IPART is reviewing the regulation of the tow truck industry in NSW which is administered by Roads and Maritime Services (RMS). Our recommendations are intended to ensure the towing industry operates efficiently and consumers are provided with adequate protection, and to minimise unnecessary red tape.

We are currently part way through this review, and have made draft recommendations. Our key recommendations are that licensing should continue for all segments of the tow truck industry, but maximum fees should only be set for light vehicle accidents, and not for heavy vehicle accidents. Our review of costs and market evidence suggests that most of the current fees are close to efficient levels. The main exception is storage fees, which in some circumstances do not allow operators to recover costs.

1.1 Licensing should continue for all tow trucks but maximum fees should apply only to light vehicle accident towing

Licensing should continue to ensure that tow truck operators and drivers continue to meet fit and proper person requirements – for example, criminal records and criminal association checks should continue to be carried out.

However, we consider price regulation is only necessary for light vehicle accident towing services. In line with this, we are recommending maximum fees no longer be set for heavy vehicle accident towing.

We are also recommending that the current tow truck categories be adjusted to reflect the risk of the towing activities the truck undertakes. Specifically:

- Category A plates should cover all types of towing including light vehicle accident towing. That is:
  - accident towing for light and heavy vehicles
  - trade towing for light and heavy vehicles.
- Category B plates should cover all types of towing except light vehicle accident towing. That is:
  - accident towing for heavy vehicles only
  - trade towing for light and heavy vehicles.
1.2 Maximum prices for light vehicle accident towing should be restructured

Our draft recommendations on maximum fees for light vehicle accident tows are summarised on Table 1. The main differences between our recommended fees and the current fees are that:

- the base fee for accident tows no longer covers three days storage
- fees for recovery tows are no longer regulated
- an after-hours surcharge of 25% applies to all tows outside the hours of 7am to 7pm on business days (instead of a 20% surcharge outside the hours of 8am to 5pm on business days).

Table 1 Summary of draft recommendations on maximum fees for light vehicle accident towing services (other than storage) in NSW from 1 July 2015 (nominal $, ex GST)

<table>
<thead>
<tr>
<th>Metropolitan</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base fee – accident tow</td>
<td>$235</td>
</tr>
<tr>
<td>Services covered in the base fee:</td>
<td></td>
</tr>
<tr>
<td>Distance</td>
<td>First 10km of travel (measured from vehicle to towing destination)(^a)</td>
</tr>
<tr>
<td>Salvage</td>
<td>All salvage on road/road related area; first 30 minutes salvage not on road/road related area</td>
</tr>
<tr>
<td>Base fee – subsequent tow</td>
<td>$85 (includes first 10 km of travel, measured as for accident tow)</td>
</tr>
<tr>
<td>Distance charge</td>
<td>$5.10 per km after first 10 km (measured from vehicle to towing destination)</td>
</tr>
<tr>
<td>Salvage following an accident</td>
<td>$60 per hour after the first 30 minutes (only applies if off-road. Included in base fee if vehicle is on road/road-related area)</td>
</tr>
<tr>
<td>After hours surcharge(^b)</td>
<td>25% on all charges outside the hours of 7am and 7pm on business days</td>
</tr>
</tbody>
</table>

\(^a\) Country tows are any tows that occur partly or wholly outside the Sydney metropolitan area.

\(^b\) The surcharge is applied to that part of the fee that relates to work done outside of business hours.

Source: IPART.
1.3 Requirements for holding yards should be less prescriptive and storage fees should apply from the first day of storage

We consider that the maximum fee for storage of light vehicles involved in an accident should continue to be regulated to protect consumers. However, we consider that the current design and application of the holding yard regulations are too rigid.

In particular, the regulations in relation to the size and location of holding yards add to the cost of providing towing services. In our view, these regulations should be amended to assist operators find cost-effective solutions for storage, while still ensuring the safe and secure temporary storage of vehicle. We consider that:

- the requirement that operators own or lease a holding yard that can store at least four cars should be removed
- metropolitan operators should be able to store light vehicles in any safe and secure location specified in their licence
- country operators should be able to store light vehicles in any safe and secure location that is within 10 km of their premises and specified in their licence.

We also consider that the regulated price for storage should apply in all cases where an accident vehicle is stored, regardless of where it is stored (eg, at an operator’s yard or a smash repair business).

As noted above, under our recommendations, the base fee no longer covers three days of storage. In setting our recommended storage fees, we have assumed they will apply from the first day of storage. We have also taken account of storage costs and storage utilisation and how these differ between inner metropolitan and all other locations.

We are recommending a maximum daily storage fee of $23 per day for inner-metro and $12 per day for outer-metro and country locations, which consider will allow operators to recover their storage costs.

1.4 Design of the licensing scheme should be reformed

We identified a range of improvements to the current design of the licensing scheme that will reduce the burden on the tow truck industry while protecting consumers. These include changes designed to:

- allow durations for licences and certificates of up to five years
- minimise the burden of record keeping, and facilitate electronic record keeping
- enable tow truck operators to employ and train staff from a younger age, and
- make it easier for tow truck operators to dispose of unclaimed vehicles.
1.5 Administration of the licensing scheme should be reformed

We also identified a range of changes to the current administration of the scheme to improve efficiency and the level of compliance in the industry. These include changes to:

- make it easier for industry participants and other stakeholders to keep up to date about regulatory and policy changes and RMS’ compliance and enforcement activities
- streamline the information required from industry participants for licence applications, compliance investigations and audits
- enable industry participants to make complaints and enquiries online via a web-form
- improve the effectiveness of audit arrangements without adding to the cost of compliance and enforcement activities, and
- introduce timeframes for regular ongoing reviews of the Act and Regulation.

We also found that the licence fees for operator’s licences, tow truck plates, driver’s certificates and towing authorisations should be reduced. However, we note that our recommendations on the design and administration of the current licensing scheme will result in efficiency gains for RMS. As these recommendations are implemented, RMS should review the licence fees and reduce them where necessary to reflect changes in the efficient costs of administering the scheme.

1.6 Impacts on customers and operators

The price impact of our recommended maximum fees on bills for accident tows will depend on:

- where the accident happens (metropolitan or country)
- the distance towed, and
- if storage is required, how long the vehicle is stored, and where the storage yard is located.

Our analysis suggests that overall, maximum bills for short accident tows (initial tow) will be about the same or lower under our recommended fees than they are currently. The main exception is when the vehicle needs to be stored for three or more days, particularly in an inner metropolitan holding yard. For short inner metropolitan tows including three or more days storage, bills will be $53 or more higher than currently (see Table 2).

For long tows, bills for initial tows will generally be lower in metropolitan areas unless vehicles are stored for three or more days in an inner metropolitan area. However, such bills will be higher in country areas, reflecting our recommended changes in the maximum distance charges (see Table 3).
For subsequent tows, maximum bills will generally be about the same or lower than currently. The exception is for long subsequent tows in country areas, which will be higher because maximum distance charges are higher.

Operators will see their cost per accident tow will fall by about $14 per tow due to cheaper towing authorisation forms. Consequently, the net revenue per tow for the initial tow will fall by less than the bill per tow (or increase by more). Net of the towing authorisation form cost, operators will receive less revenue for some initial tows and more for other tows. For example, net revenue per tow will be the same for short tows with no storage, but will generally be higher when vehicles are stored. Net revenue for long tows will go up for country operators, and may go up or down for metropolitan operators depending on the number of days the vehicle requires storage and where the vehicle is stored.

**Table 2  Maximum bills for short initial tows (up to 10km), with and without storage (nominal $, ex GST)**

<table>
<thead>
<tr>
<th></th>
<th>Current bill</th>
<th>Proposed bill</th>
<th>Change in bill</th>
<th>Change in operator revenue&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inner metropolitan</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No storage</td>
<td>251</td>
<td>235</td>
<td>-16</td>
<td>-2</td>
</tr>
<tr>
<td>Days storage = 1</td>
<td>251</td>
<td>258</td>
<td>7</td>
<td>21</td>
</tr>
<tr>
<td>Days storage = 3</td>
<td>251</td>
<td>304</td>
<td>53</td>
<td>67</td>
</tr>
<tr>
<td>Days storage = 5</td>
<td>289</td>
<td>350</td>
<td>61</td>
<td>75</td>
</tr>
<tr>
<td><strong>Outer metropolitan</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No storage</td>
<td>251</td>
<td>235</td>
<td>-16</td>
<td>-2</td>
</tr>
<tr>
<td>Days storage = 1</td>
<td>251</td>
<td>247</td>
<td>-4</td>
<td>10</td>
</tr>
<tr>
<td>Days storage = 3</td>
<td>251</td>
<td>271</td>
<td>20</td>
<td>34</td>
</tr>
<tr>
<td>Days storage = 5</td>
<td>289</td>
<td>295</td>
<td>6</td>
<td>20</td>
</tr>
<tr>
<td><strong>Country</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No storage</td>
<td>251</td>
<td>235</td>
<td>-16</td>
<td>-2</td>
</tr>
<tr>
<td>Days storage = 1</td>
<td>251</td>
<td>247</td>
<td>-4</td>
<td>10</td>
</tr>
<tr>
<td>Days storage = 3</td>
<td>251</td>
<td>271</td>
<td>20</td>
<td>34</td>
</tr>
<tr>
<td>Days storage = 5</td>
<td>289</td>
<td>295</td>
<td>6</td>
<td>20</td>
</tr>
</tbody>
</table>

<sup>a</sup> The change in the operator’s revenue is the change in the bill net of the $14 reduction in the cost of the Towing Authorisation form.

**Source:** IPART calculations.
Table 3  Maximum bills for long initial tow (10km to accident site, 30km to destination), with and without storage (nominal $, ex GST)

<table>
<thead>
<tr>
<th></th>
<th>Current bill</th>
<th>Proposed bill</th>
<th>Change in bill</th>
<th>Change in operator revenue(^a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inner metropolitan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No storage</td>
<td>373</td>
<td>337</td>
<td>-36</td>
<td>-22</td>
</tr>
<tr>
<td>Days storage = 1</td>
<td>373</td>
<td>360</td>
<td>-13</td>
<td>1</td>
</tr>
<tr>
<td>Days storage = 3</td>
<td>373</td>
<td>406</td>
<td>33</td>
<td>47</td>
</tr>
<tr>
<td>Days storage = 5</td>
<td>411</td>
<td>452</td>
<td>41</td>
<td>55</td>
</tr>
<tr>
<td>Outer metropolitan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No storage</td>
<td>373</td>
<td>337</td>
<td>-36</td>
<td>-22</td>
</tr>
<tr>
<td>Days storage = 1</td>
<td>373</td>
<td>349</td>
<td>-24</td>
<td>-10</td>
</tr>
<tr>
<td>Days storage = 3</td>
<td>373</td>
<td>373</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>Days storage = 5</td>
<td>411</td>
<td>397</td>
<td>-14</td>
<td>0</td>
</tr>
<tr>
<td>Country</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No storage</td>
<td>312</td>
<td>319</td>
<td>7</td>
<td>21</td>
</tr>
<tr>
<td>Days storage = 1</td>
<td>312</td>
<td>331</td>
<td>19</td>
<td>33</td>
</tr>
<tr>
<td>Days storage = 3</td>
<td>312</td>
<td>355</td>
<td>43</td>
<td>57</td>
</tr>
<tr>
<td>Days storage = 5</td>
<td>350</td>
<td>379</td>
<td>29</td>
<td>43</td>
</tr>
</tbody>
</table>

\(^a\) The change in the operator’s revenue is the change in the bill net of the $14 reduction in the cost of the Towing Authorisation form.

\(\text{Source: IPART calculations.}\)

1.7 How can I have a say before IPART makes its final decision?

We will hold a public forum on 28 October 2014. Stakeholders are also invited to make submissions on our draft report by 11 November 2014. Late submissions may not be accepted.

You can make a submission online at:
www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission

You can also send comments by mail to:

2014 Review of tow trucks and licensing in NSW
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office  NSW  1230
A Storage locations by LGA

Inner-metropolitan:
- Ashfield
- Botany Bay City
- Burwood
- Canada Bay City
- City of Sydney
- Hunters Hill
- Lane Cove
- Leichhardt
- Manly
- Marrickville
- Mosman
- North Sydney
- Randwick City
- South Sydney City
- Strathfield
- Warringah
- Waverley
- Willoughby
- Woollahra

Outer-metropolitan:
- Auburn
- Bankstown City
- Baulkham Hills
- Blacktown City
- Camden
- Campbelltown City
- Canterbury City
- Fairfield City
- Holroyd City
- Hornsby
- Hurstville City
- Kogarah
- Ku-ring-gai
- Liverpool City

Country:
all other non-metropolitan LGAs