



SUBMISSION

Accident Tow Rate Charge Review 2019

August 2019

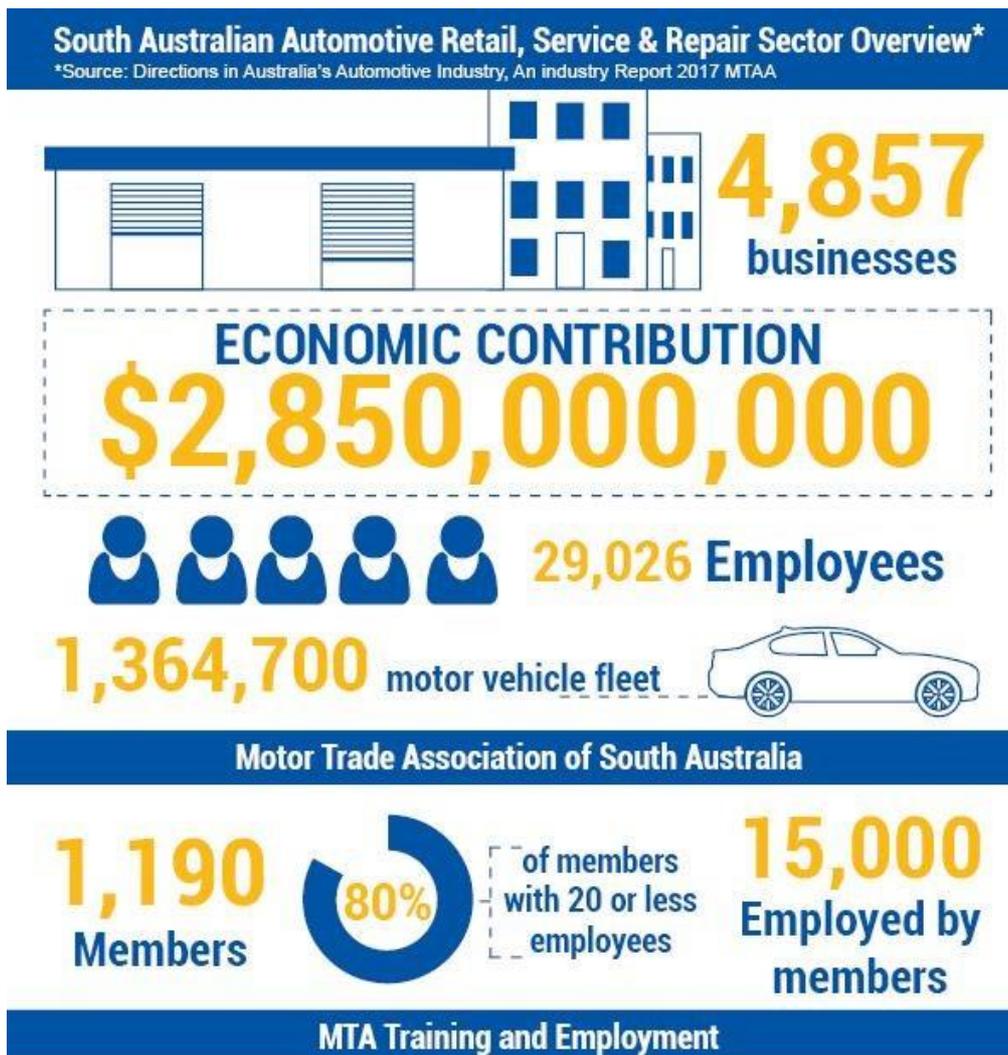
1. Contents

1.	Contents.....	2
2.	About Us	3
3.	Glossary	5
4.	Industry Consultation	5
5.	Executive Summary	5
6.	Pricing Changes.....	6
7.	Modelling Review Outcomes.....	6
	Table 1: Annual parameters update.....	6
	Table 2: Accident towing charges from the model	7
	Table 3: Summary reconciliation of 2018 charges with the updated model	8
8.	Key Recommendations	9
	Recommendation One:	9
	Recommendation Two:	9
	Recommendation Three:	10
	Recommendation Four:.....	10
9.	Next Steps.....	10
10.	Submission Contact	10

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.

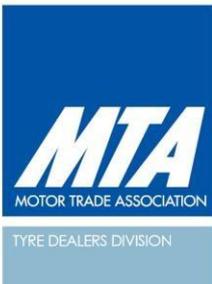
The MTA Training and Employment Centre comprises of both our Registered Training and Group Training Organisations. It is the industry's automotive training provider of choice and is the largest employer of automotive apprentices in South Australia.



We currently have
over **800** apprentices
in training

We also directly employ
500 apprentices
through **240** host businesses

DIVISIONS



3. Glossary

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

4. Industry Consultation

In developing this submission, the MTA consulted with members of its Towing Division.

This submission summarises the views of the MTA's members.

5. Executive Summary

Due to higher than inflation increases in insurance premiums and stagnant storage charges, tow truck operators have requested a review of current accident tow fees. In particular, taking into account cost changes in the underlying parameters of the accident towing charge model.

The Motor Trade Association of South Australia has engaged Mr Mark Priadko, ASC Training and Development, to update the 2019 accident towing charge model.

The model used to calculate accident towing charges is sensitive to changes in a range of parameters. The varied parameters underlying tow truck charges can be categorised into three groups, and are distinguished as follows:

- *Key parameters* – updated annually for observed changes in salaries and wages, fuel costs, interest rates and number of tows per position
- *Indexed cost parameters* – indexed annually by CPI and applied to regulatory fees charged to tow truck operators, insurance, truck purchase costs, servicing costs, maintenance costs, tyres, cleaning costs, mobile phone plans and postage and stationery
- *Stable parameters* – updated every five years and include truck life, number of kilometres per tow, bad debt recoveries and profit uplift

The parameters in the third category, described as stable, have not been updated as part of the 2019 review.

As a result of this review the model has established that the standard minimum tow fee should increase to ensure industry sustainability.

6. Pricing Changes

In order to ensure that tow truck charges remain in line with changes in operating costs, key parameters to tow truck pricing should be updated annually based on observable metrics. The 2019 review of tow truck charges has reviewed key parameters like salaries and wages (based on award updates), fuel (based on observed prices for the previous calendar year) and interest rates (based on observed interest rates). Further, cost-based parameters (like purchase costs, insurance, registration and maintenance costs) have been indexed in line with CPI.

The model has been particularly reviewed for concerns raised by operators regarding increased average diesel prices, increased insurance costs and the stagnation of storage charges. It has also been reviewed to take into account the introduction of mandatory heavy vehicle inspections in 2018-19.

The model has determined that the standard tow rate charge should increase by \$12 per standard tow. The rationale for this result is detailed in the modelling review outlined in Section 7 below.

7. Modelling Review Outcomes

The financial model for accident towing charges has been updated for changes in key parameters up to the end of 2018.

Parameters central to the modelling are summarised in Table 1.

Table 1: Annual parameters update

	2017 actuals	2018 actuals	Change %
Salary (award-weekly) Weekly rate	\$767.70	\$794.60	3.5%
Allowance	\$20.38	\$20.02	-1.8%
Cash handling	\$10.17	\$9.99	-1.7%
Tool Allowance	\$11.84	\$11.84	0.0%
Interest rates (variable business term rates)	7.25%	7.32%	1.0%
Fuel Costs (cents per litre)	129.00	149.71	16.1%
Number of tows per position	174.88	179.96	2.9%
CPI Index	111.2	113.0	1.6%
Insurance Price index	115.5	120.3	4.2%

Table 1 identifies significant upward price movements in the annual parameters associated with fuel costs, wages and insurance. These movements have increased operator costs on average by 2.9% from the base model used last year.

In the MTA’s 2018 rate charge review submission, it was identified that these cost parameters were projected to increase during the 2017/18 financial year. As these increases have now been realised, it is imperative that they be recognised in full when the accident tow charge is Gazetted to ensure tow truck operators can remain viable given their current cost base, the current number of roster positions and the current number of tows per position.

In addition to these parameters, the modelling has also taken into account the introduction of mandatory heavy vehicle inspections in 2018-19. An inspection fee of \$287 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.

The estimated charges for July 2019, based on the actuals to the end of 2018, estimated by the updated modelling (prepared in May 2019) are detailed in Table 2.

Table 2: Accident towing charges from the model

Service	Normal hours	Outside hours
	May 19 update	May 19 update
Recovery at the scene of an accident for:		
a distance not exceeding 20 running kms	\$371.00	\$432.00
for each running km in excess of 20	\$3.00	\$4.00
Waiting time or working time at the scene of an accident in excess of 30 minutes (per hour)	\$54.00	\$82.00
Waiting or working time at the scene for an additional person	\$40.00	\$68.00
Storage of prescribed motor vehicle In		
open locked storage	\$15.00	\$15.00
In covered locked storage	\$26.00	\$26.00

Table 2 outlines the estimated accident towing charges associated with each component of the scheme, based on the changes to the key parameters listed in Table 1.

Revised towing charges have been compared with the towing charges Gazetted in July 2018. The updated modelling results in an increase in the standard charge per tow of \$12 (the Gazetted charge on 23 August 2018 was \$359.00 during normal hours).

The main causes of this increase are a rise in diesel prices in 2018 (average price per litre of \$1.50 compared to \$1.29 in 2017); the impact of introducing a heavy vehicle inspection fee; increases in salaries and wages; and the impact of inflation. Offsetting these increases was the impact of increased tow numbers that serve to decrease the cost per charge.

Table 3 compares the 2018 Gazetted charges with the updated model, detailing the impact of the different changes in parameters.

Table 3: Summary reconciliation of 2018 charges with the updated model

Summary reconciliation	2018 charge	Key parameter changes		Heavy vehicle inspection	Indexation changes	Change in the number of tows	Model 2019 charge	
		Salaries	Fuel	Interest rates				
Recovery at the scene of an accident for: a distance not exceeding 20 running kms for each running km in excess of 20	\$359.00	\$3.00	\$8.00	\$0.00	\$2.00	\$5.00	-\$6.00	\$371.00
Waiting time or working time at the scene of an accident in excess of 30 minutes (per hour)	\$52.00	\$1.00	\$0.00	\$0.00		\$0.00	\$0.00	\$54.00
Waiting or working time at the scene for an additional person	\$39.00	\$1.00	\$0.00	\$0.00		\$0.00	\$0.00	\$40.00
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	\$26.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$26.00
Charge out of normal hours				\$2.00				
Recovery at the scene of an accident for: a distance not exceeding 20 running kms for each running km in excess of 20	\$418.00	\$5.00	\$9.00	\$0.00		\$4.00	-\$6.00	\$432.00
Waiting time or working time at the scene of an accident in excess of 30 minutes (per hour)	\$79.00	\$2.00	\$1.00	\$0.00		\$0.00	\$0.00	\$82.00
Waiting or working time at the scene for an additional person	\$66.00	\$2.00	\$0.00	\$0.00		\$0.00	\$0.00	\$68.00
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	\$26.00	\$0.00	\$0.00	\$0.00		\$0.00	\$0.00	\$26.00

The indexation changes shown in Table 3 includes an increase in charges resulting from a 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 at a rate greater (4.2% over the last year) than the overall CPI (1.6% over the last year).

However, as noted above, 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. Key Recommendations

A review of the key parameters and indexed cost parameters underlying tow truck charges indicated pressure on prices charged throughout the 2018 Accident Tow Rate period.

As a result, the following fee increases are recommended for Gazettal for the financial year commencing 1 July 2019.

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>	\$12.00
<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)	\$2.00
Waiting or working time at the scene for an additional person	\$1.00
Storage of prescribed motor vehicle	No Change
<i>In open locked storage</i>	\$0.00
<i>In covered locked storage</i>	\$0.00

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>	\$14.00
<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	\$2.00
Storage of prescribed motor vehicle	No Change
<i>In open locked storage</i>	\$0.00
<i>In covered locked storage</i>	\$0.00

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.

Recommendation Four:

MTA further recommends that the stable parameters should be reviewed to ensure the modelling remains aligned with operations of tow truck operators and is consistent with changes in the regulations.

9. Next Steps

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

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

10. Submission Contact

For further information relating to this submission please contact:

Natarsha Tregloan
 Industry Policy Specialist ntregloan@mtaofsa.com.au
 08 8291 2000