

**ECONOMICS AND INDUSTRY
STANDING COMMITTEE**

INQUIRY INTO WA'S AUTOMOTIVE SMASH REPAIR INDUSTRY



**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 12 SEPTEMBER 2018**

SESSION ONE

Members

**Ms J.J. Shaw (Chair)
Mr S.K. L'Estrange (Deputy Chairman)
Mr Y. Mubarakai
Mr S.J. Price
Mr D.T. Redman**

Hearing commenced at 9.35 am**Mr ROB BARTLETT****Executive Manager Joint Venture Claims Operations, Suncorp, examined:**

The CHAIR: On behalf of the committee, I would like to thank you for agreeing to appear today for a hearing for our inquiry into WA's automotive smash repair industry. My name is Jessica Shaw and I am the Chair of the Economics and Industry Standing Committee. I would like to introduce the other members of the committee: to my right is Yaz Mubarakai, member for Jandakot; to my left is the Deputy Chair, Sean L'Estrange, member for Churchlands; Stephen Price, member for Forrestfield; and Terry Redman, member for Warren–Blackwood.

It is important that you understand that any deliberate misleading of this committee may be regarded as a contempt of Parliament. Your evidence is protected by parliamentary privilege. However, this privilege does not apply to anything you might say outside of today's proceedings. Before we begin with our questions, do you have any questions about your attendance here today?

Mr Bartlett: No.

The CHAIR: Would you like to make an opening statement?

Mr Bartlett: Yes. I do have a very short few words to say. Thanks for the opportunity to meet with you today. I am very happy to take part in this inquiry. In Western Australia, Suncorp offers motor insurance primarily through the AAMI, APIA and Shannons brands. From our accident claims experience, Suncorp has not identified any widespread issues regarding the quality of repairs or timeliness in Western Australia. Suncorp is a founding signatory to the Motor Vehicle Insurance and Repair Industry Code of Conduct, and sits on the board of the code of conduct and has since the foundation. We welcome the opportunity to discuss how the code can continue to deliver benefits to our customers. Suncorp supports calls for a review of towing services in Western Australia, as some people have noted to the committee in the submissions, and agrees that a review should include behaviour at the scene of the accident and the need for a review of towing fees.

Each motor vehicle insurance brand in Australia has different policy offerings, but no insurer can grow and obtain necessary scale without providing a great customer experience. In our view, most customers generally do not have a preferred repairer, but are happy with a repair process that will be the quickest and least stressful for them. Suncorp works with our recommended repairers and our joint venture business Capital SMART to ensure timeliness and quality repairs for our customers. SMART stands for small medium accident repair technology and the Capital SMART centres specialise in repairs to driveable vehicles that have sustained low to medium collision damage—minor dints, replacement bumper bars *et cetera*. These centres carry out repairs to driveable vehicles more efficiently than the industry average. We have three Capital SMART centres in Perth—in Osborne Park, Myaree and Welshpool. I am happy to extend an invitation to the committee to visit Capital SMART if time permits or if you have availability. We would be more than happy to show you around.

Suncorp recommended repairers have passed our stringent quality and process assessment, as set out in the Suncorp Vehicle Repair Standard. This standard is actually available at its website: www.repairerstandard.com.au. It is completely transparent to our customers and the repair industry. I have brought copies of the standard for each of you today so you can have a good look at that. It is available at the website, but I have printed out the copy, which you can download off the website. We know our recommended repairers can repair customers' vehicles to our high standards. We have 13 audited and approved recommended repairers in Western Australia—the

majority in Perth. We also work with non-recommended repairers where policies purchased by our customers allow it.

We abide by the repairer and insurance code in all dealings with these repairers. Suncorp offers a lifetime guarantee on all authorised repairs regardless if they are Capital SMART, Suncorp-recommended repairers, or non-recommended repairers—a lifetime guarantee regardless of the repairer. This is because we back our assessments and our assessors. We back our repair processes and we work to be the best for our customers. I will leave my remarks there. I am more than happy to answer any questions you might have about Suncorp or its processes.

The CHAIR: Thank you, Mr Bartlett, and thank you for the submission that you have provided to us. I want to get a bit of an understanding about how you structured your relationships with both the Capital SMART centres and with your recommended repairers. You mentioned that it is a joint venture with Capital SMART. Could you provide us with a little more detail on how that came into being and what the arrangement is?

Mr Bartlett: Sure. Capital SMART has been in existence for about eight years now. It started in Melbourne with a joint venture between ourselves and repairer by the name of Jim Vais. Jim had been in the industry for a long time and he came to us with a really novel proposition around improving the speed of repair. He had identified, in particular, paint and repair technology from around the world that really was not in the Australian market at the time. It was pretty compelling, and we decided to invest with him in a shop in East Bentleigh on North Road in Victoria. That very quickly—within a few months—showed itself to be an outstanding result. We then decided to go into a full joint venture and expand.

That is a very successful business now. It has gone from literally a start-up seven or eight years ago to now being about 45% of our repairs for personal insurance customers nationally. We think that is a real industry success story. Capital SMART will repair well over 150,000 vehicles this year nationally and last year won a paint and panel award for the best MSO smash repair business in Australia. It is actually getting industry recognition now, which I think is a fantastic achievement for that business. It is a separate company, so we do structure it in a separate way. In other words, it runs itself. It has its own board. It has its own management team. We do not call it a part of claims; it is a separate company. That means that we treat it as a supplier and we have exactly the same sort of supplier relationship conversations that we do with other suppliers. We do work very closely to ensure that we get the supply of vehicles through their network and they meet their SLAs, obviously. They are an outstanding business with an average turnaround for repair days of about 2.6 days and an average repair cost which we think is industry-leading for the type of work that it does. We are very satisfied with our Capital SMART relationship.

We have 282 recommended repairers nationally. They are geographically spread. They are not quite in every town, village and hamlet in Australia because they do need a bit of scale to meet some of the technical requirements that are required to fix vehicles these days. Cars are much more complex. Because SMART tends to do the very small work, recommended repairers needed to do the medium to heavy style of work, so they do need to be technically proficient in that area. A few years ago we set out the Suncorp vehicle repair standard, which we subsequently won an award from the Society of Automotive Engineers for—that is the document I have given you today—which sets out some of the technical underpinnings that we expect our recommended repairers to meet. It has a bonus point system, so we actually ask them to outperform and to go further into the size of and the scale of repairs as they possibly can. As I said, 282 nationally—13 in Western Australia. I think that probably demonstrates the scale of the Suncorp business overall in Western Australia. We are not the largest insurer in Western Australia by any means; we are probably the third, as a

group. We have put some information about that in our detailed submission. I will not put that on the record but it is there in the confidential component of it. You can have a look at that if you like.

Predominantly, our largest brand has been in the market for a while and that is Shannons. Shannons is a specialist vehicle insurer, so the customers associated with Shannons are very savvy. They know exactly what they want to do with their car. They know exactly who they want it to get fixed. They probably know more about the car than we do and they probably know more about the car than the repairer does sometimes. We do have a great relationship with our Shannons customers and the repairers who do that work. Non-recommended repairers—about 20% of our work nationally goes to non-recommended repairers. It is about the same in Western Australia.

Again, we abide by the code of conduct and we meet our obligations there to negotiate fair and reasonable outcomes and, overall, have very few disputes or disagreements with non-recommended repairers about the sort of work they are doing or the fair and reasonable nature of the pricing they propose. Generally, last year we worked with about 1,200 repairers nationally—some only one job, some a few more, and, obviously, our recommended repairers and Capital SMART a lot more.

The CHAIR: So how does one become a recommended repairer?

Mr Bartlett: It is a good question. Generally, in the last few years, because of the changing nature of the repair industry, we have been winding back the repair panel. That is because there does need to be a bit of scale and investment required. Repair shops really cannot just do four or five jobs a week anymore; they do need to do more work than that. So, as a result, we have been looking around, trying to make sure that we have the right repair network for what we think is sustainable long term.

However, the market is not in aspic. It does not just sort of stay still. Customers will go somewhere. Repairs will change a little bit. Specialist repairs will be required. As a result, sometimes we need to look at who we have got on the panel, where they are in particular and what skills they bring to it. So, usually it is us identifying it from our policy issues or our claims issues, identifying where we have a gap and trying to fill that gap with what is available in the marketplace, so what repairers are out there.

The CHAIR: Do you tender or call for expressions of interest?

Mr Bartlett: We tend to be a little more personal than that. We have not done an RFP in really a decade almost, probably. In some parts of Australia—north Queensland, at one point we did an RFP, but we have rarely done that. We think that it is best to know the local market, understand the shops, understand what our need is and then talk to local businesses more particularly.

The CHAIR: Who does that? How do you identify these businesses? Is it the un-recommended repairers that you happen to have had a few good jobs out of, or is there some guy who sits there looking at discrete markets where there seems to be a bit more activity and then identifies the smash repairers in the area and goes out and has a chat to them? How does that work?

Mr Bartlett: You have actually identified it really. It is a bit of both. We do have managers responsible for local areas, so their job is to know their local area, but then you also have data and information that flows in and you start realising that you have time delays or repair delays in a certain area. You start looking at what the panel or the repair needs in that area might be and you start talking to the local manager about who is in the market, what sort of services they have, and working from there. So, I think it is an iterative process. Occasionally and absolutely we do get proposals. Under the code, we do allow repairers to put forward proposals to us and sometimes that does bear fruit. There are absolutely occasions when repairers have brought proposals to us

that we have taken up. There was one in Launceston a few years ago that has been absolutely outstanding.

The CHAIR: So when you initiate that conversation with the smash repair business, how do you strike the pricing or how do you strike the agreement around the number of jobs or the types of jobs? How does that process work?

Mr Bartlett: It is a good question. There is, of course, market pricing. So, of course, we have done our analysis of what that particular market presently is. We have got our view on what pricing should be generally, so there is a commercial discussion between ourselves and the providers about what is an acceptable price in that marketplace. Clearly, some parts of Australia are more expensive to do business than others, so the price is not the same. It varies quite dramatically around Australia because of the fleet of cars. By definition, the type of repairs and the type of vehicles that are in the marketplace does change the sort of average repair costs, the timeliness and the other SLAs that are required.

Mr D.T. REDMAN: Your Suncorp recommended repairers, can they also be and are they also recommended repairers to other insurance companies?

Mr Bartlett: Yes. We actually really encourage that, the reason being that we do not want them to have all their eggs in one basket, because our portfolio can change and if they were just doing work for us and our portfolio changes rather dramatically, they can find themselves in a bit of trouble. So, we like them to actually have a substantial flow of work from a number of work providers, and there is benefit from that for us as well, because it means they grow some scale and efficiency because of it. They have better buying power from the various part suppliers or other suppliers in the market. They may be a more attractive, better business for the look and feel for our customers and, as a result, we think that is actually a win for both of us.

Mr D.T. REDMAN: In smaller regional communities that are big enough to have a couple of smash repairers, would you typically have one as a recommended one or would you accept a bid from a second one who met the mark that you are designed to—met the criteria?

Mr Bartlett: I think, once upon a time we probably gave our signs to everybody, but in reality we have tended to try to narrow it down in some places. Most towns would have one, but the nature of regional Australia is that people do their work with people they know, so there is a lot of non-recommended work in regional Australia and we accept that.

Mr D.T. REDMAN: So you mentioned the figure for Western Australia for non-recommended repairers was 20%?

Mr Bartlett: It is about that, yes.

Mr D.T. REDMAN: In the regions, that would be a higher figure, would it?

Mr Bartlett: Yes, I think it would be. I would say yes.

Mr S.J. PRICE: Mr Bartlett, you have your JV with SMART shops. Does Suncorp have any other sort of ownership relationship with any other repair shops in town or across the country?

Mr Bartlett: No. The only repair shop network we own is Capital SMART. We do own an auto recycler called ACM Parts, but that is not presently undertaking business in Western Australia.

Mr S.J. PRICE: I suppose my follow-up question to that is: do you have any sort of ownership or financial relationship with any of the businesses or companies within the supply chain supplying parts for vehicle repairs?

Mr Bartlett: No. Capital SMART is our only repair joint venture apart from ACM Parts, which does not do business in Western Australia presently. There are listed entities in this market. We have no interest in any of those. No, we do not have any others that I can think of.

Mr S.K. L'ESTRANGE: Just following up on your Capital SMART business aspect, in your submission you state —

SMART centres are able to carry out repairs to driveable vehicles at a rate of 50-70% faster than the industry average.

Obviously, that is going to be beneficial to Suncorp. What percentage of the repair market in your Suncorp business is now going to Capital SMART?

Mr Bartlett: I mentioned that earlier. Nationally, 45% of our overall repairs are going to Capital SMART. They are predominantly very small accidents with a low average repair cost. In Western Australia, it is about 55% of all repairs. In the submission, we have averaged about 43% over the last three years. At the moment, it is just a little bit higher. That is why I have given the higher number.

Mr S.K. L'ESTRANGE: Are the repairers in the SMART centres franchisees or are they owned by Suncorp?

Mr Bartlett: It is a joint venture between ourselves and Jim Vais. Jim Vais works in the business. Each of the shops is owned by Capital SMART, has a separate board and carries out its obligations as a separate business. We have a head agreement, which we operate through, and each of the states works to meet the overall obligation. Definitely no franchising—no separate arrangements. The company structure is very clear.

Mr D.T. REDMAN: In your submission, you have taken a reasonably strong view on the regulatory arrangements in and around towing services, which is largely outside our brief here. We have quite specific terms of reference that we are pursuing. But, of course, there were some drivers in order to have this inquiry, full stop, suggesting that services are pushed; there is suggestion that yes, you can have your own provider, but we cannot guarantee the outcome. These sorts of comments suggest a particular landing point. Are you aware of any of those sorts of behaviours that would go beyond your normal business pressures in a marketplace that occur in your industry?

Mr Bartlett: I would say Western Australia has a very different towing arrangement from the rest of Australia in that it is generally quite regulated in other states and appears to be relatively unregulated in Western Australia. I think a review would be a good opportunity to consider how best to manage that industry. I think there are issues that need to be considered.

Mr D.T. REDMAN: Sure, but my question was more directed to the nature of this inquiry, which is: are you aware of any unconscionable-type behaviour at a systemic level that needs the attention of a committee like this?

Mr Bartlett: I would say, yes.

Mr D.T. REDMAN: So there is unconscionable behaviour in the industry?

Mr Bartlett: I think there are some issues with the towing industry in Western Australia, that do need —

Mr D.T. REDMAN: I understand the issues with the towing industry. You have made that very clear here and in your response, but am thinking in the terms of reference that this committee is looking at.

Mr Bartlett: For repair, you mean?

Mr D.T. REDMAN: Yes.

Mr Bartlett: Sorry, I misunderstood your question; I apologise.

The CHAIR: Could have shot yourself in the foot there!

Mr Bartlett: Our view is that the Western Australian industry is actually operating very effectively. We are not really significantly concerned about any aspect of the smash repair industry in Western Australia. We have good relationships with, obviously, our recommended repairers. We have good, solid relationships with non-recommended repairers. Insurers and repairers will always have some disagreements, but generally, you would say that the relationship with the Western Australian industry has been pretty orderly. We have not had a dispute under the code of conduct that I can recall and the code of conduct has been, I think, quite effectively amended and changed. There was a lot of input from Western Australian members of the committee, so I personally do not think there are big issues to deal with in smash repair in Western Australia.

Mr D.T. REDMAN: I am not going to cite any of these numbers because they are in your confidence boxes, but you talk about the number of vehicles that come back to be redone or reassessed if work was not done appropriately. One of the comments that was made at one stage was one of the measures of the sector in terms of public safety is whether vehicles that are in car crashes have been assessed to be unsafe as a product of any repair work that has been done. Have you had any examples of or any feedback to suggest there are any issues on that front?

Mr Bartlett: Is this vehicles which have been in an accident previously and have in some way failed in a subsequent accident?

Mr D.T. REDMAN: That is right.

Mr Bartlett: No, I actually have not got any evidence to put on that at all. That is not an issue that I have heard of or identified. I know that Western Australia, at one point, had a process where structural repairs needed to be signed off at various points. I would say that the structural elements of repair are quite well regarded. In fact, Suncorp had a strong view for a long time that the industry did need some assistance to ensure that vehicles were repaired safely, especially on the bigger repairs, so one of the things we did was bring technical data to the marketplace through a business called Thatcham. Thatcham is a repair methods organisation in the UK. It is actually funded and owned by insurers in the UK. It develops full end-to-end repair methods, and we are actually the Australian supplier and licence holder for Thatcham repair methods. So I do not have any evidence or any information about what you are saying, but I would say that it is always important for the industry to follow repair method practice and sign off structural repairs as efficiently and effectively as they can in all instances.

Mr Y. MUBARAKAI: Rob, in your brief statement, you touched on the dispute resolution process. I was wondering if you could give us examples on some of the cases that have arisen and how Suncorp have gone through the process. How have those disputes been resolved, if you can provide some examples? The second part is where the dispute resolution has failed and the matters have been referred to the Ombudsman, if there were any such cases, how many were in the last financial year? What I am asking for is where it has worked and where it has not, and, what were the examples involved in scenarios where it worked, how it started and what caused it? What could not be resolved and then had to be referred?

Mr Bartlett: The code of conduct has been in place now for about 12 years and it obviously went through substantial review in the last 18 months to two years. The new code has an opportunity for arbitration, so there is the opportunity to have a binding decision. So if people are not satisfied with the mediation level, they can progress it to an arbitration. There have not actually been any

arbitrations at this point under the new code to my knowledge. I may not be correct about that, but to my knowledge, I have not heard of any finalised arbitrations at this point.

I will give you an example where mediations were coming up and how we dealt with them. There were some assessing time frame delays, mostly associated with events where our assessors just literally had too many things on because of large hailstorms et cetera. We did get behind on our assessing for a little while. It is an open thing; people know this. As a result, some of the repairers in Victoria were quite concerned about the time frame it was taking for us to get to assess a vehicle, and rightly so. We needed to be doing that quicker. So we had a number of code disputes around assessing time frames and their allegation was that we were doing it deliberately; however, we were able to show it was not deliberate. It was more of a point in time.

At a point-in-time level, we are now back within acceptable time frames and there are no disputes. However, we actually took that—we had a conversation with the VACC—and we agreed that we would raise assessing time frames as a component of the code of conduct. So now there are minimum requirements for assessing time frames in the national code of conduct. In other words, we identified where there was an area of concern associated with disputes. It was not technically covered by the code of conduct. It was more of a behavioural thing, to be honest, without joking about it—it was more in the vibe. We decided we would codify it in the code and now, subsequent to that, we have moved forward and put it in the code. It is being adhered to very well.

The various ombudsmen around the place—the small business commissioners and ombudsmen around the country—the complainant can choose to go to the small business commissioner or ombudsmen in their state if they choose. They do not necessarily need to follow the code of conduct process, but we have tried to ensure that those commissioners or bodies understand the code and have information about it and they apply the code as a way of mediating the dispute rather than go off into a separate process and get them all a bit confused. That way, the code becomes the central reference point rather than whatever process might be chosen on that particular day. Of course, if people are not satisfied with the outcome of the mediation—obviously, not all mediations are successfully concluded; sometimes people just agree to disagree—the complainant does have the right, under the code, to take it to a binding arbitration and they can compel the respondent to that arbitration.

The CHAIR: On the same line, I want to pick a point that Terry and Yaz touched on. It relates to dispute resolution and perceived structural issues within the market here that have been brought to this committee and certainly some evidence we have had in confidence about the way that insurance companies conduct themselves with respect to smash repairers in Western Australia. It has been suggested to us that there is a real power imbalance between the insurance companies and the smash repairers, and that that both leads to the dictating of terms under which smash repairers will provide services to insurance companies, and also acts as a disincentive to smash repairers to access dispute resolution mechanisms for fear of being seen as troublemakers, and the potential threat to their businesses that they then may have—that their work may find itself, all of a sudden, drying up.

What do you say about the relative position or the market power that the insurance companies have relative to small business smash repair operators?

Mr Bartlett: I will go to the disputes component of that question first. Firstly, if there is a valid concern or dispute, we are more than happy to have a mediation and go through it, and have a conversation with the repairer. We do think that a conversation between ourselves and the repairers is the best way to avoid these disputes and we really do want to negotiate out any problems and make sure it does not become bigger than it needs to be. We are absolutely

committed to that. We are committed to the clauses in the code. I can honestly say that I am not sure we are coordinated enough to hold it against a particular repairer if they launch disputes. I do not think we are. I think you would find that, in reality, we deal with matters on a case-by-case basis and go forward there. You made a comment about a power imbalance.

The CHAIR: Yes. Let me be clear, particularly around the negotiation of the terms and conditions under which smash repairers perform work for insurance companies and the rates that they are able to negotiate. It has been put to us that there is a take it or leave it—type arrangement and that there is basically a race to the bottom, or smash repairers are being driven to the absolute least cost and, in some respects, below-cost pricing and that is being driven by a power imbalance between the insurance companies and the smash repairers.

Mr Bartlett: I think we do have a responsibility to our customers to make sure that pricing in the market is fair and reasonable—that we are not just taking any price that is proposed to us, that we do review it carefully, we do consider it in terms of the whole market price, and we do not just take whatever price is put to us. We also do need to consider the repair methods being proposed—whether they are actually over the top, whether or not there are simpler, more efficient methods.

So we do stand by our assessing practices, that we have got the right to request a second quote. It is in the national code of conduct. We can seek a second quote from a second repairer. We try to avoid that and we do actually have very few two-quote repairs nationally these days. I could not tell you a percentage on the record or off the top of my head—I apologise—but it is really not a high number. We tend to negotiate with the first repairer more often than not these days. Not all repairers have the same cost base, so some are more efficient and effective—some have got a different business model than others—and by definition what is the market price is not necessarily set by the least efficient repairer in the marketplace.

So I think sometimes the question is whether or not those repairers actually fully understand what the market price can be in a really efficient repair model. As a result, I think our understanding of the smash repair industry and smash repairs in general is pretty high. All of our assessors are tradespeople; we only recruit tradespeople for assessors in motor repair. It is not like we are just guesstimating and calling second quotes because we just feel like it; we only do so where we feel there is a need and we cannot come to terms.

The CHAIR: Assessors is absolutely where I wanted to, I guess, segue. The negotiation then around what repair is required in a particular incident and the price of that is done between the assessor and the repairer; is that how it works?

Mr Bartlett: Generally, the repair methods are reasonably set. They are either defined by the OE method repair or a Thatcham method repair or an industry practice around how something is done. Generally most repairers have one way of doing things, but a lot of repairers have multiple ways of going about how they might do it. Sometimes you can actually bring information to the repairer table to help them understand how they could do something a bit quicker and more effectively.

The CHAIR: Who does that—the assessor?

Mr Bartlett: The assessors will tend to have a conversation about the repair method while they are assessing the vehicle with the repairer.

The CHAIR: What is your understanding then of the term “funny time, funny money”?

Mr Bartlett: It is a phrase that has been around a long time. In reality—we do not assess in funny time, funny money; we really assess in dollars. So funny time, funny money is one way some repairers get to a dollar amount. We tend to look at the bigger picture of the line items and the amount of money at the bottom of the page and look at the repair and look at whether or not that

overall method and cost actually align, rather than the construction of things like funny time, funny money. They are just construction methodologies, and how you go about that is not necessarily the most relevant item. I know it is a big issue, people talk about it a lot, but it does not make a huge amount of sense to people out of the industry.

But at the end of the day we assess in dollars and the invoice or the quote—really the whole of the quote, rather than, you know, very specific funny time-type arrangements. And to be honest, not that many repairers really quote in funny time now. They usually use their body shop systems. Our recommended repairers use a system called AudaNet. There are a range of other systems out there. There really is not as much funny time, funny money out there as some people allege.

The CHAIR: We had some quite different evidence on that. We have had evidence from a number of smash repairers that large insurers are forcing repairers to accept much less money than jobs are actually worth and making repairers do repairs by fixing the price of particular tasks. The allegations is that it is impacting the quality of work. What do you say to that?

Mr Bartlett: Some things do have fixed prices because they are either sublet and we know what the price is out in the marketplace for that or not, so there are some things that definitely do have fixed price arrangements on them. But I personally do not see it is in anybody's interests to be negotiating repair costs under the cost of repair because ultimately we will not have an industry to actually repair vehicles. I do not personally see that is actually the most common practice in the marketplace. I think for the most part we are negotiating fair and reasonable repair costs, negotiating the repair method and ensuring our customers have got a great outcome at the end.

Mr S.J. PRICE: Mr Bartlett, I just wanted to ask about the concept of a lifetime guarantee. Is that realistic? It is a bit like the big banks selling financial advice to dead people, really!

Mr Bartlett: I will not talk about banks. Lifetime guarantee actually is real. I know it seems almost too good to be true; however, I have personally approved lifetime guarantee repairs from 1999—it was a couple of years ago. I was quite surprised to be doing it, but it does occur. But you do see them occasionally pop up in the four or five year range and quite more often than not they are more around the paint, because sometimes the reapplication of paint can be problematic. We do have lifetime guarantee in that area—in fact, the whole repair. We stand by it; we absolutely stand by it, and we apply it for every job we assess, so every job we authorise.

Mr S.J. PRICE: In your submission you say that Suncorp offers a lifetime guarantee on repairs performed through SMART and Suncorp recommended repairers. You also said that about 20% of your repairs go to non-recommended repairers. The negative impact of not being able to offer a lifetime guarantee to either non-recommended repairers that you use or just non-recommended repairers in general has a very negative effect on you.

Mr Bartlett: I am actually going to correct that statement in there. I do not know why it says that. We offer lifetime guarantee on all jobs we authorise, so the lifetime guarantee does apply. We can do that for a couple of reasons. Firstly, the consumer law does cover the first three years through us and the repairer—whoever that repairer might be. So, essentially, we do have the right to have a conversation with the repairer about the work they have done for us on behalf of the customer in that first period, regardless of the repairer; but, beyond that, we will carry the can whether they are recommended or not.

Knowing that repairers come on and off the panel, may have been on the panel in the past, are not on the panel now, it would be almost impossible to apply any other standard, really, because at the five or six-year mark, what is the status of that repairer at that time. Our job is to actually meet the

customer needs and to make sure that their policy is met and we have offered the customer a lifetime guarantee.

Mr D.T. REDMAN: You have talked about the industry code of practice a few times today and your support for that. Do you support mandating the industry code of practice and do you have a view around mandating, and, indeed, by extension, other states that have not got that mandate?

Mr Bartlett: New South Wales is mandated; it is set out in the consumer law there. We are compliant. We actually worked—through myself on the committee, on the national code of conduct committee. We worked very closely with New South Wales in the development of the changes to the code. We do not have a formal view as to whether or not mandating is right or not, but, ultimately, each state can choose to follow its own path there. The code of conduct, because it is mandated in one state, is effectively, because we are a national organisation, rolled out across all states in any case. We do not choose not to follow it in other places just because it is not mandated. We are a signatory, we believe in it and we follow it. So, mandated or not, ultimately, I think it is just a choice for the jurisdiction ultimately. We are compliant and we are compliant in Western Australia under the code.

The CHAIR: Just coming back to this guarantee, I just want to get some real clarity on the issue. We have had evidence to suggest that when a customer rings and says, “I’ve had a prang, I would prefer to use repairer X”, insurance companies say, “We can’t guarantee the repairs undertaken by that smash repairer.” Some smash repairers would suggest that that creates a perception that their work is of poorer quality and is skewing people to not choose preferred smash repairers.

Mr Bartlett: Non-preferred smash repairers?

The CHAIR: Sorry; non-preferred smash repairers. But you guarantee all repair work, whether they are recommended or unrecommended?

Mr Bartlett: We guarantee all authorised repairs.

The CHAIR: Is there any difference in the way that your staff, when they are having discussions about referrals to particular repairers—is there any difference in the conversation? Are there any aspersions cast about referrals towards preferred or non-preferred?

Mr Bartlett: We do have a range of policies, so usually it is a conversation about the policy aspects that really is taking place. Some policies are very specific about their requirements. Bingle, for example, is very specific about where they need to take it and that is only to recommended repairers. It is a very low cost, low touch brand; we have got very specific things to do there. AAMI is a recommended-repairer brand, but GIO and Shannons are choice brands, so you have a different kind of conversation with those customers.

The CHAIR: When a customer picks up the phone with a Bingle policy and says, “I don’t like Johnno’s Smash Repairs; I want to take it to Steve’s Smash Repairs”, if Steve is not a preferred repairer, is that not even a conversation that you would have; it is just not an option? How does that conversation play out?

Mr Bartlett: They do from time to time go to non-recommended repairers but generally in areas where we do not have repairers or recommended repairers. I think the nature of the Bingle policy in particular is, really, customers who do not necessarily have a lot of information about the repair industry. They are not necessarily the most informed customer about the nature of repairs. They tend to be a different segment of the market, very unlike Shannons. So, it is a totally different conversation.

With Bingle and AAMI customers, they are looking to us to provide them some advice about the best method for them to repair their vehicle. I am sure there are certain instances where Bingle customers do ask to go to a recommended repairer, but their policy is absolutely clear about that, we do try to encourage them into a local option. We try to make sure that they have a great customer experience and we have very good customer satisfaction in Bingle, so I am not worried about that.

The CHAIR: Okay, so you try to encourage them, but what if they do not?

Mr Bartlett: We discuss their policy with them and help them understand what their policy obligations are.

The CHAIR: I feel a little evasion in your answer. Do you say, “If you go to Steve’s Smash Repairs, we will not guarantee the quality of that work”?

Mr Bartlett: I would actually say to you that that is a breach of the code of conduct to do that. Under the code—I am going to try to remember the number, but I am pretty sure it is 6.3—you cannot say bad things about a repairer under the nature of what they do, who they do it for, what insurance work they do or who they work for; nor can repairers say that about insurers under the code, technically. Technically, if we were to do that, we would consider that not an appropriate conversation to have.

The CHAIR: “Technically”—I love the language! Are there instances where when you are having a conversation with a Bingle policyholder—what is the response of a Bingle policyholder who you have said has an obligation under their policy only to use your preferred network? How does the conversation with that customer go when they say, “I don’t want to use a repairer in your preferred network”? What is the response of Suncorp?

Mr Bartlett: Firstly, I just go back to my earlier point. It would be a very rare instance, given the segment of Bingle customers; however, if they did do that and it was an area where we did not have a recommended repairer, we would almost certainly allow that.

The CHAIR: And what if you did?

Mr Bartlett: Most cities have a lot of recommended repairers and we do try to talk to them about the options under their policy. We explain their policy. We would book them into a recommended repairer, almost certainly.

The CHAIR: You would book them in, so they would not have a choice. So, you would say, “No, you cannot do that.”

Mr Bartlett: Under their policy they do not have a choice. They have a policy that sets out what their obligations are and how we are going to meet our obligations under that policy, so it is very specific. It is very, very specific in that policy.

The CHAIR: It took us a while to get there, but thank you for that!

I am changing topic here somewhat. As the technologies change within cars, as technologies mature in cars themselves and as the technologies develop, have you noticed a trend towards more expensive repairs, particularly around things like more sensors and increased costs that smash repairers may incur as they undertake repairs?

Mr Bartlett: Cars are getting very technically complex; there is no question. Quite often, the most expensive little bits of the car are some of the sensors and bits and pieces hanging off what used to be relatively dumb items. Some of those bumper bars and the front of vehicles, for example, are now full of sensors et cetera. They are part of the repair; we do not pretend otherwise. They need

to be repaired, replaced, recalibrated and all of those things, and that is part of the repair process. In terms of cost, if they are required to be repaired, they are repaired.

The CHAIR: Have you noticed that, as the safety features of cars are improving, that is having an impact on your industry as a whole?

Mr Bartlett: I certainly cannot talk about the whole industry, but I can talk about our own experience, which is yes. Frequency is less than it used to be and the severity of accidents has declined. Interestingly, there are a number of research papers around the world that suggests that irrespective of the reduction in severity, the cost of repairs has either stayed the same or gone up, and that is because, again, that equipment in the vehicle is very expensive to replace and repair, and if it gets damaged, it maintains a fairly high cost. That is why about 50 per cent of the cost of repairs for an insurer are the cost of parts, so parts are a very, very big part of ensuring the cost-effectiveness of repairs.

Mr Y. MUBARAKAI: Mr Bartlett, this question is about cars that get written off. In, I think, New South Wales, they can get refurbished and resold as a registered car. In that instance when a car has been written off but then gets refurbished and re-registered and reinsured, how does the code work?

Mr Bartlett: I will actually correct you there. In New South Wales, they have statutory write-offs. Unless the person has owned the car for more than 28 days, the vehicle can never be re-registered. So, only very specific vehicles where the customer has retained salvage or has taken the car back from the insurer and then had the vehicle repaired. They have to give evidence of that and then they can get the vehicle re-registered. But in New South Wales, it is a statutory write-off scheme. Nationally, there is a different scheme. New South Wales is an outlier.

In every other state, there is a component called the damage criteria. Essentially in a total loss, they look at the vehicle, they identify the scale of the damage, and if it passes a minimum damage criteria, that vehicle cannot go back on the road. We would say that the vehicles that have not reached that damage criteria are absolutely safe to repair provided the methods have been followed; provided the appropriate provider—repairer has followed all the appropriate processes and that any customer getting that vehicle should feel comfortable about that.

One of the things you should think about in relation to total losses is the great majority of total losses are not about the damage of the vehicle; it is about the cost of repair—the value of the vehicle is lower than the cost of repair. As a result, you can see vehicles you go, “Why is that a total loss?” and it was your point earlier, some of the technical equipment on the vehicles, even cars five and eight years old, is quite expensive and the cost of parts will sometimes push a car over the cost of economic repair.

Again, if someone can keep the cost of that repair down by accessing more cost-effective parts or doing the work themselves or repairing it in their garage, then there is no reason why that should not actually be able to be repaired. That is why we support the damage criteria model nationally, because it really does separate those which are structurally damaged, difficult to repair, and those which are ultimately just economic total losses and should be able to come back onto the road. It would be better if they did.

The CHAIR: I just have one quick question: in your submission you state that you would support a greater role for the Small Business Commissioner. Could you expand on that a little perhaps?

Mr Bartlett: We have had a good experience with the Small Business Commissioners in the states where they are active. In New South Wales, the commissioner was actively involved in the redrafting of the code. In Victoria, we have met with the Small Business Commissioner a number of times and

been to mediations managed by the Small Business Commissioner. We are satisfied that the Small Business Commissioner brings some skills to the table which the industry can take advantage of.

The CHAIR: Do you see any room for improvement in the code as it currently stands?

Mr Bartlett: The code is relatively new. It took a good couple of years to really negotiate out each of the clauses. I do not think it has actually been in place really long enough to say that it needs substantial overhaul yet. I would like to think that the hard work we put in has still got a little bit to go. Under the code, every three years it is up for review. There is an independent review, they make recommendations and the code committee considers those, makes some proposed changes and takes it back to their stakeholders and then comes back and proposes amendments. That was the process that was undertaken between 2015 and 2017, and I think that would be coming up again probably next year or the year after. I am not quite sure of the exact time frame there, but probably sometime in 2019, they must be doing a review.

To me, that is a good process. It is within the code; it is orderly. It means that everybody can make their submissions. There is an independent reviewer who reviews them on balance and puts forward suggestions. Then the code, which is three MTAA representatives and three insurance council representatives, reviews that and puts it forward. I have to say the previous review process would demonstrate the success of that model.

The CHAIR: Thank you, Mr Bartlett. I will proceed to close today's hearing.

Thank you for your evidence before the committee. A transcript of this hearing will be emailed to you for the correction of minor errors. Any such corrections must be made and the transcript returned within seven days of the date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. Thank you.

Hearing concluded at 10.30 am
