobile Industry Crisis'. **The Cato Review of Business of Government**, California, Department of Insurance, July 1997.

¹¹ NRMA: 1997 Annual Report, pg 4.

¹² Ibid

over 50 year olds in the industry is continuing to grow.

The operations of tow truck operators are still causing concerns amongst the smash repair industry and the government. The Industry Commission Report No 43 (1995) has confirmed that tow truck 'drop fees' in the smash repair industry, though illegal, are still occurring and contributing significantly to the operational costs of smash repairers. During briefings the Committee was advised that 'inducements' can cost a smash repairer over \$700 per repair - an expense that is incorporated into the total costing of repairs.

Motor vehicle insurance premiums are rising dramatically. In the case of the NRMA the major reason is the growing cost of claims, which the NRMA have confirmed to represent 93% of the premium.

Continued escalation of motor vehicle insurance premiums will result in significant shifts in market share for insurers who do not remain competitive and may result in a significant increase in uninsured vehicles.

Chapter 3: The NRMA

The NRMA was formed in 1920 as a lobby group to campaign for better roads. From humble beginnings, the NRMA has since grown to become Australia's largest and most respected motoring organisation, leading general insurer and financial services provider.

The key focus of NRMA operational activities remains, however, the provision of motor vehicle related services for the benefit of members. These services include:

- insurance - comprehensive, third party and third property; (4.2 million policies)
- vehicle inspections; (70,423)
- technical advice regarding vehicle safety, security etc; (246,000 calls)
- advice on car purchases; (over 45,000 calls)
- road service (2.3 million subscriptions and 2.7 million call-outs)

Purely from an insurance perspective, the NRMA is the largest provider of car insurance policies in NSW and the ACT issuing 1,658,674 in 1996/97.¹³

NRMA Motor Vehicle Insurance

As mentioned previously car insurance claims costs are the single biggest expense facing NRMA every year, exceeding \$735 million. Continued losses in the car insurance portfolio are not sustainable and must be addressed.

A major initiative to tackle these issues was launched by the NRMA during 1997 with the pilot of a new system for smash repair processing called the Quality Repair System (QRS).

The objectives of the QRS trial are:

- to contain the levels of insurance premiums;
- provide a superior level of customer service; and
- improve repair quality.

In other strategies to address premium costs, the NRMA made representations to Government and other stakeholders concerning the cost of spare parts. These costs have risen substantially in recent years and now form about one-third of the average NRMA comprehensive car insurance premium.

In addition, the NRMA conducts low-speed crash tests and use the results to work with manufacturers to implement design improvements. These can have an enormous impact on repair costs and hence the cost of insurance.

¹³ NRMA: 1997 Annual Report, pg 11.

Another strategy was the reduction of the NRMA's administrative costs. NRMA commenced a program to progressively reduce the number of claims processing centres and, at the same time, introduced a service called 'Tele-claims' which allows car insurance claims to be lodged over the telephone.¹⁴

Public Statement of key NRMA policies

On 26 May 1994 the NRMA provided a submission to the Industry Commission (Public Submission No: 54) in which they forcefully argued that their current business practices enjoy great acceptance amongst their Members as well as the smash repair industry.

In their Submission in 1994 the NRMA made quite specific statements on several keys issues.

Regarding holding yards the NRMA stated:

- *NRMA does not use holding yards to store damaged vehicles following collision. Our research indicates that the use of holding yards creates delays in the commencement of repairs which reduce customer satisfaction.*
- *Holding yards do not necessarily ensure price competition because collusion is possible amongst bidders.*
- *NRMA believes holding yards, used by some insurance companies to allow repairers to 'bid' for jobs, encourages collusive tendering.*
- *Given the size of our operations and with approximately 20% of vehicles being towed from the accident scene, NRMA does not believe holding yards are viable and cost effective.*
- *The public perception of holding yards in NSW is very poor - most people see them as a ploy by insurers to get the cheapest price, and a source of further delay and inconvenience. This is at odds with NRMA's customer needs.*

Concerning the dismantling of vehicles the NRMA noted:

- *With modern high-tech cars it is often necessary to partly dismantle the vehicle to determine the correct method of repair and a fair price for the job.*

And with consideration to the choice of repairer the NRMA outlined:

- *All our research indicates that NRMA customers want to chose their own repairers. It is our policy to allow the customer that right.*
- *In our view, it is a folly to try to force customers to use selected repairers - the customer will never be satisfied.*
- *NRMA research indicates customers want the right to select the repairers.*

The NRMA also commented on the state of the industry:

¹⁴ The above information was extracted from the NRMA: *1997 Annual Report*, pg 11-12.

- *Generally speaking, the strong competition is to get possession of the job, because with insurance repairs the vehicle owner is insulated from the cost. Various benefits are offered by repairers/tow truck drivers to vehicle owners eg. loan cars, waiving of excess, repair of old damage. NRMA is not opposed to these benefits provided that the cost is met by the repairer and the quality of the repair does not suffer.*
- *In recent years we have been working hard to erode the adversarial relationship between the repair and insurance industries. As a Quality oriented organisation NRMA seeks to establish long term business relationships with repairers based on supplier principles.*
- *In the 1993/94 financial year, NRMA settled 160,000 car claims. The [NRMA received] only 50 complaints related to the quality of repairs -just 0.03% of claims.*
- *Recent NRMA focus group research (also) found satisfaction with the tow truck industry. Most people spoke well of the tow truck drivers, despite the drivers often 'rough' exterior and appearance.¹⁵*

The Committee is of the opinion that the NRMA has adopted a completely different attitude to service, customers, and the smash repair industry.

Their Quality Repair System pilot described below adopts policies which are diametrically opposed to those expressed to the Industry Commission a matter of 3 years previously.

3.1 The Quality Repair System

Background

The motor vehicle insurance industry generally operates on a 'two quote' and a 'one quote' system in order to establish the cost of repairing a smashed vehicle.

Under a 'two quote' system the insurer requires that at least two quotes be obtained by the owner. The insurer may or may not require checking by the insurer's assessor for the repair. Under a 'one quote' system a single quote is obtained by the owner which is then checked by the insurer's assessor.

The NRMA currently requires that where possible two quotes be obtained by the owner. From a commercial perspective, the 'two quote system' provides benefits to both the insurer and customer. These benefits can include reduced quotes due to increased competition within the vehicle repair industry or the provision of additional services such as 'courtesy' cars.

The NRMA is aware, however, that in practice the one quote system is widely used for repairs on both driveable and non driveable vehicles.

¹⁵ NRMA Submission to the Industry Commission Inquiry into: Vehicle and Recreational Marine Craft Repair and Insurance Industries. 26 May 1994. Public Submission No 54.

Introduction of the Quality Repair System Pilot

In February 1997 in an effort to contain premium costs, increase competition within the smash repairs industry and provide customers with a better deal, the NRMA initiated a pilot of a new system for smash repairs - the QRS.

The QRS was announced by the NRMA in a News Release dated 22 January 1997, in which it was stated that Wollongong had been selected as the site for the pilot with operations commencing on the 3 February 1997.

Mr Doug Robinson, the NRMA Regional Manager for the Wollongong Region, outlined that:

“The Quality Repair System is primarily about two things: providing our customer with a far superior level of service and ensuring a fairer and more competitive repair system....We believe the element of competition that the system will introduce to the NSW repair industry will increase efficiency, contain costs and consequently help keep premium increases to a minimum.” (Appendix 3a)

Under the current ‘one quote’ and ‘two quote’ systems the smashed vehicle remains under the control of its owner who is responsible for obtaining the quote and administering the contract for repair. The NRMA’s assessor then appraises the damage and the repairers quote. If approved by the assessor the insurance company pays the sum approved if within the terms of the insurance contract.

By way of alternative, the QRS seeks to increase the level of competition within the smash repair industry through the creation of a Regional Distribution Centre (RDC) for intermediate storage of vehicles while any affiliated repairer quotes on the repair of these vehicles under a tendering system.

It should be noted, however, that the QRS is now reliant on a customer choosing to use the system. If the car is undriveable the customer must instruct that their vehicle is to be towed to the RDC. If the car is driveable the customer can also elect to bring their vehicle to the RDC.

In these circumstances tow truck operators are denied the opportunity to secure ‘drop fees’ and it is this elimination of ‘drop fees’ that the NRMA feels will contribute to the reduction to claims costs. However, if towing fees rise to recover this lost revenue, QRS may not yield the expected reduction in insurance premiums.

Operations of the Quality Repair System

The NRMA have gone to considerable effort to describe the operations of the QRS to consumers and smash repairers.

The 15 steps in the NRMA’s Quality Repair System pilot scheme are listed below:

1. The customer’s vehicle is towed or driven to the NRMA RDC.

2. An NRMA assessor inspects the vehicle to determine claim damage, pre-existing damage and private work.
3. A 'Scope of Works' is then produced which details the operations required for the vehicles repair.
4. A tender summary sheet is faxed to all participating repairers outlining the details of all current 'jobs'.
5. The repairers inspect the vehicle at the RDC, referring to the Scope of Works provided by NRMA assessors.
6. The repairers fax or drop in tenders on each 'job' at the RDC.
7. The NRMA selects a tender based on the repairers quality rating (a score between 0-20 which will move over time to reflect the quality of work), repairers specialty codes (ie. possession of equipment required for the job) and combination of cost and time.
8. The repairers are notified of the successful tender.
9. The successful repairer then collects the vehicle.
10. The repairer carries out the required repairs to the vehicle.
11. The repairer returns the vehicle to the NRMA RDC.
12. An NRMA inspector carries out a quality inspection of repairs. As part of this quality inspection the owner is provided with a written guarantee of repair quality, valid for the life of the car while the customer still owns it.
13. The customer collects their vehicle.
14. The repairer is then paid.
15. The NRMA then provides a 7 day follow up call to the customer.

This process has also been shown by the NRMA in the form of schematic diagram. This diagram is included in this report as Appendix 2.

Other Insurance Company Initiatives

This pilot in the Illawarra should be viewed in the context of other insurance company initiatives. In October 1997 GIO launched a similar system to the NRMA Quality Repair System in metropolitan Melbourne. The objective of GIO's Guaranteed Repair Service (GRS) is to provide superior customer service by offering a choice of repair methods for motor vehicle insurance customers.

Under the GRS scheme, GIO customers have a choice of:

- delivering their vehicle to one of the 4 Guaranteed Repair Centres;
- delivering their vehicle to one of the 60 Guaranteed Repairers;
- requesting that the GIO pick up the vehicle from home or office; or

- nominate own repairer and obtain two quotes.

In his letter to the Committee dated 16 February 1998 Mr Martin Spry (Executive Director, GIO General Limited) pointed out that:

“In establishing this service we carefully examined the results of our customer research. Some 50% of our customers really did not want to have anything to do with repairs and preferred that we would take full responsibility for the process. Notably, though, 15% felt they must have a choice of repairer.”

Mr Spry also stated that the implementation of the GRS would initially be limited to Melbourne:

“At this stage we have no definite future plans to extend the service. The Sydney Metropolitan market (and our market share) is different to Melbourne. We think the GRS probably cannot be brought unchanged to Sydney. Our plans will unfold over the next six months or so.”

Another insurance company AAMI is understood to have had in operation a scheme of preferred repairers in NSW for some time. Under the AAMI system, policyholders are referred to specified preferred repairers for competitive quotations, vehicle inspections and assessment by assessors and, ultimately, for the repairs.

3.2 The Impact of the QRS on Small Business Operators

In order to establish and monitor the impact of the QRS on small businesses in the Illawarra, the Committee consulted with a number of smash repair operators, industry representatives including the Motor Traders Association (MTA), the Illawarra Progressive Smash Repairers Association (IPSRA), the Tow Truck Industry Council (TTIC) and the Motor Vehicle Repair Industry Council (MVRIC).

The views of these groups ranged from total opposition to cautious cooperation.

Those opposing the system provided the Committee with their reasons for concern and their assessments of the adverse impact on their businesses and on the industry as a whole. These reasons included:

- the loss of control over the direction of the business;
- the inability to retain any established good will;
- the inability to dismantle the vehicle before tendering;
- the fact that the tendering system favoured inexperienced repairers;
- repairers with low capital costs were able to offer lower quotes.

The MTA submission was highly critical of what was perceived as a major departure from previously stated NRMA policies without prior discussion and consultation with the businesses

affected.

It was feared that the scheme would significantly affect the profitability of the business, the ability to maintain current levels of employment, the workload capacity and consequently the viability of the business.

Those business operators supporting the system were optimistic that the scheme would make it easier for new repairers and smaller operations to compete in the industry. This concept was supported by the IPSRA who stated that the bulk of panel beaters tendering through the QRS system came from businesses employing 5 to 10 trades persons.

Supportive operators and their industry groups also felt that the QRS would reduce costs associated with inducing business through tow trucks and courtesy cars and have an overall positive impact by initiating a much needed reform of the industry.

Smash Repairers

In April 1998, the Committee contacted those smash repair operators consulted in October 1997. The Committee asked each operator what impact the QRS had had on their smash repair business in the intervening six months.

Of the five small business operators contacted, there were no reports of reduced throughput or employment levels.

At a meeting with the Committee on the 13th October 1997, Mr Peter Blaas of Blaas Autocraft Pty Ltd stated his opposition to the scheme. On subsequent consultation by the Committee, Mr Blaas confirmed that he remained opposed to the scheme and had only participated in the tendering process in the early stages of the pilot.

Mr Pat Perre, of Perre Bros Smash Repairs, also maintained his opposition to the scheme. Perre Bros Smash Repairs had initially worked with the NRMA tendering system and had withdrawn from the scheme prior to the meeting with the Committee in October 1997.

Six months following this initial consultation, Mr Perre stated that his family business had not returned to the scheme.

Mr Ian Atkins of Rivulet Smash Repairs and Mr Lindsay Player of D.M. Smash Repairs, met with the Committee on the 15th of October, 1997. Mr Atkins stated that the scheme had already had a significant adverse impact on his business resulting in deteriorating employment and investment prospects.

When contacted by the Committee six months after this initial meeting Mr Atkins confirmed that he was not participating in the NRMA scheme.

In April 1998, Mr Player advised that he continued to be registered as a potential tenderer and

stated that he believed that the number of vehicles being administered through the tendering process had declined by approximately 50% since the inception of the scheme. Mr Player stated that the scheme now had little impact on his business and indicated stable business conditions.

Mr Spiro Lozenkovski, owner of Bears Auto Hospital, told the Committee during his initial meeting, that he was optimistic about the scheme and the potential positive impact on the industry as a whole.

Mr Lozenkovski stated that he has adjusted his business strategy to incorporate the QRS tendering system. Although the NRMA scheme has not had a significant impact on his workload, he has been able to employ an extra apprentice and could rely less on his tow trucks to provide business. He confirmed that he is still in favour of the system.

However, it should be noted that the Committee received information stating that the QRS pilot has resulted in smash repairers withholding investment and employment decisions until the future of the QRS pilot is announced.

Industry Organisations

In addition to individual smash repair operators, the Committee met representative groups including the newly formed Illawarra Progressive Smash Repairers Association (IPSRA). IPSRA was supportive of the NRMA scheme and optimistic about its positive impact on the industry and on local businesses.

The IPSRA saw value in their members' ability to tender competitively, especially when their workload was low, in order to maintain steady throughput. Some of IPSRA's members had reported that the introduction of QRS would reduce their dependency on tow truck operators. They favoured the greater transparency of the QRS tendering process and could see no evidence of favouritism under QRS.

The MTA, a peak industry body, met with the Committee on the 15th October, 1997. Representatives of the MTA were very critical of the NRMA's scheme, the basic concept of centralisation of operations and the QRS tendering process. They strongly criticised the method of introduction of the scheme by the NRMA without any prior consultation and/or negotiation with the industry.

In a letter to the Committee dated 9 April, 1998, the MTA stated that it remained implacably opposed to the centralised repair scheme but was continuing its extensive consultation with the NRMA in relation to the development of an alternative repair administration scheme known as "Competitive Partnering".

Regulatory Agencies

Regulatory agencies contacted by the Committee were also concerned about the impact of the QRS on smash repair operators.

In regard to the NRMA's Quality Repair System, the MVRIC, in its 1996-97 Annual Report of the Council states:

"The main concerns of the Motor Vehicle Repair Industry Council (MVRIC) were clearly restricted to the provisions of the Motor Vehicle Repairs Act, which, as far as the QRS is concern, are confined to:

- *ensuring that the Regional Distribution Centre (RDC) in Wollongong is not in breach of the Motor Vehicle Repairs Act, 1980;*
- *monitoring the standard of motor vehicle repair work through the RDC;*
- *ensuring that the apprenticeship system currently in place for both panel beaters and painter tradesmen is not adversely affected by the QRS.*

The above matters are to be closely monitored over the next few months to ensure that MVRIC meets all of its obligations under the legislation."

In a letter to the Committee dated 6 April 1998, Mr Peter Bradford (Chairman of the Motor Vehicle Repair Industry Council) confirmed that the MVRIC had monitored the QRS in the terms outlined above. The letter stated that the MVRIC had found that:

"The monitoring revealed that the so called Regional Distribution Centre in Wollongong was, from information available to me, not in breach of the Motor Vehicle Repair Act, 1980, nor was it in breach of the Trade Practices legislation."

The monitoring process had also found that there had been instances of sub-standard repair work as a result of the QRS pilot but that this had not been in a large scale:

"...some repairs were passing through the system that were not to trade standard. These repairs were rectified through NRMA and were insufficient in number to cause this Council any concern."

The impact on the apprenticeship system for both panel beaters and painter tradesmen in the Illawarra area continues to be a concern to the MVRIC:

"I understand that the intake of both these apprenticeships decreased in the Illawarra region in 1997 and there has been no improvement to these figures in 1998. It is my belief that the smash repair industry in the Illawarra still lacks the confidence to take on apprentices and this will remain unchanged until NRMA's future plans are revealed."

The Tow Truck Industry Council (TTIC) became involved in the QRS initiative at the request of the NRMA to clarify the status of 'drop fees'. The TTIC confirmed that 'drop fees' were illegal and would continue monitoring the situation.

The TTIC was concerned by press speculation that the tow truck industry would be significantly affected by the introduction of the QRS. However, at the time of meeting with the Committee the TTIC had not received any feedback or complaint from the industry and as far as the TTIC was concerned the towing operations in the Illawarra were by and large unchanged as a result of the QRS pilot.

Attempts by the Committee to contact individual tow truck operators who were willing to discuss the impact of the introduction of QRS on their businesses were unsuccessful.

3.3 Qualitative Analysis of the QRS initiative

The first attempt to explain both the positive and negative features of the QRS initiative was made in a press report in the Daily Telegraph article titled "Smash fixers gang up". This article is reproduced in this report as Appendix 5e.

The Committee has also received submissions from the NRMA and MTA and anecdotal evidence and opinion from one association, the IPSRA and 5 smash repair operators from the Illawarra region.

The Committee also received a summary of the arguments for and against the QRS initiative in the report of the Consultant to the Committee.

Based on this spectrum of information the Committee has viewed the QRS initiative on the basis of the following headings.

Competition

The NRMA believe the tendering system will increase competition.

Opponents of the scheme point out that the tendering system puts larger more highly capitalised repairers at a disadvantage and if this segment of the industry is not involved or becomes unviable then long term the competition will decrease rather than increase

Insurance Payments

The NRMA believe competitive tendering will reduce insurance payouts for repairs and will be the catalyst for improving the efficiency and cost effectiveness of smash repairers.

The MTA and other opponents of the initiative maintain that any decrease in payouts will be directly linked to a commensurate decrease in quality of repairs and the policy holder will be disadvantaged.

Insurance Premiums

The NRMA have confirmed that any improvement in claim costs will facilitate a containment or reduction in insurance premiums to policyholders. The NRMA have already demonstrated their commitment by announcing and paying a 5% premium rebate to all policyholders in the

Illawarra in May 1997.

Quality of Repairs

The NRMA believe that the monitoring of completed repairs by inspectors and the guarantee of repair quality for the life of the vehicle will improve the quality of repairs.

Opponents of the initiative point out that repairers who have invested in sophisticated equipment which would contribute to the improvement of repair quality will be disadvantaged by the tendering system, where newer and less capitalised businesses will be able to supply lower quotes.

Effects on Costs

The NRMA point out that the QRS initiative will make smash repairers less reliant on tow truck referrals and inducements such as courtesy cars. This would lead to large cost reductions relating to inducements such as 'drop fees', waivers of excess and vehicle overheads associated with tow trucks and courtesy cars. This is confirmed by representatives from IPSRA.

The MTA and other smash repairers, who continue to boycott the QRS, point out that it is smash repairers who are absorbing the additional cost of tendering. Many repairers were dissatisfied with their initial experiences of success rates of less than 10%. The MTA highlighted that the centralised operations of the RDC represents significant overhead costs to the QRS as do vehicle transfers between the RDC and the successful smash repairer.

Customer Service

The NRMA maintain one of the key features of this initiative is the provision to its policyholders of a higher and proactive standard of service. Claimants receive an essentially hassle free management of their smash repair and a written guarantee of quality supported by both the repairer and the NRMA.

The MTA and other opponents of the scheme point out that the customer service actually declines. The RDC operations introduce a consistent 4-5 day delay to provide for the scoping tendering of the work and the transfer of the vehicle.

In addition, valued services such as courtesy cars would be the first items eliminated. The rapport and mutual trust which is established between the repairer and customer disappears.

Opponents of the scheme maintain that it is the smash repairer who carries the responsibility for the guarantee of the vehicle repairs, and the NRMA's written guarantee will do little to change the existing obligations to the end customer.

Specialisation

The NRMA believes that the QRS system would introduce the opportunity for repairers to become highly efficient and specialised in some niche sectors of repairs. This belief led to the utilisation of specialisation codes in the description of the Scope of Works.

This sentiment was not shared by any of the repairers interviewed and some expressed either concern or relief at the low volume of smash repairs being put through the QRS tendering process in early 1998.

Opportunities for New and Small Repairers

The NRMA certainly would encourage additional smash repairers to the ranks of those tendering for QRS repairs. The extent of the initial opposition together with drop out by some repairers early in the pilot has left the programme operating with the support of only one of the 'large' repairers and a good number of 'second tier' repairers employing between 5 and 14 tradesmen.

MTA and opponents of the initiative all maintain that the tendering system allows new entrants to set up businesses with low capitalisation. This allows inexperienced repairers and those with low overheads to have the best opportunity to tender at low prices, thereby filling their shop capacity without the outlay on marketing and business development previously required.

The IPSRA representing a group of repairers co-operating with the QRS certainly fit the description of second tier in terms of number of employees. It is significant that while this group is co-operating and consulting with the NRMA on enhancing QRS effectiveness, none of IPSRA's members is in favour of 100% QRS processing. They are all totally committed to the policy owner retaining the right to repairer of choice.

Reform

The NRMA undertook this initiative with the objective of introducing some reform into a repair industry whose costs were continuing to escalate. This catalyst for reform was welcomed by some operators such as IPSRA and recognised as necessary by others such as the MTA and Mr Blaas. However, the MTA and Mr Blaas totally rejected the direction of this reform and have sustained an extended campaign in opposition to its key features.

The NRMA has certainly noted the extent of opposition and has shelved plans to extend the QRS to Sydney, Newcastle and Canberra. The NRMA has, however, continued to explore opportunities to improve service and cost outcomes for its policyholders and have announced another pilot programme titled 'Competitive Partnering'.

'Competitive Partnering' is being trialed for a 3 month period after extensive consultation. It has the support of the MTA and 53 smash repairers who have successfully joined the competitive partnering pilot.

3.4 Adaptive Changes to the QRS Pilot Programme

During the 12 months immediately following announcement of the QRS Pilot program commencing in February 1997 the NRMA found it was necessary to make significant changes to the scheme. These changes were made in response to criticism of its introduction and the process which the NRMA initially adopted.

Changes in Communication with Stakeholders

The Committee was advised the original thrust of press releases, formal advice to repairers and the script used by NRMA officers providing help line services to policyholders all focussed exclusively on the processing of vehicle insurance claim through the QRS.

It was only after strong opposition from smash repairs and some letters of complaint from policyholders that the NRMA rediscovered its commitment to providing its customers with the option to select a preferred repairer.

Their press release on 21 March, 1997 (refer Appendix 3d) reaffirmed to customers and repairers that policyholders retained the right to have their claims handled by traditional procedures and NRMA representatives confirmed that the help line scripts were amended to ensure this option was conveyed consistently.

Administrative/Technical Refinements

When the system was announced the NRMA based its technical decision on which repairers could be considered for tendering on any particular job on several broadly defined specialisation codes.

Repairers, particularly those with sophisticated expensive equipment were fearful that this broad classification made their tender prices vulnerable to being undercut by those repairers with older less capital intensive equipment, which would not necessarily complete the repair as effectively.

The NRMA in consultation with repairers improved on the scope, accuracy and range of specialisation codes to ensure where the quality of repair required sophisticated equipment this could be specified in the tender and Scope of Works documentation. This was announced by the NRMA in a press release on 21 March 1997 (refer Appendix 3d).

It is understood this process of reviewing specialisation codes has continued since March 1997 with further refinements being under discussion with the QRS Project team in the early months of 1998.

Developing Flexibility

While the QRS process was relatively timely and efficient for vehicle repairs when the car was not driveable it soon became clear that improvements were possible and most appropriate when the car was still driveable and urgently needed by the owner.

Flexible features were introduced to accommodate these circumstances. One such feature was titled "Short Tendering" when the owner was unable to leave the vehicle at the RDC for three days to facilitate the normal period of inspection/tendering. Another feature titled 'Delayed Start' allowed the owners to nominate a short period of delay to the commencement of repairs to better fit in their schedules.

In such cases, if this delay was substantial, the successful repairer retained the right to decline the

repair if his business volume had increased in the interim and he could no longer meet the completion date requirement.

The option of customer pick up and delivery of vehicles to the nominated smash repair facility rather than the RDC at Unanderra was also introduced.

These changes were eminently sensible for the development of goodwill and improving customer service and were highlighted as positive outcomes in briefings by the NRMA and the IPSRA.

Progressive Clarification of Tendering Process

Initial reaction by smash repairers to the system of tendering, without any dismantling of the vehicle, was highly critical because they felt that repairers would be held responsible for hidden damage and could not alter their tender price if unknown problems emerged.

The IPSRA highlighted the process of clarification undertaken by the NRMA to provide successful tenders with advice and appropriate authorisation where they found legitimate reasons for essential variations to the Scope of Works or hidden damage not specified in the scope.

This insight proved quite valuable to those repairers who co-operated and continued dialogue with the QRS management. Other repairers who chose to boycott the tendering opportunity did not appear to be aware of this enhancement or did not consider it as particularly important.

Cultural Change for Assessors.

Relationships between smash repairs and NRMA assessors were historically abrasive because of the audit/compliance role the assessors fulfilled under the traditional procedures.

The introduction of QRS still meant that assessors made the final quality control inspections of repaired vehicles but removed the friction about debating of quoted prices and methods of repair.

The NRMA in its briefing to the Committee noted the change for their organisation to convert its assessors into quality control consultants to the smash repairs, not their adversaries.

Consultative Process

The NRMA initially announced the introduction of the QRS pilot scheme with very limited consultation of either industry bodies or individual smash repair business. This lack of prior consultation dominated the criticism levelled at the process of introduction by the MTA and many smash repairers who publicly opposed the initiative.

The need for formal and public consultation was not acknowledged by the NRMA, until the pilot was well advanced. This process was announced in June 1997 and reported in the September/October 1997 issue of Open Road. (Refer Appendix 4a)

In this issue of the Open Road, the NRMA confirmed that it was undertaking formal consultation with representatives from the MTA and the IPSRA.

The Committee considers that consultation by the NRMA management could have accelerated the adoption of changes to the QRS pilot.

Further, the Committee believes that if changes had been implemented earlier in the process they may well have averted the adverse reaction that the QRS pilot received from local smash repairers.

It was indicated to the Committee that, despite insufficient consultation during the implementation stages of the QRS pilot, NRMA officers at the RDC are maintaining consistent communication with smash repairers involved in the scheme.

3.5 Concluding Comments

In February 1997, the NRMA launched a pilot to improve efficiencies in processing smash repairs. The pilot, called the Quality Repair System, was restricted to the Illawarra region.

The NRMA had identified the rising costs of repairs as a major factor in the escalation of insurance premiums.

The objective of the trial was to contain the levels of insurance premiums while providing a superior level of customer service and improving repair quality.

The NRMA was targeting improved efficiency and cost effectiveness within the smash repair industry as a necessary reform to achieve this objective.

The Committee agrees that the cost of vehicle insurance has the potential to become prohibitive for insurers and consumers alike.

Vehement opposition to the proposal has been publicised by industry bodies representing smash repairers, tow truck operators, NRMA policyholders and by candidates in the recent NRMA Board elections.

The main reasons expressed by smash repairers for opposing the QRS have arisen from:

- the vehicle owner's loss of control over choice of repairer;
- the smash repairer's loss of control over the work flow of their business;
- the business owner's inability to exploit or retain any established good will;
- concerns that the tendering process favours operators with low capitalisation.

The Committee believes that the issues raised by smash repairers who oppose the QRS pilot are integral to the long-term success of the scheme. Without the successful resolution of these issues the NRMA will be hard pressed to convince smash repair businesses throughout NSW of the benefits of the QRS.

The fact that the introduction of the NRMA's QRS was intended to have a significant impact upon the smash repair industry should have necessitated thorough industry consultation and negotiation prior to the implementation of the QRS.

In June 1997, the NRMA moved to improve the level of consultation with the repair industry about the operation of the QRS. Two consultative committees were established - one with the MTA and the other with the IPSRA.

The Committee recognises that changes have been adopted by the NRMA pilot management team as part of the evolution of the QRS. It should be noted, however, that these changes occurred later rather than sooner and smash repairers may remain unaware of the increased flexibility of the current arrangements.

Two regulatory agencies, the Motor Vehicle Repair Industry Council and the Tow Truck Industry Council, have each reviewed aspects of the pilot programme. Both reported that there was no evidence of breach of any legislation.

Chapter 4: Towards a Conclusion

In February 1998 the NRMA issued a press release informing the community of a pilot programme in the northern beaches area of Sydney. This programme was subsequently called "Competitive Partnering". The press release emphasised that there had been consultation and agreement with the Motor Traders Association. A copy of the press release is attached as Appendix 7a.

The Committee was briefed by the NRMA on the introduction and operation of the pilot on 11 March 1998. The NRMA confirmed that a majority of eligible repairers (51 out of 80) had applied to participate in the pilot.

Competitive Partnering

Introduced for similar reasons to the NRMA's Quality Repair System, the Competitive Partnering pilot aims to reduce claims costs, raise repair quality and take the guesswork out of repairs for NRMA policyholders.

The Competitive Partnering pilot, however, differs from the QRS pilot in a number of key areas.

Foremost among these differences, are changes to the method of consultation and negotiation with the NRMA admitting that:

*"the best way to achieve these outcomes is to work with the repair industry for the benefit of our mutual customers."*¹⁶

With regard to industry opportunities, the NRMA opted to invite all 80 repairers in the area to apply to become partners in the Competitive Partnering pilot. It should be noted, however, that participating repairers are recommended for repairs according to their suitability for particular jobs.

Factors determining suitability would include the level of technology and skills in their workshop, their commitment to customer service and quality, their pricing policies and turn-around times.

The NRMA believes that the Competitive Partnering pilot will deliver a number of benefits to repairers including referral of new business and reduction of costs including marketing and tow truck expenses.

The NRMA will also provide information to repairers regarding the level of equipment and staff necessary to complete various levels of work. Repairers are then able to specialise and cater for

¹⁶ NRMA: *Competitive Partnering: Questions and Answers*. Briefing Paper presented to the Members of the NRMA Sub-committee, March 1998.

particular types of work.

The introduction of the Competitive Partnering pilot demonstrated a change in the NRMA's attitude to smash repairers. This change resulted in a relationship of cooperation and allowed the following improvements to customer service:

- the ability for repairers to commence vehicle repairs immediately;
- a change in the role of NRMA assessors to one of intermediate inspection, advice and feedback on the approach taken on the repair; and
- ultimate replacement of the NRMA assessors inspection by the repairers own inspection and certification of completion to the NRMA's quality standard.

From the perspective of NRMA policyholders, the Competitive Partnering pilot provides the policyholders with a 2 stage choice of repairer:

1. The policyholder can nominate their repairer of choice and manage the claim.
2. The NRMA provides a choice of 3 partnered repairers and the policyholder is asked to nominate their preference. The NRMA's nomination of the 3 partnered repairers is based on the make and model of the vehicle to be repaired, the area where the customer wants the vehicle to be repaired and the repairer's capabilities and competitiveness.

The NRMA nominated at the outset that the pilot is expected to run for three months to allow the project management team to determine whether the model works as expected. If the pilot is successful, it is expected to be progressively introduced in all metropolitan areas of NSW and the ACT.

An outline of the Process Flow of Competitive Partnering Pilot is attached as Appendix 7b.

Summary

Opposition to the QRS has led the NRMA to put on hold any expansion of the scheme. In exploring alternatives the NRMA have developed another pilot programme - 'Competitive Partnering'.

In the implementation of the 'Competitive Partnering' pilot, the NRMA has demonstrated that it has learnt from the experiences with the QRS.

The philosophy behind Competitive Partnering and the method of introduction demonstrated considerable improvements on the previous controversial attempt with QRS.

At this preliminary stage, smash repairer feedback to the Competitive Partnering pilot seems to be positive.

The Committee does, however, reserve the option of evaluating and monitoring the industry reaction to the Competitive Partnering pilot at a future date.

Press releases and briefings confirmed that the futures of the QRS and Competitive Partnering pilots were under continuous monitoring and that no final decision had been taken by the NRMA Board.

The NRMA Board has advised, however, that the Committee will be informed as soon as any formal decision is taken on the future of the pilots.

The Committee is of the opinion that a final decision should be made by the NRMA Board on the future of the QRS pilot and announced as soon as possible so that smash repair businesses can be allowed to revert to trading in an environment of relative certainty.

Proceedings of the Committee

The Proceedings of the Committee for the Report on the NRMA's Quality Repair System include minutes of all meetings.

The minutes of the Committee meetings 1-9 follow.

Minutes of Meeting No.1 - Tuesday 4 February 1997 at 9.30 am

1. Members Present

Mr Richard Jones, Mr Mark Kersten, Ms Reba Meagher, Mr Edward Obeid (Chairman), Mr Joe Schipp, Mr Joe Tripodi, Mr John Watkins, Mr Tony Windsor.

2. Apologise

Mr J Hunter

3. Establishment of the Joint Standing Committee upon Small Business

The Clerk-Assistant (Committees) opened the meeting and referred to the establishment of the Committee pursuant to the resolution of both Houses, as recorded in the Votes and Proceedings of the 27 November 1996 and the Minutes of Proceedings of 5 December 1996 which had been previously circulated.

The members of the Committee, as advised in writing to the Clerk by Mr Jeffery, Mr Hartcher, Mr Whelan and Mr Egan are: Mr Jones, Mr Hunter, Mr Kersten, Ms Meagher, Mr Obeid, Mr Schipp, Mr Tripodi, Mr Watkins and Mr Windsor.

4. Appointment of Chairman

The Clerk-Assistant (Committees) called for nominations for the office of Chairman.

The Committee *resolved* on the motion of Mr Watkins, seconded by Mr Tripodi, that Mr Obeid be elected Chairman of the Committee.

Mr Obeid took the Chair and addressed the Committee.

The Committee *resolved* on the motion of Mr Watkins, seconded by Mr Tripodi, that the standard procedural motions, as previously circulated (appended below) be agreed to.

5. Future Inquiries

The Committee agreed to discuss directions that the Committee might take at the next meeting.

The Clerk undertook to circulate calendars to ascertain the most convenient dates for the next meeting and following meetings.

6. Next Meeting

To be advised.

The Committee adjourned at 9.50am.

Minutes of Meeting No. 2 - Tuesday 26 February 1997 at 12.45 pm

1. Members present

Mr Richard Jones, Mr Mark Kersten, Ms Reba Meagher, Mr Edward Obeid (Chairman), Mr Joe Schipp, Mr Joe Tripodi, Mr John Watkins, Mr Tony Windsor.

2. Apologies

Mr J Hunter

3. Confirmation of Minutes

The Committee adopted the minutes of the meeting held 4 February 1997 on the motion of Mr Tripodi, seconded Mr Watkins.

4. Appointment of Consultant

The Chairman outlined the need for expert advice to assist the Committee find its bearings and identify options for action to assist small business in New South Wales. The Committee needed to be aware of work already being done, and existing organisations or bodies assisting small business.

The Committee *resolved* on the motion of Ms Meagher, seconded Mr Windsor, that Mr Emanuel Klein, whose curriculum vitae had previously been circulated, be appointed on a short-term basis as a consultant to:

- (a) To provide advice and report to the Committee on the range and functions of government and non-government organisations concerned with small business in New South Wales, including the various areas of focus and range of services provided;
- (b) To assist the Committee understand the existing framework of small business regulatory and advisory agencies;

in order that the Committee can identify the jurisdictional relationships and prioritise issues before determining its objectives or formulating a particular strategy for action.

The Clerk to the Committee would approach the Clerk to arrange a standard contract.

5. Next Meeting

To be advised.

The Committee adjourned at 1.00pm.

Minutes of Meeting No. 3 - Tuesday 22 April, 1997 at 6.00 pm

1. Members Present

Mr Richard Jones, Mr Mark Kersten, Ms Reba Meagher, Mr Edward Obeid (Chairman), Mr Joe Schipp, Mr Joe Tripodi, Mr John Watkins, Mr Tony Windsor.

2. In Attendance

Mr Emanuel Klein (Consultant to the Committee); Ms Louise Pallier (Assistant Committee Officer)

3. Minutes

Minutes of the meeting held on 26 February 1997, were adopted, on the motion of Ms Meagher, seconded by Mr Windsor.

4. Consultant's Report

The Chairman spoke to the consultant's report as previously circulated and highlighted two issues of particular interest on which he sought the Committee's views:

- (i) a definition of small business that would suit the Committee
- (ii) a topic of inquiry for the Committee

The Chairman advised that he hoped that the Committee's recommendations would be tangible, achievable and would make a difference.

5. Definition of Small Business

The Chairman invited Mr Klein to brief the Committee and Mr Klein spoke to Chapter 1: "definition of small business".

The Committee deliberated and agreed in principle to adopt the definition of small business in the Bedall Report as noted on p11 of the consultant's report:

"Small business can be defined by two basic characteristics:

1. *Managerial Characteristics:*
 - *they are independently owned and operated*
 - *they are closely controlled by owner/managers who also contribute most, if not all, operating capital; and*
 - *the principal decision making function rests with the owner/manager.*
2. *Size component:*
 - *any size component should only serve as a functional addition to classification, rather than being of primary importance.*

Thus the definition of “small business” with which the committee is concerned is based not on a criteria of size, but on businesses which are independently owned and operated, closely controlled by owner/managers who contribute most, if not all, operating capital and who are the principal decision makers.

6. Possible inquiries

The Chairman sought Committee members’ views as to topics of interest that the Committee might consider for an inquiry. The Committee deliberated.

In summarising main areas of interest, the Chairman suggested that the members consider the issues listed on pages 69-70 of the report. Of these, the Committee was in consensus that the issues of advocacy on behalf of business, and “access through a one-stop operation” would be useful areas of inquiry.

The Committee considered chapter 4 of the Report “the relationship between Government and small business”. Debate ensued.

The Committee *resolved* on the motion of Ms Meagher, seconded by Mr Windsor that:

- (1) the Committee note the list of issues raised at the Small Business Forum on p69-70 and that relevant points of priority be further discussed by the Committee in future;
- (2) the Chairman draft an outline for development of an effective one-stop shop;
- (3) the Committee be briefed by departmental staff on what is currently being done.

7. Staffing

The Clerk to the Committee briefed the Committee on staffing arrangements and advised that an advertisement would be placed for a Director (position equivalent Project Officer Grade 9-10), to be augmented if necessary by a seconded officer from a department or relevant agency.

8. Next Meeting

To be advised.

The Committee adjourned at 7.50pm.

Minutes of Meeting No. 4 - Thursday 26 June 1997 at 1.00 pm

1. Members present:

Mr Richard Jones, Mr Mark Kersten, Ms Reba Meagher, Mr Edward Obeid (Chairman), Mr Joe Schipp, Mr Joe Tripodi, Mr John Watkins, Mr Tony Windsor.

2. Apologies

Mr J Hunter, Mr T Windsor

3. Confirmation of Minutes

The minutes of the meeting held 22 April 1997 were adopted on the motion of Mr Schipp, seconded Mr Jones.

4. Business Arising

The Committee agreed that it would be useful to receive a briefing from Mr Warwick Watkins regarding the Department of State and Regional Development's work on a one-stop shop to assist the Committee's deliberations.

5. Correspondence Received

The Committee noted correspondence received from the Hon. Secretary of the Northern Tablelands SEC (ALP).

The Committee agreed that the Clerk should thank them for their interest and advise that the Committee's agenda is not in place yet but if it does travel to that region the Committee will advise the SEC.

6. Appointment of Director

The Clerk briefed the Committee on recruitment action to fill the position of Director. The Clerk advised that the Chairman had met with the recommended applicant Ms Susan Hocking and concurred with the Selection Panel's recommendation. The Committee agreed that, subject to satisfactory references, Ms Hocking be appointed as Director of the Committee.

The Committee discussed areas of interest and agreed that it should receive an initial briefing from Mr Warwick Watkins.

The Committee should also meet informally with the peak interest groups and receive a briefing from them.

The Committee deliberated and agreed that as a priority it should also get a briefing from the Department of Fair Trading and the Treasurer on current issues in:

- (1) franchising
- (2) fraud in small business
- (3) retail tenancies.

7. Next Meeting

To be advised.

Meeting adjourned at 1.08pm

Minutes of Meeting No. 5 - Thursday 24 July 1997 at 10.00 am

1. Member Present

Mr Jeff Hunter, Mr Richard Jones, Mr Mark Kersten, Ms Reba Meagher, Mr Edward Obeid

(Chairman), Mr Joe Tripodi, Mr John Watkins, Mr Tony Windsor.

2. Apologies

Mr Joe Schipp

3. In Attendance

Mr Klein (Consultant), Mr Russell Keith, Ms Hilary Parker (Assistant Committee Officer), Mr Michael Ward, Ms Sandra Plumb (Olsy), Mr Warwick Watkins (Acting Director, State and Regional Development), Ms Janine Ricketts (Director, Business Programs)

4. Confirmation of Minutes

Minutes of the meeting held 26 June 1997 as circulated, adopted, on the motion of Mr Watkins, seconded by Ms Meagher.

5. Staffing

The Clerk advised the Committee that Ms Susan Hocking had failed to take up the position of Director previously accepted.

The Secretariat is to circulate Mr Cepak's curriculum vitae, if the Chairman concurs, having met with Mr Cepak.

6. One Stop Shop

The Chairman welcomed representatives of Olsy, Olivetti Solutions, who had been invited to brief the Committee. Mr Michael Ward, Manager, Strategic Accounts, Olsy, briefed the Committee on the concept of a relational database to assist small business, eg through a small business advisory centre.

Mr Warwick Watkins, Acting Director, Department of State and Regional Development, briefed the committee on the strategic focus of the Department, and the role of the department in the provision of information.

The Departments of State and Regional Development and Fair Trading will provide the Committee with a 'scope' document setting out what is being implemented and planned in terms of on-line government information, including small business, eg, the "Connect NSW" strategy.

Information number 13 1145 is a first-stage business info-line that is currently available.

The Department of Fair Trading 'BLIS' (Business Licensing System) is going some way to being an on-line system that would be useful to small businesses in New South Wales.

Mr John Leek, Public Works and Services Department, would be able to brief the Committee on the total government blue-print for the "Connect NSW" strategy. He would also be able to brief the Committee on developments in New Brunswick, Canada, in putting government information

on-line.

An important role for the Committee would be to recommend to government what type of information small business would find useful to be on the government on-line service.

7. Business Arising

Issues for consideration. A list of issues was circulated and the Chairman spoke to the topics. The Committee deliberated.

It was decided that issue specific Sub-committees be created with the intention of reporting back to the Committee as a whole.

8. Next Meeting

To be advised.

Meeting adjourned at 12.07 pm.

Minutes of Meeting No.6 - Thursday 23 October 1997 at 4.00 pm.

1. Members Present

Mr Jeff Hunter, Mr Richard Jones, Mr Mark Kersten, Ms Reba Meagher, Mr Edward Obeid (Chairman), Mr Joe Schipp, Mr Joe Tripodi, Mr John Watkins, Mr Tony Windsor.

2. In Attendance

Mr Cepak (Director), Mr Denney (Research Officer), Mr Klein (Consultant), Ms Miller (Clerk), Ms Parker (Assistant Committee Officer)

3. Proposed overseas travel

The Chairman discussed the benefits of the Committee sending a delegation overseas to inspect and gather information on small business programs run by other countries.

Mr Klein noted that Singapore, Malaysia, Italy, the USA and Canada would prove beneficial to visit as all these countries have either implemented or are in the process of implementing "One Stop Shop" programs for small business.

Resolved on the motion of Mr Jones, seconded Mr Windsor, That a delegation of the Committee consisting of the Chairman, a non-government member and the Director undertake a study tour predominantly to Asia, North America and Europe in relation to the "one stop shop" concept under inquiry.

Mr Windsor was nominated as the non-government representative.

4. Next Meeting

To be advised.

Meeting adjourned at 4.10pm.

Minutes of Meeting No. 7 - Tuesday 18th November 1997 at 6.00 pm

1. Members Present

Mr Richard Jones, Mr Mark Kersten, Ms Reba Meagher, Mr Edward Obeid (Chairman), Mr Joe Schipp, Mr Joe Tripodi, Mr John Watkins, Mr Tony Windsor.

2. Apologise

Mr J Hunter MP

3. In Attendance

Mr Cepak (Director), Mr Denney (Research Officer), Ms Miller (Clerk), Ms Parker (Assistant Committee Officer)

4. Confirmation of Minutes

Minutes of the meetings held 23 September 1997 and 23 October 1997 were adopted on the motion of Mr Schipp and seconded by Ms Meagher.

5. Progress Report

The Chairman referred to the papers circulated that afternoon by the Secretariat and suggested that members defer discussion until they had a chance to read the progress report.

Ms Meagher queried the need for a greater spread of evidence in the franchising inquiry. The Director reported on action being taken in this regard, as noted on page 11 of the papers.

The Committee *resolved*, on the motion of Mr Windsor, seconded by Mr Kirsten, that the Committee defer consideration of the progress report until the next meeting of the Committee.

6. Overseas Study Tour

The Chairman advised that the Study Tour would take place in February 1998. The delegation would be seeking information on retail tenancies, franchising and security of payments. The Chairman noted information received from NB-Tel, a Canadian telecommunications company.

7. General Business

Mr Schipp raised a concern that the Committee's areas of inquiry might overlap with other committees or portfolio responsibilities, or might be preempted by Government action. Discussion ensued.

8. Next Meeting

Wednesday 26 November 1997 at 5pm.

The Committee adjourned at 6.40pm.

Minutes of Meeting No. 8 - Wednesday 26 November 1997 at 5.00 pm

1. Member Present

Mr Richard Jones, Mr Mark Kersten, Ms Reba Meagher, Mr Edward Obeid (Chairman), Mr Joe Tripodi, Mr John Watkins, Mr Tony Windsor.

2. Apologies

Mr Schipp

3. In Attendance

Mr G Cepak (Director), Mr C Denney (Research Officer).

4. Confirmation of Minutes

The Committee *resolved* on the motion of Mr Tripodi, seconded Mr Kersten, That the minutes of the meeting held on 18 November 1997 be adopted by the Committee.

5. Progress Report

The Chairman addressed each sub-committee inquiry summary in the Progress Report, as previously circulated.

NRMA Pilot Scheme

The Committee *resolved* on the motion of Mr Windsor, seconded Mr Kirsten, to await advice from the new Board regarding their intentions with the pilot scheme before proceeding further.

Building Security of Payments

The Chairman drew attention to the bill recently introduced into the Assembly (the Contract Debts amendment Bill 1997) and reported on the industry stakeholders' representations made to the sub-committee, and the Round table discussion held on 24 November.

Discussion ensued.

Committee discussion of the Progress Report was adjourned.

6. Briefing to the Committee by NBTEL Representatives

The Chairman welcomed Mr Rick LeBlanc (Director Government On-Line) and Mr Mark Mackaman, NBTEL, who had been invited to attend and brief the Committee on the one-shop-stop concept.

The Committee questions Mr LeBlanc and Mr Mackaman. Questions concluded and the gentlemen withdrew.

7. Progress Report Continued

The Chairman addressed the remaining sub-committee inquiry summaries in the Progress Report.

Franchising Sub-committee

The Director briefed the Committee on the issues raised in discussions with interest groups, and the effect of federal jurisdiction. Further information was being sought from actual franchisees and individuals involved in franchising.

The Committee agreed to seek to obtain an overall view of the problem.

Shopping Centres and Retail Leasing

The Chairman outlined issues and findings arising from discussions held on site and briefings to date. He advised that the Treasury and Parliamentary Secretary Ms Nori were currently holding discussions with the Property Council.

The next Ministerial Council to be held in December would discuss more leasing issues eg leasing security, market rent changes

One-Stop Centres

The Chairman advised that the study tour would be seeking information on this topic.

8. Next Meeting

To be advised.

The Committee adjourned at 7.10pm.

Minutes of Meeting No.9 - Thursday 7 May 1998 at 4.00 pm

1. Members present:

Mr Jeff Hunter, Mr Richard Jones, Mr Mark Kersten, Ms Reba Meagher, Mr Edward Obeid (Chairman), Mr Joe Schipp, Mr Joe Tripodi, Mr John Watkins, Mr Tony Windsor.

2. In Attendance:

Mr G Cepak (Director), Mr C Denney (Research Officer), Ms S Want (Research Officer)

3. Confirmation of Minutes

Resolved on the motion of Mr Windsor and seconded by Ms Meagher that the minutes of the meeting held 26 November, 1997 be adopted by the Committee.

4. Overseas Study Tour

The Chairman advised that the study tour, which was to have taken place in February 1998, is still on the Committee's agenda. The Committee will consider arrangements for the study tour at a later date.

3. Consideration of Draft Report

The Committee considered the Draft Report.

Resolved on the motion of Mr Tripodi and seconded by Mr Schipp that the Executive Summary, as amended, be adopted.

Carried.

Resolved on the motion of Mr Tripodi and seconded by Mr Schipp that the Findings and Recommendations, as amended, be adopted.

Carried.

Resolved on the motion of Mr Tripodi and seconded by Mr Schipp that Chapters 1 - 4, as amended, be adopted.

Carried.

Resolved on the motion of Mr Tripodi and seconded by Mr Schipp that the draft report, as amended, be the Report of the Committee and that it be signed by the Chairman and presented to both Houses.

Carried.

Resolved on the motion of Mr Tripodi and seconded by Mr Watkins that the Chairman and Director be *permitted to correct any incidental stylistic and typographical errors* that are identified while preparing the Report for printing.

Carried.

Resolved on the motion of Mr Tripodi and seconded by Ms Meagher that the staff and the consultant be thanked for their work on the inquiry.

Carried.

4. Next Meeting

To be advised.

The Committee adjourned at 5.15pm.

Bibliography

ABS Business Register Database, June 1996

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Industry Commission Report No. 43, 1995, *Vehicle and Recreational Marine Craft Repair and Insurance Industries*, AGPS, Canberra

Klein, E: Access International Management, *Briefing and Background Information: NRMA & Panel Beaters*, October 1997.

NRMA: *Annual Reports* 1995; 1996; 1997.

NRMA Submission to the Industry Commission Inquiry into: *Vehicle and Recreational Marine Craft Repair and Insurance Industries*. 26 May 1994. Public Submission No 54.

NRMA: *The Open Road*; February 1991.

NSW Parliament: Motor Vehicle Repairs Act 1980.

NSW Parliament: Tow Truck Act 1989.

List of Tables

- Table 1: Automotive Trade-persons in NSW by Qualification.
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Table 3: Number of Persons Commencing Vehicle Trades Apprenticeship Programs in NSW.

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Figure 2: How does the average NRMA premium compare to the average NSW household expenditure on car insurance?

Abbreviations

ABS	Australian Bureau of Statistics
GIO	Government Insurance Office
GRS	Guaranteed Repair Service
IPSRA	Illawarra Progressive Smash Repairers' Association
MTA	Motor Traders' Association
MVRIC	Motor Vehicle Repair Industry Council
NRMA	National Roads and Motorists Association
NSW	New South Wales
QRS	Quality Repair System
RDC	Repair Distribution Centre
TTIC	Tow Truck Industry Council

Meetings and Briefings

- 13 October, 1997 Field Trip to Illawarra:
- Peter Blaas Autocraft, Woonona
Bears Auto Hospital, Wollongong
NRMA QRS Repair Distribution Centre
Perre Bros Repairs, North Wollongong.
- 15 October, 1997 Briefing at Parliament House by Industry Groups:
- Motor Traders Association (MTA),
Rivulet Smash Repairs,
D.M. Smash Repairs
Illawarra Progressive Smash Repairers Association.
- 11 November, 1997 Briefing by the Tow Truck Industry Council
- 18 November, 1997 Briefing by the NRMA Management Team
- 11 March 1998 Briefing by the NRMA Management Team

The Sub-committee adopted a format of informal briefings where interested parties were interviewed but their evidence was not taken under oath. Witnesses were cautioned at this time that the briefings were not being conducted under parliamentary privilege.

Appendices

- Appendix 1.** Definition of Small Business
- Appendix 2.** Schematic Representation of QRS System (extract from NRMA briefing to the Committee 18 November 1997)
- Appendix 3.** NRMA Press Releases on Quality Repair System
- (a) *Wollongong first site for a new approach to car repairs by NRMA.* January 22, 1997.
 - (b) *NRMA introduces new process for smash repairs.* January 29, 1997.
 - © *NRMA's quality repair system.* February 19, 1997.
 - (d) *Wollongong Consumers the winners in NRMA repair system.* March 21, 1997.
 - (e) *Policyholders benefit from new NRMA repair system.* April 4, 1997.
 - (f) *Quality Repair System to expand.* May 1, 1997.
 - (g) *NRMA statement on Quality Repair System .* May 20, 1997.
 - (h) *Quality repair system delivers insurance premium refund.* May 23, 1997
 - (I) *Policyholders to receive refund cheques this week.* June 17, 1997.
- Appendix 4.** NRMA Published Reports on Quality Repair System
- (a) Open Road September/October 1997 p48
 - (b) 1997 Annual Report p11
- Appendix 5.** Selected press reports on NRMA QRS Pilot in Illawarra
- (a) *NRMA to Control Repairs,* Daily Telegraph, February 3, 1997
 - (b) *The Right to Choose,* The Sydney Morning Herald, February 8, 1997
 - © *Panel Beaters on NRMA Crash Course,* Daily Telegraph, February 19, 1997
 - (d) *Smash Repairers Lay of 20 to 25,* Illawarra Mercury, February 21, 1997
 - (e) *Smash Fixers Gang Up,* Daily Telegraph, February 22, 1997
 - (f) *Tow Truck Drivers Protest,* Daily Telegraph, March 21, 1997
 - (g) *NRMA Board Backs Central Repair Scheme,* The Sydney Morning Herald, May 2, 1997
 - (h) *NRMA to Share \$25 Crash Savings,* Daily Telegraph, May 23, 1997
 - (I) *NRMA Seeks MTA's Advice,* Illawarra Mercury, June 23, 1997
 - (j) *Repairs: NRMA is Right to Keep the Open Doors,* Illawarra Mercury, June 24, 1997
- Appendix 6.** Correspondence with GIO Australia Ltd
- Appendix 7.** Selected reports on NRMA Competitive Partnering Pilot
- (a) *NRMA customers to receive HELP with crash repairs,* NRMA, February 4, 1998 (Press Release)
 - (b) Process Flow of Competitive Partnering Pilot (extract from NRMA briefing to the Committee 18 March 1998)

Definition of Small Business

There are a number of definitions for Small Business.

The Australian Bureau of Statistic's (ABS) definition is the most commonly employed. ABS defines small business as 'private enterprise with less than 20 employees'. However, in the manufacturing sector, because of the large scale of their operation, 'a small business is defined as one with less than 100 employees. In agriculture, because of the volatility of employment, 'a small business is defined as one with an Estimated Value of Agricultural Operations (EVAO) between \$20,000 and \$399,000.

The Australian Tax Office defines a 'small business' as an entity (including self employed individuals) that returns business income of less than \$10 million a year. There were 1,662,188 such entities in the 1992-93 financial year, of which 1,230,830 (74%) were individuals or partnerships.¹⁷

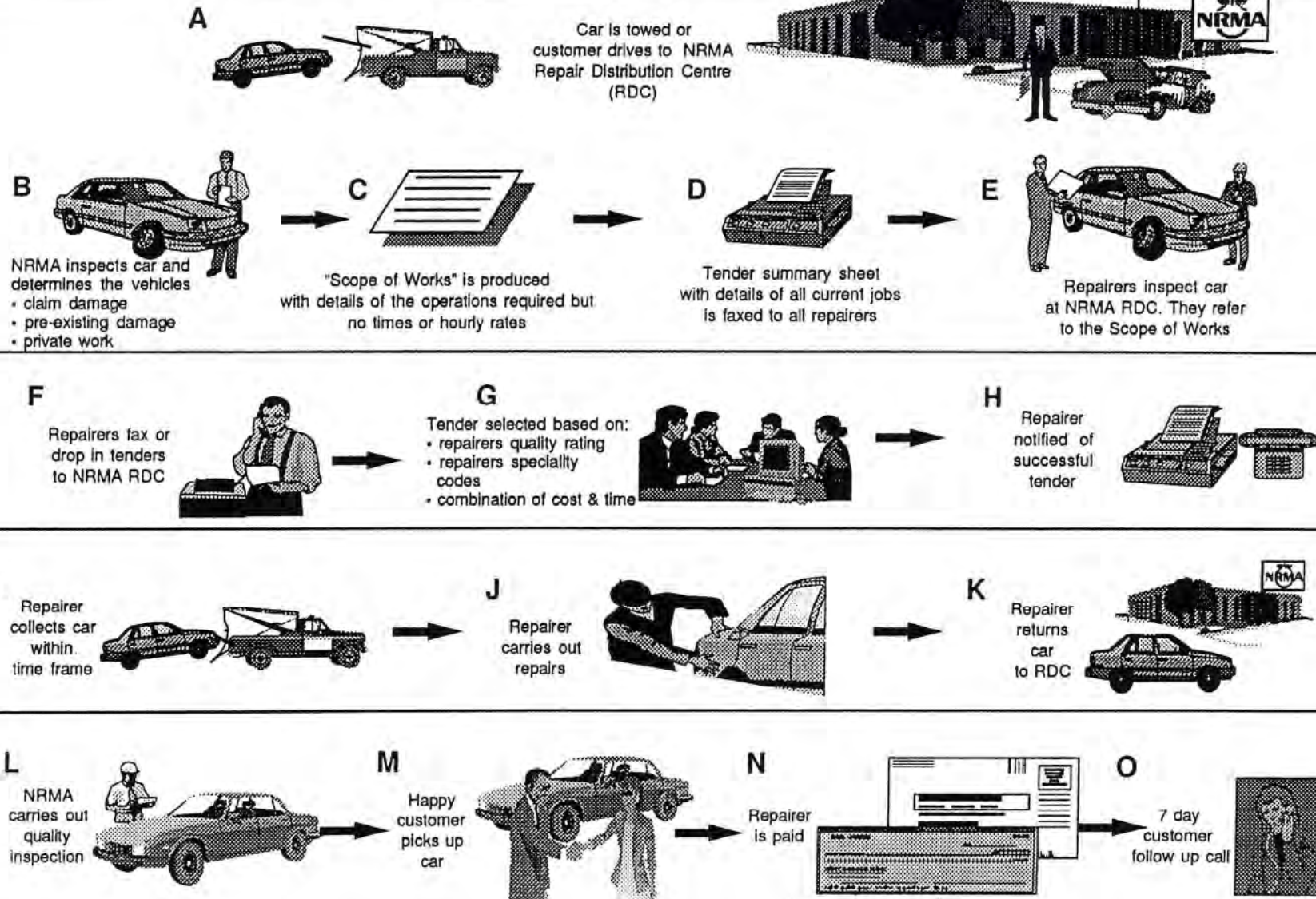
The Federal Department of Industry and the Bureau of Industry Economics tend to follow the ABS definition of small business and to define businesses in the 20-99 employment range as 'medium' size businesses. Collectively these two groups are referred to as 'Small and Medium-sized Enterprises' (SMEs). Those businesses affected by the NRMA's QRS, and the subject of this report, generally fall into this SME category.

¹⁷ *A Question of Balance. The Tax Treatment of Small Business.* Senate Economics Reference Committee, Canberra, 1995.



Collision Repair
Management
Programme

Quality Repair System



Wednesday, January 22, 1997

Wollongong first site for a new approach to car repairs by NRMA

Wollongong has been selected by NRMA as the first site in Australia for a new, more customer-focused approach to the repair of vehicles after an accident.

The new NRMA Quality Repair System (QRS) will be operational in Wollongong from Monday February 3, 1997.

NRMA's Regional Manager for the Wollongong region, Mr Doug Robinson, said the system was developed in response to customer demands for a more convenient, hassle-free service.

"NRMA members and customers now have the option of letting NRMA take care of the entire repair process for them," Mr Robinson said.

Under the Quality Repair System, NRMA has established a special Repair Distribution Centre (RDC) - a central collection point to which damaged vehicles, insured by NRMA, can go after an accident. The Wollongong RDC will be located in Unanderra.

If a car is drivable, a customer can take it to the RDC at a time that suits them. If it has to be towed, it can be taken to the repair centre immediately. NRMA will arrange for a repairer to do the work required and subsequently quality inspect the vehicle to ensure the repairs are of a high standard.

Under the new system, NRMA customers will receive a written Guarantee of the quality of the repairs. NRMA will also contact the customer to see if they are fully satisfied with the repairs.

"The Quality Repair System is primarily about two things: providing our customers with a far superior level of service and ensuring a fairer and more competitive repair system," Mr Robinson said.

"We believe the element of competition that the system will introduce to the NSW repair industry will increase efficiency, contain costs and consequently, help keep premium increases to a minimum."

NRMA conducted extensive customer research on the proposal with Wollongong policyholders. The response from customers was overwhelmingly in favour of the new system, primarily because it was seen to provide additional peace of mind and involve less hassle.

NRMA is the largest car and home insurer in Australia. It has approximately 60 % of the private car insurance market in NSW.



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29 January, 1997

NRMA introduces new process for smash repairs

NRMA Insurance Limited is introducing competitive repair tendering in response to customer demands for a more convenient, hassle-free service and to help create a fairer and more competitive smash repair market.

Wollongong has been selected by NRMA as the first site for the new, more customer-focused approach to the repair of vehicles after an accident.

The new NRMA Quality Repair System (QRS) will be operational in Wollongong from Monday February 3, 1997.

Under the Quality Repair System, NRMA has established a special Repair Distribution Centre (RDC) - a central collection point to which damaged vehicles, insured by NRMA, can go after an accident. The Wollongong RDC will be located in Unanderra.

If a car is drivable, a customer can take it to the RDC at a time that suits them. If it has to be towed, it can be taken to the repair centre immediately. NRMA will arrange for a repairer to do the work required. NRMA will then quality inspect the repairs to ensure they are of a high standard. NRMA will provide a written guarantee of the quality of the repairs to the customer when the repairs have been carried out to the required standard.

NRMA's Manager Claims & Assessing, Mr John Bowman, said the new system would create a level playing field for repairers by giving them access to a much wider range of work.

"In addition, repairers have been telling us that they want less involvement by NRMA in their business. With the Quality Repair System, repairers will have more control - for example, they can choose whatever quoting system they want to use, determine how long a repair will take and determine their own hourly rate.

"Conversely, customers have been telling us they want more insurer involvement in the repair process. The new system will allow NRMA to give customers the additional service they want at no extra cost to the customer."

NRMA conducted customer research on the system with Wollongong and Sydney policyholders. The response was overwhelmingly in favour of the new system, primarily because it was seen to provide additional peace of mind and involve less hassle.



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When a car is brought to the RDC, NRMA estimators will produce a Scope of Works which outlines the repair work required, the minimum repairer quality rating required to tender and any specialisation required.

The repairer quality rating is a score between zero and 20, which will move over time to reflect the quality of work returned to the RDC by each repairer. All Wollongong repairers known to NRMA will initially be awarded a quality rating of 15. Those repairers not known to NRMA can apply to join and will initially be awarded a quality rating of ten points.

Specialisation codes include categories such as prestige vehicles, difficult paint finish and major structural repairs.

Repairers in the Wollongong area will be faxed a list of available jobs twice daily, Monday to Friday. Repairers can then visit the RDC to inspect jobs and obtain a Scope of Works for any job for which they wish to tender.

The winning tender will be chosen based on quality rating, time to repair and cost, with selection an automated process. Successful repairers will be notified by phone and fax.

Processes are in place to deal with variations to the Scope of Works, or to deal with other hidden damage such as rust.

Mr Bowman said they while he could understand repairer concern about the loss of customer base, the new system would in fact give repairers access to a wider clientele.

“The average NRMA customer has an accident once every ten years which does not provide repairers with a steady and guaranteed flow of work. Under the new system, repairers can tender for any work where they meet the quality rating and specialisation code criteria,” Mr Bowman said.

19 February, 1997
 Rel/Ins/qrs2

NRMA's Quality Repair System

NRMA's Quality Repair System, which has been operating in Wollongong for two weeks, has now seen almost 170 customers use the new process.

NRMA's General Manager of General Insurance, Mr Greg Sanderson, said that while it was early days, customer feedback indicated the System was extremely popular with those who had used it.

To date, a total of 169 members have chosen to use the new process while 19 have elected to use their repairer of choice. This means the vast majority of customers - approximately 90% - are choosing to use NRMA's Quality Repair System.

Customers in the Wollongong area now have the option of using the Quality Repair System. Under this process, a customer can take the car to a central Repair Distribution Centre and NRMA will arrange a repairer to do the necessary work, and quality inspect the vehicle on its return. Customers receive NRMA's written guarantee of the quality of the repairs.

The quality check process has been particularly well received by policyholders. About ten cars have had to be sent back to repairers for rectification of repairs.

"The Quality Repair System was developed in response to customer demands for a more hassle-free way of coping with car repairs," Mr Sanderson.

"It has been disappointing that there has been an extraordinary amount of misinformation spread about the new process by elements of the repair industry, particularly in alleging that customers no longer have freedom of choice. This is simply not true.

"NRMA does not apologise for trying to give policyholders a better deal on their insurance premiums. Currently, repair costs in NSW are 30% more expensive than Queensland and 18% more expensive than Victoria.

"Repair costs represent more than 50% of car insurance premiums and are one of the major reasons that premiums have soared in recent years. If we don't do something about it, insurance premiums will simply become unaffordable for many people."

Mr Sanderson said that small to medium sized repairers in Wollongong have been the big winners in the new process. Approximately 33% of work is being won by small repairers, 35% by medium-sized repairers and 32% by large repairers. Before the pilot commenced two weeks ago, the allocation of work was approximately 60% to large repairers, 25% to medium sized and 15% to small.

"Small repairers are showing just how competitive they can be when they are able to quote on jobs they currently don't see. This is particularly true of repairers who don't run tow trucks or won't pay illegal drop fees to tow truck drivers," Mr Sanderson said.

"We do recognise that repairers have a number of issues related to the introduction of the System which need to be addressed, and we are committed to working with the industry to resolve these. We see the trial currently underway in Wollongong as a critical part of the consultative process."



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Wollongong consumers the winners in NRMA repair system

Wollongong consumers continue to be the winners in NRMA Insurance's new Quality Repair System, General Manager of General Insurance, Mr Greg Sanderson, said today.

Mr Sanderson was responding to a planned protest by some smash repairers in Wollongong today.

He said the majority of policyholders are continuing to choose the Quality Repair System, which involves NRMA organising the repairs for them, using a tendering system.

"The continued success of the System shows that most consumers do not want to have to deal with the hassles involved with the repair of their car after an accident," Mr Sanderson said.

"Comments which have been made by customers in recent weeks include: 'Keep up the good work - you are on a winner'; 'System excellent. I appreciated the hassle free assistance and speedy results'; 'I would recommend NRMA's service to anyone'.

"Of course for consumers who have a preferred repairer, they can continue to deal with this repairer direct."

Mr Sanderson said that following consultation with Wollongong repairers in recent weeks, a number of changes to the System had been made. These have included better recognition in the tender process of a repairer's investment in technology and equipment.

"Repair industry suggestions that work is being sent out of the Wollongong region are completely untrue. One of the reasons it has been quiet is that the number of accidents in the Wollongong area has been lower than usual," Mr Sanderson said.

"In the debate about the System, it is important not to forget the beneficiaries - NRMA's 1.4 million policyholders. These policyholders are a silent majority who will benefit from this scheme, primarily because of the potential it provides for reduced premiums.

"NRMA pays out more than \$400 million in repairs every year and repair costs impact directly on premiums. NRMA had little choice but to try a different system in light of statistics which show that smash repair costs in NSW are 30% higher than Queensland and 18% higher than in Victoria," Mr Sanderson said.

ends



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Policyholders benefit from new NRMA repair system

Customers have given overwhelming support to NRMA Insurance's new hassle-free Quality Repair System now being trialed in Wollongong, General Manager of General Insurance, Mr Greg Sanderson, said today.

The majority of policyholders in the Wollongong area who required vehicle damage to be repaired have opted for the new System, which enables them to take their car to a central Repair Distribution Centre.

NRMA will then arrange a repairer to do the necessary work through a tender process. The winning tender will not necessarily be the cheapest, but will be based on price and an assessment of the repairer's capabilities.

NRMA will quality inspect the vehicle on its return. Customers receive NRMA's lifetime written guarantee of the quality of the repairs.

"NRMA does not apologise for trying to give the silent majority in this debate -- our 1.4 million policyholders -- a better deal on their insurance premiums. Currently, repair costs in NSW are 30% more expensive than Queensland and 18% more expensive than Victoria," Mr Sanderson said.

"NRMA pays out more than \$400 million on repairs every year, one of the major reasons why premiums have soared in recent years. If we don't do something about it, insurance premiums will simply become unaffordable for many people. The benefit of this scheme is the potential it provides for reduced premiums.

"The Quality Repair System was also developed in response to customer demands for a more hassle-free way of coping with car repairs. Our statistics show people have an accident on average once in 10 years, so they usually don't have a relationship with a repairer and they have no way of knowing if the job will be done properly.

"NRMA provides them with such good service when they break down, they wanted more help when they had a crash.

"The continued success of the System shows that most consumers do not want to have to deal with the hassles involved with the repair of their car after an accident," Mr Sanderson said.

"Comments which have been made by customers in Wollongong in recent weeks include: 'Keep up the good work - you are on a winner'; 'System excellent. I appreciated the hassle free assistance and speedy results'; 'I would recommend NRMA's service to anyone'."

Mr Sanderson said it was disappointing that there had been an extraordinary amount of misinformation spread about the new process by elements of the repair industry, particularly in alleging that customers no longer have freedom of choice.



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This is simply not true. Customers still have the option of dealing direct with a repairer of their choice if they wish and accept the repairer's warranty.

"Some repairers are showing just how competitive they can be when they are able to quote on jobs that are currently not available to them. This is particularly true of repairers who don't run tow trucks or won't pay illegal drop fees to tow truck drivers," Mr Sanderson said.

He said NRMA regretted the closure of a large smash repair operation in Wollongong, but he did not accept that the Quality Repair System, which had been in operation for only six weeks at the time, could send a healthy business into receivership.

Following consultation with Wollongong repairers in recent weeks, a number of changes to the System had been made. These have included better recognition in the tender process of a repairer's investment in technology and equipment.

Further information is available to NRMA policyholders on 1800 045 517.

ends

Quality Repair System to expand

The Board of NRMA Insurance Limited today unanimously approved the expansion of the Quality Repair System (QRS) to the ACT, Newcastle, the Central Coast and the Sydney metropolitan area.

The QRS was introduced as a pilot program in Wollongong on 3 February 1997, following demands from customers for a better service and to take positive action to contain the rising cost of insurance premiums.

The NRMA's Board also agreed today to offer the repair industry body, the Motor Traders' Association (MTA), a formal consultative process to ensure that industry concerns are addressed during implementation. It is hoped that a consultative committee will be formed to promote cost effective, quality repair services for consumers and the repair industry.

In addition, the Board determined that three key criteria need to be met during the introduction of the QRS. These criteria are enhanced customer service, improved repair quality and lower claims costs.

The introduction of the QRS will take place over 1997 and the first quarter of 1998. Regional sites - Canberra, the Central Coast and Newcastle - will be implemented first, with Canberra at this stage the next location. The Sydney metropolitan area will follow in due course. Selection of locations and the number of sites has not yet been finalised and will depend on a number of factors including the availability of property.

NRMA's General Manager of General Insurance, Mr Greg Sanderson, said the QRS was developed in response to customer demand for a more hassle-free way of coping with car repairs.

"NRMA's statistics show that people have an accident on average once in ten years, so they usually don't have a relationship with a repairer and have no way of judging if a job will be done properly," Mr Sanderson said.

"However, it is important to note that the QRS is an option for policyholders and those who have a preferred repairer can still go to that repairer. NRMA will provide these policyholders with the same level of service that it has in the past."



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Mr Sanderson said that NRMA's internal costs, which are one of the lowest levels in the world, represent only 5% of insurance claims costs, while 95% are external claims costs. The majority of these external costs are paid to repairers.

"The best way to contain upward pressure on insurance premiums is therefore to ensure that repair costs are fair and reasonable," Mr Sanderson said.

Mr Sanderson said NRMA wanted to work closely with repairers during this implementation of the QRS to ensure the best result for both consumers and the repair industry.

The QRS is an option which allows policyholders to take their damaged vehicle to a central distribution centre. NRMA will then arrange for a repairer to do the necessary work through a tender process. The tender is awarded on the basis of a number of factors including price, time to repair and an assessment of the repairer's equipment and capability to do the job.

NRMA conducts a quality check of the vehicle on its return and provides a written lifetime guarantee of repair quality, while the car remains the property of the policyholder.

NRMA is the largest car insurer in Australia with approximately 65% of the NSW and ACT market.

ends

May 20, 1997
re/ins/yards

NRMA statement on Quality Repair System

An article in today's Sydney Morning Herald refers to NRMA's Quality Repair System (QRS).

In relation to the QRS, a spokesperson for NRMA today said:

"The Quality Repair System has been operating in Wollongong since 3 February 1997. In that time there have been variations in the usage rate from week to week, as expected.

Overall, the System is meeting the objectives set by the Board which are the achievement of satisfactory improvements in:

- 1) customer service;
- 2) quality of repairs; and
- 3) cost savings

The QRS was introduced in response to customer demand for an easier, more hassle-free service. In addition, something needed to be done to contain the upward pressure on insurance premiums, which are simply becoming unaffordable for many people. The best way to contain this pressure is to ensure that repair costs, which represent the largest proportion of insurance premiums, are fair and reasonable.

Research with customers in Wollongong who have used the System has indicated that they are extremely satisfied with the service provided by the QRS.

In addition, meaningful cost savings have been achieved.

There is a regular scheduled meeting of the NRMA Insurance Limited Board this Thursday and, in line with usual practice, on all initiatives, the QRS will be discussed at that meeting."

ends



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23 May 1997

rel/ins/assess/premrev

Quality Repair System delivers insurance premium refund

NRMA's Wollongong comprehensive car insurance policyholders will receive a refund cheque of an average \$25 following the success of the Quality Repair System (QRS) in reducing repair costs.

The refund will return more than \$1 million to Wollongong policyholders.

General Manager of General Insurance, Mr Greg Sanderson, said he was pleased to announce a refund of 5% of the past year's premium for all comprehensive car insurance policyholders in the Wollongong area. This represents an average refund of approximately \$25.

Policyholders will receive their refund cheques within two months.

"This action demonstrates that the QRS is delivering the benefits that we anticipated when the System was developed," Mr Sanderson said.

"Our customers have been demanding action to contain car insurance premiums for some time and this prompted the introduction of the Quality Repair System. Now, after four and a half months of operation of the QRS in Wollongong, we are pleased to deliver this tangible benefit to our policyholders."

"The more people who take advantage of the System, the greater the benefits that can be passed back to customers," Mr Sanderson said.

Under the Quality Repair System, damaged vehicles are taken to a centrally located Repair Distribution Centre where the NRMA arranges for a repairer to do the work through a tender process. Tenders are based on a number of factors including the time required to complete the repairs, the cost of the repairs and the capability of the repairer both in terms of quality and equipment.

Every car that goes through the Quality Repair System is thoroughly checked on return by an NRMA assessor and the customer receives NRMA's life-time written guarantee of the quality of the repairs. This guarantee is valid for the life of the car while the customer still owns it.

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"NRMA policyholders have been asking overwhelmingly for a better deal on their insurance premiums and the Quality Repair System is delivering this in Wollongong," Mr Sanderson said.

Policyholders who are covered by the Quality Repair System boundaries will receive the refund cheque. The boundaries are the suburb of Scarborough in the north, Dunmore in the south and the escarpment in the west.

The refund will be available to all NRMA policyholders in this area whose car insurance policies were current on Monday 19 May 1997.

ends

17 June 1997
res/ins/assess/w/gong

Policyholders to receive refund cheques this week

NRMA comprehensive car insurance policyholders in the Illawarra will this week receive refund cheques averaging \$25 following the success of the Quality Repair System in reducing repair costs (QRS).

QRS Manager Mr Graeme Adams announced today that refund cheques will commence delivery today to almost 56,000 NRMA comprehensive car insurance policyholders in the Illawarra region. The cheque represents a 5% refund of the past year's premium.

"This refund represents a \$1 million injection into the Illawarra economy and shows that the QRS has begun to deliver benefits to local policyholders," Mr Adams said.

"Our objectives in establishing the Quality Repair System are to deliver better customer service, better quality repairs, and real cost savings for policyholders. The QRS has so far delivered on all fronts."

The NRMA today also stepped up its efforts to provide more H.E.L.P. for its Illawarra customers by launching a new "Glove Box Guide" to coping with an accident.

The brochure, called "Accident? A Glove Box Guide to H.E.L.P." will be included in the cheque mail-out to all Illawarra policyholders and includes helpful advice on:

- what to do at the accident scene;
- when to call the Police to the scene;
- how to manage towing and smash repairs;
- using the Quality Repair System; and
- how to organise Injury Claims.

"It is understandable that many people do not know what to do in the event of an accident, as our statistics show that the average driver will only have one smash in every ten years." Mr Adams said.

"There can also be a great deal of confusion at accident scenes, with drivers often greatly shaken by their crash having to make decisions on repairs, towing, and even deal with Police and ambulances within the space of minutes.



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"The new guide is designed to be kept in the glove box by our policyholders to give them instant advice on coping with the aftermath of accidents."

Mr Adams also announced that the Illawarra would be the first region in NSW to benefit from NRMA's new Tele-Claim service, which allows car insurance claims to be lodged over the phone.

"Tele-Claim will save our policyholders time and effort in organising their claims," Mr Adams said.

"Instead of filling out and processing forms, our policyholders can now simply call the Tele-Claim service on 131 123 and lodge all of the information over the phone.

"We have chosen the Illawarra to launch this campaign as we see it as a further step in our Quality Repair System process of delivering real benefits to customers." Mr Adams concluded.

#ends#

nrma news continue

Quality Repair System gains strength

NRMA's Quality Repair System, operating as a pilot project in Wollongong, continues to gain acceptance — with approximately 50 per cent of policy holders choosing to use it.

Under the Quality Repair System (QRS), damaged vehicles are taken to a centrally-located Repair Distribution Centre. NRMA then calls for tenders and arranges for a repairer to complete the work. The repairer is selected on the basis of time required to complete the repairs, quality, expertise and cost.

Each policyholder then receives a written lifetime guarantee for the quality of the repairs to the vehicle while he or she owns it.

From February to the end of June more than 1,000 vehicles had been processed through the Repair Distribution Centre. Customer satisfaction surveys show that 99 per cent of policy holders who choose to use the System are either 'satisfied' or 'very satisfied' with the service and quality of repairs.

NRMA's objectives in introducing QRS are to improve the level of service, raise repair quality standards and reduce costs and insurance premiums. Savings generated by the trial project have resulted in comprehensive car insurance policy holders in the Wollongong region receiving a five per cent refund of premium.

NRMA has recently moved to improve the level of consultation with the repair industry about the operation of QRS. Two consultative committees have been established by NRMA — one with industry body the Motor Traders Association, and another with a group of repairers who support the QRS.

NRMA is working hard to continue to refine the System and address any customer and repairer issues. While this process is under way, introducing the System to other centres has been deferred.

The Open Road Services (2000) 1997

12.48

top NRMA makes the stressful experience of buying a car simple for its members with a variety of helpful information and advice to ease the process, from technical advice to crash test results for safety-conscious members. In 1996-97, more than 45,000 calls were received asking for advice on buying a car while more than 70,000 cars were given a vehicle inspection.

bottom Every year, NRMA supplies members and customers with millions of maps and accommodation directories to assist in planning drive travel holidays and visits. NRMA is currently moving to consolidate its travel publications, like the maps pictured (left), into a series of comprehensive, glovebox sized guides which will contain maps, NRMA - inspected accommodation, town information and details of local activities and attractions. Not only are the new guides more user-friendly, they're easier on the environment because less paper is used.



In NSW storms in Armidale, Singleton and Coffs Harbour resulted in payouts of more than \$14 million in the first half of the year. However, the result improved in the second half of the year owing to abnormally dry weather which resulted in a significant decrease in claims lodged.

The total number of car insurance policies issued in NSW and the ACT during 1996-97 was relatively constant at 1,658,674.

A major step in rewarding customer loyalty was taken during the year with the introduction of discounts for comprehensive car insurance policyholders of more than ten years standing. From 1 August 1997, these customers will receive a 5% discount on their comprehensive car insurance premiums.

Reducing premium costs and improving performance

The key focus in car insurance during the year has been on attempting to tackle the increasing cost of premiums which have been driven by the rising cost of claims. Car insurance claims costs are the single biggest expense facing NRMA every year, exceeding \$735 million. Continued losses in the car insurance portfolio are not sustainable and must be addressed.

A major initiative to tackle these issues was launched during the year with the trial of a new system for smash repairs called the Quality Repair System (QRS). The objectives of the trial, which commenced in Wollongong in February 1997, were to contain the levels of insurance premiums while providing a superior level of customer service and improving repair quality.

If a customer chooses QRS, their car is taken to a depot where NRMA tenders the work. A repairer is chosen to undertake the repairs on the basis of their quoted turnaround time, price, possession of the equipment required for the job and NRMA's quality rating of the repairer.

Before the car is returned to a customer, a quality inspection of the vehicle is conducted and a written guarantee of repair quality, valid for the life of the car while a customer still owns it, is issued.

The objectives of QRS were met with comprehensive car insurance policyholders in the region receiving a refund of 5% of the last year's premium in May. Surveys of customers who had used the process revealed that 98-99% were either satisfied or very satisfied, while over time there was a noticeable improvement in the quality of repaired vehicles through the centre.

However there was considerable controversy about the System, particularly from repairers who were vocal in their opposition. NRMA commenced a consultative process, which is still continuing, with two groups of repairers – one opposed and one supportive – in an attempt to work through the issues and find mutually acceptable solutions.

In other strategies to address premium costs, NRMA continued its high-profile involvement in several anti-theft initiatives. As part of NRMA's CrimeSafe program, new brochures on avoiding car theft were released.

NRMA participates in the National Motor Vehicle Theft Task Force, established in September 1996. In a draft report issued in May 1997, the Task Force made several recommendations strongly supported by NRMA including the establishment of a national register of written-off vehicles.

NRMA also made representations to Government and other stakeholders on issues such as the cost of spare parts. These costs have risen substantially in recent years and now form about one-third of the average NRMA comprehensive car insurance premium. In particular NRMA, in conjunction with the Australian Consumers' Association, made representations about the registration of spare parts under the Designs Act.

In addition, NRMA conducts low-speed crash tests and uses the results to work with manufacturers to implement design improvements. These can have an enormous impact on repair costs and hence the cost of insurance.

There was also a focus on reducing NRMA's administrative costs. NRMA commenced a program to progressively reduce the number of claims processing centres and at the same time, introduced a service called Tele-Claims which allows car insurance claims to be lodged over the telephone.

m/vrh

NRMA to control repairs

Motor Vehicle Insurance
By EMMA PHILLIPS

NRMA policy holders whose vehicles are involved in accidents will have them sent to a central repairs depot where the motoring group will take over the job of arranging for panel beaters.

Rather than the owner choosing a repairer, according to standard practice, the NRMA will control the process.

The Daily Telegraph has learned the new procedure, which begins in some parts of NSW today, aims at ensuring quality and fair prices for services.

The NRMA said yesterday its tender system and new central operation was designed to reduce the cost and time of repairs, ensure the quality of the repair work and provide a more competitive market.

Insurance general manager Greg Sanderson said: "The tender process is not just about cost.

"It is also on who is competent to do the job, whether it is a specialised job — and time.

"There is often a huge disparity in prices quoted by repairers and the time it takes to do the job."

The tendering process put all repairers on a level playing field.

Under the system, the NRMA has established a central repair distribution centre where damaged vehicles will be sent after an accident.

Smash repairers will be rated on a scale of 0-20.

Those offering lowest price estimates will be rewarded with the most work.

The quality repair system will operate in Wollongong from today.

At the centre, NRMA estimators who inspect vehicles will produce a "scope of works" outlining repairs needed, minimum repairer quality and rating required to tender for the job.

Smash repairers will change according to the quality of work returned to the repair centre where it will be further inspected.

But a motor trader group hit out yesterday at the tendering proposal.

NSW Motor Traders executive director Tony Selmes said: "NRMA policy holders will be the losers when this scheme, now being introduced in Wollongong, spreads.

"They will lose their right to choose a smash repairer to perform work on their vehicle.

"They will again lose because, under the NRMA system, the lowest tenderer is not necessarily the one that should be accepted."

But Mr Sanderson said NRMA inspectors would ensure the best job was done and remove risk of parts being substituted.

The right to choose

Motor Vehicle Insurance; Contract
By TONY SELMES



HERE has been a great deal of media comment this week about plans by NRMA Insurance to have damaged vehicles taken to a centralised holding yard and repair work put out to tender. Under the Quality Repair System, NRMA policy-holders will have to drive their damaged car or have it towed to the repair distribution centre where the insurance company will decide on the work needed.

Work will go to the repairer offering NRMA the lowest cost for repairs.

With more than half the comprehensive motor vehicle coverage in this State, it seems NRMA Insurance feels it can play Big Brother with its policy-holders.

To justify its new system, NRMA Insurance says it conducted some market research that supposedly showed that people only use a smash repairer once every 10 years or so.

This might be true for insurance work, but because of the high cost of insurance policy excess payments and loss of no-claim bonuses, there is a much higher frequency of direct contact between motorists and smash repairers that doesn't involve insurers.

Smash repairers tell us that their customers are horrified by

the loss of their ability to choose their own repairer. They reject NRMA Insurance's claims that policy-holders don't want to be involved in getting their cars back on the road.

In fact, the average smash repair business has hundreds of regular, loyal customers who know the quality of work provided and trust the repairer to do the job to a high standard.

It's to these smash repairers motorists go for quotes when there's insurance work to be done, or rather used to go before their right to choose was taken away.

Motorists want to know where their car is going and who is repairing it. They are not, as the NRMA Insurance system suggests, incapable of overseeing the repair of their own motor vehicle.

The MTA is concerned that NRMA policy-holders will be the losers when this scheme, now being introduced in Wollongong, spreads across NSW.

They will lose their right to choose a smash repairer to perform work on their vehicle

unless they accept certain penalties imposed by the insurance company - that include a loss of warranty on the work.

They will lose again because under the NRMA's system the lowest tenderer will get the job. This could mean quality will suffer because the lowest tender is not necessarily the one that should be accepted.

This erosion of policy-holders' rights will end the relationship a policy-holder has with a repairer - the consumer will be totally removed from the process.

This means the end of such consumer benefits as pick-up and delivery services.

Understandably, a huge groundswell of public opinion is growing in opposition to these plans by NRMA Insurance.

There was nothing said about this restriction in the standard NRMA Insurance policies, nor has any NRMA policy-holder been consulted about this loss of choice.

The MTA believes that if consumers pay their car insurance premiums and pay any excess involved, they should have the right to choose who performs the work on their vehicles without any loss of entitlements that apply to other policy-holders.

Tony Selmes is executive director of the Motor Traders Association of NSW.

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M/UC

Panel beaters on NRMA crash course

Motor Vehicle Insurance
By JESSE ANGELO

AN angry meeting of 1500 panel beaters called on the NRMA last night to stop its plan to centralise smash repairs for its policyholders.

They said the organisation's friendly image hid its true persona as a powerful corporation.

At a boisterous meeting in Bankstown Town Hall, panel beaters said the plan would seriously hurt trade and cause layoffs in the industry.

They unanimously passed a resolution calling on NRMA directors to reconsider a scheme to bring all smash repairs to a central depot before giving the job to the lowest bidder.

"The strength of opposition to this proposal by the industry and by policyholders is clearly shown by the number of people here tonight," NSW Motor Traders Association executive director Tony Selmes said.

"Any claims by the NRMA that they have the support of the industry are clearly fallacious."

Mr Selmes said people needed to differentiate between NRMA Insurance and NRMA Roadside Assistance.

"We are dealing with a large insurance conglomerate that is exercising its muscle in the market," he said.

Mr Selmes said under the Fair Trading Act panel beaters were prohibited from taking industrial action.

And he warned the gathering against launching secondary boycotts despite their strong feelings.

"It's illegal and it's just not on," Mr Selmes said.

The audience also heard from NRMA policyholders concerned about the program and from a number of panel beaters from different sized companies.

The NRMA declined an invitation to send a representative.

Sitting under a banner reading "Nobody Really Matters Any more", six speakers criticised the NRMA for using "big brother" tactics to take away policyholders' rights to choose who fixes their car after a smash.

Under the proposed scheme — called the Quality Repair System — a central repair distribution centre would be the first stop for all NRMA-insured cars that require repairs.

Panel beaters would

be rated on a scale of 0 to 20 and those who offered the lowest bids would get the most work.

The NRMA launched a pilot program of the new scheme in Wollongong early this month and has said it may be brought to Sydney by the end of the year.

The insurance giant — which controls more than half the comprehensive insurance market — insists the program will reduce the cost and time of repair jobs.

The NRMA also says the quality of repair work will be insured by the centralised system.

And the NRMA says the process of forcing panel beaters to tender bids for individual jobs will make the smash repair market more competitive.

It will also lower the price of policies by cutting down on fraud.

But Mr Selmes, whose organisation represents 5500 motor businesses in NSW, said the scheme robbed NRMA policyholders of the right to choose who repaired their car.

The association said the lowest bid for a job might not be the best because some smash repairers could use second-hand parts without the car owner knowing.

Smash repairers lay off 20 to 25

Motor Vehicle Insurance (1)

By GEOFF FAILES

Illawarra smash repairers have put off between 20 to 25 employees since the NRMA's new car repair system began on February 3, the Motor Traders' Association claimed yesterday.

Illawarra hit by NRMA's new system

"One shop put off 13 people including nine apprentices, one clerk and tow truck drivers," MTA executive director Tony Selmes said.

However, he could not divulge the identity of this employer.

Mr Selmes said all employees were retrenched because their employers could not get enough business through the new system

or were unable to provide adequate supervision for their apprentices because they were away from their workshops queuing for repairs.

Mr Selmes said the MTA compiled the numbers after doing a telephone survey yesterday following media reports that more than 100 had lost their jobs.

"When some repairers are doing jobs for \$17 an hour

something has got to give," he said.

"Most business proprietors are waiting to see what happens over the next two to three weeks before downsizing their operations, although they've naturally started making their contingency plans.

"Their biggest worry is that the new NRMA insurance system locks them so tightly into a time frame that tradespeople who produce extremely high quality work but aren't as quick as some others will have to be laid off."

The NRMA on Wednesday said 10 cars had to be sent back to repairers for rectification of repairs.

"It has been disappointing that there has been an extraordinary

amount of misinformation spread about the new process by elements of the repair industry, particularly in alleging that customers no longer have freedom of choice," NRMA Insurance general manager Greg Sanderson said.

Mr Sanderson said small to medium-sized repairers in Wollongong had been the big winners in the new process.

About 33 per cent of work was being won by small repairers; 35 per cent by medium sized repairers and 32 per cent by large repairers.

Before the pilot scheme began, the allocation of work was about 60 per cent for large repairers, 25 per cent to medium sized and 15 per cent to small.

M/V ch

\$30,000 war chest launches bid to bring down 'billion-dollar Goliath'

Smash fixers gang up

Motor Vehicle Insurance
By NIGEL VINCENT



SMASH repairers have raised more than \$30,000 to fund their bid to stop the NRMA getting into the business.

Launched by the Motor Traders Association (MTA) following a mass meeting of panel beaters in Bankstown, the fund will be used to counter the NRMA's own advertising campaign. MTA executive director Tony Selmes said yesterday the NRMA was "selling a totally misleading view" of the new repair system.

Hundreds of cheques and pledges had been received in just 24 hours, he added.

"It's still a battle of David against a billion-dollar Goliath," Mr Selmes said.

"But we now know we've got the whole repair industry, as well as a heart-warming number of suppliers and NRMA insurance policy-holders, on our side."

An estimated 2000 members of the vehicle repair industry packed into Bankstown Town Hall on Tuesday night to discuss the NRMA's move.

Under the proposed scheme — called the Quality Repair System — a central repair distribution centre would be the first stop for all NRMA-insured cars.

Work is then tendered out to local panel beaters.

The NRMA claims the new system — being tested in Wollongong — will stamp out fraud and reduce insurance premiums.

But smash repairers say the system is unfair and could put some of them out of business.

Mr Selmes said the Bankstown meeting had voted unanimously to call

on the NRMA to scrap the system.

The MTA, which gave \$10,000 towards the fund, yesterday presented the NRMA with a list of its concerns.

"Repairers are worried about their businesses, their jobs and the future of the industry," Mr Selmes added.

But NRMA's general manager of insurance Greg Sanderson denied the new system was unpopular.

Since the start of the Wollongong trial two weeks ago, 169 customers had chosen to use the new system while only 19 elected to use the repairer of their choice.

"This means the vast majority — approximately 90 per cent — are choosing to use NRMA's system," Mr Sanderson said.

Customer feedback had indicated it was "extremely popular" with those who had used it, he added.

The small to medium size repairers in Wollongong had been the big winners, successfully quoting on 68 per cent of all jobs.

The same repairers were winning just 40 per cent of work before.

"Small repairers are showing just how competitive they can be," Mr Sanderson said.

"This is particularly true of repairers who don't run tow trucks or won't pay illegal drop fees."



Phil Randall . . . smaller shops win. Picture: MILAN SCEPANOVIC

THE CASE FOR

PHIL Randall, of Phil Randall's Auto Body Repairs, Fairy Meadow, Wollongong.

THE new system is a good concept; a reasonable idea. It gives me an opportunity to quote on every damaged NRMA car that comes in, whether we get the work or not. Before I missed out because I did not have a tow-truck. Under the old system, cars were towed straight into a panel shop and I never had a chance to see them.

Now, they are in a central distribution centre and available to anyone.

I may not win the tender every time, but at least I have a bite at the cherry.

Some people might say the system puts undue pressure on the panel beater to finish the job quicker than normal.

But there's no pressure. It's true, if I quote a higher price I won't get the job, but I can still make a profit.

I am surprised by the reaction to this new scheme. There isn't that much wrong with it.

Some of the bigger shops may miss out on certain quotes and they won't like that.

But I personally don't rely so much on NRMA work; I work for three other insurance companies and my overheads are lower.

So as a small shop I'm quite happy about the new repair system.

It is like anything that is new — it has to prove itself.

Remember when the new currency came in, no one liked that, but you soon got used to it and now people accept it.

There is always criticism when something new comes out.

In the long run though, I think this system will benefit the smaller shops more.

My shop is geared up for small jobs that take four or five days. I have the equipment here that can do 90 per cent of that kind of work.

Further down the track, I think we will see more specialised workshops.

There will be those concentrating on luxury cars, others concentrating on four-wheel-drives and so on.

We have to give this system a fair go.

THE CASE AGAINST

JOE Cantela, of Multinational Body Works, Five Dock.

THIS new system will create a price war between rival panel beaters who will be forced to lower their quotes just to win the work.

At the moment, I have up to four weeks' work in my shop at a time.

That guarantees employment for my nine staff.

But under the new system, I will no longer be able to guarantee work.

How will I know which tenders I am to win the next week, let alone the next day?

So if I cannot guarantee the work, jobs will go.

Up to 70 per cent of my current work is NRMA.

If I win only around 10 per cent of quotes — which could happen — I'll lose as much as \$600,000 a year.

It will create panic quoting and lead to bankruptcy of panel beaters.

What right has the NRMA got putting us out of business?

The customers will be the losers.

They are being brainwashed into thinking the NRMA is fixing their cars. But the NRMA doesn't fix cars, the panel beaters do.

I cannot afford to go down to a repair distribution centre each day and quote on cars for a few hours as well as run my Five Dock business here.

I just don't have the time.

It is unethical for the NRMA to try and take our profit away. Business runs on a profit. No profit, no business.

We will lose our client goodwill too.

The system at the moment is second to none and does not need changing.

The NRMA is trying to take our customers away from us.

They are saying the customers are their clients.

But that's wrong. The customers are our clients.

When you have an accident, the first thing you do is ring up your local panel beater.

I invite the NRMA to come to my office and explain how their system will work fairly.



Joe Cantela . . . unethical plan. Picture: JASON BUSCH

M/V/UK Insurance

Tow truck drivers protest

Motor Vehicle Insurance 2

ABOUT 50 tow truck drivers travelled in convoy to Wollongong today to protest against the NRMA's new smash repairs system.

The drivers met at the Crossroads Hotel at Liverpool and left for Wollongong about 9am, joining other tow trucks along the way.

Convoy organiser John Wilson, a tow truck driver for Liverpool Smash Repairs, said the tow truck industry would become almost null and void under the NRMA's new system.

"Under the system there will be virtually no tow truck industry," he said.

The NRMA has changed our whole strategy of working. They have taken everything from us.

"If you have an accident, the NRMA say you have to tow the car to their service centre and not to our smash repairer.

"Under the system there will be no need for apprentices or tow truck drivers," Mr Wilson said.

He said about 150 tow truck drivers would converge on the NRMA headquarters in Clarence St, when the NRMA board reviews the program's progress next Thursday.

NRMA board backs ^{Motorists} central repair scheme ³

By NICK PAPADOPOULOS

The NRMA's controversial new crash repair system under which damaged cars will be taken to a central point and tendered out for repairs will be expanded to regional centres and Sydney following a vote yesterday of insurance board members.

The move, which has been bitterly attacked by the Motor Traders Association of NSW, follows a successful pilot program in the Wollongong area.

Board members unanimously approved the expansion of the Quality Repair System (QRS) to Newcastle, the Central Coast, the Sydney metropolitan area and the ACT. Selection of sites has yet to be finalised and implementation of the system will take place over the next 12 months.

The association's general manager of insurance, Mr Greg Anderson, said yesterday he hoped three criteria would be

^{Motor Vehicles} met by the introduction of the system: better customer service, improved repair services and lower claim costs.

Mr Anderson said the NRMA wanted to work closely with repairers and hoped a consultative committee would be formed during the implementation process to tackle any industry concerns.

But the MTA's executive director, Mr Tony Selmes, said the board's decision was "reprehensible" and showed the NRMA was no longer the "caring and sharing motoring association".

The new system would destroy the "social fabric" of regions across NSW, he said, because it would force small businesses to close, pushing up unemployment.

Mr Selmes also described the consultative committee offer "like being invited to your own hanging and being asked to choose which rope you want used".

Original not to be removed from Library

M/V Insurance

NRMA to share \$25 crash savings

Motorists; Motor Vehicle Insurance

By KELVIN BISSETT

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THE NRMA will give refunds averaging \$25 out of savings generated by its smash repair trial to 50,000 comprehensive car insurance policyholders.

The Daily Telegraph has learned the giveaway — involving cheques equal to 5 per cent of the past year's policy — will be announced by the NRMA today.

All comprehensive policy holders in Wollongong where the NRMA has conducted the trial will receive their cheques within two months.

The \$1.25 million giveaway is a bid to show that the controversial trial, known as the Quality Repair System, is delivering tangible benefits to policyholders.

The NRMA has 60 per cent of the comprehensive car insurance market in Wollongong.

And it is intended as a signal to the rest of the NSW that the system — under sustained attack from the crash repair industry — that there will be savings elsewhere too.

The NRMA board voted unanimously on May 1 to extend

the trial progressively to Canberra, Newcastle and then Sydney next year.

NRMA General Insurance general manager Greg Sanderson confirmed last night the NRMA had promised to pass on the savings generated by QRS.

"What these refund cheques simply indicate is that we are honouring the commitment we made to our policyholders that if there are savings we will pass them on," Mr Sanderson said.

QRS involves the NRMA taking damaged vehicles to a central repair distribution centre so

a smash repairer can be selected through a tender process.

Mr Sanderson also confirmed that the number of policyholders choosing to use QRS in Wollongong had fallen to 38 per cent at the point earlier this month.

But since then the number choosing the scheme had rebounded to more than 50 per cent.

A meeting of NRMA directors yesterday agreed on a resolution for a "significant marketing campaign" to ensure all members are aware of the benefits of the scheme.

23 JUN 1997

Appendix 5i

NRMA seeks MTA's advice

Motorists; Motor Vehicle Insurance
System not 'perfect'⁽³⁾

By GEOFF FAILES

Australia's largest car insurer the NRMA will continue its controversial centralised repair system in Wollongong but consult with the Motor Traders' Association on ways to improve the service.

NRMA directors met late last week and voted to continue the centralised repair system, which began on a trial basis in Wollongong in February.

Under the system, NRMA policyholders have the choice to have their car repairs tendered out from a central depot rather than obtaining quotes and overseeing the work themselves.

"We want to modify it to suit stakeholders, we want to modify it with the help of the repairers," system manager Graham Adams said.

An NRMA spokeswoman said the board also voted to set up a consultative committee with members of the MTA and other repairers to work out ways to improve how the system operates.

"The NRMA has never said this system is perfect so we want to consult with the MTA," she said.

MTA executive director Tony Selmes said the decision to modify the Wollongong service was overdue.

"This latest move is to be welcomed, but there is still a long way to go," he said.

"This should have occurred before its (the centralised repair system's) installation."

The service came under renewed attack during a public meeting in Wollongong last Wednesday when about 500 people called on the NRMA directors to scrap it.

Mr Selmes said the meeting unanimously passed a motion calling on the directors of NRMA to end the central repair system because of the adverse impacts the trial had had on the viability of small businesses.

The numbers of apprenticeships and skilled tradespeople, the image of the NRMA, and the relationship between the NRMA and the repair industry also had been affected adversely.

*MUCH
Insurance*


 ILLAWARRA
Mercury
OPINION

Repairs: NRMA is right to keep ³ the open doors

*Motor Vehicle Insurance
Comment - Motorists*

THE NRMA remains convinced that its new centralised repair system is popular with members - and should, therefore, be retained.

The system has been operating in the Illawarra area since February and, according to the NRMA, proving very successful. In fact, the NRMA says the scheme is so successful that benefits are already being reaped.

Cheques have been going out to members. All up, more than a million dollars have been refunded. The NRMA says the scheme is successful on several fronts, including the fact that it has introduced a spirit of competition into the system.

However, many repairers remain upset and have constantly called on the NRMA to scrap the scheme, claiming it is wrecking too many small businesses. That claim has been disputed by the NRMA.

It is good to note that the NRMA is prepared to at least listen to the other side and consult with the Motor Traders Association which is leading the push to have the scheme abolished.

The NRMA has decided to establish a consultative committee with the MTA and repairers to examine perceived flaws and to improve the operational method of centralised repairing. Under this system members take damaged cars to the Unanderra depot where repairers tender for jobs.

The NRMA conducts all business for members and then issues certificates guaranteeing quality of workmanship. Even though the new system looks sound on face value, the NRMA is acting wisely in seeking the consultative processes to sooth troubled waters, if that is possible.

Certainly the new system has eliminated a lot of rorting and over-quoting. And if the system has the effect of cutting premiums for members, then it would be understandably popular. Hip-pocket politics is always a winner with the community.

The NRMA is to be commended for keeping open the doors of communication and listening to those who have major grievances.



16 February 1998

Mr George Cepak
Director
Joint Standing Committee upon Small Business
Room 937
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Mr Cepak,

Re: Service Initiatives in Motor Vehicle Repairs

This is in response to your letter of 4 February and our subsequent telephone conversation.

GIO launched its Guaranteed Repair Service in metropolitan Melbourne in October 1997. The objective is to provide superior customer service by offering a choice of repair methods for motor vehicle insurance customers:-

- deliver vehicle to one of our 4 Guaranteed Repair Centres
- deliver vehicle to one of our 60 Guaranteed Repairers
- request that we pick up the vehicle from home or office, or
- nominate own repairer and obtain two quotes.

In establishing this service we carefully examined the results of our customer research. Some 50% of customers really did not want to have anything to do with repairers and preferred that we would take full responsibility for the process. Notably, though, 15% felt they must have a choice of repairer.

In implementing the GRS we engaged in extended consultation with the VACC (the Victorian equivalent of the MTA). We explained that competitive quoting by repairers was a key element of the proposal, and that we would set high quality standards in choosing the limited number of Guaranteed Repairers.

The impact of the GRS on repairers will be levels of efficiency for some repairers, and less work for most repairers.

Since the launch, our level of customer usage has been progressively increasing as we educate customers about the new service. Customer feedback, for those who have used the service, has been excellent. When our fourth Centre opens in a few months we hope to be achieving a high percentage of "available" repairs through the service.

At this stage we have no definite future plans to extend the service. The Sydney metropolitan market (and our market share) is different to Melbourne. We think the GRS probably cannot be brought unchanged to Sydney. Our plans will unfold over the next six months or so.

Whatever happens, we believe a motor insurer has an obligation to take responsibility for repairing a customer's damaged car. We could do this by becoming a part of the repair industry and running our own shops. Alternatively we can become demanding and responsible customers of the repair industry. We don't believe we should abdicate our responsibility by handing over the customer relationship to a repairer against the customer's will.

Naturally, any system which provides guaranteed quality repairs in the most efficient manner will also minimise our claims costs and in turn result in generally lower motor insurance premiums to the community, as motor insurance is extremely competitive.

I would be happy to provide any further information as it emerges.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'M.S. Spry', with a stylized flourish at the end.

M.S. Spry
Executive Director
GIO General Limited

February 4, 1998
rel/ins/claims/qrs&cp/release

NRMA customers to receive HELP with crash repairs

NRMA expects to increase competition in the smash repair industry and provide customers with a better deal with the pilot of a new crash repair initiative in the Northern Beaches of Sydney next month.

NRMA last month met with executives from the NSW Motor Traders' Association and repairers in the Northern Beaches area to discuss the initiative, which is expected to produce benefits for NRMA, repairers and their mutual customers. The pilot is set to run for three months.

All 80 repairers operating on the Northern Beaches will be invited to apply to become partner repairers of NRMA. Partner repairers will be selected based on their standards of equipment, presentation of premises, level of capability and competitiveness.

During the pilot, customers will be able to contact NRMA in the event of a crash and either nominate their own repairer or choose from a selection of NRMA partner repairers who match the customer's needs.

NRMA Claims and Assessing Manager John Bowman said the pilot will establish a new era of partnership between NRMA and repairers, recognising their mutual interest in caring for customers. It will establish industry benchmarks with clear standards of quality, service and price in smash repairs.

"The current system of leaving customers to find a repairer and assessing the quote results in a huge range in the quality of repairs our customers receive, the service provided and the price which NRMA must pay," Mr Bowman said.

"Under the Northern Beaches pilot, partner repairers will be directed repair work based on their level of capability and competitiveness. What we will be looking for are those repairers who provide the best quality repair and excellent customer service at a fair price. It is hoped these repairers will become long-term NRMA business partners."

Mr Bowman said almost 60,000 NRMA policyholders live on the Northern Beaches - an area considered representative of the average policyholder with the average insured vehicle. Each day, an average 25 policyholders in this area are involved in a crash and claim on their insurance.



NEWS RELEASE

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NRMA will this month write to all policyholders in the pilot area informing them that from March they will have the option of, in the event of a crash, choosing their own smash repairer or asking NRMA to nominate a selection of repairers to choose from.

For customers who ask for NRMA's help, repairers will be nominated based on the make and model of the vehicle, the area where the customer wants it repaired and the repairer's capabilities and competitiveness.

Mr Bowman said the trial was the product of a NRMA international analysis of best practice in the insurance and repair industries.

"NRMA wants to work with the smash repair industry in metropolitan areas of NSW to improve customer service," he said. "The system we are piloting is expected to establish benchmarks of quality, service and price which all repairers will have the opportunity to meet. The potential reward for partner repairers will be an opportunity to gain more NRMA work.

"We expect this system will produce for our customers better quality repairs, better customer service and more affordable premiums. For repairers, they will know the standards NRMA expects of them and will be rewarded with a fruitful partnership. As a result, NRMA policyholders will benefit with a more cost-effective system of repairs."

Mr Bowman said the pilot had evolved from the trial of a tendering system in Wollongong last year. This alternate system is continuing in Wollongong and its performance will also continue to be monitored.

Mr Bowman said NRMA did not plan to introduce either system into regional areas, where the current system of assessing repairs at the shop where the vehicle is towed works well. He said with fewer repairers in those areas, there is less variation in the standard of repairs and therefore no need to change the system.

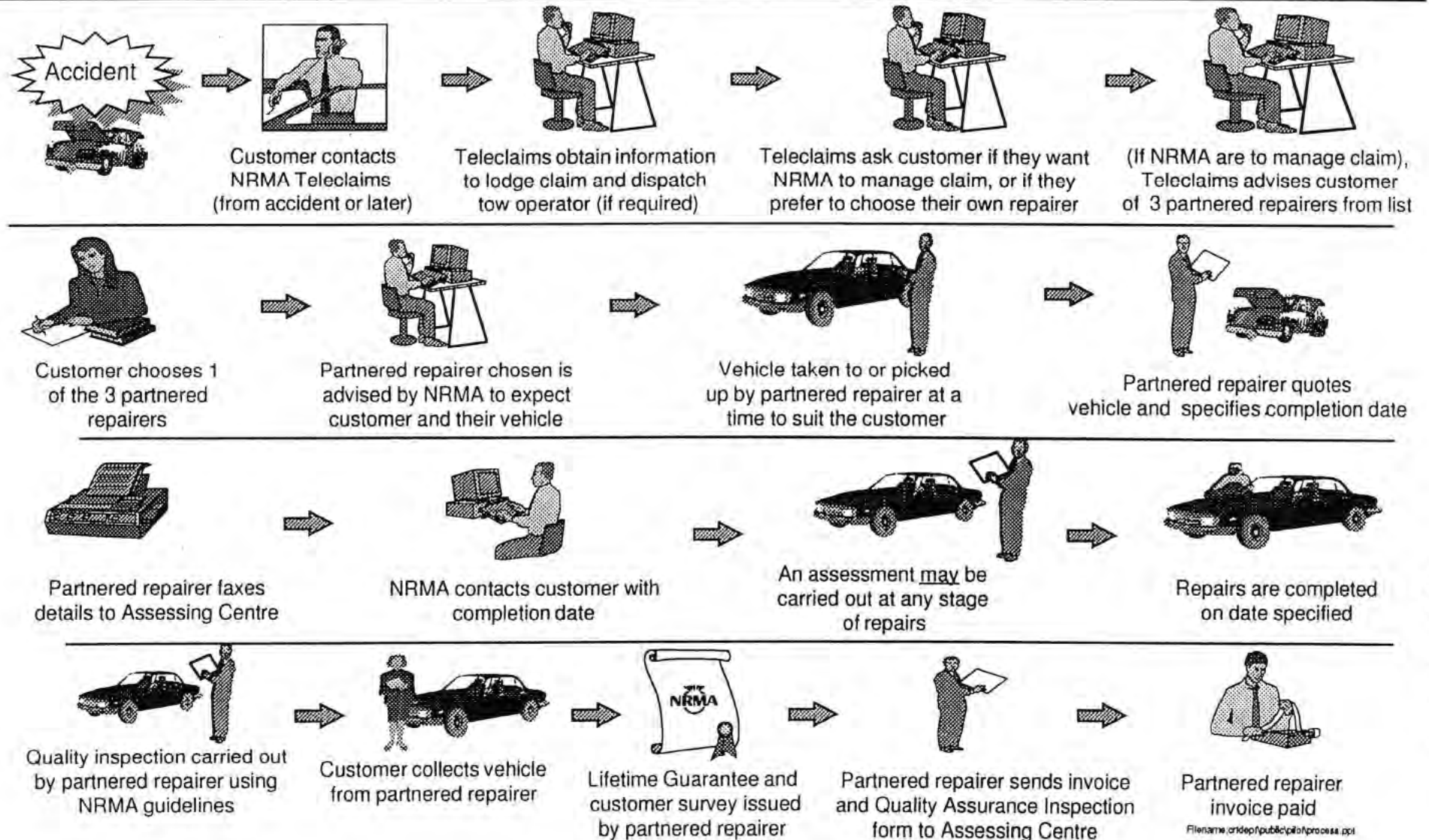
"However, in metropolitan centres such as Sydney, Newcastle, Wollongong and Canberra, NRMA is seeking new ways of ensuring every customer receives a quality repair with excellent service at a fair price."

ends



Collision Repair
Management
Programme

Process Flow of Competitive Partnering Pilot



Filename: aridep/public/pilot/process.ppt