



Insurance Council
of Australia

21 November 2024

Mr Chris Baxter
Price Monitoring and Regulation
Essential Services Commission
Level 8, 570 Bourke Street, Melbourne 3000

By email: chris.baxter@esc.vic.gov.au

Dear Chris

Re: Submission to the Essential Services Commission's 2024 Review of Accident Towing Fees

The Insurance Council of Australia (the Insurance Council) appreciates the opportunity to provide industry insights to the Essential Services Commission's 2024 review of accident towing fees.

Ongoing support of regulated towing fees

Towing services are a standard provision for comprehensive motor insurance policy holders, accounting for approximately 2.5% of insurers' claims expenditure. Consequently, any adjustments to towing costs have a bearing on overall claim expenses and may potentially influence premiums for motor insurance customers.

In this context, regulated towing schemes such as Victoria's are instrumental in deterring price gouging and unfair charges by certain towing operators. This regulation not only facilitates fairer consumer outcomes but also aids in tempering inflationary pressures within this sector.

On this basis the industry supports the continuation of the current accident towing and storage fees regime.

Further changes to regulated towing regime for the Commission's consideration

While we recognise that the current review is focused on benchmarking methodologies and quantum of fees rather than the scope of regulated towing fees, we believe it pertinent for the Commission to consider opportunities to improve and optimise the current regime.

On that basis, we consider that it may be advantageous to consider extending the current fee schedule to encompass:

- Towing services related to non-accident insurance claims, such as the recovery of stolen vehicles or those damaged by vandalism.
- Subsequent towing from storage facilities to repair locations.
- Salvage operations.
- Heavy vehicle towing.

Notwithstanding the absence of significant cost burdens on insurers or evident exploitation of these areas at present, these gaps are susceptible to misuse by less scrupulous operators, which in turn may introduce unwarranted costs into the system.

Given current cost-of-living challenges, it is conceivable that some operators might exploit these loopholes to levy additional charges, which would, in turn, affect insurance costs.

For instance, in Queensland, we observe instances where operators exploit the lack of regulated charges for accident storage to inflate prices, resulting in storage costs that are triple those in other jurisdictions. Proactively extending regulated towing to these additional services would mitigate the risk of potential exploitation.

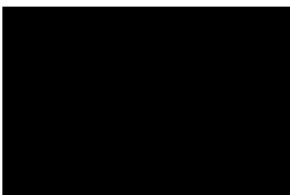
We note that in NSW, the abovementioned towing items are included within their regulated fee regime.

The Insurance Council and its members also support the extension of regulated towing fees to encompass regional Victoria:

- At present, regulated towing fees are confined to metropolitan Melbourne. Our insurers have noted a substantial disparity in towing costs between regional areas and metropolitan tows, a difference that significantly exceeds the disparity observed between Sydney metropolitan tows and those outside metropolitan Sydney.
- We note that New South Wales has in place a regulated fees regime covering both metropolitan and regional areas, which likely contributes to the smaller cost differential.
- While this issue is not currently imposing a significant financial burden on insurers, we anticipate that the absence of a regulatory framework in regional Victoria could attract undesirable operators, particularly as Western Australia is poised to introduce its own regulated towing charges, potentially prompting such operators to seek opportunities in other jurisdictions.

We trust this information has been informative for the Essential Services Commission's review process. Please reach out to Sam Xu (Senior Adviser – Insurance Lines [REDACTED]) should wish to discuss further.

Regards,



Alexandra Hordern

General Manager, Regulatory and Consumer Policy