



# Accident Towing Fees Review 2025

Draft Report

19 December 2024



## Acknowledgement

We acknowledge the Traditional Owners of the lands and waterways on which we work and live.

We acknowledge all Aboriginal and Torres Strait Islander communities, and pay our respects to Elders past and present.

As the First Peoples of this land, belonging to the world's oldest living cultures, we recognise and value their knowledge, and ongoing role in shaping and enriching the story of Victoria.

### An appropriate citation for this paper is:

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# Summary and draft recommendations

This draft report outlines the basis for our draft recommendations to the Minister for Roads and Road Safety on accident towing, storage and salvage fees in the Melbourne controlled area. Our assessment is primarily based on our benchmarking analysis, industry data and the initial views of key accident towing industry stakeholders.

This draft report explains how you can give us feedback on the draft recommendations before we make final recommendations to the minister in May 2024.

Our draft recommendations are:

- Current regulated accident towing fees are appropriate and should not be changed beyond the annual adjustment mechanism (that is, current indexation arrangements).
- Current regulated storage fees are appropriate and should not be changed beyond the annual adjustment mechanism.
- The default productivity adjustment factor is appropriate and should remain unchanged at 0.5 per cent.
- The Minister for Roads and Road Safety should not make a determination on basic salvage fees under section 211 of the *Accident Towing Services Act 2007*.

In making our recommendations, we were mindful of our legislated objective, which is to promote the safe, efficient and timely provision of accident towing services and other related services.<sup>1</sup> Yet, we found no substantive evidence that the current accident towing fee levels were compromising this objective. Our recommendations reflect this finding.

## **We review accident towing fees for regular vehicles in the Melbourne controlled area**

Accident towing is the towing of damaged vehicles from road accident scenes. Any towing services that are not the immediate result of a road accident are referred to as ‘trade towing’ (this includes clearway towing, impound towing, breakdown towing and other general trade towing).

Every four years, we conduct a review which recommends to the Minister for Roads and Road Safety:

- whether accident towing and storage fees are appropriate

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<sup>1</sup> Accident Towing Services Act 2007, section 4(a)

- how and if they should be adjusted
- whether the fees for related services (such as salvage) should be regulated.

The minister may only make a determination on these fees after receiving our recommendations and a report from the Secretary, Department of Transport and Planning.

Victoria is separated into three separate geographic areas for accident towing. The scope of our review concerns the Melbourne controlled area only (within metropolitan Melbourne).<sup>2</sup>

There is also a distinction between the towing of regular vehicles (less than four tonnes) and heavy vehicles (four tonnes or more). Our review is for regular vehicles only. We do not have legislative authority to assess heavy vehicle fees, licence boundaries, the accident allocation scheme or accident towing fees outside the Melbourne controlled area.

## **We used a benchmarking approach to recommend fees**

We considered the following methodologies for our Accident Towing Fees Review 2025:

- **Cost-of-service approach:** an examination of existing fees based on the estimated costs of efficiently providing that service.
- **Benchmarking approach:** an examination of existing fees based on comparisons to fees charged for similar services in other jurisdictions and for non-regulated trade towing services in Victoria.

We decided to use a benchmarking approach to assess accident towing and storage fees. While it does have its limitations, a benchmarking approach is in our view, fit-for-purpose and a sound and reliable basis of assessment.

## **We propose regulated accident towing fees remain unchanged**

Regulated accident towing fees for the Melbourne controlled area are broadly similar with regulated fees in other jurisdictions. They are also higher than trade towing fees, but this is to be expected as there are likely additional costs in providing accident towing services.

As a result, based on our benchmarking analysis, we conclude regulated accident towing fees for the Melbourne controlled area are appropriate. They should only be increased in line with current indexation arrangements.

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<sup>2</sup> As per section 46 of the Accident Towing Services Act 2007, the Secretary, Department of Transport and Planning may declare an area to be a controlled area. The Melbourne controlled area was declared in Gary Liddle 2010, *Declaration of controlled area*, Victoria Government Gazette, No. S 461 Tuesday 9 November 2010.

## **We propose regulated storage fees remain unchanged**

Regulated storage fees for the Melbourne controlled area are in line with regulated fees in Sydney, Adelaide and Queensland. They are also consistent with benchmarks based on land rental values, storage utilisation and storage fees associated with trade towing.

Based on our benchmarking analysis, we conclude regulated storage fees for the Melbourne controlled area are appropriate. They should only be increased in line with current indexation arrangements.

## **We propose the default productivity adjustment factor remains**

Each year, regulated accident towing and storage fees in the Melbourne controlled area are amended by an 'annual adjustment mechanism. This is based on changes in the Melbourne Transport consumer price index minus a productivity adjustment factor of 0.5 per cent.

We are required to recommend a value for the productivity adjustment factor. In doing this, we are guided by the 'default' 0.5 per cent specified in the Act.

Despite many declines due to the coronavirus pandemic, a recent up-turn in some of our measures suggest the current productivity adjustment factor is within the range of that which might be achieved in the accident towing industry. The Australian Bureau of Statistics data shows productivity growth has historically ranged from -1.2 to 1.7 per cent. While this does not provide conclusive evidence on the exact level of productivity growth that has occurred, we note the legislated productivity adjustment factor of 0.5 per cent falls within this range.

As a result, we did not find sufficient evidence to recommend a different productivity adjustment factor.

## **We propose basic salvage services not be subject to a determination**

At this stage of our review, we have not received any detailed feedback to indicate that customers are being charged excessive salvage fees that would justify more direct price regulation. It is also possible that industry regulation may be suitable for issues related to excessive salvage fees, should they arise.

**Draft recommendation 1:** The current regulated accident towing fees are appropriate and should only be increased in line with current indexation arrangements.

**Draft recommendation 2:** The current regulated storage fees are appropriate and should only be increased in line with current indexation arrangements.

**Draft recommendation 3:** The productivity adjustment factor should remain unchanged at 0.5 per cent.

**Draft recommendation 4:** Basic salvage services should not be subject to a determination under section 211 of the Accident Towing Services Act.

# Timelines and submitting feedback

We have met with the key stakeholders in the accident towing industry and have taken their initial views into consideration in this draft report.

This draft report provides a further opportunity for us to engage with all stakeholders and receive their feedback. All evidence and information will be carefully considered in preparing our final recommendations to the Minister for Roads and Road Safety.

Table 1 gives an indicative timeline for our review.

Our charter of consultation and regulatory practice has further information on the principles that guide our approach to consultation.<sup>3</sup>

**Table 1**      **Indicative timeline**

Activity	Indicative timeline
Release draft report	19 December 2024
Deadline for submissions on draft report	5 March 2025
Final report to minister*	May 2025
Publish final report <sup>#</sup>	After minister has made publicly available

\* As per section 212G(1) and 212G(2) of the Accident Towing Services Act, after receiving the final report, the minister must make the report publicly available within 7 sitting days if parliament is sitting or within 30 days if parliament is not sitting.

<sup>#</sup> As per section 212(3) of the Accident Towing Services Act, after the minister has received and made the final report publicly available, the commission must make the final report publicly available.

## Send us your feedback by 5 March 2025

We want your views and any supporting evidence on accident towing and storage fees and salvage pricing in the Melbourne controlled area.

We encourage you to provide written submissions which address any issues in this report or other information you consider relevant to the review.

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<sup>3</sup> Essential Services Commission, Stakeholder engagement framework: Charter of consultation and regulatory practice, 2018, available at: <https://www.esc.vic.gov.au/about-us/how-we-regulate/stakeholder-engagement-framework>



## Engage Victoria

We invite written submissions on this paper by close of business **Wednesday, 5 March 2025** through Engage Victoria. To view our Engage Victoria page and information on how to make a submission, please visit Engage Victoria at:

**Website:** <https://engage.vic.gov.au/>

## Email and mail

You may also email your submission:

**Email:** [transport@esc.vic.gov.au](mailto:transport@esc.vic.gov.au)

Or send submissions by mail marked:

Attention: Price Monitoring and Regulation Division – Transport  
Essential Services Commission  
Level 8, 570 Bourke Street  
Melbourne VIC 3000

## Publication of submissions

To promote an open and transparent review process, we will make all submissions publicly available on our website [www.esc.vic.gov.au](http://www.esc.vic.gov.au).

We treat all submissions as public information unless the submitter has asked us to treat some or all of a submission as confidential or commercially sensitive. **Please clearly specify any information that you do not want to be made public.**

To assist us in publishing submissions on our website, we ask that you avoid including personal details in your submission (for example, addresses or signatures).

You may also request anonymity in your submission. This means we will not publish your name. This is different to an anonymous submission, where we do not know who the submitter is. We generally do not accept anonymous submissions.

Requesting confidentiality and/or anonymity may affect the weight we can give your submission. View more information at [www.esc.vic.gov.au/submissions](http://www.esc.vic.gov.au/submissions).

## Meet and speak with us in person

Want to discuss your views in person? Please feel free to contact us by email at [transport@esc.vic.gov.au](mailto:transport@esc.vic.gov.au), or by phone on (+61 3) 9032 1300 or 1300 664 969.

# 1. Introduction

Accident towing is the towing of damaged vehicles from road accident scenes.

The Minister for Roads and Road Safety regulates accident towing fees but may only make a determination after receiving a recommendation from the Essential Services Commission and a separate report from the Secretary, Department of Transport and Planning.

Every four years, we conduct a review on:

- whether accident towing and storage fees are appropriate
- how they should be adjusted
- whether the fees for related services (such as salvage) should be regulated.

The scope of our review is limited (by legislation) to regular vehicles within metropolitan Melbourne only (see Figure 1).

This chapter provides an overview of the accident towing industry and our role in reviewing fees and making recommendations to the Minister for Roads and Road Safety.

## 1.1. What is accident towing?

Accident towing means the towing of damaged vehicles from road accident scenes.<sup>4</sup> There are three main parties who provide accident towing services:

- **depots** – a premise from which accident tow trucks operate
- **operators** – a person or corporation that owns or operates a tow truck business
- **drivers** – a person who drives a tow truck to the accident scene and performs the towing job.

Operators and drivers provide customers three distinct accident towing services:

- **towing** – towing of a damaged vehicle from a road accident scene to the location requested by the vehicle driver or owner
- **storage** – storing a damaged vehicle in a secure location at the tow truck operator's depot to await repair or towing to another location
- **salvage** – moving a damaged vehicle into a position where it can be safely towed without assistance. Salvage is required when a damaged vehicle is not on a road or is embedded in a

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<sup>4</sup> Definitions as per section 3 of the Accident Towing Services Act 2007 (See Glossary)

building or object (that is not another vehicle), is overturned or on its side. For some accident scenes, additional equipment or another vehicle may be required as part of this service.

Any towing services that are not the immediate result of a road accident are referred to as **trade towing**. This can include:

- clearway towing
- impound towing
- breakdown towing
- other general trade towing (for example, the towing of a vehicle from a depot to a smash repairer).

Trade towing is not regulated in Victoria due to the competitive nature of the sector and the ability of consumers to make informed choices relating to trade towing services.<sup>5</sup>

## 1.2. How is accident towing regulated?

Accident towing services in Victoria are regulated under the Accident Towing Services Act (see Appendix A). The Act requires accident towing operators and drivers who are performing accident towing services to be licensed by the industry regulator, the Department of Transport and Planning.

### Victoria's accident towing areas

The regulation of accident towing varies across Victoria. The Department of Transport and Planning issues licences<sup>6</sup> to operators and drivers to perform accident towing services. The licences are subject to geographical restrictions on where an accident tow can be performed. Victoria is separated into three separate geographic areas for accident towing, the:

- Melbourne controlled area (within metropolitan Melbourne)<sup>7</sup>
- Self-management area of Geelong (Geelong and surrounding areas)
- remainder of Victoria.

Figure 1 displays a map of the Melbourne controlled area and the Self-management area of Geelong boundaries.

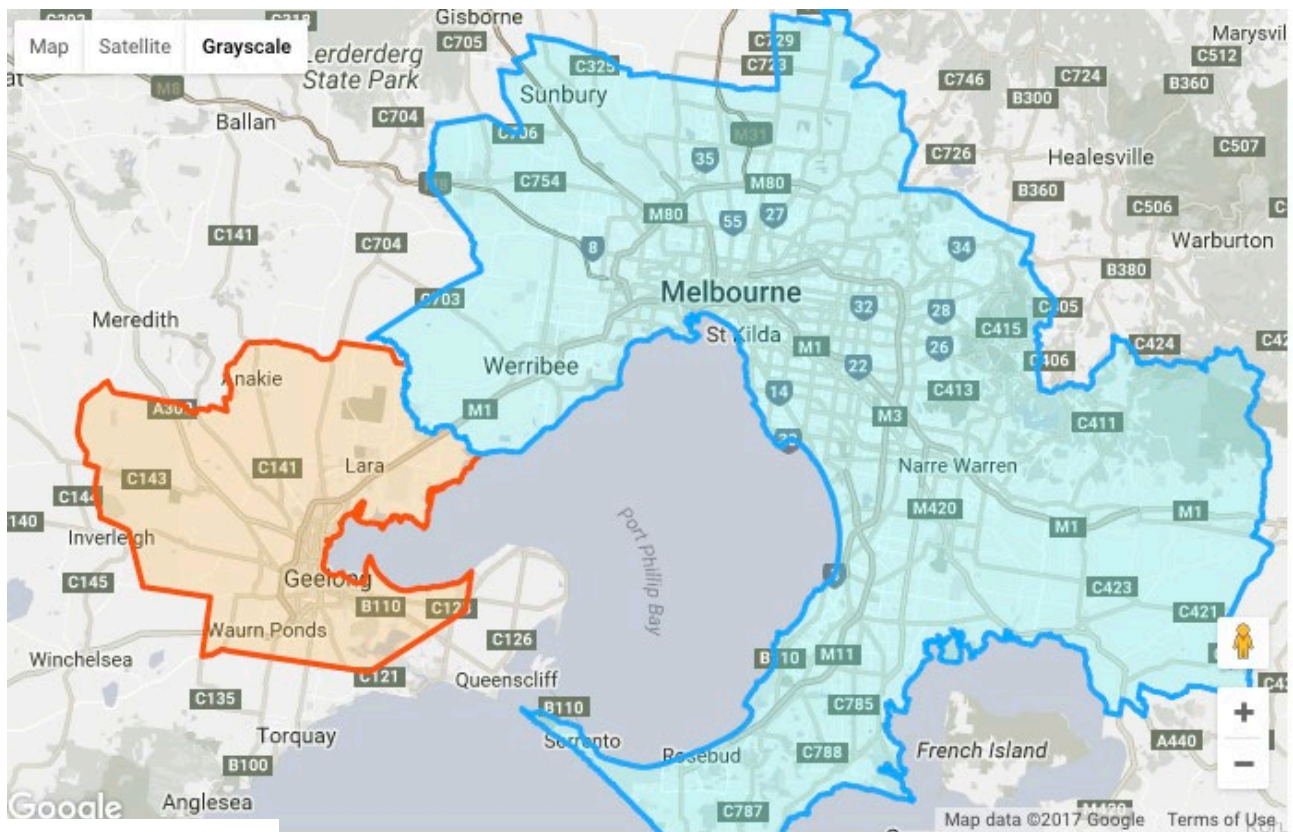
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<sup>5</sup> Victoria Legislative Assembly 2007, Parliamentary debates, 19 April, p. 1153 (Tim Pallas, Minister for Roads and Ports).

<sup>6</sup> Licences are transferable – that is, they can be purchased or leased from an existing licence holder, subject to approval by the Department of Transport and Planning.

<sup>7</sup> As per section 46 of the Accident Towing Services Act 2007, the Secretary, Department of Transport and Planning may declare an area to be a controlled area. The Melbourne controlled area was declared in Gary Liddle 2010, *Declaration of controlled area*, Victoria Government Gazette, No. S 461 Tuesday 9 November 2010.

**Figure 1** Victoria accident towing zones



 Melbourne controlled area  
 Self-management area of Geelong

Source: Department of Transport and Planning 2024, Accident towing allocation map, accessed on 15 December 2024 at <https://transport.vic.gov.au/plan-a-journey/maps/accident-towing-allocation-map>

### **Melbourne controlled area**

Road accidents in the Melbourne controlled area are assigned to tow truck drivers via an accident allocation scheme administered by the Department of Transport and Planning. The Department has contracted a third-party service provider to operate the call centre that allocates accident towing jobs to operators.

The accident allocation scheme has been designed for accidents to be responded to within 30 minutes and jobs to be shared evenly between tow truck operators.

The scheme functions on a roster basis. Each new job in a given zone of the Melbourne controlled area is allocated to the licence that has received the least allocations during a particular month.

See Appendix E for further information on licences, allocations, response times and the general performance of the tow truck industry.

## Self-management area of Geelong and the remainder of Victoria

The accident allocation scheme in the Self-management area of Geelong operates on a roster basis, like the Melbourne controlled area. Accident towing jobs are allocated by an allocation body.

There is no formal allocation system for the remainder of Victoria. Tow truck drivers can attend any accident scene they are called to outside the Melbourne controlled area and the Self-management area of Geelong.

### Accident allocation schemes for regular vehicles only

For regulatory purposes, there is also a distinction in the types of vehicles towed:

- **Regular vehicles** have a gross vehicle mass of less than four tonnes.
- **Heavy vehicles** have a gross vehicle mass of four tonnes or more.

The accident allocation schemes for Melbourne and Geelong apply to regular vehicles only.

### 1.3. Who sets and regulates accident towing fees?

The Minister for Roads and Road Safety sets accident towing and storage fees in the Melbourne controlled area for regular vehicles, as per section 211 of the Act.

Each year, accident towing and storage fees are amended by an ‘annual adjustment mechanism’. This is a form of indexation used to account for changes in costs and productivity in the sector.

The minister also has the power under the Act to determine a regulated fee for basic salvage services in the Melbourne controlled area. (The minister has made no such determination yet.)

The minister may only make a determination of accident towing, storage and salvage fees after receiving a recommendation from the commission and a separate report from the Secretary, Department of Transport and Planning.<sup>8</sup>

The minister last made a determination of fees in the Melbourne controlled area in July 2019.<sup>9</sup>

Accident towing and storage fees for regular and heavy vehicles in other areas of Victoria are not set by a specific determination. However, there is a requirement that fees be reasonable.<sup>10</sup>

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<sup>8</sup> Accident Towing Services Act 2007, section 212(1).

<sup>9</sup> The Hon Jaala Pulford MP 2019, *Determination of charges for the towing and storage of accident-damaged motor vehicles under section 211*, Victoria Government Gazette, No. S 280 Monday 1 July 2019.

<sup>10</sup> Accident Towing Services Act 2007, section 212I(1)(b). In addition, s. 212I (2) specifies factors that the court must consider when determining what is a ‘reasonable’ charge for the provision of accident towing services.

## 1.4. What is our regulatory role?

Our role is to make recommendations to the Minister for Roads and Road Safety on the regulated accident towing and storage fees for regular vehicles in the Melbourne controlled area only.

The Act requires the commission to review accident towing charges every four years and make recommendations to the minister about:<sup>11</sup>

- whether previously determined accident towing or storage services fees remain appropriate
- if existing unregulated storage and salvage accident towing services should become regulated and, if so, what regulated fees should apply
- a figure for the productivity adjustment factor contained in the annual adjustment mechanism, which is applied to regulated fees every year (see Section 5.1 for further explanation)
- any other matter relating to accident towing services, the storage of accident damaged vehicles or salvage that the minister specifies in writing.<sup>12</sup>

See Appendix A for a full description of our role under the Act.

The current regulated fees for accident towing and storage services (see Table 2) and indexation arrangements continue to apply until the minister makes a new fee determination.

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<sup>11</sup> Accident Towing Services Act 2007, section 212A(1).

<sup>12</sup> The minister has not specified any additional matters for us to consider in our Accident towing fees review 2021.

**Table 2 Regulated fees and charges in the Melbourne controlled area 2024–25**

Fee or charge description	Charge (\$ incl. GST)
<b>Towing fees</b>	
Base fee (including first 8 km travel by tow truck)	272.80
Additional fee per kilometre beyond 8 km	4.30
After hours surcharge*	93.10
<b>Storage fees (charge per day)</b>	
Car – under cover	30.90
Car – in locked yard	20.90
Motorcycle – under cover	10.20
Motorcycle – in locked yard	6.50

\* Applies 5 pm to 8 pm Monday to Friday, 5 pm Friday to 8 am Monday, and midnight to midnight on public holidays.

### We propose existing fees and indexation continue to apply

Our draft recommendations are that these fees continue to apply and should only be increased in line with current indexation arrangements.

We seek stakeholder views and input to help us further develop and refine our final recommendations to the minister.

## 1.5. What is outside the scope of our review?

Our focus in this review is on accident towing, storage and salvage pricing matters in the Melbourne controlled area only.

The Act limits the scope of our review and therefore recommendations we can make to the minister. Out of scope matters may include:

- fees for heavy vehicle and trade towing
- issues with licence boundaries
- the functioning of the allocation system for accident towing jobs
- accident towing, storage and salvage fees in areas outside the Melbourne controlled area.

Some matters related to accident towing in the Melbourne controlled area are also beyond the scope of this review, such as secondary towing.<sup>13</sup>

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<sup>13</sup> Secondary towing is a type of trade towing (and therefore not regulated), which involves the subsequent towing of a vehicle, after it has been towed from an accident scene.



## 2. Our approach

We used a benchmarking approach to assess accident towing fees, based on comparisons with fees charged in other Australian states and other related towing services.

Our views were informed by industry data and key stakeholders' initial views, which provided the basis for the draft recommendations in this report.

We have reported data from 2019–20, 2020–21 and 2021–22, but given it was affected by the coronavirus pandemic, this data has not informed our conclusions or recommendations.

We have decided not to consider separate charges for the towing and storage of electric vehicles. They currently comprise a small proportion of the total Victorian vehicle fleet.

This chapter outlines the basis on which we assess and make recommendations on accident towing fees (in chapters 3, 4, 5 and 6).

### 2.1. We are using a benchmarking approach

Our legislated objective is to promote the safe, efficient and timely provision of accident towing services and other related services.<sup>14</sup> We considered the following methodologies to identify the efficient prices for our Accident Towing Fees Review 2025:

- **Cost-of-service approach:** an examination of existing fees based on the estimated costs of efficiently providing that service.
- **Benchmarking approach:** an examination of existing fees based on comparisons to fees charged for similar services in other jurisdictions and for non-regulated trade towing services in Victoria.

We have also sought to identify any evidence that the current fee levels are not resulting in the safe, efficient and timely provision of accident towing services and other related services.

We last used a cost-of-service approach in our Accident Towing Fees Review 2009 in which we issued an industry-wide survey to collect information on tow truck operators' costs and revenues. Since then, we have used a benchmarking approach.

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<sup>14</sup> Accident Towing Services Act 2007, section 4(a)

## Advantages and disadvantages of a benchmarking approach

In our view, a benchmarking approach is fit-for-purpose and a sound and reliable basis of assessment for our Accident towing Fees Review 2025. Using benchmarks reduces the need to rely on firm specific costs to set fees. It means we do not have to assess every costing line item for prudence and efficiency.

Importantly, regulated fees levels can be benchmarked against unregulated trade towing fees. This is significant because towing operators provide both accident and trade towing services using the same trucks, depots and storage yards.

Further, trade towing services are provided in a contestable, competitive market. We consider fees in contestable markets will better reflect efficient costs.

Benchmarking does have its limitations. In particular, the benchmark fees we obtained needed to be adjusted to reflect the differences between Australian jurisdictions and the types of towing (for example, accident towing in comparison with various trade towing services).

This required making some assumptions about the extent of these differences. The need to make assumptions means the benchmarks did not strictly reflect the efficient costs for all accident towing jobs.

## We considered a cost-of-service approach

We are open to using other approaches. In particular, we considered the merits of using a cost-of service approach to assess fees. While it may be appropriate to develop such an approach in the future, it was not viable for this review.

If a cost-of-service approach were to be adopted, considerable work would need to be done to agree:

- what costs should be included
- how cost information is gathered and verified
- how regulated costs are ring-fenced or allocated between regulated and unregulated services.

In deciding whether to pursue a cost-of-service approach, we would have regard to the trade-offs. That is, the administrative burden for the parties to gather, collate and provide the information, considered in relation to the possible regulatory outcomes that might result from the use of such information. These costs are particularly relevant for small and medium sized businesses, which are prevalent in the accident towing industry. To this end, the beneficial outcomes derived from using the data need to outweigh the costs on industry of obtaining and providing the information.

## 2.2. Benchmarks, industry data and key stakeholder feedback informed our analysis

We were provided data and information from the Department of Transport and Planning and an insurance company. We also sourced published data from the Australian Bureau of Statistics.

We also met with and received the initial views of key accident towing industry stakeholders – the Insurance Council of Australia (who also provided an initial public submission) and the Victorian Automotive Chamber of Commerce.

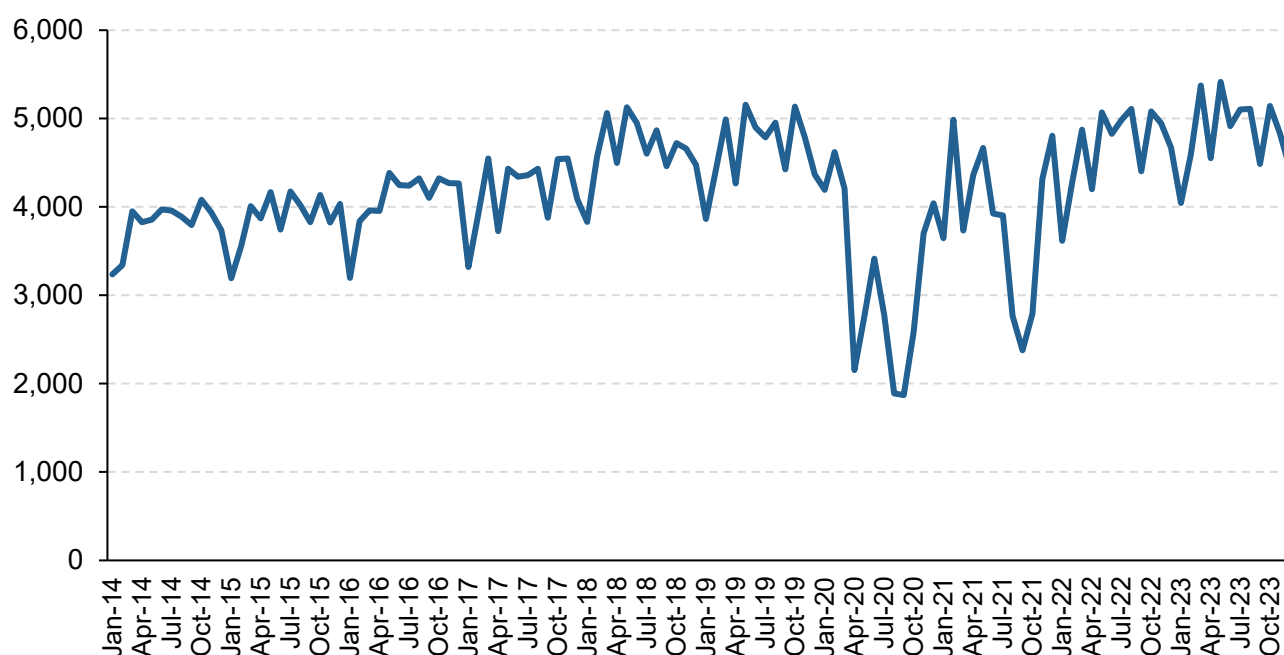
The data and information we have received has been used to derive our benchmarks. This, along with key stakeholders' initial views, have informed our analysis and provided the basis for the recommendations of this report.

We encourage stakeholders to make submissions or contact us directly, should they wish to provide further evidence to inform the analysis and final recommendations.

## 2.3. Coronavirus pandemic has not informed our conclusions or recommendations

We observed some significant changes during 2019–20, 2020–21 and 2021–22 in much of the data we received (as exemplified in Figure 2). This is likely due, in large part, to the impacts of the coronavirus pandemic.

**Figure 2** Monthly accident towing allocations 2014–2023



Source: Department of Transport and Planning.

Since 2021–22, much of the data indicates that the accident towing industry appears to have returned to the levels recorded prior to the coronavirus pandemic. We therefore regard the results recorded during 2019–20, 2020–21 and 2021–22 as outliers. We have reported data from these years in our draft report, but it has not informed our conclusions or recommendations.

## **2.4. Separate electric vehicle charges not necessary at present**

The Victorian Automotive Chamber of Commerce referred to the increasing number of electric vehicles and noted additional costs to tow and store these types of vehicles. This may include any associated training costs to tow and store electric vehicles and different space and storage requirements. (These requirements may be different, due to the potential fire and safety risks associated with electric vehicles.)

We do not consider it necessary to have separate charges to cover the additional costs that may be associated with towing and storing electric vehicles. These vehicles comprise only a very small proportion of the total Victorian vehicle fleet at present.<sup>15</sup>

Future analysis of electric vehicle towing and storage may be necessary as they become ubiquitous, particularly if government introduces specific obligations on operators.

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<sup>15</sup> Australian Automobile Association, Electric Vehicle Index, <https://www.aaa.asn.au/research-data/electric-vehicle/> Website accessed 7 October 2024.

According to this website, as at 31 January 2024 in Victoria there were:

Internal Combustion Engines = 4,907,595  
Battery Electric Vehicles = 41,546  
Hybrid / Plugin Hybrid Electric Vehicles = 114,127  
Total vehicles = 5,063,268

This means electric vehicles (Battery Electric, Hybrid and Plugin Hybrid) comprise around 3 per cent of the total Victorian fleet.

## 2. Our approach

## 3. Regulated accident towing fees

Regulated accident towing fees for the Melbourne controlled area are broadly similar to regulated fees in Sydney, Adelaide and Queensland.

Regulated accident towing fees are higher than trade towing fees, which is to be expected given the additional costs to provide accident towing services.

Our benchmarking suggests the current regulated accident towing fees for the Melbourne controlled area are appropriate.

### **Draft recommendation 1**

The current regulated accident towing fees are appropriate and should only be increased in line with current indexation arrangements.

We are required under section 212A(1)(a) of the Accident Towing Services Act to recommend to the Minister for Roads and Road Safety whether any amount the minister has previously determined for towing fees is appropriate.

This chapter sets out our assessment of the regulated towing fees associated with accident towing in the Melbourne controlled area.

### **3.1. Current regulated towing fees are appropriate**

Our benchmarks suggest regulated accident towing fees for the Melbourne controlled area are appropriate. We considered a range of benchmarks including:

- Regulated accident towing fees in three other Australian jurisdictions – New South Wales (Sydney), South Australia (Adelaide) and Queensland.
- Unregulated fees for trade towing services in Melbourne. This includes breakdown towing, abandoned (or derelict) vehicle towing and clearway towing.

Regulated accident towing fees in other jurisdictions are a useful benchmark as the services and underlying costs are likely to be similar to accident towing in Melbourne. However, regulated fees may be less reflective of efficient costs compared to fees set in a contestable market.

We also compared accident towing fees with trade towing fees which are unregulated in Victoria and often set via competitive tender processes. The services and underlying costs are likely to be different for trade towing compared to accident towing, but the fees are more likely to reflect efficient costs.

Regulated fees appear to provide adequate compensation for the additional work required for accident towing jobs compared to trade towing jobs. Therefore, we conclude the current accident towing fees should enable accident towing services to be provided in a safe, efficient and timely manner.

Stakeholders have mixed views on the level of the regulated accident towing fees. In the Insurance Council of Australia's view, the current regulated accident towing fees are appropriate.<sup>16</sup> The Victorian Automotive Chamber of Commerce considers accident towing fees remain too low, with a benchmarking approach not appropriate.<sup>17</sup>

### **Regulated towing fees are broadly similar in other Australian jurisdictions**

Regulated accident towing fees in the Melbourne controlled area are generally in line with regulated fees in other Australian jurisdictions, when adjusted to account for different regulatory settings between jurisdictions (see Table 3).<sup>18</sup>

We estimated a 'standard' accident towing fee for each jurisdiction, as each jurisdiction's listed fees are not directly comparable with each other. To estimate the standard accident towing fee, we made a number of assumptions and adjustments, such as a standard travel distance and tow time across each jurisdiction (see Appendix B for more detail).<sup>19</sup>

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<sup>16</sup> Insurance Council of Australia, File note of meeting with Essential Services Commission, 25 September 2024

<sup>17</sup> Victorian Automotive Chamber of Commerce, File note of meeting with Essential Services Commission, 3 October 2024

<sup>18</sup> We note that the results are sensitive to the distance travelled. For example, Queensland becomes relatively cheaper with greater distance, while Sydney becomes relatively more expensive with greater distance.

<sup>19</sup> The assumptions we used to estimate a 'standard' accident towing fee are:

- the total travel distance is 22 kilometres of which 17 kilometres is the total tow distance
- the average speed of an accident tow truck in the Melbourne controlled area is 40 kilometres per hour
- the average total tow time is 89.4 minutes of which 33.0 minutes is travel time and 56.4 minutes is waiting and working time
- the exclusion of storage fees
- the exclusion of salvage fees
- 46 per cent of accidents occur during business hours (8am to 5pm) and 54 per cent occur after hours.

### 3. Regulated accident towing fees

**Table 3 Estimated ‘standard’ accident towing fees by jurisdiction, 2024–25**

	Melbourne controlled area	Sydney	Adelaide	Queensland
Business hours	\$333.00	\$385.00	\$438.00	\$332.05
Ater hours	\$426.10	\$462.00	\$538.00	\$332.05
<b>Weighted average</b>	\$383.25	\$426.56	\$489.42	\$332.05

Source: Essential Services Commission analysis.

There were limits to the adjustments we could make. This may explain some of the differences in the estimated standard fees across jurisdictions. For example, the base fees in Sydney and Adelaide include some salvage, while the base fee in Melbourne does not. It is also difficult to make comparisons with Queensland’s fees, as they apply to both metropolitan and regional areas whereas Melbourne’s regulated towing fees apply to the metropolitan area only.

### Regulated towing fees are expectedly higher than unregulated trade towing fees

Regulated accident towing fees for the Melbourne controlled area are higher than unregulated trade towing fees in Melbourne. As shown in Table 4, breakdown towing fees are much less than the estimated standard accident towing fee. Clearway towing fees and abandoned (or derelict) vehicle towing fees are also lower, though higher than breakdown towing fees.

**Table 4 Comparison of fees for accident towing and trade towing**

Type of towing service	Average fee	Range of fees
Accident towing	\$383	
Breakdown towing	\$188	\$132 – \$220
Abandoned (or derelict) vehicle towing	\$276	\$192 – \$358
Clearway towing		
Councils adopting Department of Transport and Planning release fee	\$157	
Councils adopting different release fee	\$211	\$203 – \$221
Average (all)	\$200	\$157 – \$221

Source: Essential Services Commission analysis.

In our view, higher accident towing fees are to be expected as operators likely incur additional costs in undertaking accident towing jobs compared to trade towing jobs. This is, in part, due to the extra time it may take to complete these jobs including:

- waiting at an accident site (for police to clear the site and declare it safe to move a vehicle)

### 3. Regulated accident towing fees

- photographing and documenting an accident (if necessary)
- working at the site (accident towing operators are responsible for clearing the site of debris).

Accident towing operators are also required to take reasonable steps to attend an accident site within 30 minutes of receiving an allocation.<sup>20</sup> This means they need to have tow trucks on standby to meet this requirement, which in turn impacts their tow truck utilisation rates.

We estimated a benchmark proxy for the additional cost to perform accident towing jobs by calculating the difference between accident towing fees and the regulated towing fees for recovered stolen vehicles in Sydney.<sup>21</sup> We estimated this cost to be 37 per cent (see Table 5).

In comparison, we estimated the additional cost for accident towing compared to abandoned (or derelict) vehicle towing and clearway towing in Melbourne, which is 28 per cent and 48 per cent, respectively.

**Table 5 Additional cost to perform accident towing jobs**

Benchmark comparison	Additional cost as percentage of accident towing fees
Sydney accident towing fees compared to Sydney towing fees for recovered stolen vehicles	37%
Melbourne accident towing fees compared to Melbourne average benchmark for abandoned (or derelict) vehicle towing fees	28%
Melbourne accident towing fees compared to Melbourne average benchmark for clearway towing fees	48%

Source: Essential Services Commission analysis; <https://www.fairtrading.nsw.gov.au/buying-products-and-services/buying-services/motor-repairs/tow-truck-fees-for-light-vehicles>.

### 3.2. We recommend no change to towing fees other than indexation

Based on our benchmarking analysis, we conclude that regulated accident towing fees for the Melbourne controlled area are appropriate. We therefore make a draft recommendation that accident towing fees are not changed beyond the annual adjustment mechanism.

<sup>20</sup> Accident Towing Services Regulations 2019, regulation 37

<sup>21</sup> We made an adjustment to account for the different working and waiting times in Sydney compared to Melbourne. The working and waiting time for Sydney is sourced from IPART 2014, *Review of tow truck fees and licensing in NSW: Transport – Final Report*, December, p.69. The working and waiting time for Melbourne is sourced from our benchmarking analysis.



We invite stakeholder submissions on our Draft recommendation 1 and conclusions for regulated towing fees.

## 4. Regulated storage fees

Regulated storage fees for the Melbourne controlled area are in line with regulated fees in Sydney, Adelaide and Queensland.

Regulated storage fees are broadly similar to associated trade towing fees – clearway towing storage and abandoned (derelict) vehicle towing storage.

Regulated storage fees are consistent with estimated storage fees based on land rental values and storage utilisation rates.

Our benchmarking suggests the current regulated storage fees for the Melbourne controlled area are appropriate.

### **Draft recommendation 2**

The current regulated storage fees are appropriate and should only be increased in line with current indexation arrangements.

We are required under section 212A(1)(a) of the Accident Towing Services Act to recommend to the Minister for Roads and Road Safety whether any amount the minister has previously determined for storage fees is appropriate.

This chapter outlines our assessment of the regulated storage fees associated with accident towing in the Melbourne controlled area.

### **4.1. Current storage fees are appropriate**

Our benchmarks suggest current regulated storage fees are appropriate. We considered a range of benchmarks including:

- regulated storage fees for accident towing in other Australian jurisdictions
- unregulated storage fees for trade towing in Melbourne
- estimated storage fees based on land rental values in Melbourne.

The Insurance Council of Australia considers the level of the current regulated storage fees to be appropriate.<sup>22</sup> Whereas the Victorian Automotive Chamber of Commerce reserves the right to provide their view at a later stage of our review (after it has conducted its own research).<sup>23</sup>

### Regulated storage fees are broadly similar in other Australian jurisdictions

Regulated storage fees in the Melbourne controlled area are in line with regulated storage fees in other Australian jurisdictions. Regulated storage fees in Melbourne are slightly higher than Adelaide but lower than Sydney and Queensland (see Table 6).<sup>24,25</sup> The difference in storage fees across jurisdictions is likely due to varying land rental values.<sup>26</sup>

**Table 6** Regulated storage fee (per day) by jurisdiction, 2024–25

Storage fee	Melbourne controlled area	Sydney	Adelaide	Queensland
Car – under cover	\$30.90		\$28.00	
Car – locked yard	\$20.90	\$35.20	\$16.00	\$29.00
Motorcycle – under cover	\$10.20		Not applicable	Not applicable
Motorcycle – locked yard	\$6.50	\$16.50	Not applicable	Not applicable

Source: Essential Services Commission analysis.

### Regulated storage fees are generally consistent with trade towing storage fees

Regulated storage fees in the Melbourne controlled area are within range of storage fees for trade towing in Melbourne. The average storage fee for clearway towing (\$18.56) is lower than both regulated storage fees (see Table 7). The average storage fee for abandoned (or derelict) vehicle

<sup>22</sup> Insurance Council of Australia, File note of meeting with Essential Services Commission, 25 September 2024

<sup>23</sup> Victorian Automotive Chamber of Commerce, File note of meeting with Essential Services Commission, 3 October 2024

<sup>24</sup> In Queensland, the first three days of storage of an accident-damaged vehicle is included in the base fee for accident towing services. Storage fees beyond the three days are subject to a requirement that fees are 'reasonable'. However, the regulated storage fee for storing a private property motor vehicle in a holding yard is \$29.00 per day. We have used this fee in our comparison.

<sup>25</sup> The same fee is charged for storage in Sydney and Queensland regardless of whether a vehicle is stored under cover or in a locked yard. We have used the regulated locked yard storage fee in Melbourne when making comparisons to the storage fees in Sydney and Queensland.

<sup>26</sup> For example, we analysed the rental value of commercial properties in both Melbourne and Sydney in areas which are known to contain towing depots or storage yards. Rental values in Sydney are substantially higher than in Melbourne for an equivalent area. See Appendix C for more information.

## 4. Regulated storage fees

towing (\$31.06) is higher than the regulated locked yard storage fee (\$20.90) but similar to the regulated locked yard storage fee (\$30.90).

The storage fees for abandoned (or derelict) vehicle towing in outer Melbourne councils are generally higher than for inner Melbourne councils. This is counterintuitive as we would expect land rental rates in outer Melbourne to be lower than in inner Melbourne.

**Table 7 Published storage fees for trade towing in Melbourne, 2024–25**

Towing service	Council	Average storage fee (per day)
<b>Clearway towing</b>		
	All	\$18.56
	Councils adopting Department of Transport and Planning fee	\$15.20
	Councils adopting a different fee	\$19.40
<b>Abandoned or derelict vehicle towing</b>		
	All	\$31.06
	Inner Melbourne	\$21.46
	Outer Melbourne	\$35.42

Source: Essential Services Commission analysis.

Unlike accident towing storage fees, there is generally no distinction between vehicles stored under cover or in a locked yard (that is, not under cover). This means only a single trade towing fee for either type of storage can be used as a basis of comparison.

We note clearway towing includes a release fee, which generally includes five days of storage. This means a storage fee is applied only after five days.<sup>27</sup> In contrast, regulated storage fees for accident towing in Melbourne apply from the first day of storage.

### **Regulated storage fees accord with benchmarks based on land rental values**

Regulated storage fees in the Melbourne controlled area are similar to benchmarks based on land rental values and storage utilisation.

<sup>27</sup> The release fee for clearway towing is the fee charged to retrieve a vehicle that has been towed from a clearway and impounded. The release fee generally includes a towing fee component, administration fee component and storage fee component. For the four councils adopting a different release fee, the release fee includes two days of storage.

#### 4. Regulated storage fees

We derived benchmarks by converting land rental values (for land located less than and greater than 10 kilometres from the Melbourne CBD) into an estimated storage fee<sup>28</sup> at a 40 per cent and 45 per cent level of storage utilisation.<sup>29</sup>

The estimated storage fees based on land rental values for Melbourne were between \$22.18 and \$31.73 depending on the utilisation rate and distance from the CBD (see Table 8). These are slightly higher than the regulated storage fees of \$20.90 (locked yard) and \$30.90 (under cover), respectively. See Appendix C for more information on how we estimated storage fees based on land rental values.

**Table 8**      **Estimated storage fees for Melbourne based on land rental values**  
As at 1 November 2024

	40% utilisation	45% utilisation	Average
10 km or less from CBD	\$31.73	\$28.21	\$29.97
Greater than 10 km from CBD	\$24.96	\$22.18	\$23.57
<b>Average</b>	\$26.80	\$23.83	\$25.32

Source: Essential Services Commission analysis.

## 4.2. We recommend regulated storage fees do not change

Based on our benchmarking analysis, we conclude regulated storage fees for accident towing in the Melbourne controlled area are appropriate. We therefore make a draft recommendation that regulated storage fees are not changed beyond the annual adjustment mechanism.

We invite stakeholder submissions on our Draft recommendation 2 and conclusions for regulated storage fees.

<sup>28</sup>Land rental values were converted to storage fees using the same proportions as applied by the Independent Pricing and Regulatory Tribunal (IPART) of NSW in its 2014 review of tow truck fees and licensing. See IPART 2014, *Review of tow truck fees and licensing in NSW: Transport – Final Report*, December, p.96

<sup>29</sup> Ibid. p.94; Although not specified in the IPART report, we interpret storage utilisation to be the level which a storage facility is able to hold and store vehicles. We chose a 40 per cent and 45 per cent level of storage utilisation, as IPART considered these levels to be reasonable for inner and outer metropolitan Sydney (as they were levels achieved by the more efficient storage providers).

## 5. Productivity adjustment

Each year, regulated accident towing and storage fees in the Melbourne controlled area are amended by an ‘annual adjustment mechanism’, based on changes in Melbourne Transport consumer price index (CPI) minus a productivity adjustment factor.

We are required to recommend a value for the productivity adjustment factor. In doing this, we are guided by the ‘default’ 0.5 per cent specified in the Accident Towing Services Act.

The purpose of the productivity adjustment factor is to provide stronger incentives for tow truck operators to introduce efficiencies over time.

Despite many declines due to the coronavirus pandemic, there has been a recent up-turn in some productivity measures.

We note the legislated productivity adjustment factor of 0.5 per cent falls within the range of many of the measures we examined.

We did not find sufficient evidence to recommend a different productivity adjustment factor.

### **Draft recommendation 3**

The productivity adjustment factor should remain unchanged at 0.5 per cent.

We are required under section 212A(1)(c) of the Accident Towing Services Act to make a recommendation to the Minister for Roads and Road Safety on a figure for the productivity adjustment factor to apply to fees for regulated services. Section 212H of the Act specifies that the productivity adjustment factor is 0.5 per cent unless we recommend a different amount. We have not previously recommended a different amount.

This chapter outlines the purpose of the productivity adjustment factor, explores how productivity has been changing in the accident towing industry in Melbourne and explains the reasoning for our draft recommendation.

### **5.1. Regulated fees are adjusted each year by a set formula**

Each year, regulated accident towing and storage fees in the Melbourne controlled area are amended by an ‘annual adjustment mechanism’ to account for changes in costs and productivity in the sector. The formula for this adjustment is set out in section 212H of the Act:

$$A \times \left( \frac{B}{C} - D \right)$$

where:

- **A** is the regulated fee for the previous year
- **B** is the most recent March quarter value of Melbourne Transport consumer price index (or CPI)<sup>30</sup>
- **C** is the previous year March quarter value of Melbourne Transport consumer price index
- **D** is the productivity adjustment factor, set at 0.005 (unless we recommend a different value).

### **What our role is and what we take into consideration**

Our role is to recommend a figure for the productivity adjustment factor. In doing this, we are guided by the 0.005 (0.5 per cent) specified in the formula. It is effectively 'a default' and acts as a reference point. This means we consider whether the default is appropriate. If we find that it is not appropriate, we make a recommendation on what value the productivity adjustment factor should be.<sup>31</sup>

### **How the formula for adjusting regulated fees works**

The formula for adjusting regulated fees is a form of a 'CPI minus X' price regulation. It is intended to increase fees in line with changes to costs, while providing an incentive for businesses to continually improve their efficiency.

For the Melbourne accident towing industry, the CPI measure is the Melbourne Transport consumer price index. This means accident towing and storage fees will increase in response to transport related price rises in Melbourne, such as fuel and vehicle maintenance.

The purpose of the productivity adjustment factor is to provide stronger incentives for tow truck operators to improve. For a 0.5 per cent productivity adjustment factor, tow truck operators must improve their productivity by at least 0.5 per cent to recover the price increases associated with accident towing.

### **What it means to improve productivity**

Productivity growth measures how inputs change relative to outputs (as represented in Figure 3). For example, this could mean how the cost of tow trucks (a capital input) and drivers (a labour input) are changing relative to the amount of revenue tow truck operators receive from accident

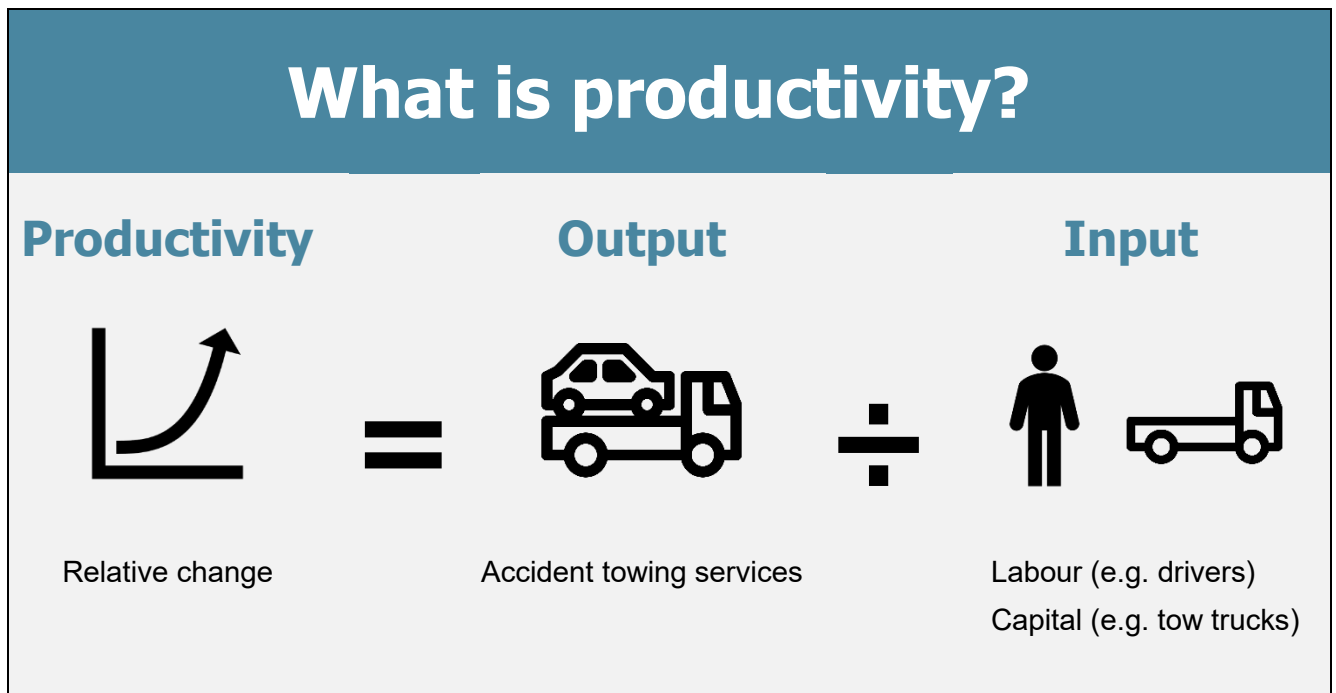
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<sup>30</sup> The Melbourne Transport consumer price index is available at Australian Bureau of Statistics, 6401.0 – Consumer Price Index, Australia, Table 9.

<sup>31</sup> Under section 212H of the Accident Towing Services Act 2007, the productivity adjustment factor is 0.5 per cent unless we recommend a different amount. We have not previously recommended a different amount.

allocations (an output). In this case, productivity would improve when the cost of tow truck operators' inputs decreases, while increasing or maintaining the same amount of revenue.

**Figure 3** Productivity illustration



In practical terms, tow truck operators may improve their productivity by:

- consolidating their operations into fewer depots
- increasing the ratio of accident towing licences to tow trucks, so to service a greater number of accident allocations with each tow truck
- using existing resources to engage in other services, such as trade towing.

**Accident towing and storage fees cannot decrease**

The annual adjustment mechanism includes a condition that fees will not be amended in a given year, if the formula results in a negative value.<sup>32</sup> Instead, accident towing and storage fees remain unchanged for the year in question. We refer to this as the 'zero-price floor' on price changes.

There is also no 'catch-up' condition included in the formula. This means accident towing and storage fees increase again (after a year in which they were unchanged), once the formula results in a positive value. They do not pause, to allow prices to reach parity or to 'catch-up'.

<sup>32</sup> As per Section 212H(3) of the *Accident Towing Services Act 2007*.



Table 9 compares the change in the formula to the actual increase in regulated fees. It shows the zero-price floor stopped fees from falling on two occasions between 2018–19 and 2024–25. This and the lack of a ‘catch-up’ condition means the growth in accident towing and storage fees outpaced the growth in costs minus productivity over this period. As a result, tow truck operators have been able to retain the benefits of improving productivity instead of sharing those gains with consumers (through lower prices).

**Table 9 Annual fee changes, 2018–19 to 2024–25**

	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25
Melbourne Transport CPI minus productivity	2.40%	-0.70%	2.70%	-0.50%	12.80%	3.40%	2.90%
Increase in fees	2.40%	0.00%	2.70%	0.00%	12.80%	3.40%	2.90%

CPI means consumer price index.

This only includes fee increases related to the annual adjustment mechanism. In 2018–19, regulated storage fees increased by 47 per cent, following our recommendation in the Accident towing fees review 2018: Final report, that storage fees be increased.

Using the base fee as an example, Table 10 shows how much tow truck operators have retained from the zero-price floor. It compares the base fee in place from 2018–19, with the base fee that would have prevailed had they been adjusted solely by the consumer price index. That is, for all values of the consumer price index, positive or negative.

**Table 10 Comparison of base fees due to zero-price floor, 2018–19 to 2024–25**

	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25
Base fee	\$221.40	\$221.40	\$227.40	\$227.40	\$256.40	\$265.10	\$272.80
CPI adjusted fee	\$221.40	\$219.90	\$225.80	\$224.70	\$253.50	\$262.10	\$269.70
Difference	\$0.00	\$1.50	\$1.60	\$2.70	\$2.90	\$3.00	\$3.10

CPI means consumer price index.

Base fee adjusted by the Melbourne Transport consumer price index. No adjustment was made in years in which the annual adjustment mechanism resulted in a negative value.

The ‘CPI adjusted fee’ is the base fee adjusted by the Melbourne Transport consumer price index regardless of whether the value is positive or negative.

All values have been rounded to the nearest 10 cents, as per section 212H(2) of the Accident Towing Services Act.

## 5.2. Recent pick-up suggests current productivity factor still appropriate (despite declines)

Despite many declines, a recent up-turn in some of our measures suggest the current productivity adjustment factor is within the range of that which might be achieved in the accident towing industry. We considered several measures including:

- **Multifactor productivity and partial productivity** measures published by the Australian Bureau of Statistics (ABS).
- **Partial productivity** measures derived from data relevant to the accident towing industry.

Ideally, the measures we use to inform our productivity adjustment factor recommendation would include all inputs and outputs that apply exactly to the accident towing industry in Victoria. However, a ‘perfect’ set of information, that is wholly representative of the accident towing industry is not available.

Table 11 shows a range of results for the different productivity measures we considered. Each measure has advantages and disadvantages. While one measure alone does not capture the Melbourne accident towing industry exactly, together they may provide a better view on how productivity growth has changed in the accident towing industry.

**Table 11** Productivity growth, 2012–13 to 2022–23

Measure	Time periods considered	Productivity growth per year (%)
Multifactor productivity using ABS transport, postal and warehousing sector	3, 5 and 10 years	-0.9 to 1.3
Labour productivity growth using ABS transport, postal and warehousing sector	3, 5 and 10 years	-0.7 to 1.0
Capital productivity growth using ABS transport, postal and warehousing sector	3, 5 and 10 years	-1.2 to 1.6
Industry measures – tow truck utilisation and number of tows per licence	2, 3 and 5 years	0.7 to 14.9

ABS means Australian Bureau of Statistics.

See Appendix F for more detail on these measures. Growth rates are based on a compound annual growth rate.

2-year period is 2020–21 to 2022–23

3-year period is 2019–20 to 2022–23

5-year period is 2017–18 to 2022–23

10-year period is 2012–13 to 2022–23

See Appendix D for further information on our productivity analysis.

The Victorian Automotive Chamber of Commerce contended a 0.5 per cent productivity adjustment factor is not appropriate and needs to be reviewed as part of this review.<sup>33</sup> The Insurance Council of Australia did not provide a position on the topic.

### **Some measures show productivity growth since the coronavirus pandemic**

We observed a significant drop in all productivity measures during 2019–20, 2020–20 and 2021–22. This was likely due to the coronavirus pandemic. As shown in Figure 4, the transport, postal and warehousing sector recorded sharp declines in multifactor productivity and partial capital and labour productivity during these years.<sup>34</sup>

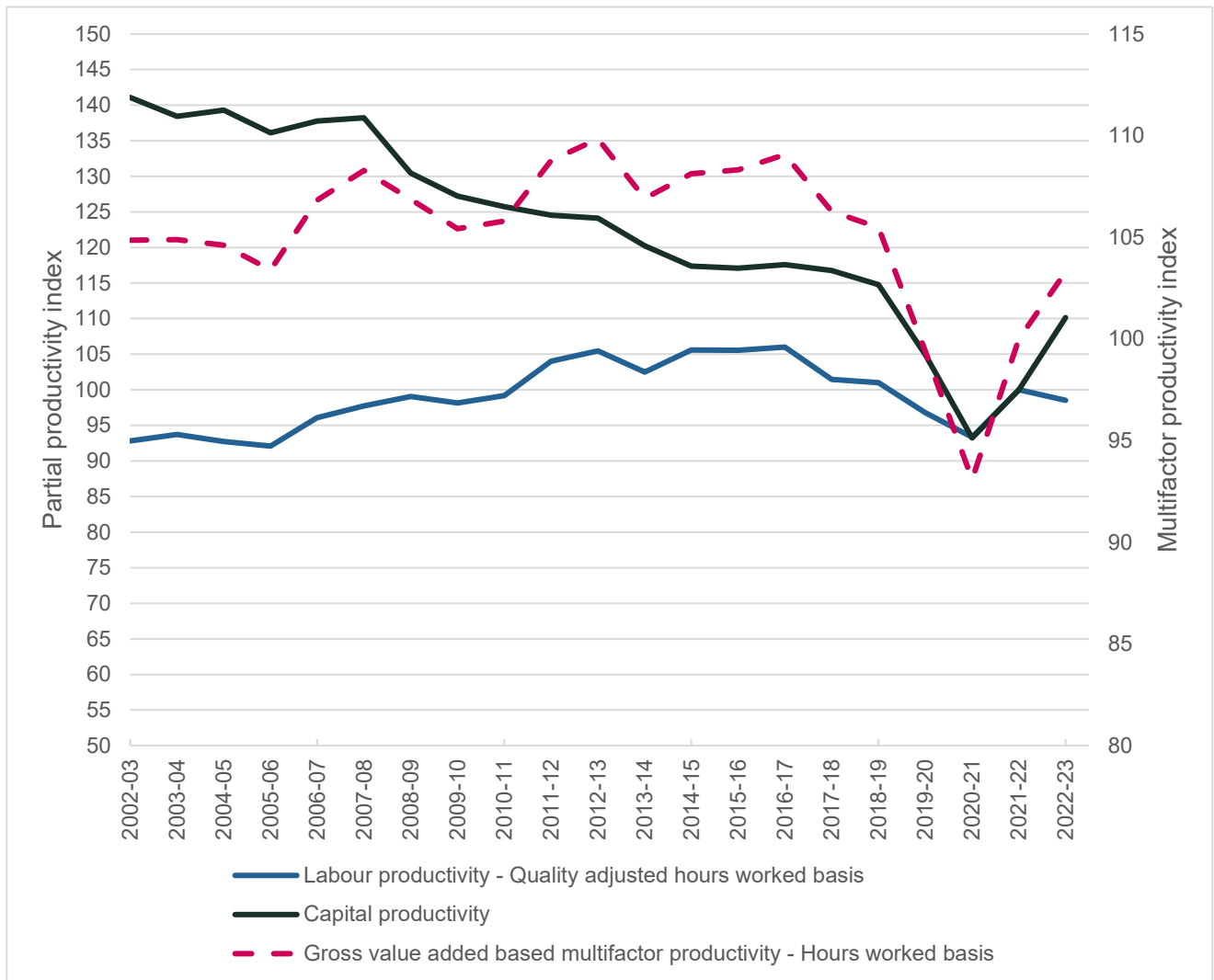
Although there were declines, the measures also indicate there has been a recovery since and that productivity might be reverting to its long-term trend. Since 2021–22, productivity growth has been largely positive. However, at the present time, we are unable to ascertain whether this recovery will be sustained, given the short period of time since the coronavirus pandemic.

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<sup>33</sup> Victorian Automotive Chamber of Commerce, File note of meeting with Essential Services Commission, 3 October 2024.

<sup>34</sup> <https://www.abs.gov.au/statistics/industry/industry-overview/estimates-industry-multifactor-productivity/2020-21>

**Figure 4 ABS Multifactor and partial productivity measures, 2002–03 to 2022–23**  
Transport, postal and warehousing sector



The multifactor productivity measures capture all relevant input and outputs for the transport, postal and warehousing sector. Over a five- and ten-year period, this produced a range of results from -0.9 to -0.4 per cent. Over the short-term three-year period (between 2019–20 and 2022–23), productivity growth ranged from -0.9 to 1.3 per cent.

The partial productivity measures capture either labour productivity or capital productivity separately, providing an indication that capital inputs may be driving overall productivity growth. For all time periods, labour productivity growth ranges from -0.7 per cent to 1.0 per cent and capital productivity growth ranges from -1.2 per cent to 1.7 per cent. Partial productivity growth in the last three years range from 0.6 to 1.6 per cent, reflecting the recovery since the coronavirus pandemic.

While the Australian Bureau of Statistics data provides a useful indication of what productivity growth has been in the transport sector more broadly, it has some limitations for our purposes. First, the measures are Australia-wide and may not be capturing what is occurring in Melbourne. Second, productivity trends in the transport, postal and warehousing industry may not be the same as for the accident towing industry.

### **Melbourne accident towing data shows productivity declines**

To provide further productivity insights for the accident towing industry in Melbourne, we identified three partial measures of productivity that could be calculated from Department of Transport and Planning data originally sourced from tow truck operators:

- the number of accident tows per licensed truck
- the number of accident tows per licence
- the time to perform an accident tow.<sup>35</sup>

This data is specific to the accident towing industry, unlike the data published by the Australian Bureau of Statistics which is for the broader transport, postal and warehousing industry. However, as they are partial measures of productivity, the results could be driven by other inputs. Further, the output does not include storage services or other business activities that might affect productivity (such as trade towing).

### **Accident tows per trucks and licences have increased since 2020**

As shown in Figure 5, the number of accident tows per licensed truck and licence have increased since 2020. This follows prior decreases from 2016 to 2020. Despite similar movements, these two measures are different, as some tow trucks use multiple licences.<sup>36</sup>

We calculated productivity growth for various two-year, three-year and five-year time periods. This produced a range of growth rates between 1.1 per cent and 14.9 per cent. The Department of Transport and Planning collects data that can be used to calculate the number of tows per licence

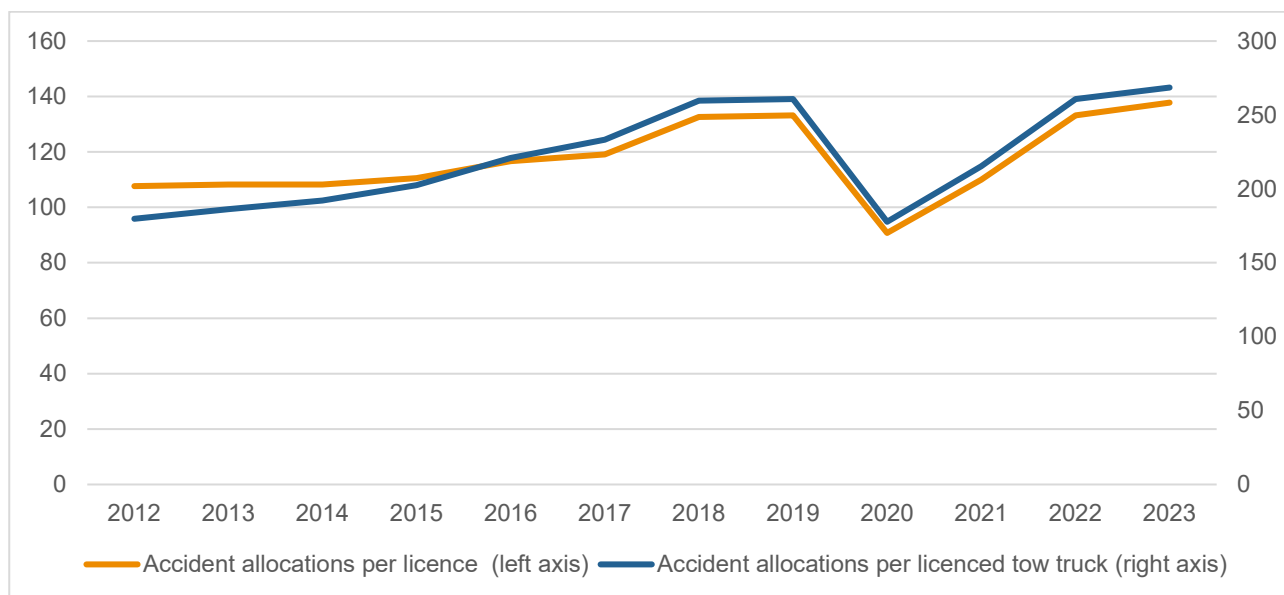
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<sup>35</sup> These partial productivity measures are also considered in our examination of the general performance of the accident towing industry, outlined in Appendix D.

<sup>36</sup> Some licences are not attached to specific tow trucks, allowing tow truck operators to flexibly manage their assets. Examining the number of licensed tow trucks would therefore be more useful than the number of tows per licence. However, the Department of Transport and Planning has not been able to provide updated data on the number of licensed tow trucks for this report.

and the number of accident tows per licensed tow truck. These two measures are different as some tow trucks use multiple licences.<sup>37</sup>

**Figure 5** Number of accident allocations per licence and licensed tow truck



Source: Department of Transport and Planning. The number of licenced tow trucks between 2018 and 2022 was not available. We kept the number of licensed tow trucks constant at 215 for these years. The data then indicated the number of tow trucks was 216 in 2023.

### Average time to perform accident tows has increased since 2020

The average time to complete an accident tow increased by 8.3 per cent per year since 2020 (see Table 12). These measures include the time to travel to an accident, the wait and work time at the accident scene and the time to transport a vehicle to its destination.

**Table 12** Average time to complete an accident tow, minutes

	2018	2019	2020	2021	2022	2023
Average accident tow time	78.2	72.7	70.4	74.5	86.3	89.4

Source: Department of Transport and Planning. The data excludes values less than 20 minutes and more than 600 minutes.

<sup>38</sup> Salvage is the moving of an accident-damaged motor vehicle to a place on a road or road-related area or into an upright position (or both) so that it may be towed by a tow truck without assistance. Salvage may involve the use of additional tow trucks or equipment.

### **5.3. We recommend the default productivity adjustment factor remains**

Our draft recommendation is that the default 0.5 per cent productivity adjustment factor remains appropriate.

The ABS data shows productivity growth declined during the coronavirus pandemic but appears to have rebounded since. While this does not provide conclusive evidence on the exact level of productivity growth that has occurred, we note the legislated productivity adjustment factor of 0.5 per cent falls within this range. Department of Transport and Planning data also shows some productivity growth.

As a result, we do not find there is sufficient evidence to recommend a different productivity adjustment factor.

We invite stakeholder submissions on our Draft recommendation 3 and conclusions for productivity adjustment applicable to accident towing in the Melbourne controlled area.

## 6. Salvage fees

We have not received detailed feedback that indicates customers are being charged excessive salvage fees.

We have received mixed initial views on salvage fee regulation.

### **Draft recommendation 4**

Basic salvage services should not be subject to a determination under section 211 of the Accident Towing Services Act.

We are required under section 212A(1)(b) of the Accident Towing Services Act to recommend whether fees for accident towing, storage, and salvage<sup>38</sup> services that are unregulated should be regulated and, if so, what regulated fees should be applied.

Fees for basic salvage in the Melbourne controlled area are not currently regulated under section 211 of the Act. Instead, basic salvage fees must be a 'reasonable charge for the provision of that service'.<sup>39</sup>

This chapter outlines stakeholders' views and the basis for our recommendation.

### **6.1. Salvage fees do not appear excessive to warrant regulation**

At this stage of our review, we have not received detailed feedback that indicates customers are being charged excessive salvage fees that would justify more direct price regulation.

We note salvage issues have previously been addressed by industry regulation. For example, there is a requirement in the Accident Towing Services Regulations 2019 for tow truck drivers to take photographs of salvage operations.<sup>40</sup> This may improve fee transparency and protect against excessive charging. It is possible that industry regulation, rather than price regulation, may be suitable for other issues related to excessive salvage fees, should they arise.

We have heard mixed views from our initial consultation with stakeholders. In the Victorian Automotive Chamber of Commerce's view, basic salvage services should not be subject to

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<sup>38</sup> Salvage is the moving of an accident-damaged motor vehicle to a place on a road or road-related area or into an upright position (or both) so that it may be towed by a tow truck without assistance. Salvage may involve the use of additional tow trucks or equipment.

<sup>39</sup> Accident Towing Services Act 2007, s. 212(1)(b).

<sup>40</sup> Accident Towing Services Regulations 2019, regulation 43(9).



regulation, noting sufficient protection against any excessive charging is already provided for in the Accident Towing Services Act.<sup>41</sup>

In contrast, the Insurance Council of Australia support salvage fee regulation. In their view, the lack of regulated salvage fees at present, is a 'gap' which is 'susceptible to misuse by less scrupulous operators, which in turn may introduce unwarranted costs into the system'.<sup>42</sup>

## **6.2. We do not recommend basic salvage services be regulated**

While regulation might address the potential for operators to levy excessive fees, we have recommended basic salvage services not be subject to a fee determination. We have not received detailed feedback that would support such a recommendation.

We invite stakeholder submissions on our Draft recommendation 4 and conclusions for basic salvage fees.

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<sup>41</sup> Victorian Automotive Chamber of Commerce, File note of meeting with Essential Services Commission, 3 October 2024

<sup>42</sup> Insurance Council of Australia, Submission to Essential Services Commission, 21 November 2024, p. 1

# Glossary

Term	Definition
accident allocation scheme	A roster-based system for allocating accident towing jobs between tow truck licence holders. Separate schemes operate in the Melbourne controlled area and the Self-management area of Geelong.
accident towing	The towing and storage of accident-damaged motor vehicles from road accident scenes. Accident towing and storage fees are regulated in the Melbourne controlled area.
breakdown towing	The towing of vehicles as part of the roadside assistance service offered by car insurance providers and car dealerships. Breakdown towing fees are not regulated.
clearway towing	The towing of vehicles illegally parked in designated clearway zones during specified times, under contract with the responsible authority. Clearway towing fees are not regulated.
Department of Transport and Planning	The accident towing industry regulator. The Department of Transport and Planning is the Victorian Government agency responsible for administering the Accident Towing Services Act.
depot	Premises from which accident tow trucks operate. A single depot may be shared by multiple accident towing service businesses.
driver	A person who drives a tow truck to accident scenes and performs the tow. Under the Accident Towing Services Act, drivers must be accredited by the Department of Transport and Planning.
heavy vehicle	A vehicle with a gross vehicle mass of more than four tonnes.
impound towing	The towing of vehicles that are either abandoned, derelict or otherwise causing obstruction, as arranged by the local council. Impound towing fees are not regulated.
Melbourne controlled area	A declared area within metropolitan Melbourne. Accident towing and storage fees are regulated in the Melbourne controlled area.
operator	A person who owns or operates a tow truck business. Under the Accident Towing Services Act, operators must be accredited by the Department of Transport and Planning.
regular vehicle	A vehicle with a gross vehicle mass of less than four tonnes.

Term	Definition
road accident	<p>An impact or collision of one or more motor vehicles:</p> <ul style="list-style-type: none"> <li>(a) on a road or road related area, or</li> <li>(b) not on a road or road related area, if immediately before the impact or collision one or more of the vehicles involved in the impact or collision had been travelling on a road or road related area.</li> </ul> <p>(Definition as per section 3 of the Accident Towing Services Act)</p>
road accident scene	<p>An area within a 2-kilometre radius of a road accident.</p> <p>(Definition as per section 3 of the Accident Towing Services Act)</p>
salvage	<p>Salvage, in the case of an accident damaged motor vehicle that, as a result of the accident—</p> <ul style="list-style-type: none"> <li>(a) is in a location that is not a road or road related area</li> <li>(b) is embedded in a building or in an object that is not a motor vehicle</li> <li>(c) is overturned or on its side—</li> </ul> <p>means the moving of the motor vehicle to a place on a road or road-related area or into an upright position or both so that it may be towed by a tow truck without assistance.</p> <p>(Definition as per section 3 of the Accident Towing Services Act)</p> <p>Salvage may involve the use of additional tow trucks or equipment. Specific salvage fees are not regulated, but fees are required to be ‘reasonable’.</p>
secondary tow	<p>Occurs when an accident-damaged vehicle is towed from the accident scene and delivered to the destination listed on the authority to tow docket and then is subsequently towed to another destination. Secondary tow fees are not regulated.</p>
Self-management area of Geelong	<p>A declared area consisting of Geelong and surrounding areas. Tow truck drivers may only attend an accident scene after receiving an allocation through the self-managed allocation scheme. Accident towing and storage fees are not regulated beyond a requirement to be ‘reasonable’.</p>
storage	<p>Occurs when an accident-damaged vehicle is transported to the tow truck operator’s depot and stored in a secure location to await repair or towing to another location.</p>

Term	Definition
trade towing	General towing and storage services that are not the immediate result of a road accident, including any tows following the delivery of an accident-damaged vehicle to the location specified on the authority to tow docket. Examples include breakdown, clearway, impound and secondary tows. Trade towing fees are not regulated.
unregulated area	For regular vehicle accident tows, refers to areas of Victoria excluding the Melbourne controlled area and the Self-management area of Geelong.

# Appendix A: Legislative framework

The following are the relevant sections of the Accident Towing Services Act.

Section number	Section detail
s. 3(1)	<p><b>Definitions</b></p> <p>In this Act –</p> <p><b>accident damaged motor vehicle</b> means a motor vehicle that has been damaged as the result of a road accident;</p> <p>...</p> <p><b>accident towing service</b> means the service of operating tow trucks for the following purposes –</p> <ul style="list-style-type: none"><li>(a) the purpose of towing accident damaged motor vehicles, where the towing of the accident damaged motor vehicle takes place between the time when the road accident in which the motor vehicle is damaged occurs and the time when the motor vehicle is first delivered to the place specified in the authority to tow;</li><li>(b) the purpose of clearing road accident scenes;</li></ul> <p>...</p> <p><b>road accident</b> means an impact or collision of one or more motor vehicles –</p> <ul style="list-style-type: none"><li>(a) on a road or road related area; or</li><li>(b) not on a road or road related area, if immediately before the impact or collision one or more of the vehicles involved in the impact or collision had been travelling on a road or road related area;</li></ul> <p><b>road accident scene</b> means an area within a 2 kilometre radius of a road accident;</p> <p>...</p> <p><b>salvage</b>, in the case of an accident damaged motor vehicle that, as a result of the accident –</p> <ul style="list-style-type: none"><li>(a) is in a location that is not a road or a road related area; or</li><li>(b) is embedded in a building or in an object that is not a motor vehicle; or</li><li>(c) is overturned or on its side –</li></ul> <p>means the moving of the motor vehicle to a place on a road or road related area or into an upright position or both so that it may be towed by a tow truck without assistance;</p> <p>...</p> <p><b>tow</b>, in relation to any motor vehicle, includes –</p> <ul style="list-style-type: none"><li>(a) lifting and towing the motor vehicle;</li><li>(b) lifting and carrying the motor vehicle;</li></ul>

Section number	Section detail
	<p>(c) lifting the motor vehicle for the purpose of towing the motor vehicle – but does not include salvage of the motor vehicle;</p> <p><b>tow truck</b> means –</p> <p>(a) any motor vehicle –</p> <ul style="list-style-type: none"> <li>(i) that is equipped with a crane, winch, ramp or other lifting device; and</li> <li>(ii) that is used or intended to be used for the towing of motor vehicles; or</li> </ul> <p>(b) a motor vehicle to which is attached, temporarily or otherwise a trailer or device that is –</p> <ul style="list-style-type: none"> <li>(i) equipped with a winch or ramp or other lifting device; and</li> <li>(ii) that is used or intended to be used for the towing of motor vehicles;</li> </ul> <p>...</p>
s. 4	<p><b>Objective</b></p> <p>The objective of this Act is to –</p> <p>(a) promote the safe, efficient and timely provision of accident towing services and other related services;</p> <p>(b) ensure that persons who are providing accident towing services –</p> <ul style="list-style-type: none"> <li>(i) are of appropriate character; and</li> <li>(ii) are technically competent to provide the services; and</li> <li>(iii) when providing the services, act with integrity and in a manner that is safe, timely, efficient and law abiding, and in particular, that regard is had for vulnerable persons.</li> </ul>
s. 211	<p><b>Minister to determine charges for accident towing services and other services</b></p> <p>The minister may from time to time determine the amounts that may be charged by the providers of the following –</p> <p>(a) accident towing services;</p> <p>(b) the service of storing accident damaged motor vehicles;</p> <p>(c) basic salvage services – for the provision of those services.</p>

Section number	Section detail
s. 212 (1)	<p><b>Determinations of charges</b></p> <p>The minister must not make a determination under section 211 unless he or she –</p> <ul style="list-style-type: none"> <li>(a) has received a recommendation from the commission under division 2 on the matter; and</li> <li>(b) has received a report from the secretary.</li> </ul>
s. 212 (2)	<p>A determination of the minister under section 211 –</p> <ul style="list-style-type: none"> <li>(a) may be of general or of specially limited application; and</li> <li>(b) may differ according to differences in time, place or circumstance.</li> </ul>
s. 212 (3)	<p>A determination under section 211 takes effect when it is published in the Government gazette, or, if a later day is specified in the determination, on that day.</p>
s. 212 (4)	<p>A determination under section 211 may be amended or revoked and the provisions of this section apply to any such amendment or revocation of a determination in the same manner as that in which they apply to the making of the determination.</p>
s. 212A (1)	<p><b>Periodic review of charges</b></p> <p>The commission must, at the time specified in subsection (3), conduct and complete a review and make a recommendation to the minister as to all of the following –</p> <ul style="list-style-type: none"> <li>(a) whether or not any amount determined by the minister under section 211 is appropriate;</li> <li>(b) in relation to accident towing services, services relating to the storage of accident damaged vehicles and salvage services for which no amount has been determined under section 211 – <ul style="list-style-type: none"> <li>(i) whether or not that service should be subject to a determination under that section; and</li> <li>(ii) if the commission considers that the service should be subject to a determination, what that determination should be;</li> </ul> </li> <li>(c) a figure for the productivity adjustment of those services that are or are to be subject to a determination under section 211;</li> <li>(d) any other matter relating to accident towing services, the storage of accident damaged vehicles or salvage that the minister specifies in writing.</li> </ul>

Section number	Section detail
s. 212A (2)	The minister must consult with the minister administering the Essential Services Commission Act 2001 before specifying a matter for review under subsection (1)(d).
s. 212A (3)	The commission must conduct and complete a review and make a recommendation to the minister under this section – <ul style="list-style-type: none"> <li>(a) not later than 30 June 2014; and</li> <li>(b) before the expiry of each subsequent period of 4 years commencing from the date that the last review commenced.</li> </ul>
s. 212B (1)	<b>Additional review at minister’s direction</b>  The minister may at any time, by written direction, require the commission to conduct and complete a review and make a recommendation to the minister as to whether or not an amount determined under section 211 is appropriate.
s. 212B (2)	The minister must consult with the minister administering the Essential Services Commission Act 2001 before requiring the commission to conduct a review and make a recommendation under subsection (1).
s. 212B (3)	A written direction under this section must specify terms of reference for the review.
s. 212B (4)	The minister may – <ul style="list-style-type: none"> <li>(a) specify a period within which a recommendation is to be made to the minister under subsection (1);</li> <li>(b) require the commission to make a draft copy of the recommendation publicly available or available to specified persons or bodies during the review;</li> <li>(c) require the commission to consider specified matters;</li> <li>(d) give the commission specific directions in respect of the conduct of the review;</li> <li>(e) specify objectives that the commission is to have in performing its functions and exercising its powers in relation to the review.</li> </ul>
s. 212B (5)	If the minister has directed a matter to the commission for review under subsection (1), the minister may, by written notice given to the commission, withdraw or amend the direction at any time before the minister has received the recommendation from the commission.



Section number	Section detail
s. 212B (6)	The minister must cause notice of a direction given to the commission under this section to be published on an Internet site maintained by the department.
s. 212C (1)	<p><b>Conduct of review</b></p> <p>Subject to this Act and any directions under section 212B, the commission may conduct a review under this division in any manner the commission considers appropriate.</p>
s. 212C (2)	In conducting a review, the commission is not bound by the rules of evidence and may inform itself on any matter in any way it thinks fit.
s. 212C (3)	The commission may receive written submissions or statements.
s. 212C (4)	<p>If the commission holds a public hearing –</p> <p>(a) the commission has a discretion as to whether any person may appear before the commission in person or be represented by another person;</p> <p>(b) the commission may determine that the hearing, or part of the hearing, be held in private if it is satisfied that –</p> <p>(i) it would be in the public interest; or</p> <p>(ii) the evidence is of a confidential or commercially sensitive nature.</p>
s. 212C (5)	<p>In conducting a review, the commission –</p> <p>(a) may consult with any person that it considers appropriate;</p> <p>(b) may hold public seminars and hold workshops;</p> <p>(c) may establish working groups and task forces.</p>
s. 212D	<p><b>Objectives not to apply</b></p> <p>Except to the extent (if any) that the minister otherwise determines, the objectives of the commission under the Essential Services Commission Act 2001 or any other Act do not apply to the functions and powers of the commission under this division.</p>

Section number	Section detail
s. 212H (1)	<p><b>Charges to be adjusted for CPI</b></p> <p>Subject to subsection (2), an amount of a charge determined under section 211 must be varied, in respect of each financial year, in accordance with the formula –</p> $A \times \left( \frac{B}{C} - D \right)$ <p>where –</p> <p>‘A’ is the amount of the charge for the financial year immediately preceding the relevant year;</p> <p>‘B’ is the transport group consumer price index for Melbourne in original terms for the reference period in which falls the March quarter of the financial year immediately preceding the relevant year last published by the Australian Bureau of Statistics before the relevant year;</p> <p>‘C’ is the transport group consumer price index for Melbourne in original terms for the corresponding reference period one year earlier than the reference period referred to in B last published by the Australian Bureau of Statistics before the relevant year;</p> <p>‘D’ is the productivity adjustment figure specified in the recommendation under section 212A most recently made by the commission or, if the commission has not made a recommendation under section 212A that relates to the relevant year, ‘D’ is 0.005.</p>
s. 212H (2)	<p>If it is necessary for the purposes of this section to calculate an amount that consists of or includes a fraction of a whole dollar, the amount is taken to be calculated in accordance with this section if the calculation is made to the nearest whole 10 cents.</p>
s. 212H (3)	<p>If the variation under subsection (1) of the amount of a charge would reduce the amount of that charge, the amount of the charge must not be varied under subsection (1).</p>
s. 212H (4)	<p>If the amount of a charge is varied under subsection (1), the secretary must publish a notice in the Government gazette specifying –</p> <ul style="list-style-type: none"> <li>(a) the service to which the charge relates; and</li> <li>(b) the amount of the charge as varied; and</li> <li>(c) the data from which the charge as varied applies.</li> </ul>
s. 212H (5)	<p>In this section, <b>relevant year</b> means the financial year for which the adjusted amount is being varied.</p>

Section number	Section detail
s. 212I	<b>Offence to charge unreasonable sum or sum different to charge determined under section 211</b>
s. 212I(1)	<p>A person must not charge an amount for the provision of an accident towing service, for the storage of an accident damaged motor vehicle or for the provision of salvage services unless –</p> <ul style="list-style-type: none"> <li>(a) if a determination for the service has been made under section 211, the charge is determined in accordance with that determination; or</li> <li>(b) if no determination for the service has been made under section 211, the charge is a reasonable charge for the provision of that service.</li> </ul> <p>Penalty: 30 penalty units.</p>
s. 212I(2)	<p>Without limiting the factors the court may consider in determining what is a reasonable charge for the provision of an accident towing service for the purposes of subsection (1)(b), the court must consider those of the following factors that are relevant –</p> <ul style="list-style-type: none"> <li>(a) the nature of the service provided;</li> <li>(b) the day on which the service is provided;</li> <li>(c) the time at which the service is provided;</li> <li>(d) any administration costs incurred in the provision of the service;</li> <li>(e) the amount that would be charged for the provision of a similar service that is not an accident towing service;</li> <li>(f) the amount that would be charged for the same or similar service by any other person providing accident towing services in the same or similar area.</li> </ul>
s. 212I(3)	<p>In any proceedings against a person for an offence under subsection (1), if the offence is proved, the court may order that person to refund any amount paid in excess of the amount that may be charged under subsection (1).</p>

## Appendix B: Regulated accident towing fees benchmarking analysis

We considered a range of benchmarks for regulated accident towing fees in the Melbourne controlled area including:

- Regulated accident towing fees in three other Australian jurisdictions: New South Wales (Sydney), South Australia (Adelaide) and Queensland.
- Unregulated trade towing fees in Melbourne: breakdown towing, abandoned (or derelict) vehicle towing and clearway towing.

Our analysis of towing fees is explained in detail in this appendix.

### **Regulated towing fees in other Australian jurisdictions**

We compared regulated towing fees in the Melbourne controlled area with regulated towing fees in New South Wales (Sydney), South Australia (Adelaide) and Queensland. The regulated fees for these jurisdictions are shown in Table 13.

We did not include the regulated towing fees for New South Wales (non-metropolitan areas) as we do not consider these fees to be relevant to the Melbourne controlled area. We also note that the regulated towing fees in Queensland apply to both metropolitan and regional areas, which differs from Melbourne where the regulated towing fees apply to the metropolitan area only.

**Table 13 Regulated accident towing fees by jurisdiction, 2024–25**

	Melbourne controlled area	Sydney	Adelaide	Queensland
<b>Base fee</b>				
Business hours	\$272.80	\$331.10	\$375.00	\$419.05
After hours surcharge	\$93.10	20%	\$66.00	Not applicable
<i>Included in base fee</i>				
Distance	8 km	10 km	20 km	50 km
Waiting and working time	All waiting and working time	All waiting and working time	30 minutes waiting and working time	All waiting time 60 minutes working time
Salvage	Not included	All basic salvage; 30 minutes other	Included in 30 minutes waiting and working time	Not included
Storage	Not included	Not included	Not included	3 days
<b>Distance fee</b>				
Distance fee (per km)	\$4.30	\$7.70	\$3.00	\$8.35
After hours surcharge	Not applicable	20%	\$2.00	Not applicable
Distance measured	Operator depot to tow destination	Accident site to tow destination	Operator depot to tow destination	Accident site to tow destination
<b>Business hours</b>	8 am to 5 pm	8 am to 5 pm	7.30 am to 5 pm	Not applicable

Source: *Victoria Government Gazette*, 11 June 2024, No. S 304; <https://www.fairtrading.nsw.gov.au/buying-products-and-services/buying-services/motor-repairs/tow-truck-fees-for-light-vehicles>; *South Australian Government Gazette*, 9 March 2023, No. 16, p. 517; <https://www.tmr.qld.gov.au/business-industry/accreditations/tow-truck-licensing-scheme#max-reg-tow-charges>.

As shown in Table 13, the structure of regulated accident towing fees is broadly similar across Australian jurisdictions generally comprising a *base fee* which includes a certain distance and a *distance fee* for any kilometres beyond the included distance. However, there are some key differences including:

- The base fees in Melbourne and Sydney include all waiting and working times, while Queensland includes all waiting times and 60 minutes working time, and Adelaide includes 30 minutes of waiting and working time.
- The base fees in Sydney and Adelaide include some allowance for salvage, while Melbourne and Queensland do not.

- The base fee in Queensland includes three days of storage, while Melbourne, Sydney and Adelaide do not include any storage.
- The distance included in the base fee varies from eight kilometres in Melbourne to 50 kilometres in Queensland.
- In Melbourne and Adelaide, the distance is measured from the *towing depot* to the tow destination (that is, it includes travel to the accident scene), while in Sydney and Queensland, the distance is measured from the *accident scene* to the tow destination.

To account for some of the differences in fee structures across jurisdictions, we estimated a 'standard' accident towing fee for each jurisdiction. To estimate the 'standard' accident towing fee, we made the following assumptions:

- A total travel distance of 22 kilometres (of which 17 kilometres is the tow distance).
- A total tow time of 89.4 minutes, of which 33.0 minutes is travel time and 56.4 minutes is 'waiting and working' time at the scene.
- An average speed of 40 kilometres per hour.
- Forty-six per cent of jobs occur during business hours and 54 per cent of jobs occur after hours.<sup>43</sup>

We made the following adjustments:

- The base fee in Queensland includes three days of storage, so we subtracted three days of storage (at \$29.00 per day) from the Queensland base fee.
- The distance is measured from the towing depot in Melbourne and Adelaide, and from the accident scene in Sydney and Queensland, so we applied the distance fee to the **total travel** distance in Melbourne and Adelaide, and the **total tow** distance in Sydney and Queensland (after taking into account the distance included in the base fee for each jurisdiction).
- The base fee in Adelaide includes only 30 minutes of waiting and working time, so we added an additional 26.4 minutes of waiting time for Adelaide.<sup>44</sup>

The estimated 'standard' accident towing fee for each jurisdiction is shown in Table 14. The estimated standard fee in the Melbourne controlled area is much lower than Adelaide and slightly lower than Sydney, but higher than Queensland.

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<sup>43</sup> The business hours for South Australia are longer than for all other jurisdictions. We have assumed 49 per cent of jobs occur in business hours and 51 per cent of jobs occur after hours in South Australia, compared to 46 and 54 per cent in all other jurisdictions.

<sup>44</sup> The waiting and working time fee in South Australia is charged on a per hour or part thereof basis, therefore we have added the charge for one hour of waiting and working time.

**Table 14** Estimated ‘standard accident towing fees by jurisdiction, 2024–25

	Melbourne controlled area	Sydney	Adelaide	Queensland
Business hours	\$333.00	\$385.00	\$438.00	\$332.05
Ater hours	\$426.10	\$462.00	\$538.00	\$332.05
<b>Weighted average</b>	\$383.25	\$426.56	\$489.42	\$332.05

Source: Essential Services Commission analysis.

We consider the adjustments outlined above make the benchmarks across jurisdictions comparable. However, there were limits to the adjustments we could make. For example:

- We did not make an adjustment for salvage, which is included in the base fee for Sydney and Adelaide. We did not have sufficient information on salvage requirements in each jurisdiction to make the necessary adjustment. This may result in the estimated ‘standard’ fee being overestimated for Sydney and Adelaide.
- We have not accounted for the fact that tow truck operators in Melbourne have a relatively higher degree of certainty in relation to accident towing jobs through the accident allocation scheme.
- We subtracted three days of storage from the base fee in Queensland. However, in practice, customers do not have the option to do this. Regardless of whether they require storage, they would be charged more than the estimated ‘standard’ fee.
- The regulated fees in Queensland apply to both metropolitan and regional areas. The regional areas are less likely to be comparable to the Melbourne controlled area.

We also note that there are some challenges in standardising the distance travelled. Accident towing jobs in Adelaide and Queensland are likely to be longer, on average, than those in Melbourne and Sydney. This is reflected in the longer distances included in the base fees in these jurisdictions.

## Trade towing fees in Melbourne

We compared regulated accident towing fees in the Melbourne controlled area to trade towing fees for breakdown towing, abandoned (or derelict) vehicle towing and clearway towing in Melbourne. Trade towing services are unregulated in Victoria.

### Breakdown towing and general trade towing

Tow truck operators compete for the general towing of vehicles as customers can seek quotes from several operators to obtain the most appropriate service for their requirements (for example, the cheapest service or convenience).

The cost of a trade tow will depend on the type of tow required and will be impacted by a range of factors including the type of vehicle, distance and destination of the tow, and the time and day of the tow.

We obtained five online quotes from tow truck operators in the Melbourne area which indicated that the current market price for general trade tows similar in conditions to a standard accident tow was between \$132 and \$220, with an average of \$188. This is much lower than the regulated accident towing fee (\$383).

### Abandoned (or derelict) vehicle towing

Local councils are responsible for clearing vehicles which have been deemed to be abandoned, are derelict or causing obstruction. To do so, they generally have a contract (often arranged via commercial tender) with a tow truck company or operator who will be responsible for these tows.

A 'release fee' is charged to retrieve an abandoned (or derelict) vehicle that has been towed and impounded. This release fee generally includes a towing fee component and an administration fee component. Most councils publish the release fee in their annual budget. Some councils publish the disaggregated towing fee and administration fee.

For 2024–25, five councils in the Melbourne area, the published towing fees range from \$192 to \$358, with an average of \$276 (see Table 15). The towing fees for these five councils are lower than the regulated accident towing fee in Melbourne (\$383).

**Table 15** Published towing fees for abandoned or derelict vehicles by council, 2024–25

Council	Towing fee
Darebin City Council	\$300.00
Knox City Council	\$358.00
Manningham City Council	\$197.10
Melbourne City Council	\$335.00
Nillumbik Shire Council	\$192.00
<b>Average</b>	<b>\$276.42</b>

**Source:** Darebin City Council, Annual Budget 2024–25; Knox City Council, Annual Budget 2024–25; Manningham City Council, Annual Budget 2024–25; Melbourne City Council, Annual Budget 2024–25; Nillumbik Shire Council, Annual Budget 2024–25.

### Clearway towing

Clearway towing is the towing of a vehicle parked in a clearway marked as a tow-away zone during the posted restricted times. All clearways on major roads within 20 kilometres of Melbourne's CBD are tow-away zones. Clearway towing in Melbourne is mainly operated by the Department of



Transport and Planning. However, some councils manage clearway towing in their respective municipalities instead.

Similar to abandoned (or derelict) vehicle towing, a 'release fee' is charged to retrieve a vehicle that has been towed from a clearway zone and impounded. This release fee generally includes a towing fee component, administration fee component, and storage fee component.<sup>45</sup>

Most councils in Melbourne have adopted a release fee which has been negotiated by the Department of Transport and Planning. Four councils have negotiated a different release fee.

Unlike abandoned (or derelict) vehicle towing, no councils publish the disaggregated towing fee and administration fee for clearway towing. Therefore, we have used the towing fee as a proportion of the release fee for abandoned (or derelict) vehicle towing as a proxy to estimate the towing fee for clearway towing. Our analysis shows councils that publish a towing fee and administration fee for abandoned (or derelict) vehicle towing, the towing fee accounts for 47 per cent, on average, of the release fee.

To estimate the towing fee for clearway towing, we:

- estimated the storage fee component as the published storage fee multiplied by the number of days of storage included in the release fee<sup>46</sup>
- estimated the release fee without storage as the published release fee less the estimated storage fee component
- estimated the towing fee as 47 per cent of the release fee without storage.

The estimated towing fee for the councils adopting the Department of Transport and Planning release fee is \$157, and ranges from \$203 to \$221 for the four councils adopting a different fee (Table 16). These are lower than the regulated accident towing fee in Melbourne (\$383).

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<sup>45</sup> For the councils adopting the Department of Transport and Planning fee, the release fee includes five days of storage. For the four councils adopting a different release fee, the release fees include two days of storage. A separate storage fee is applied per day after the included days.

<sup>46</sup> While the release fee for councils adopting the Department and Planning fee includes five days of storage, for the purposes of our comparison, we have assumed that the average days in storage is two, therefore we have deducted only two days of storage from the release fee to estimate the towing fee.

**Table 16** Published release fee and estimated towing fee for clearway towing  
As at 22 November 2024 (rounded to nearest dollar)

	Release fee	Estimated storage fee component	Estimated administration fee	Estimated towing fee
Councils adopting Department of Transport and Planning release fee	\$361	\$30.40	\$174	\$157
Melbourne City Council	\$490	\$35.20	\$239	\$215
Port Phillip City Council	\$485	\$56.00	\$226	\$203
Stonnington City Council	\$500	\$32.18	\$246	\$221
Yarra City Council	\$460	\$31.80	\$225	\$203
<b>Average (all)</b>	<b>\$459</b>	<b>\$37.12</b>	<b>\$222</b>	<b>\$200</b>
<b>Average (councils adopting different release fee)</b>	<b>\$484</b>	<b>\$38.30</b>	<b>\$234</b>	<b>\$211</b>

Source: Essential Services Commission analysis.

# Appendix C: Regulated storage fees benchmarking analysis

We considered a range of benchmarks for regulated storage fees for accident towing in the Melbourne controlled area including:

- regulated storage fees for accident towing in other Australian jurisdictions
- unregulated storage fees for trade towing in Melbourne
- estimated storage fees based on land rental values in Melbourne.

Our analysis of unregulated storage fees and land rental values is explained in detail in this appendix.

## **Regulated storage fees are broadly similar to trade towing storage fees**

### **Clearway towing**

Clearway towing is the towing of a vehicle parked in a clearway marked as a tow-away zone during the posted restricted times. All clearways on major roads within 20 kilometres of Melbourne's CBD are tow-away zones. Clearway towing in Melbourne is mostly managed by the Department of Transport and Planning.

Most councils have adopted a storage fee which has been negotiated by the Department of Transport and Planning. Four councils have negotiated a different storage fee. The storage fees are shown in Table 17.

For councils adopting the Department of Transport and Planning fee, the storage fee is applied after five days of storage. Yet, for the other four councils, the storage fee is applied after two days of storage.

**Table 17** Published storage fees for vehicles towed from a clearway zone

As at 22 November 2024

Council	Storage fee (per day)
Melbourne City Council	\$17.60
Port Phillip City Council	\$28.00
Stonnington City Council	\$16.09
Yarra City Council	\$15.90
<b>Councils adopting Department of Transport and Planning fee</b>	<b>\$15.20</b>
<b>Average (all)</b>	<b>\$18.56</b>
<b>Average (councils adopting different storage fee)</b>	<b>\$19.40</b>

The clearway towing storage fees are slightly lower than the regulated locked yard storage fee (\$20.90) and much lower than the regulated under cover storage fee (\$30.90).

#### **Average storage fees much lower if outlier excluded**

Port Phillip City Council has a storage fee that is significantly higher than all of the other councils (\$28.00). If we exclude this council, the average storage fee for all councils is \$16.20. While the average for the remaining three councils charging their own storage fee is \$16.53. Both these average fees are much lower than both the regulated locked yard storage fee and regulated under cover storage fee.

#### **Abandoned (or derelict) vehicle towing**

Local councils negotiate contracts with towing operators to provide towing of abandoned (or derelict) vehicles. Some councils publish the storage fee for abandoned (or derelict) vehicles that have been towed and impounded.

Storage fees for abandoned (or derelict) vehicles vary greatly by council, ranging from \$12.50 to \$60.00 per day with an average of \$31.06 (as shown in Table 18). This is similar to the regulated under cover storage fee in Melbourne (\$30.90), but much higher than the regulated locked yard storage fee (\$20.90).

We note that the storage fees for outer Melbourne councils are generally higher than for inner Melbourne councils. This is counterintuitive as we would expect land rental rates to be lower in outer Melbourne councils. The average storage fee for outer Melbourne councils is \$35.42 (higher than both regulated storage fees) compared to \$21.46 for inner Melbourne councils (similar to the regulated locked yard storage fee, but lower than the regulated under cover storage fee).

**Table 18** Published storage fee for abandoned (or derelict) vehicles by council, 2024–25

Council	Storage fee (per day)
Boroondara City Council	\$12.50
Casey City Council	\$25.00
Darebin City Council	\$48.00
Frankston City Council	\$60.00
Kingston City Council	\$31.00
Manningham City Council	\$32.60
Maribyrnong City Council	\$54.50
Maroondah City Council	\$30.00
Melbourne City Council	\$23.78
Melton City Council	\$23.65
Merri-bek City Council	\$21.00
Monash City Council	\$34.90
Nillumbik Shire Council	\$29.00
Port Phillip City Council	\$28.00
Stonnington City Council	\$18.00
Yarra City Council	\$25.00
<b>Average (all)</b>	<b>\$31.06</b>
<b>Average (inner Melbourne councils)</b>	<b>\$21.46</b>
<b>Average (outer Melbourne councils)</b>	<b>\$35.42</b>

### **Regulated storage fees are consistent with benchmarks based on land rental values**

Land prices and associated rental prices are a major driver of the cost of storage fees. We estimated storage fees based on land rental values using an approach similar to that applied by the Independent Pricing and Regulatory Tribunal (IPART) of New South Wales in its 2014 review

of tow truck fees and licensing. We used the same proportion of storage fee to land value that IPART applied.<sup>47</sup>

To calculate the estimated storage fees, we:

- collected publicly available rental values for commercial properties in Melbourne and Sydney in areas which have storage or towing depots
- converted the rental values to **rent per square metre per annum**
- calculated the **average rent** for properties 10 kilometres or less from the CBD and greater than 10 kilometres from the CBD
- converted the average rent to an estimated storage fee using a 40 per cent and 45 per cent level of storage utilisation.<sup>48</sup>

As shown in Table 19, the average estimated storage fee for Melbourne is \$25.32. This is higher than the regulated locked yard storage fee (\$20.90) but lower than the regulated under cover storage fee (\$30.90).

The estimated storage fees are higher for Sydney compared to Melbourne at all distances and utilisation rates. The estimated storage fee for Melbourne is \$29.97 for 10 kilometres or less from the CBD and \$23.57 for greater than 10 kilometres. For the equivalent areas in Sydney, the estimated storage fees are \$46.63 and \$39.35.

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<sup>47</sup> IPART 2014, *Review of tow truck fees and licensing in NSW: Transport – Final Report*, December, p.96

<sup>48</sup> We used the same proportion of storage fee to land value applied by the Independent Pricing and Regulatory Tribunal (IPART) of New South Wales in its 2014 review of tow truck fees and licensing. One limitation of this approach is that IPART estimated a recommended maximum storage fee based on what it considered the more efficient storage operators who had storage utilisation rates of 40 to 45 per cent. We have not made any assessment as to whether these are reasonable and appropriate storage utilisation rates for the Melbourne controlled area.

**Table 19 Estimated storage fees for Melbourne and Sydney based on land rental values**  
As at 1 November 2024

	40% utilisation	45% utilisation	Average
<b>Melbourne</b>			
10 km or less from CBD	\$31.73	\$28.21	\$29.97
Greater than 10 km from CBD	\$24.96	\$22.18	\$23.57
Average	\$26.80	\$23.83	\$25.32
<b>Sydney</b>			
10km or less from CBD	\$49.73	\$43.88	\$46.63
Greater than 10 km from CBD	\$41.66	\$37.03	\$39.35
Average	\$44.23	\$39.32	\$41.77

## Appendix D: Productivity analysis

Productivity is the comparison of changes in inputs (such as, costs of operating the business) to changes in outputs (such as, revenue or turnover).

We analysed several data sources, including:

- Multifactor and partial productivity published by the Australian Bureau of Statistics for the transport, postal and warehousing division.
- Partial productivity measures based on industry data provided by the Department of Transport. This includes the number of accident tows per licensed tow truck, the number of accident tows per licence and the time taken to complete an accident tow.
- Estimates based on data published by the Australian Taxation Office.

None of the data sources we analysed are wholly representative of the accident towing industry. This means there is no direct measure of the productivity adjustment factor (which is an estimate of future productivity changes). Nevertheless, the measures we considered may show how productivity has changed between 2018–19 and 2022–23.

### **Australian Bureau of Statistics productivity data is indicative**

We assessed multifactor and partial productivity measures derived from data published by the Australian Bureau of Statistics. Multifactor productivity measures capture all relevant input and outputs for the transport, postal and warehousing sector, while partial productivity measures only capture a single input (in this case, either labour or capital productivity).

We calculated three productivity growth rates for each measure, to consider how productivity changes over short, medium, and long-term periods between 2012–13 and 2022–23. The measures were calculated in two ways:

- Quality adjusted hours worked: measures hours work and changes in quality, such as education achievement and experience.
- Hours worked: measures hours worked only.

Table 20 shows a range of estimates that the Australian Bureau of Statistics data produced. The results indicate that historical productivity growth is somewhere between –0.88 per cent and 1.29 per cent.



**Table 20 Australian Bureau of Statistics productivity measures**

Productivity measure	2019–20 to 2022–23	2017–18 to 2022–23	2012–13 to 2022–23
Gross value added based multifactor productivity – quality adjusted hours worked basis	1.07%	–0.79%	0.86%
Gross output based multifactor productivity – Quality adjusted hours worked basis	–0.89%	–0.88%	–0.49%
Gross value added based multifactor productivity – hours worked basis	1.29%	–0.57%	–0.61%
Gross output based multifactor productivity – Hours worked basis	–0.79%	–0.78%	–0.37%
Labour productivity – quality adjusted hours worked basis	0.60%	–0.59%	–0.68%
Labour productivity – hours worked basis	0.96%	–0.22%	–0.27%
Capital productivity	1.63%	–1.16%	–1.19%

Source: Australian Bureau of Statistics, Essential Services Commission calculations. The productivity growth rates are based on a compound annual growth rate.

These measures have some limitations for our purposes. While this data is commonly used to measure productivity, the transport, postal and warehousing division represents a broader industry than the Melbourne accident towing industry. The data is also a national index and may not be reflective of productivity growth in the Melbourne transport sector.

### **Industry data indicates mixed findings on productivity**

Given the limitations of the Australian Bureau of Statistics data, we considered further measures based on data more relevant to the sector. These were:

- accident tows per licensed truck
- accident tows per towing licence
- time to perform accident towing tasks (including travel and wait times).

Overall, we found that towing operators, on average were able to complete more accident tows in recent years but it took them longer to do so.

While this data is more relevant to the accident towing industry than the data published by the Australian Bureau of Statistics, it may not be representative of overall productivity growth. As they are partial measures, it means changes in the measures could be driven by inputs not included in the data (such as information and scheduling systems). Further, the output component only

captures revenue from accident towing activities and does not include other potential revenue sources, such as trade towing and storage services.

### **Recent tow truck and licence productivity improvements**

Between 2012 and 2017, the number of licensed tow trucks fell from 252 to 215. Over the same period, the number of accident allocations increased, resulting in an increasing rate of tow truck utilisation. The Department of Transport and Planning was unable to provide data on the number of licenced tow trucks between 2018 and 2022. We kept the number of licensed tow trucks constant at 215 for these years. The data then indicated the number of tow trucks was 216 in 2023.

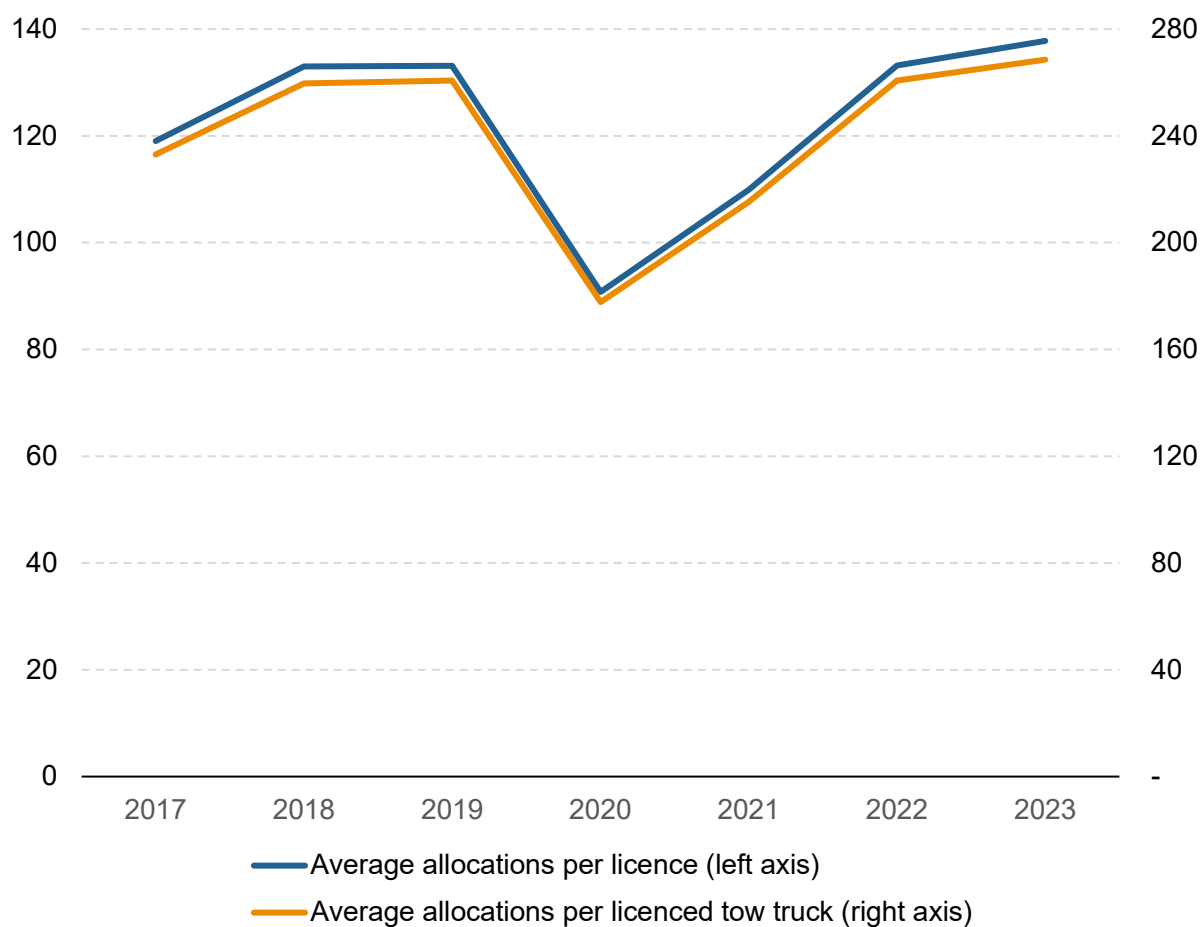
The Department of Transport and Planning provided data on the number of licences between 2012 and 2023. We used this data to calculate the average number of accident tows per licence.<sup>49</sup>

Figure 6 compares the number of tows per licensed tow truck and number of tows per licence. It shows that the measures both increase between 2012 and 2016. Between 2017 and 2020, the number of tows per licence decreased. Since 2021, the average tows have increased beyond 2017 levels.

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<sup>49</sup> Some tow trucks use multiple licences. This means that tow truck utilisation would be better measured by the number of tows per licensed tow truck. However, given data availability, the number of tows per licence can be used to show how efficiently tow truck operators are using their licences.

**Figure 6** The average number of accident allocations per licensed tow truck and licences



Source: Department of Transport and Planning.

For these measures, we calculated productivity growth rates for two-year, three-year and five-year time periods from 2018 to 2023. Table 21 shows that growth ranges between 0.8 per cent and 14.9 per cent between 2018 and 2023.

**Table 21** Annual growth in accident tows per licensed tow trucks

Partial productivity measure	2021 to 2023	2020 to 2023	2018 to 2023
Average accident tows per licensed truck	12.0%	14.9%	0.8%

Source: Department of Transport and Planning, Essential Services Commission calculations. The productivity growth rates are based on the compound annual growth rate for each period.

Table 22 shows that the number of tows per licence ranges between 0.68 per cent and 14.7 per cent between 2018 and 2023.

**Table 22 Annual growth in accident tows per licence**

Partial productivity measure	2021 to 2023	2020 to 2023	2018 to 2023
Average accident tows per towing licence	11.7%	14.7%	0.68%

Source: Department of Transport and Planning, Essential Services Commission calculations. The productivity growth rates are based on the compound annual growth rate for each period.

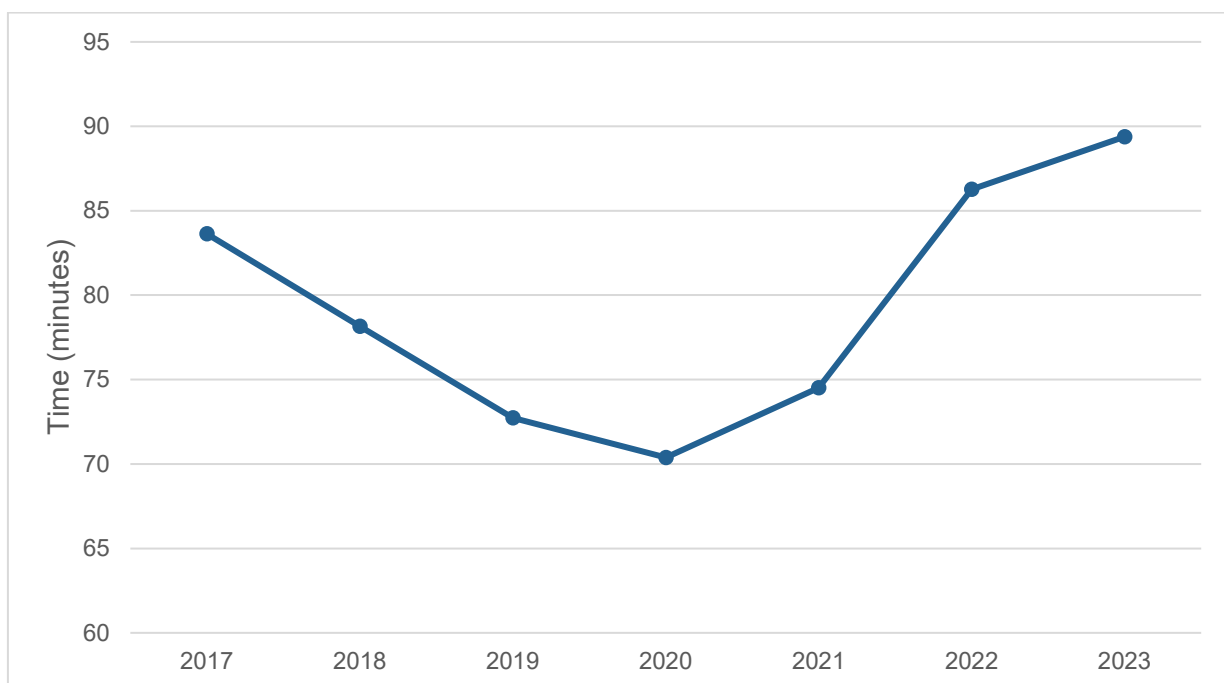
**Average time to perform accident tows has deteriorated**

Using data provided by the Department of Transport and Planning, we estimated the average time to perform accident tows between 2017 and 2023. This is based on the difference between when a dispatch call is made to a depot and when the tow truck finishes transporting a vehicle to its destination. It includes the:

- travel time from the location where the call is received to the location of the accident
- wait and work time at the accident scene to move the vehicle onto the tow truck
- travel time from the accident scene to the vehicle’s destination (for example, a storage yard).

As shown in Figure 7, the average travel time fell from 83.6 minutes to 70.4 minutes between 2017 and 2020. Since then, the average time has increased to 89.4 minutes in 2023.

**Figure 7 Average time to complete accident tows, minutes**



Source: Department of Transport and Planning, Essential Services Commission calculations. We excluded values less than 20 minutes and greater than 600 minutes as we considered data entries beyond this range were not valid.

## Appendix E: Accident towing industry performance

In this appendix, we outline our analysis of publicly available data, as well as data provided to us by the Department of Transport and Planning, to examine the general performance of the accident towing industry. This may, in part, indicate whether existing regulated fees are too low or too high.

We found regulated fees are not likely to have negatively affected the finances of operators in the accident towing industry. This is based on an examination of industry performance between 2018 and 2023 in which:

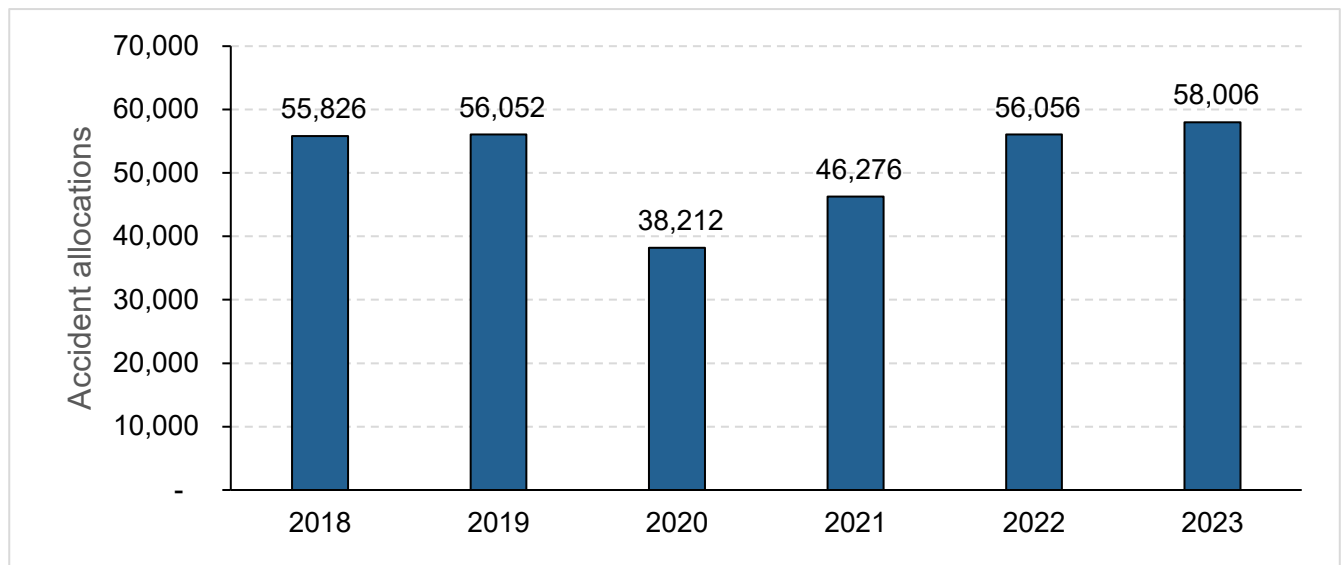
- demand for accident towing work increased (back to previous levels) while supply remained relatively unchanged
- revenue for accident towing work increased at a faster rate than costs
- quality of service levels appears to have declined.

### Demand and supply for accident towing has changed since 2018

#### Demand for accident towing has returned to previous levels

Figure 8 shows that the number of accident allocations were lower in 2020 and 2021, due to the coronavirus pandemic, but had returned to previous levels by 2022. Between 2018 and 2023, the average annual increase in accident tows was 0.96 per cent.

**Figure 8** Accident allocations in the Melbourne controlled area, 2018 to 2023



Source: Department of Transport and Planning.

## Supply of licences did not change, but operator numbers have declined

While accident allocations increased between 2018 and 2023, the number of accident towing licences in operation has remained constant at 421. As such, the number of annual allocations per accident towing licence has increased since 2018 (except for 2020 and 2021, which were affected by the coronavirus pandemic). Table 23 shows there has been a consolidation in the number of accident towing operators, from 97 to 80. Between 2018 and 2023, the average number of tows per operator increased by 5.9 per cent per year.

**Table 23** Number of annual accident allocations per accident towing operator and licence in the Melbourne controlled area, 2018 to 2023

	2018	2019	2020	2021	2022	2023
Number of operators	97	94	91	80	78	80
Number of licences	421	421	421	421	421	421
Number of tows per operator	576	596	420	578	719	725
Number of tows per licence	133	133	91	110	133	138

Source: Department of Transport and Planning.

There were also some changes in the sizes of accident towing depots, with more depots with eleven to fifteen licences in 2023 than in 2018 (see Table 24). However, the number of licences held by each depot has remained relatively stable since 2018.

**Table 24** Number of licences held by each Melbourne controlled area depot, 2018 to 2023

Licences per depot	2018	2019	2020	2021	2022	2023
5 or fewer	15	16	16	16	16	16
6 to 10	15	16	16	16	17	16
11 to 15	9	8	8	11	11	11
16 to 20	3	3	3	2	2	2
21 or more	3	3	3	2	2	3
<b>Total depots</b>	<b>45</b>	<b>46</b>	<b>46</b>	<b>47</b>	<b>48</b>	<b>48</b>

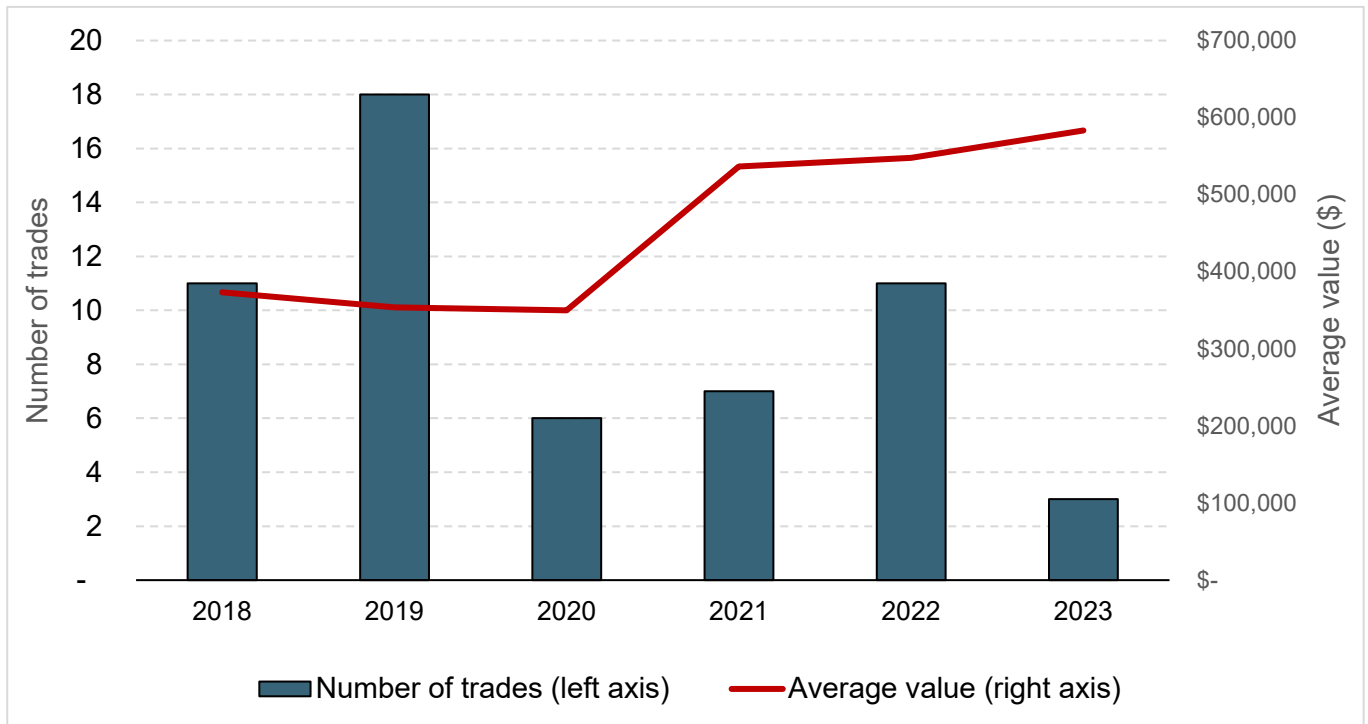
Source: Department of Transport and Planning.

There was little change to the structure of the industry based on the number of licences transferred over time. Figure 9 shows the number of licence trades ranged between 3 and 18 from 2018 to 2023.

Figure 9 also shows that average transfer price for licences has increased significantly over time. However, the value of an accident towing licence can be difficult to assess for a variety of reasons:

- **Licences are not readily traded** – Accident towing licence holders require the Department of Transport’s approval to transfer a licence. In addition, licences can only be traded between registered and accredited tow truck operators.
- **Expected profit streams differ between allocation zones** – Each accident towing licence is associated to a particular geographic zone, which will have a different number of expected accident allocations each year.
- **Reliability of the Department of Transport licence sale data** – Not every licence transfer has a specified price in the data we have sourced from the Department of Transport, so the dataset is not a complete picture of the licence transfer values. It is also unclear whether the reported licence transfer values include other items in the sale, such as vehicles, equipment, goodwill, or other assets included with the purchase.
- **Licences provide access to unregulated revenue sources** – Licence values may also be influenced by the financial viability of services that are unregulated. For example, we previously identified that licence values are partly driven by the ability to secure smash repair work from accidents.

**Figure 9 The average value and number of licences traded, 2018 to 2023**



Source: Department of Transport and Planning. All licence trades are self-reported and are not verified by the Department of Transport. We have removed outliers that we suspect have not been entered correctly.

### Accident towing revenue growth outpaced costs

As regulated fees and accident allocations have both been growing since 2018, total revenue for accident towing services has increased over this period. At the same time, the costs in the industry (measured by the Melbourne Transport consumer price index) have been volatile from year-to-year and increasing at a slower rate than fees and revenue.

#### Revenue grew in response to rises in regulated fees and accident allocations

Table 25 shows revenue for accident towing services increased each year between 2018 and 2023. This was driven by increases in both regulated accident towing and storage fees (as shown in Table 26) and the number of allocations. This occurred as the industry consolidated, increasing the revenue per accident tow over this period. Overall, we estimate accident towing revenue increased by 5.7 per cent per year between 2018 and 2023.



**Table 25 Estimated revenue in the Melbourne Controlled Area, 2018 to 2023**

	2018	2019	2020	2021	2022	2023
Estimated revenue	21,132,262	22,153,096	15,774,449	19,362,064	24,974,462	27,859,296
Estimated revenue per tow truck licence	50,195	52,620	37,469	45,991	59,322	66,174
Annual increase	15.0%	4.8%	-28.8%	22.7%	29.0%	11.6%

Source: Commission analysis using Department of Transport and Planning data. This assumes that the average accident tow includes 28 km travel distance, three days storage and a 54 per cent weighting on jobs undertaken in non-business hours.

**Table 26 Percentage change in regulated fees, 2018–19 to 2024–25**

	2018–19	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25
Increase in regulated fees	2.40%	0.00%	2.7%	0.00%	12.8%	3.4%	2.9%

Storage fees also increased by 47 per cent in 2019–20 following our recommendation that they were too low.

### **Costs, as approximated by Melbourne’s transport consumer price index, increased between 2019 and 2023**

We considered industry cost changes as approximated by the Melbourne Transport consumer price index published by the Australian Bureau of Statistics.

Table 27 lists changes in the Melbourne Transport consumer price index, alongside its component cost indices. This includes motor vehicles (including accessories and other services), automotive fuel, urban transport fares and maintenance and repair of vehicles. We also considered changes in the Melbourne wage price index, which estimates changes in labour costs.

Between 2018 and 2023, all cost indices have increased. While the cost indices are volatile from year-to-year, they increased over the long-term. Between 2018 to 2023, the increases in each component ranged from 1.2 per cent to 5.7 per cent. This is lower than the growth in our estimated average revenue, which increased by 5.7 per cent per year.

**Table 27 Annual percentage changes in the Melbourne Transport consumer price index components**

	2018	2019	2020	2021	2022	2023	2018 to 2023 per year
Transport	4.29%	1.21%	-2.85%	7.78%	10.93%	3.30%	<b>4.0%</b>
Private Motoring	4.31%	1.04%	-3.05%	8.15%	11.23%	3.25%	<b>4.0%</b>
Motor vehicles	-1.17%	2.04%	1.03%	7.07%	5.75%	2.88%	<b>3.7%</b>
Spare parts and accessories for motor vehicles	1.58%	1.51%	2.32%	-0.02%	8.07%	9.69%	<b>4.2%</b>
Automotive fuel	11.97%	-1.51%	-11.37%	18.65%	24.51%	2.53%	<b>5.7%</b>
Maintenance and repair of motor vehicles	1.65%	2.99%	4.37%	1.47%	5.77%	3.43%	<b>3.6%</b>
Other services in respect of motor vehicles	3.75%	1.76%	-1.82%	1.38%	2.36%	2.44%	<b>1.2%</b>
Urban transport fees	4.00%	3.29%	0.66%	-0.09%	2.58%	5.03%	<b>2.3%</b>
Wage price index	2.31%	2.55%	1.51%	2.06%	2.89%	3.80%	<b>2.6%</b>

Source: Australian Bureau of Statistics, CPI Table 9 and WPI, Table 3b. The changes have been calculated by comparing the sum of all index values in each calendar year. The wage price index used is the 'quarterly index; total hourly rates of pay excluding bonuses; Victoria; Private; All'.

## Service quality measures appear to have declined since 2015

The service quality measures we compiled, indicate the industry's performance may have deteriorated since our previous review. However, this data is not reported in a consistent and complete way. As such, we cannot conclude whether this reflects actual changes in industry performance or issues with the data quality.

Based on available data, we examined two measures of service quality:

- time to complete accident tows
- the number of complaints.

## Response times are not collected

Tow truck drivers are subject to a requirement to take reasonable steps to arrive at an accident scene within 30 minutes of accepting an accident allocation. We are unable to assess whether the achievement of this requirement has improved over time, as data on response times is not regularly collected for this indicator. This data should be collected as tow truck drivers are required to notify the call centre that allocates accident towing jobs, when they have arrived at an accident scene.<sup>50</sup> It would verify one of the aims of the accident allocation scheme and zone boundaries, namely, that accidents are responded to within 30 minutes.

## Longer total accident tow times since 2018

Although response times are not collected, the total time for an accident tow can be calculated from available data. The Department of Transport and Planning was able to provide data that shows the time the dispatch centre contacts depots to allocate an accident and the time a tow truck finishes transporting a vehicle to its destination. This means, the ‘total accident tow time’ includes:

- travel time from the location where the call is received to the location of the accident
- wait and work time at the accident scene to move the vehicle onto the tow truck
- travel time from the accident scene to the vehicle’s destination (for example, a storage yard).

As illustrated in Table 28, our analysis of the available data shows the average time to complete an accident tow increased from 78.2 minutes in 2018 to 89.4 minutes in 2023.

**Table 28** Average time to complete an accident tow, minutes

	2018	2019	2020	2021	2022	2023
Average accident tow time	78.2	75	70.4	74.5	86.3	89.4

Source: Department of Transport. The data excludes values less than 20 minutes and more than 600 minutes.

## Complaint numbers fluctuate over time but were higher in 2023 than 2018

The Department of Transport and Planning provided us data on the number and type of investigated complaints received in relation to accident towing operators. Trends in the number of complaints (in total or on a specific topic) may indicate service levels are increasing or decreasing in the industry.

We understand the Department of Transport and Planning does not record the number of complaints in relation to simple matters that are resolved without requiring an investigation. For

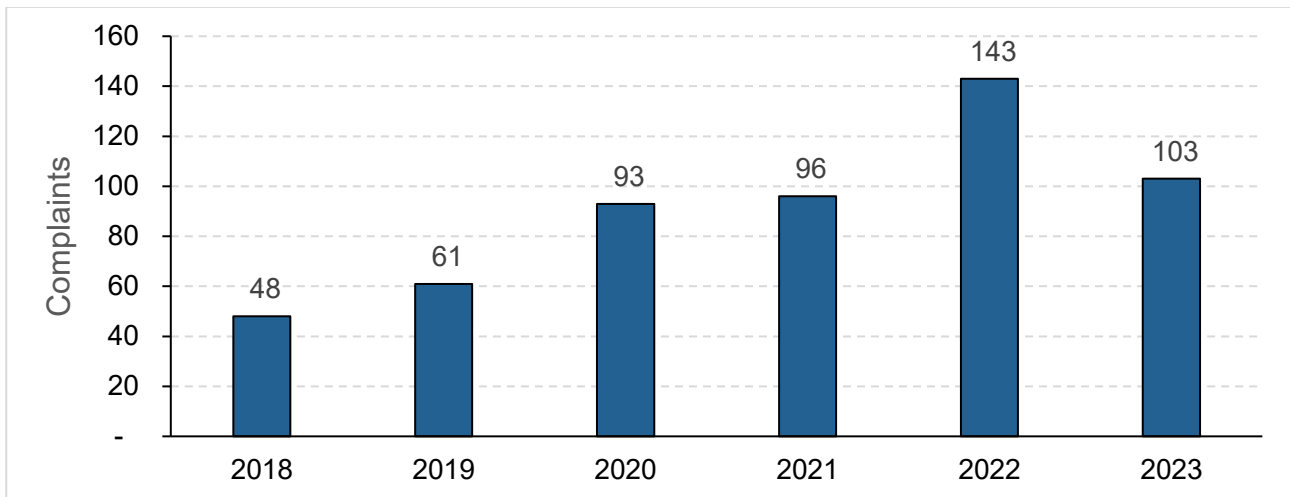
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<sup>50</sup> As per clause 37(8) of the Accident Towing Services Regulations 2019.

example, if resolution is reached by contacting an operator to inform them that they cannot charge a particular fee. Therefore, the complaints data presented in this section does not reflect the total number of complaints in relation to the accident towing industry. However, we consider changes in the number of ‘investigation-worthy’ complaints may indicate changes in service levels over time.

Figure 10 shows the number of investigated complaints increased from 48 in 2018 to 143 in 2022 and then decreased to 103 in 2023.

**Figure 10** Number of complaints



Source: Department of Transport and Planning.