



SUBMISSION

Accident Tow Rate Charge Review 2018

19 June 2018

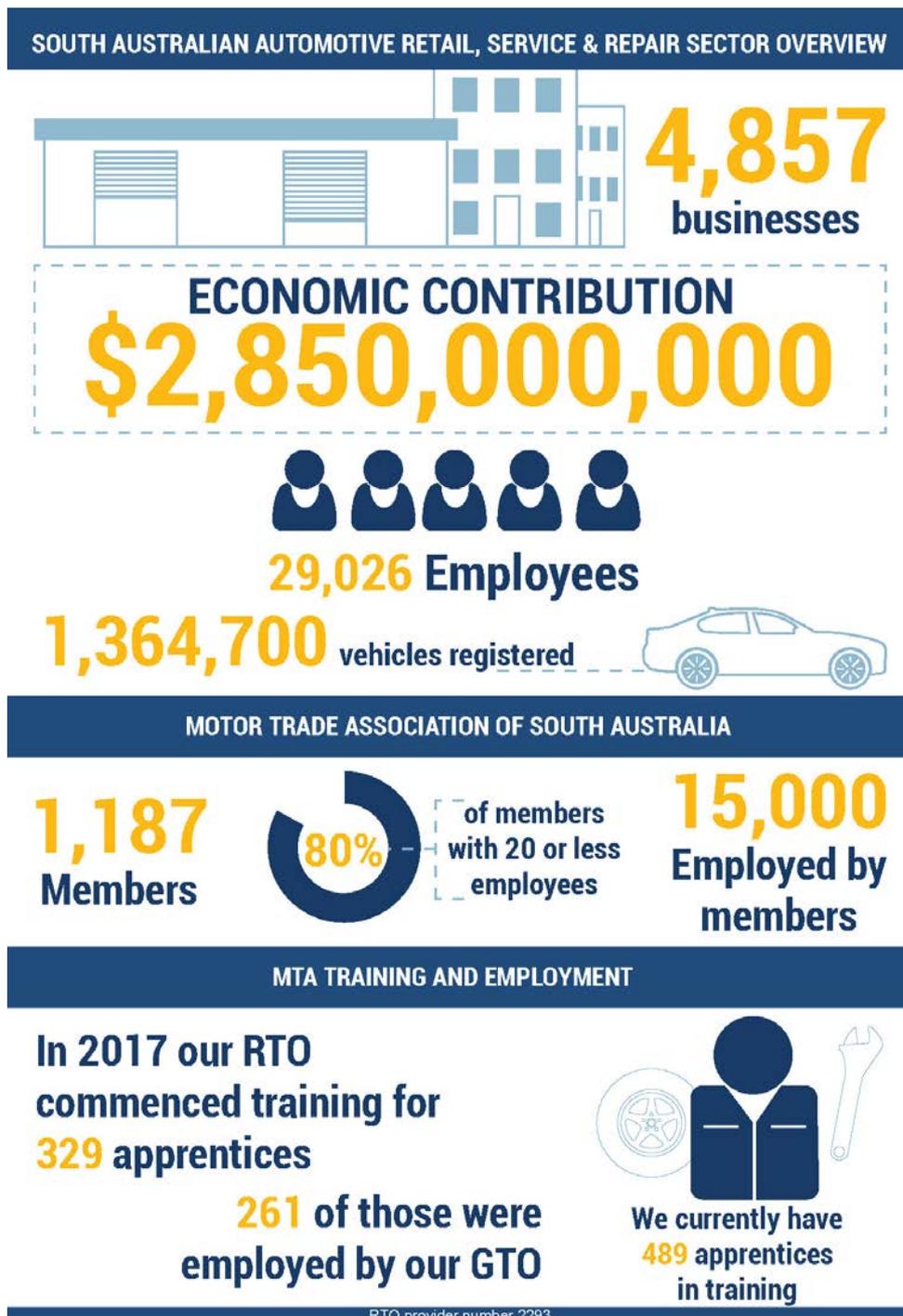
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2. About Us

The Motor Trade Association of South Australia is the only employer organisation representing the interests of the automotive retail, service and repair businesses in the state.

The MTA Training and Employment Centre comprises of both our Registered Training and Group Training Organisations. It is the industry's automotive training provider of choice and is the largest employer of automotive apprentices in South Australia.



DIVISIONS



3. Glossary

ABS	Australian Bureau of Statistics
CPI	Consumer Price Index
DPTI	Department of Planning, Transport and Infrastructure
GVM	Gross Vehicle Mass
MTA	Motor Trade Association of South Australia

4. Industry Consultation

This submission summarises the views of the MTA's members. In developing this submission, the MTA has consulted with members of its towing division.

5. Executive Summary

The Motor Trade Association of South Australia has engaged Mark Priadko to update the 2017 accident towing charge model.

The model used to calculate accident towing charges was subject to a major review in 2009 and has been used for updating charges since that time.

The model has been reviewed for concerns raised by operators such as the impact of insurance costs and the stagnation of storage charges. It has also been reviewed to include specific price movements over the last two years compared to the price movements that have been estimated by applying a simple indexation factor.

The model has determined that the standard tow rate charge should increase by \$16 per standard tow. This reflects the following key price increases:

- Fuel (18.7 cents per litre)
- Wages (\$24.50 per week)
- Insurance indexation (\$3.70)
- CPI (\$2.50)
- Tool allowance (\$1.68)

In addition, the State Government has stated that mandatory heavy vehicle inspections will occur with a proposed start date of 1 July 2018. The scheme as proposed will capture vehicles with GVMs of greater than 4.5 tonnes.

Accordingly, a \$2 increase in operational costs reflects this change in market conditions.

The MTA notes that a number of variables may further increase the operational costs of tow truck operators. These include fuel costs, business lending rates and the final outcome of the heavy vehicle inspection tender.

The MTA recommends that should these variables cause significant upward variation to the pricing model, an additional price adjustment should be considered by DPTI.

6. Key Recommendations

The MTA makes the following recommendations in relation to the 2018 Accident Tow Rate Charge Review:

Recommendation One:

<i>Normal Hours Service</i>	
	Recommended Increase
Recovery at the scene of an accident for:	
<i>A distance not exceeding 20 running kms</i>	\$16.00
<i>For each running km in excess of 20</i>	\$0.00
Waiting time or working time at the scene of an accident in excess of 30 minutes (per hour)	\$3.00
Waiting or working time at the scene for an additional person	\$1.00
Storage of prescribed motor vehicle	
<i>In open locked storage</i>	\$0.00
<i>In covered locked storage</i>	\$1.00

Recommendation Two:

<i>Out of Normal Hours Service</i>	
	Recommended Increase
Recovery at the scene of an accident for:	
<i>A distance not exceeding 20 running kms</i>	\$18.00
<i>For each running km in excess of 20</i>	\$0.00
Waiting time or working time at the scene of an accident in excess of 30 minutes (per hour)	\$4.00
Waiting or working time at the scene for an additional person	\$2.00
Storage of prescribed motor vehicle	
<i>In open locked storage</i>	\$0.00
<i>In covered locked storage</i>	\$1.00

Recommendation Three:

An additional price adjustment should be considered by DPTI if fuel costs, business lending rates and the final outcome of the heavy vehicle inspection tender cause significant upward variations to the pricing model.

7. Modelling Outcomes

Table 1: Annual parameters update

	2016 actuals	2017 actuals	Change %
Salary (award-weekly)			
Weekly rate	\$743.20	\$767.70	3.3%
Allowance	\$19.73	\$20.38	3.3%
Cash handling	\$9.85	\$10.17	3.2%
Tool Allowance	\$10.16	\$11.84	16.5%
Interest rates (variable business term rates)	7.25%	7.25%	0.0%
Fuel Costs (cents per litre)	110.30	129.00	17.0%
Number of tows per position	173.17	174.88	1.0%
CPI Index	108.7	111.2	2.3%
Insurance Price index	111.8	115.5	3.3%

Table One identifies significant upward price movements in the annual parameters associated with increases in the tool allowance, fuel costs, wages and insurance.

These movements have increased operator costs on average by 5.5% from the base model used last year.

As identified in the MTA's 2017 submission, these upwards cost pressures were projected to increase during the 2017/18 Fiscal Year. As these have now been realised, it is imperative that they be recognised in full when the accident tow charge is gazetted to ensure industry sustainability.

Table 2: Accident towing charges from the model

Service	Normal hours May 18 update	Outside hours May 18 update
Recovery at the scene of an accident for: a distance not exceeding 20 running kms for each running km in excess of 20	\$361.00 \$3.00	\$420.00 \$4.00
Waiting time or working time at the scene of an accident in excess of 30 minutes (per hour)	\$52.00	\$79.00
Waiting or working time at the scene for an additional person	\$39.00	\$66.00
Storage of prescribed motor vehicle		
In open locked storage	\$15.00	\$15.00
In covered locked storage	\$26.00	\$26.00

Table Two unpacks the estimated accident towing charges associated with each component of scheme, based on the changes to the key parameters listed in Table One.

The modelling has also taken into account the introduction of mandatory heavy vehicle inspections in 2018-19. An inspection fee of \$268 has been added to the truck ownership costs in the modelling.

The actual inspection fee will be determined through a market tender process. The impact of this on tow charges should be subject to revision if the tender results in a higher price.

Revised towing charges have been estimated and compared with the towing charges gazetted in July 2017. The updated modelling results in an increase in the standard charge per tow of \$16 (July 2017 gazetted charge was \$345.00).

The main causes of this increase are a rise in diesel prices in 2017 (average price per litre of \$1.29 compared to \$1.10 in 2016), the impact of introducing a heavy vehicle inspection fee and increases arising from rises in salaries and wages and from the impact of inflation.

Table 3: Summary reconciliation of 2017 charges with the updated model

Summary reconciliation	2017 charge	Key parameter changes			Heavy vehicle inspection	Indexation changes	Change in the number of tows	Model 2018 charge
		Salaries	Fuel	Interest rates				
		Recovery at the scene of an accident for:						
a distance not exceeding 20 running kms	\$345.00	\$3.00	\$7.00	\$0.00	\$2.00	\$6.00	-\$2.00	\$361.00
for each running km in excess of 20	\$3.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$3.00
Waiting time or working time at the scene of an accident in excess of 30 minutes (per hour)	\$49.00	\$1.00	\$0.00	\$0.00		\$2.00	\$0.00	\$52.00
Waiting or working time at the scene for an additional person	\$38.00	\$1.00	\$0.00	\$0.00		\$0.00	\$0.00	\$39.00
Storage of prescribed motor vehicle								
In open locked storage	\$15.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$15.00
In covered locked storage	\$25.00	\$0.00	\$0.00	\$0.00		\$1.00	\$0.00	\$26.00
Charge out of normal hours								
Recovery at the scene of an accident for:								
a distance not exceeding 20 running kms	\$402.00	\$5.00	\$8.00	\$0.00	\$2.00	\$5.00	-\$2.00	\$420.00
for each running km in excess of 20	\$4.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$4.00
Waiting time or working time at the scene of an accident in excess of 30 minutes (per hour)	\$75.00	\$2.00	\$0.00	\$0.00		\$2.00	\$0.00	\$79.00
Waiting or working time at the scene for an additional person	\$64.00	\$2.00	\$0.00	\$0.00		\$0.00	\$0.00	\$66.00
Storage of prescribed motor vehicle								
In open locked storage	\$15.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$15.00
In covered locked storage	\$25.00	\$0.00	\$0.00	\$0.00		\$1.00	\$0.00	\$26.00

The indexation changes shown in Table Three include an increase in charges resulting from larger than CPI increase in insurance. These increases are based on applying a specific inflation adjustment for insurance. Increases in costs in the model are largely based on the overall Consumer Price Index (CPI) published by the Australian Bureau of Statistics (ABS).

The ABS publication also includes a specific index for insurance that shows these costs growing a rate greater (3.3% over the last year) than the overall CPI (2.3% over the last year).

Please note that there has been an impact on the charges from changes to the number of tows. The number of tows used in the model is the average of the last two years. The increase in the average number of tows per position serves to decrease the average cost per tow.

8. Next Steps

The MTA is available to provide further information in relation to this submission and to clarify any aspect of it.

This includes meeting with agency representatives and facilitating further consultations with industry on proposed changes.

9. Submission Contact

For further information relating to this submission please contact:

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