

**COMPETITION COMMISSION**  
**PRIVATE MOTOR INSURANCE MARKET INVESTIGATION**

**Notes of a joint hearing with RMIF (NAB) and VBRA**  
**held at Competition Commission, Southampton Row, London**  
**on Wednesday, 17 July 2013**

**PRESENT:**

**FOR THE COMPETITION COMMISSION**

Alasdair Smith	- Chairman
Robin Aaronson	- Member
Steve Oram	- Member
Anthony Stern	- Member

**FOR THE STAFF**

Andrew Wright	- Inquiry Director
Ulrich Kaltenbronn	- Business Adviser
Peter Wantoch	- Economic Adviser
Philip Dixon	- Business Adviser
Adriano Basso	- Economist
Pietro Menis	- Legal Assistant

**FOR THE REPAIRERS**

Frank Harvey	- Head of NAB
Tony Lowe	- RMIF Group Board Member.
Chris Oliver	- Executive Chair of NAB
Andrew Marsh	- NAB Adviser
Andrew Moody	- MD Retail Motor Law, RMIF (NAB)
Malcolm Tagg	- Director General, VBRA

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1 THE CHAIRMAN: If we are all here and settled down, let us get going.

2 Thank you very much for coming here to this meeting. We appreciate you  
3 taking the time. It is very important for us, at all stages in our investigation, to  
4 have the opportunity to have discussions with all the different parties, in this  
5 quite complicated industry, about where we are at and how our thinking is  
6 going.

7 Let me start with introductions. I am Alasdair Smith, I am a deputy Chair of  
8 the Competition Commission, and I am the Chair of the group conducting this  
9 market investigation.

10 Q. (Mr Oram) I am Steve Oram, panel member.

11 Q. (Mr Wright) I am Andrew Wright, the Inquiry Director.

12 Q. (Mr Stern) I am Anthony Stern; I am one of the members.

13 Q. (Mr Aaronson) Robin Aaronson, panel member.

14 THE CHAIRMAN: There are a group of Competition Commission staff in the back  
15 row. I will not ask them to introduce themselves individually, but if they have  
16 occasion to speak up at some point, they can introduce themselves then.  
17 Andrew.

18 A. (Mr Moody) Andrew Moody from Retail Motor Law. We are a consultancy  
19 legal firm which provides advice to the body repair industry.

20 A. (Mr Harvey) I am Frank Harvey, Head of the National Association of  
21 Bodyshops.

22 A. (Mr Marsh) Andrew Marsh, Consultant to NAB and working for Auto Industry  
23 Consultancy Limited, which provides engineering information for the collision  
24 repair business.

25 A. (Mr Lowe) Tony Lowe; I am an RMIF board member and I represent the

interests of accident repair centres throughout the country on behalf of the RMIF. I am also a practising body repairer. [X].

A. [X]

A. [X]

A. (Mr Oliver) [X] Good afternoon. Thank you for your invite; it is very kind of you. Chris Oliver, I am non-exec Chair of the National Association of Bodyshops, and like Tony, I am a practising body repairer [X].

A. (Mr Tagg) I am Malcolm Tagg from the Vehicle Builders and Repairers Association, feeling quite outnumbered by my colleagues from the RMIF.

A. (Mr Oliver) As we are somewhat over represented.

Q. Could you just say something about what the distinction is between the two associations?

A. (Mr Tagg) They have different origins, but in terms of the National Association of Bodyshops, we serve a similar community of practitioners, some of which are common to both of them, others choose to belong to one or other trade association for their own particular reason.

Q. It is most unlikely to arise, but since two of you are active in the bodyshop industry, I just should formally remind you that you should not discuss, in front of each other, things that you would not want to be quoted discussing in front of other people about your business.

A. (Mr Oliver) There is nothing I would not share with Tony.

Q. You will appreciate, being the Competition Commission, we have to be particularly sensitive about the danger of bringing people together and encouraging conversations which should not take place, that is all.

I do not intend to take you through our rules and procedures of hearings; you

1 have been sent information about that. The one thing I do want to say is: as  
2 you see, we are taking a transcript of this hearing, as we always do. We will  
3 send you a copy of it in about a week, and we would be grateful if you would  
4 check the transcript, correct any errors of transcription or any minor errors that  
5 you may have made in answers. If there are any substantial changes you  
6 want to make to something that you have said or anything you want to add to  
7 what you said, deal with that in a separate letter, rather than by modifying the  
8 transcript.

9 We normally just produce summaries of hearings like this, but for this set of  
10 hearings, because of the complexity of the number of parties we are hearing  
11 this week, we have decided to publish our website before the transcript of the  
12 hearing. So when you check the transcript, we would be grateful if you would  
13 check that you have not put any confidential information into the record that,  
14 on reflection, you would rather not have put into the public record, and just let  
15 us know if that has happened.

16 I do have to remind you that, under the Enterprise Act, you are obliged to be  
17 truthful in the answers you give. Thank you.

18 What we are going to do today is, I am going to mostly take us through a  
19 series of questions we have prepared, and other members of the panel and  
20 members of the staff team will chip in with follow-up questions and further  
21 questions. I will probably, as we go through the script, look at someone in  
22 particular to kick off the questioning. If we are in a situation where you are all  
23 agreeing with each other, let us not spend a lot of time all agreeing with each  
24 other. One of you has spoken and the rest of you just say fine, we are all  
25 agreed on that. If there are things that you have differences of opinion on,

1 differences of emphasis on or you want to add substantially to what the first  
2 person has said, that would be an effective use of our time. But we hope that  
3 at least on some of the things we are going to discuss we might get a lively  
4 discussion going around the table, if we are lucky.

5 I hope it is clear where we are in the course of our inquiry. We are still very  
6 much at the stage of doing our research on how this very complicated market  
7 works and developing our own thinking. The aim of our annotated Issue  
8 Statement, which you have received, is to outline where we are at with our  
9 thinking. We are just about to start publishing a big series of working papers  
10 that elaborate on the current state of our work. I do want to emphasise, that is  
11 the stage of work that we are at. We are not at the stage of making decisions;  
12 we have not made any preliminary, provisional, any kinds of decision; that will  
13 come later. We are aiming, indeed, to publish our provisional findings report  
14 in late October or possibly November.

15 I am going to start off, however, by asking each of you, i.e. the three parties, if  
16 you want to start off by making a short statement of five minutes or so.

17 A. (Mr Oliver) On behalf of NAB, yes.

18 Q. On behalf of NAB.

19 A. (Mr Oliver) Yes. For each we have prepared a single statement.

20 A. (Mr Harvey) Thank you very much. The National Association of Bodyshops  
21 is the UK's Leading not for profit trade association representing UK body  
22 repair sector. It is widely acknowledged that the UK leads the world in terms  
23 of body repair, processes and operations. The industry's major players all  
24 operate to independently audited standards and to long established codes of  
25 practice.

1 From your report, it is quite reassuring to see that your research has affirmed  
2 what we have known for many years, and that is that our sector continually  
3 delivers high levels of repair quality and customer satisfaction, and that is  
4 achieved despite massive downward pressures on reducing repair costs and  
5 cycle times.

6 Body shop staff (our member staff) are often the only face-to-face contact that  
7 a consumer will have and commonly it falls to the repairer to manage that  
8 expectation of the customer. Despite the now recognised dysfunctional  
9 nature of the insurance claims process and the associated fictional costs  
10 identified in your investigation, again we agree with your research the tri-  
11 partite relationship between consumers, insurers and bodyshops has become  
12 unbalanced, and that consumers are actually being disadvantaged and  
13 marginalised and quite often exploited as cash cows by the insurers, due to  
14 the current dysfunctional nature of the actual process.

15 We also feel that the high repair satisfaction levels identified in your research  
16 is only achieved as a result of the ethical, moral and professional position  
17 taken by bodyshops, and not as a result of any commercial relationship that  
18 exists between bodyshops and insurers. We feel that this is not a sustainable  
19 position for our sector, nor is it conducive with consumer satisfaction long  
20 term, and we believe that there is significant potential detriment for the  
21 consumer, and that the focus needs to be given on a few frictional areas.

22 One of the things that we feel needs to be clarified is a clear definition of  
23 roadworthiness for vehicles. That is both pre-accident and post-repair. This  
24 means that with the lack of that there is no definitive baseline by which we can  
25 establish whether a replacement vehicle is required and more importantly, if

1 actual vehicle reinstatement has been achieved post-repair.

2 I think for the consumer, quite often jargonistic policy wording, and  
3 inconsistent post-notification of loss procedures, along with technically  
4 complex repair procedures can all serve to confuse and alienate the  
5 consumer. The often technicalities of insurance policies at point of purchase  
6 and subsequently at point of claim can often be ambiguous and misleading  
7 and highly complex in nature.

8 From your research, it is clear that consumers lack a full understanding of  
9 their insurance policy and their rights under insurance, and it is a statutory  
10 requirement, so we feel it is quite important that they understand that. It  
11 makes them vulnerable to exploitation and abuse, particularly in relation to the  
12 conventions of indemnity, mitigation and particularly diminution, all of which  
13 are imperfect and inconsistently applied.

14 Historically, we have seen how large, dominant financial institutions can  
15 become driven and conflicted by the pursuit of delivering shareholder value.  
16 The recent conduct of the insurance sector shadows or shows similarities to  
17 the banking sector. With motor insurance, however, this is unique in so much  
18 that it is a statutory requirement for all motoring consumers, and as such,  
19 those consumers should be entitled to have implicit trust in the behaviour and  
20 conduct of their insurance provider.

21 Seeking financial gain at the expense and therefore detriment of one party  
22 over another is a clear conflict of duty. Motor insurance is, to a certain extent,  
23 a social utility.

24 In recent years, the subrogation of costs has been in the spotlight. We have  
25 seen insurer taking action against insurer on the legitimacy of repair invoices



1 submitted for recovery. We have even seen the AVI calling for review of the  
2 subrogation rules. With the current advances in vehicle technology,  
3 excessive, uninformed cost cutting decisions made by some insurer staff are  
4 likely to have a considerable safety implication for the trusting, but  
5 unsuspecting consumer.

6 In addition, certain business models currently being operated by some  
7 insurers actually have the capacity to drive entirely the wrong behaviour within  
8 the repair process and this will result in future consumer detriment.

9 Just to conclude: National Association of Bodyshops believes that the clear  
10 definition of vehicle roadworthiness should be provided; that the industry  
11 needs to be re-calibrated in order to put consumers' interests first and  
12 foremost in the process; that consumers should be made aware of their rights  
13 and provided with plain English, transparent and jargon free, but more  
14 importantly honest guidance throughout the entire insurance purchase and  
15 claims delivery process.

16 There is significant risk to consumers if the repair sector does not have  
17 sufficient revenue to reinvest in training, skills and equipment to meet the  
18 advancing needs of modern vehicle repair. It is a point of indemnity that once  
19 repaired a vehicle should perform in any subsequent impact the way the  
20 manufacturer intended to ensure the safety of the occupants and other road  
21 users.

22 We would like to see the appointment of a pan industry adjudicator, similar to  
23 the one recently appointed to the supermarket sector, to address our specific  
24 market concerns and to oversee any outcomes of your investigation and to  
25 prevent any future dysfunction within the insurance market.

1 That is our brief statement. Obviously, we will be backing that up with a more  
2 detailed written statement at the end of this hearing.

3 A. (Mr Oliver) Chair, we will provide you with a copy of that statement.

4 Q. Thanks very much.

5 A. (Mr Tagg) Very much of what Frank has just said we obviously agree with  
6 because we suffer some of the problems all the time. So I will just read what I  
7 have put here:

8 VBRA is a long established trade association. Our diverse membership of  
9 car body repairers ranges from those offering full structural repairs through to  
10 cosmetic and the 'small area repair' sectors.

11 My personal history also includes a very long spell in the insurance industry  
12 where I witnessed the growth of the approved repairer networks on which you  
13 are concentrating quite heavily, and it really only truly started to be viable for  
14 the insurers at the point that IT solutions became available as a control  
15 mechanism, which is what we see all the way through the market. That has  
16 become an ever more effective control system for exerting control over the  
17 repair sector ever since.

18 Taking from your annotated Issue Statement of 5 July, whilst I agree the  
19 general direction it seems to be heading, I am perhaps a little bit disturbed  
20 (unless you put me right) that consumer detriment seems to be seen as  
21 relating to only premium cost and does not really take any account of future  
22 proofing against consumer detriment in a much wider sense, which I will come  
23 back to in a moment. Certainly, VBRA contend that detriment is not merely a  
24 monetary issue.

25 The consumer is as much disadvantaged by being bullied into using a repairer

1 it does not wish to use (granted some do not care where the vehicle goes); if  
2 they have a preference it should be catered for. The repair industry needs to  
3 earn a sufficient margin (as Frank just said) to forward invest in training  
4 against new vehicle construction technologies and the machinery and  
5 equipment to deal with those, and the technical expertise in terms of training  
6 to handle the developments. It is very much in customers' interest that the  
7 skill base is as widely spread as possible amongst a plethora of companies to  
8 ensure future competition.

9 The repairer is begrudgingly allowed largely to earn a margin determined by  
10 others and not to be in control of their own destiny. I know it is not the  
11 repairer that is at issue here, it is the consumer, but to restrict what repairers  
12 are allowed to do goes against natural competition between one company and  
13 another, which ultimately reflects on the customer.

14 The corollary of those last two points is that the banks are very reticent to  
15 finance the sector. They are withdrawing overdrafts and not providing future  
16 funding, as the whole sector has become a high risk enterprise.

17 One of the comments in your statement at paragraph 27 indicates that there is  
18 no discernable difference between a repair carried out by those that were  
19 controlled by third parties, and I am very pleased to say that the repair  
20 community is overwhelmingly ethical and the method of repair should not  
21 differ. Arguably, the not at fault handlers are actually carrying a more realistic  
22 labour rate than the at fault handlers, which is helping to keep the repair  
23 sector at the level that it currently is.

24 In the January Channel 4 Dispatches programme there was a telling remark,  
25 for example, about a door bar that an insurer had declined to pay to replace

1 on a Volkswagen when the repairer was insistent (he being the expert) that it  
2 did indeed need replacing as a safety item.

3 The self-respecting repairer would refuse to work on a vehicle under those  
4 circumstances or undertake that element of the repair at his own cost, thereby  
5 subsidising the insurer concerned and ultimately, that does not give a true  
6 reflection of the cost to that insurer.

7 We are certainly very pleased to see that further investigation is continuing  
8 into the possibility of detrimental vertical agreements in terms of paint usage,  
9 which we perceive to be a significant issue.

10 In our experience, the market in Northern Ireland is somewhat different from  
11 the rest of the UK, mainly in that in that market the impact of accident  
12 management is smaller than it is elsewhere.

13 That is changing a little bit as the predominant accident manager, which is  
14 'Crash Services', seems to be having a lower impact now than hitherto,  
15 certainly in terms of the number of members that we have over there that we  
16 canvassed specifically on that point.

17 An overriding factor referred to throughout the statement, with which we agree  
18 whole heartedly, is that without doubt, at the point of occurrence of an  
19 accident, the motorist is significantly less well informed than those in the  
20 repair and management chain and therefore significantly open to suggestion,  
21 such as where to have the repairs dealt with and this unfamiliarity is very easy  
22 to take advantage of.

23 Finally, in my view, motor insurance has now become more of a commodity  
24 than an 'underwritten by risk' class of business with products competing on  
25 price and not value.

1 Physical repair is only a small part of the insurance costs equation. It is  
2 essential that the customer be dealt with fairly throughout the whole process  
3 from inception of a policy through to repair of a damaged vehicle and beyond.  
4 As I indicated before, my view is that consumer detriment cannot be  
5 measured by premium value alone. It must take account of the process and  
6 the vulnerability of the motorist, not just cash.

7 Q. Thanks..

8 A. (Mr Moody) I have been asked to attend on behalf of NAB, and while they  
9 have produced a statement, I will also give you a little background into my  
10 history, because it is somewhat unusual.

11 I am a qualified solicitor, practising solicitor, I am also a barrister, but I  
12 completed an apprenticeship as a panel beater many, many years ago. I am  
13 not a practising barrister anymore or practising panel beater, as it were, but I  
14 have background information and experience at a grass roots level. I am also  
15 a qualified insurance engineer and completed a certificate of education and  
16 lectured on motor vehicle subjects. So when it comes to body repair I am  
17 quite a well rounded individual in more ways than one. But obviously I have  
18 the legal knowledge as well in a number of areas, and so I am very, very  
19 interested in this area because I do think it does need to be reviewed because  
20 there are a number of concerns, as the Office of Fair Trading, obviously, has  
21 arrived at the same conclusion calling it a dysfunctional market and then  
22 making the referral to yourselves.

23 Q. Thanks.

24 I want first to talk about post-accident repair services, and first of all in that,  
25 about the process by which someone becomes an approved repairer for an

insurer, broker or CMC. What is that process and in particular, how competitive is it?

A. (Mr Oliver) Just on a point of order, if I may; at this point of the hearing, which we are leading into which looks to me like it is going to be the question and answer session, from the NAB team, Tony and myself will lead on that, unless there are points of technical expertise which stray out of our area of understanding then we will ask our experts to join us.

Q. That is fine.

A. (Mr Oliver) In terms of the question: How does one become an approved repairer?

Q. Yes. What is the process and particularly how does competition to become an approved repairer work, how does that process work?

A. (Mr Lowe) It is a little bit of where you are placed, to be honest with you. You have a geographically located right for the requirement of the insurers, so the insurer may have a requirement in a certain area because of saturation of policy holders in an area, and they may seek to have a more formal contract or understanding in place to place large amounts of business with a single point of supply. That can be an opener, shall we say.

You then may be invited to go through certain hoops and meet certain criteria. They will do an assessment on your equipment and that kind of thing, but it is fairly basic because industry players that we represent are fully equipped and fully up to speed with the requirements to provide adequate services and proper, efficient services.

That is one way that you may be approached. The other way, of course, is the race to the bottom of the barrel. That is usually the more often way to

1 which you will obtain a contract. The race to the bottom of the barrel could be  
2 who is going to it the cheapest, who is going to be able to sustain business in  
3 the certainly medium to long term if at all possible. That one is usually by  
4 reverse auction, so you can have a chunk of business that you are actually  
5 servicing today that may go out to tender and you could lose that chunk of  
6 business as a result of it going through a tender process that requires the race  
7 to the bottom of the barrel. For example, that would be - and I would give you  
8 an example of a contract that was launched by [X] - that was tendered for on-  
9 line. It was driven purely by the practice they attached to those costs and  
10 people then obtained that contract as a result of that.

11 The figures involved with that particular contract were most definitely totally  
12 unsustainable, absolutely unsustainable because having done 27 years of  
13 accident repairs and prior to those, 7 years as a manager with a very large  
14 insurance company. I am certainly qualified to make an opinion on that. The  
15 contract value that they have instilled upon their network is way below what  
16 you would expect any reasonable vehicle to be repaired for. It is also an  
17 average repair cost model which now stands firmly behind the fact that we do  
18 not like average repair cost models because that drives the wrong behaviour.  
19 We mentioned it in our opening statement, we have put further evidence to  
20 you and we will be, at the end of this session, and within the timeframe,  
21 provide further evidence that we wish you to consider on that average repair  
22 cost model, because that is totally driven by any insurance company.

23 A. (Mr Oliver) To answer your question, it is entirely commercial and primarily by  
24 reverse auction and to characterise group repair agreements as contracts  
25 would be slightly disingenuous. A contract implies an equitable share of risk

1 and reward. Every single contract that operates in the market specifically  
2 advises that there is no guarantee of any revenue whatsoever.

3 Q. This bid that you described, an average repair cost bid, this is your bidding  
4 that you will however many jobs and it is one price per job?

5 A. (Mr Lowe) Yes, one price per job. The way it is divvied up is you may do say  
6 4,000 jobs in a period of three months - they probably would not do that many,  
7 let use Let's say the repairer carries out 1,000 jobs in a period of three  
8 months. The would add up the cost of all those invoices that you have  
9 submitted and then divide them by the number of units that you have repaired,  
10 which would give you an average repair. They would then compare that to  
11 the contract you signed and how much you said you would repair those for.  
12 Whatever the differential is you would be made to repay.

13 To put a balance on that, they will also argue that if you were well under then  
14 they would pay you. I can assure you that we have not [X] had any repairer  
15 that we know who has actually had any money refunded to them. It has  
16 always been one way; as the contract value is so low that it is unsustainable.

17 A. (Mr Harvey) It also brings the question of subrogation issue because what the  
18 repairer does is submits a full value invoice, so that is what the insurer has on  
19 file and then it is averaged out over a period of time. So when they are  
20 recovering costs they are recovering the full invoice value rather than the  
21 actual value of what was paid out.

22 A. (Mr Lowe) We think that lacks transparency.

23 A. (Mr Oliver) Our members ask us how that subrogation is dealt with. We are  
24 not happy to answer that. The Competition Commission may be in a better  
25 position?



1 Q. (Mr Stern) Can I just be clear on the arrangements that you have for average  
2 repair cost model. My first question is: Are many insurers operating on this  
3 basis?

4 A. (Mr Oliver) If I can, Chair, we have one or two major insurers that cover the  
5 majority of the volume. So while you may have 10 insurers operating in the  
6 UK motor vehicle area there is a concentration of **at least** 2 or 3.

7 Choosing by volume could lead you to a different conclusion. The majority of  
8 repairs now, vehicles repaired in the UK, would, I would say, come under an  
9 average repair cost.

10 A. (Mr Tagg) Can I just add that whilst there seems to be a huge number of  
11 insurers many of those labels are white labels, behind it is the same  
12 infrastructure and repair mechanism, which is why there might appear to be a  
13 choice of 20 every night that you could insure with on the television adverts,  
14 but in actual fact behind it there is probably only 3.

15 A. (Mr Oliver) Thank you.

16 Q. (Mr Stern) Do referral fees form part of the negotiation; are there any referral  
17 fees involved?

18 A. (Mr Tagg) From the repairer to the insurer?

19 Q. (Mr Stern) Yes.

20 A. (Mr Tagg) No.

21 A. (Mr Harvey) Only by way of discounts on invoice.

22 A. (Mr Tagg) Discounts and rebates. We would not have a referral fee.

23 A. (Mr Oliver) So the definition of referral fee, Chair, always a complex one,  
24 which I am sure you will know. In terms of insurers, my colleagues are  
25 correct. In terms of accident managers, [✂], referral fees, as we would

1 understand them in making commercial terms, can play a significant element  
2 in where work is directed.

3 Q. (Mr Stern) Okay.

4 Q. (Mr Stern) But to the extent you were almost implying that there was not  
5 much difference between a rebate and a referral fee; am I correct?

6 A. (Mr Oliver) I am saying they are different sides of the same coin.

7 THE CHAIRMAN: What would you say is the effect of this competitive process  
8 which you have described as driving down costs and in many cases, use of  
9 an average cost model; what is the effect of that on the way that repair  
10 services are delivered to customers?

11 A. (Mr Harvey) I think as we alluded to in our opening statement I think the  
12 repairers see the finished product and they handle the customer, and they  
13 very much look at the consumer as their customer. I know a number of our  
14 members that when they are faced with a situation in terms of, what do I do  
15 for the best of the customer, will take the cost on themselves because with the  
16 average repair cost model, they know they are never going to recover that  
17 cost. So, they will take responsibility to manage that, and make sure that the  
18 customer is taken care of, which is why we have the high level of satisfaction  
19 that your own investigation has highlighted.

20 A. (Mr Marsh) I am not here, theoretically, on behalf of repairers and trade  
21 associations, so maybe I can answer that a little clearer. I have had  
22 numerous complaints from motor vehicle engineers and others that have done  
23 a subsequent repair to a vehicle and when they have removed the outer  
24 covering of the vehicle they have found previous damage or unrepaired  
25 damage that they have simply said they will put a new bumper bar on. Some

1        repairers will not. As Frank said, I am sure some repairers will meet the cost  
2        of repairing that additional damage, but some repairers, potentially, they will  
3        just put a new bumper bar over the existing damage.

4    Q.    (Mr Stern) Can I ask a general question related to that? You raised the topic,  
5        which everyone in the country would recognise, which is that when a repair is  
6        done you do not know how well it is done, and you have given an example of  
7        how the expert can find that a repair has not been well done. What is the  
8        solution to this problem? We all suspect there is a problem, but how can one  
9        take steps in order to put that right?

10 A.    (Mr Moody) The body repair industry always had, as Tony said 27 years ago I  
11        think he said, he was a motor vehicle engineer. Frank was a motor vehicle  
12        engineer and I qualified as a motor vehicle engineer, and the role of a motor  
13        vehicle engineer was historically to go out and assess the damage that the  
14        vehicle had sustained and to agree the cost of repairing that damage. The  
15        concern is that that role of engineer is no longer independent and that  
16        engineer cannot make an independent decision as to what repair should be  
17        undertaken. So, if there is nobody actually looking after the interest of the  
18        vehicle owner, the consumer, so I am sure NAB would say, and the VBRA I  
19        am sure would agree that we would suggest that going forward it is a pivotal  
20        point that engineers and the engineering environment should be independent  
21        of both the repairer and the insurance industry so that it can operate for and  
22        on behalf of the consumer.

23 A.    (Mr Marsh) To just add a little bit to this; every single vehicle that is on the  
24        roads now, particularly passenger cars and now recently commercial vehicles,  
25        is Type Approved and if it is not Type Approved it is not possible to sell it. At

1 the moment, Construction and Use regulation has no particular linkage to  
2 Type Approval. So in answer to the question, what would help is to have  
3 some definition of what condition the vehicle was in. So, you think about how  
4 a vehicle was created and manufactured, all the rules and regulations it goes  
5 through and conform to production rules as well. The moment it is sold that all  
6 stops.

7 So to put some connection back there again to existing devices Type  
8 Approval would help. I believe this would help the consumer, and certainly  
9 would help the repair industry, to understand what the baseline condition of  
10 the vehicle was and where it is after it is damaged and where is it after it is  
11 repaired.

12 A. (Mr Oliver) Two very succinct points: We believe there is no safe haven for  
13 an independent engineering opinion. That is to say cost takes primacy.  
14 Repairers have taken great steps over the years to put their own houses in  
15 order. You will see in the evidence of quasi licensing that has come in to our  
16 repair sector and repairers have wholly embraced that process. They have  
17 cleared up their own stables. We would suggest we have to be careful what  
18 we wish for. We have to suggest licensing could be an option. We are not  
19 advocating (my words not yours) that the dead hand of government should  
20 suppress and cover our industry in any way, shape or form, but we are saying  
21 licensing may well be an option.

22 A. (Mr Tagg) Can I just add a comment? The insurance industry pays,  
23 obviously, for the majority of the repairs in the UK throughout the year and  
24 they have sort of two hats to wear really.

25 In terms of the quality of the repair, they will advertise to their customer that

1 they choose particular repairers to do the work because of the quality that  
2 they instil in them that they require. That is not disingenuous, that is true. But  
3 when it comes to actually the repairer saying, "this is what needs to be done  
4 with this vehicle", there will very often be an argument that "that bit that you  
5 are putting into that repair estimate is not, in our opinion, necessary".

6 To a large extent, it does not really matter, from the insurers' point of view,  
7 because though they say in having it repaired, "we will guarantee it for five  
8 years or for the lifetime of the car", but the insurer guarantees nothing. It is  
9 the repairer that has to guarantee it, which is why so many times, the repairer  
10 will end up doing an extra bit of work that he feels is necessary, but the  
11 insurer will not pay for.

12 Is that reasonable?

13 Q. Are there incentives that affect the choice between repairing and replacing  
14 parts or replacing it with OEM parts and non-OEM parts?

15 A. (Mr Lowe) First of all, repairing rather than replacing parts is an option for  
16 repairers specifically when on a back drop of an average repair cost model.  
17 The repairer cannot afford to buy the parts for that vehicle because they need  
18 to keep the overall cost of repairing it down. So they are driven down a route  
19 of repairing everything that they possibly can..

20 We believe - and I do not think anybody would disagree with this statement -  
21 that there is a point at which (and I think you were perhaps just touching on it)  
22 that a vehicle, cosmetically looks okay, so a customer loves it, he thinks it is  
23 an absolute superb job, the paint work all matches, it looks exactly the same.  
24 What he does not know is what happened to that major panel that has been  
25 repaired. It may be that the repairer would have been more comfortable with

1 actually replacing that door panel rather than repairing it because of the  
2 intense amount of damage on it. The pressure would be on anybody  
3 operating an average repair cost model to repair that panel because the cost  
4 has to be contained within a certain parameter otherwise it is going to cost the  
5 repairer even more money.

6 We would argue, that it is not to the consumer's advantage where we cannot  
7 replace what we feel is required to provide, a professional job, underwriting  
8 the risk of what may happen in 3, 4, 5, years' time to that vehicle and not  
9 being able to provide indemnity..

10 A. (Mr Tagg) I do not know whether you will actually be speaking with any of the  
11 insurance company employed engineers, but many of them that our guys on  
12 the road speak to, although they would never admit it an open forum, are very  
13 disappointed with the fact that they are not allowed to do the job that they  
14 really want to do, which is to allow for a proper repair at a reasonable cost.  
15 They are told "we will only pay this for it and you will disallow this particular  
16 element to be repaired", and I find that really quite sad.

17 A. (Mr Marsh) Just to add another part in reference to technology exposure; the  
18 motor industry in the past decade is not merely warming up, it is accelerating.  
19 The problem the repairer faces is that specific details are different from  
20 vehicle to vehicle, even within a single manufacturer's range. So there are no  
21 particular generic solutions. What we are finding in particular where we have  
22 steel or even aluminium alloys, that there are particular material grades that  
23 are engineered into the particular location to provide energy absorption. They  
24 cannot always be reformed. That is where there is information to assist  
25 repairers in making that choice.

1 This is an example of an engineering discussion where if it is clearly identified  
2 that a part needs to be replaced rather than repaired then there is no  
3 discussion about repair. At the moment, it is an opinion; it is an exchange of  
4 opinions based on a commercial agenda.

5 Q. I would like to turn to issues to do with repair invoices and the different costs  
6 charged to different people. It appears to us that there are various ways in  
7 which non-fault insurers or claims management companies can charge higher  
8 repair costs when they are passing a bill on to a fault insurer. You referred to  
9 one that on average the rebate at the end of the contract period is not  
10 reflected in the invoice that is sent forward to the fault insurer. Maybe paint  
11 rebates that a company is getting are not reflected in the fault insurer. How  
12 prevalent do you think this is?

13 A. (MrOliver) Very, in a word.

14 A. (Mr Lowe) Do you want us to expand?

15 Q. Yes, please.

16 A. (Mr Lowe) It is widespread across the industry. I think, first of all, if we look at  
17 the current repair invoices, first of all, I think we have to understand that if you  
18 take a mixed basket of invoices for repair, the mixed basket of invoices will  
19 have different profitability attached to them, depending on the contract they  
20 have undertaken. This is where the economists on the back there should be  
21 advising you guys --

22 Q. There are some economists on the front row as well.

23 A. (Mr Lowe) I have read all your CVs on the website.

24 So to be offered that work at that increased rate,,a repairer would have to be  
25 absolutely off your rocker not to accept it and do the work. It is engineered by

1 perhaps their own engineers or alternatively engineered by a company who  
2 are told these are the terms and conditions of these contracts, so you  
3 “engineer” within those terms and conditions. Then obviously the invoice  
4 would come in and go into the provider of the service and they will settle that  
5 invoice with the repairer, subject to perhaps maybe 10 per cent/15 per cent  
6 rebate being allowed off the invoice. That invoice would be presented to the  
7 at fault insurer in the case of a non-fault claim and that at fault insurer would  
8 pay that loss amount. Indeed, in some cases that loss amount is increased  
9 and enhanced by further costs that come out of the invoice that the third party  
10 insurer is expected to pay.

11 As a repairer, It gives repairers some concern because they do occasionally  
12 get asked by another insurer to send them a copy of the invoice that they  
13 have sent to somebody else. Very often the repairer is unable to do that  
14 because obviously they are tied by a contract and they do not really want to  
15 disclose what those contract details are. It can cause some friction between  
16 the repairer and the other insurer that they also have a contract with.,.

17 These particular higher value contracts to the repairer are certainly an  
18 advantage and they help, shall we say, balance out the much lower value  
19 contract that you will lose every time you work on them.

20 A. (Mr Tagg) I am not sure that answers your question, Chair.

21 A. (Mr Lowe) I am not sure that it does answer your question, Chair, but what I  
22 am saying that it is prevalent that there are these contracts where, on the  
23 back of the invoice submitted there would be either a credit note or  
24 alternatively there would be a rebate payable, so it does not all end up in the  
25 repairer's pocket. The repairer would only have a smaller margin, a slightly



1 larger margin than the core business on an invoice like that.

2 Does that answer your question?

3 Q. I understand what has been said. Malcolm, your experience is the same, is  
4 it?

5 A. (Mr Tagg) Yes, and in fact Tony is right at the front line of it where only get it  
6 second hand through the trade association.

7 There is quite a difficulty distinguishing between the different parts of the  
8 market, as you have obviously found out as you have been going through it.

9 Accident management companies are very prevalent, not necessarily just  
10 credit hire companies. If users of them consider there is a place for them in  
11 this whole equation, that is fine, that is down to each individual to work out for  
12 themselves. But the really invidious thing - and I do not know how to counter  
13 it - is that the person who employs the accident manager is not necessarily  
14 the person who pays theirtheir bill. In a roundabout fashion it is the repairer  
15 because the repairer is only allowed to do work for them if they will take a  
16 discount off the bottom line of the invoice.

17 A. (Mr Harvey) As Tony says, Quite often the invoice goes in at the full amount  
18 followed by a credit note and then it goes into the third party insurer.

19 A. (Mr Tagg) What I have not been able to determine is any of the rebates,  
20 referral fees or whatever that are paid to insurance companies, is what they  
21 actually do with them. The paint situation, for example, the amounts  
22 potentially being spoken about are high, but I cannot find out whether those  
23 referral fees or commissions go into the motor account, in which case, if they  
24 did it would show the cost of insuring that particular vehicle is lower than it  
25 perhaps otherwise is, or whether they just go into the general operating

1 income account of the insurance company. It depends where the money is  
2 actually allocated.

3 Q. We are not going to enlighten you today. I hope that by the end of the  
4 process we understand this better than we did at the beginning.

5 On this issue of the differential between different kinds of repairs, our analysis  
6 suggests that repairs managed by non-fault insurers are around £200 more  
7 expensive to the fault insurers than repairs that they capture for themselves,  
8 fault insurers, and repairs are managed by a claims management company  
9 are around about £300 more expensive. But the fault insurers have  
10 constraints that aim to control these costs. Do you think the fault insurers  
11 manage to control the costs?

12 A. (Mr Tagg) I think the fault insurers want to have their cake and eat it because  
13 if they can get control of the claim then they are artificially mitigating the  
14 customer's loss, if you like. The customer, if he has an accident, is entitled to  
15 a proper restoration of his car and should be able to choose where he has it  
16 repaired. But if it goes to the fault insurer - who do try to capture it - they will  
17 say, "yes we will give you a courtesy car", and I think it was yourselves who  
18 identified that there is more of a dissatisfaction in that circumstance with the  
19 type of car that is provided.

20 Yes, if it goes into the fault insurer's network then they would derive all the  
21 benefits that they have imposed upon the repairers in terms of rebates, low  
22 labour rates and average repair costs.

23 A. (Mr Oliver) It is a complex question, Chair. We may choose to write to you in  
24 a more detailed form. You need to understand how difficult and complex and  
25 interrelated all the various component parts are. I think half of the answer, not

1 the full answer, is the relationship between huge global conglomerates, SMEs  
2 predominantly of around 10 or 15 team members, staff, employees.

3 Where you have that vertical integration and you have that dominance I think  
4 that makes for an unequal partnership and I am not sure you will get the full  
5 picture around transparency. Wherever there is competition - and you are  
6 seeing competition in the at fault, you are seeing competition in the not at fault  
7 sector - whereas, you are seeing compression and vertical integration in the  
8 at fault sector, I think where you see competition it benefits consumers and I  
9 think you will see prices driven down. I think it is a lack of competition which  
10 is causing the difficulty in drawing accurate conclusions along with the  
11 complexity of an insuring.

12 Q. I am conscious that I have been looking up this end of the table.

13 A. (Mr Moody) I would just like to question one thing with regard to the amount  
14 being more expensive to repair, does that amount take account of the rebate  
15 or referral fee or does it include the rebate or referral fee, because £200 or  
16 £300 is roughly an amount that say an insurance company could receive for  
17 referring their customer to a management company.

18 A. (Mr Lowe) I read it (I do not know whether I am correct) as being the repair  
19 invoice, the loss repair invoice. That is the way I read it, I do not know.

20 A. (Mr Moody) The vast majority of customers, non-fault customers are referred  
21 by their own insurance company to the claims management company, and so  
22 if you deduct the £200 or £300 referral fee then you are roughly at the same  
23 level of repair anyway, the cost of repair. There is no difference in the cost of  
24 the repair full stop.

25 Q. No, but the bill to the fault insurer is high.

1 A. (Mr Moody) Yes, but it is not the repairer that gets the increase.

2 Q. That is understood.

3 A. (Mr Lowe) I think they probably would understand that these are ballpark

4 figures.

5 A. (Mr Oliver) When you get into subrogation, Chair - and this is why I think we

6 would be better off with a written detailed submission to you - if you have one

7 party which is operating in this particular model and ten other parties who are

8 not, you have significant risk from that singular party benefitting. However, the

9 way the market has grown in the last five or ten years, custom and practice

10 (dare I use colloquialism) they are all at it. They all have their finger in that

11 pie. It is evening itself out, so it is a massive red herring. I think you are

12 being led to a false assumption, I really do, and I think that is why we need

13 to...

14 Q. (Mr Stern) Do I understand you correctly when you are saying that, from the

15 repair point of view, it does not matter who or which kind of insurer organises

16 the repair in the first place, the repair will cost pretty much the same in terms

17 of what you get, but the difference is what goes on on the side. Is that what

18 you are saying?

19 A. (Mr Oliver) In essence, that is where Andrew is trying to lead you, indeed.

20 There are some extra issues which just confuse the whole thing.

21 Q. (Mr Stern) If you would like to drop us a line that would be very helpful.

22 A. (Mr Oliver) You are very much welcome.

23 THE CHAIRMAN: It might be sensible to wait for when our paper on this will be --

24 Q. (Mr Wright) Yes. We are going to be publishing a paper on repairs as part of

25 that which is the separation of cost liability and customer control. So, a paper

1 which explains how we arrived at this £200 and £300, so it might be worth  
2 waiting until you see that paper.

3 A. (Mr Lowe) Will that be before the cut off for the 15th?

4 Q. (Mr Wright) Yes.

5 THE CHAIRMAN: That is the first paper on this list, is it not?

6 Q. (Mr Wright) Yes, that is right.

7 THE CHAIRMAN: So the paper called Over Costing and Over Provision of Repairs,  
8 which is top of the list on the annotated Issue Statement. I would suggest wait  
9 until you get that and on the back of that paper make your further comments on  
10 this issue, that would be a useful way to do it.

11 Comparing credit repairs with repairs managed by an insurer, is one more likely  
12 to involve replacement rather than repair, does it affect the repair?

13 A. (Mr Tagg) I do not know how to answer that really. We come across instances  
14 in terms of a credit repairer directed repair where they pay a body shop more  
15 for the same work that an insurance company would pay far less for in terms of  
16 what happens within the body shop in terms of repair or replacement or  
17 whatever.

18 A. (Mr Oliver) I do not think there is a discernable difference, Chair. There is no  
19 evidence to support there is.

20 Q. Let me be clear, the reason for the question is it seemed to us that, on average,  
21 credit repairs were more expensive than insurer managed repairs, so the  
22 question is, is that because they are more willing to replace parts than repair  
23 them or is it that they are more likely to use OEM parts than non-OEM parts, or  
24 is there some other reason?

25 A. (Mr Tagg) My view is that that will be driven by the fact that the credit repair

1 company makes money on the provision of a replacement vehicle, and I think  
2 that is where the majority of the difference is.

3 A. (Mr Harvey) I think the headlines of labour rates and things like that tend to be  
4 higher because they want a larger referral fee out of the back end of the  
5 invoice.

6 A. (Mr Lowe) And less discount.

7 Q. (Mr Stern) It is anything to do with the fact that an insurance company will  
8 generally give you a very large volume of business, I mean you talked about  
9 4,000, but that was indicative, whereas an accident management company or  
10 somebody else might give you a much lower volume and therefore you would  
11 be prepared to negotiate at a lower price. Is that a factor as well?

12 A. (Mr Lowe) Yes. But you also have to bear in mind that there are insurers that  
13 also put their stock through credit repair in real terms. One of the insurers that  
14 was doing that to an enormous amount was esure with a company called Drive  
15 Assist, and that company actually went into administration. So, esure were  
16 channelling their non-fault work through Drive Assist who, as you rightly say,  
17 would be responsible for making the invoice higher. They would then be  
18 claiming the hire cost and the repair invoice cost from the at fault insurer and  
19 subsequently rebating esure on whatever the profit margin was between those  
20 two. That was quite a huge amount of differential on that particular contract.

21 THE CHAIRMAN: And it was not that that they were doing the work to a higher  
22 standard?

23 A. (Mr Lowe) No. In fact, most of the time it was the same repairer and I am led  
24 to understand the advantage to the repairer was that the non-fault work cross-  
25 subsidised the at fault work because the at fault work was done on an average

1 repair cost model. So the average repair cost model that was used for the at  
2 fault repairers, which was quite low, let us call it £950, then if the average repair  
3 cost was £1,250 for the at fault, then there would be more profit in the £1,250  
4 which cross-subsidised the £950 and overall then that particular insurance  
5 business was just about sustainable.

6 Q. (Mr Wright) I think you said earlier on the majority of repairs, the majority of  
7 insurer managed repairs are now done under average cost models rather than  
8 case specific costings, do accident management companies or claims  
9 management companies use average cost models?

10 A. (Mr Harvey) No, it is not to their advantage to do so because quite often their  
11 referral fee on commission is based on a percentage of the invoice, that is why  
12 they tend to pay the higher labour rates and ask for less discounts because  
13 then the cut that goes to them is of higher value.

14 A. (Mr Lowe) I think we will have to try and quantify for you exactly what is on the  
15 average repair cost and I think that would be helpful. Off the top of my head I  
16 would have thought, and it would have to be on premium value, so top 10 of the  
17 premium value to then decide how much of that was -- we will provide.

18 A. (Mr Oliver) Chair, clarification of the point your colleague, Andrew, has just  
19 made; definitions, Andrew, you are speaking about an average repair cost  
20 model. My colleague is talking about fixed price model. All of the insurers,  
21 without exception, operate on an average repair costs model. That is to say, if I  
22 am in a contract to you, if you do not meet my average repair cost model then  
23 you will no longer benefit from that contract. The point that my colleague, Tony,  
24 is talking about is a fixed price model; you will repair my cars for £800, every  
25 single car that I direct to you, you will pay £800. Do not confuse average repair

1 cost with fixed in price.

2 Q. (Mr Stern) Just to be clear, because I am slightly confused.

3 A. (Mr Oliver) Do not worry. You want to be on this side of the table. Walk a mile  
4 in my shoes then you will be --

5 Q. (Mr Stern) With an average repair contract you are contracting to repair a large  
6 number of vehicles, say £1,000, and the average will be whatever you agree,  
7 say £950, and then it is swings and roundabouts. You hope that the expensive  
8 repairs you have to do for £950, but the less expensive repairs you also have to  
9 do for £950. So, you charge, if you like, the going rate for an individual repair,  
10 what it really costs you, but you are aware that there is going to be some  
11 averaging up or down at the end, and you have qualified that earlier on. For a  
12 fixed price repair, just tell me what is the difference between that?

13 A. (Mr Oliver) What you are talking about is actually a fixed price model based on  
14 an average basket. Every vehicle that I send to you, you will send me an  
15 invoice for 950, and at the end of the process there will be some reconciliation.  
16 Believe me, that does not happen. Some insurers operate that model. There is  
17 one invoice, there is one price. The misnomer is based on an average. Every  
18 insurer that operates in the market will have a contract to say, please fix my  
19 cars and send me the bill, whatever the bill is, however, I will audit you and  
20 once a month I will pay you a visit and if the average of all the bills you have  
21 sent me over the last month do not match a figure that I am comfortable with,  
22 then you will no longer benefit from that work.

23 Q. (Mr Stern) So you are saying that there is no --

24 THE CHAIRMAN: But the average figure that they are targeting at the end of the  
25 month that is not in the contract then, is it?



1 A. (Mr Oliver) It is not written into the documents that we sign, the contracts, but  
2 you will be held to account if your figures do not match with their figures.

3 Q. So you will know that they are expecting the bills to average out at £900?

4 A. (Mr Oliver) Correct.

5 Q. You see I am with Anthony, I do not quite understand where the difference is.

6 Q. (Mr Oram) No, I am still confused. I do not understand it. The fixed repair  
7 cost, is that an arbitrary sum that the insurer says - he does not say - but  
8 basically, this is not based on any evidence at all, but that is all we are going to  
9 pay.

10 A. (Mr Oliver) It is the result.

11 Q. (Mr Oram) And that is the fixed repair cost?

12 A. (Mr Oliver) Our members do tell us that is the case.

13 Q. (Mr Oram) Right, and that is a fixed repair cost?

14 A. (Mr Oliver) Correct.

15 Q. (Mr Oram) Whereas the average is the body repairer sends the invoices  
16 through and at the end of a particular period, there will be an audit done by the  
17 insurer and the insurer weighs up -- that is where I am confused; what does the  
18 insurer weigh up?

19 A. (Mr Oliver) So you have the first model?

20 Q. (Mr Oram) Yes, fixed price, arbitrary, yes that is fine.

21 A. (Mr Oliver) The second model is repair the vehicles, the invoice comes to what  
22 it comes to. It might come to £500, it might come to £50, it might come to  
23 £5,000, it comes to what it comes to to send the invoice. At the end of the  
24 month the insurer will aggregate all those invoices . They will divide it by the  
25 number of vehicles they have sent . There I another layer of complication - I

1 will not confuse you anymore - and if that number does not come to the number  
2 that the claims director is happy with, they will not send to send you any more  
3 work, because you are too expensive.

4 Q. (Mr Oram) I see, I see, yes. So the average cost of repairs is a true average,  
5 but then it is a question of whether the insurer is prepared to accept that?

6 A. (Mr Lowe) It is more of a management to [overspeaking]

7 Q. (Mr Oram) I think I have got it.

8 A. (Mr Harvey) Going back to the Chair's question about what is the driver in  
9 terms of getting --

10 Q. (Mr Oram) Yes. I think I have it.

11 A. (Mr Harvey) -- it is driven very much by, like Tony said, what was said  
12 previously that "race to the bottom". If you can keep your cost below a certain  
13 level you will receive work. They do not guarantee any volume of work; they  
14 just say they will send you work. If that cost goes up above that level work will  
15 migrate to another repairer who is prepared to control the cost .of that.

16 Q. (Mr Stern) But is there transparency from the insurer or whoever as to what  
17 that level is on this monthly basis?

18 A. (Mr Harvey) No, they just set the figure.

19 Q. (Mr Stern) So you do not know what the target is?

20 A. (Mr Harvey) They set the figure.

21 A. (Mr Moody) I think that is the difference between fixed costs and average  
22 costs. With the fixed costs you know at the start when you sign the contract  
23 how much you are going to get paid for every job; it might be £900, it might be  
24 £1,000. With an average repair cost, they will send you to the work and then  
25 you will get audited on a regular basis and one of the performance indicators

1 will be what your average repair cost is over that period of time.

2 Q. (Mr Oram) But you will not know what benchmark they have measured it  
3 against?

4 A. (Mr Harvey) No.

5 Q. (Mr Oram) You will just know they have dropped you?

6 A. (Mr Harvey) They will say, based on our historic data it needs to be this.

7 Q. (Mr Oram) Which I can understand the incentive for them to do that is it  
8 introduces uncertainty so that you try and do it as low as possible, you try and  
9 have the lowest possible average repair cost otherwise you are at risk of losing;  
10 yes, is that true?

11 Q. (Mr Stern) Based on historic data it ought to be this?

12 A. (Mr Harvey) Yes.

13 Q. (Mr Stern) So there is a figure that people have in mind?

14 A. (Mr Harvey) They do not share the science behind it. They say, based on data,  
15 this is the figure you need to achieve.

16 A. (Mr Marsh) Generically, insurers do not share any book information with  
17 individual businesses or even their own industry funded for such organisation,  
18 they do not share the information.

19 A. (Mr Oliver) The key issue for you Chair, if I may - we are in danger of usurping  
20 your role as Chair --

21 THE CHAIRMAN: I am used to it.

22 A. (Mr Oliver) You are indulging me; I will try not to abuse that indulgence. The  
23 key issue for you is potential for consumer detriment. That is what our  
24 members are telling us. You heard from Andrew earlier, our technical expert,  
25 the exponential advance in technology; I have a repairer guy, as a repairer, I

1 have to put this car back because it is my reputation. I am repairing a car for  
2 you, Steve, you are going to come and look me in the eye and say, Chris, have  
3 you fixed my car properly. I am going to say, yes. Now, if that is driven by an  
4 average repair cost model or a fixed cost model there is serious potential to  
5 compromise the safety and integrity of that repair.

6 Q. (Mr Oram) I can see the incentives.

7 THE CHAIRMAN: I am afraid I have one last question to help me still understand  
8 the difference between the different models. I understood what you just said  
9 there about the difference between the two, but I find it hard to match up with  
10 what, I think it was you, Tony, who said earlier about if you have an average  
11 cost model, and you send in your invoices and then at the end of the month  
12 they ask for cash back. That is different from at the end of the month saying,  
13 sorry, mate, you are too expensive, no more work.

14 A. (Mr Harvey) Yes, with the fixed cost model where they have the £950 or  
15 £1,000, you send your normal invoice in, so if the actual cost to repair the car is  
16 £2,500 the repairer will send an invoice in for £2,500. That is what the insurers  
17 subrogate its costs on.

18 Then what they do is at the end of a period, we have all these invoices in, you  
19 agreed to fix them at a cost, you owe us or we owe you.

20 Q. You are only going to get £950 pre job, but you do not submit a £950 invoice  
21 for each job, you submit...

22 A. (Mr Harvey) No.

23 Q. (Mr Aaronson) That is a tendered figure, you have tendered £950 and it has  
24 been agreed. You know that is the figure?

25 A. (Mr Harvey) Yes.

1 Q. (Mr Stern) And it is averaged, is it not, so you they are not going to cut you off  
2 at £950, but it is the average?

3 A. (Mr Harvey) No, if you agree to £950 that is £950.

4 Q. (Mr Aaronson) It is an arbitrary figure.

5 A. (Mr Harvey) One of the problems that we are seeing in the industry now is that  
6 you are not getting all the work in a particular area. There are mobile repairers  
7 now where insurers are sending their low cost repairs through first notification  
8 of loss identification to another organisation, so typically [overspeaking] for the  
9 members.

10 Q. (Mr Aaronson) Will come up to your drive and fixed the vehicle?

11 A. (Mr Lowe) Yes, they erect a tent, yes.

12 A. (Mr Harvey) Typically, what you are seeing is the more complex repairs are  
13 going into their network because they cannot be repaired mobile, shall we say.  
14 So you are not getting a fair bite of the cherry.

15 A. (Mr Oliver) We are all rather passionate, Chair. We will try and contain our  
16 passion.

17 THE CHAIRMAN: On this side of the table, we thought we had reached an  
18 understanding of the difference between these different models and I thought it  
19 was important to stop the conversation before more information came in and  
20 we realised that we had not actually understood it. So we will stop at the point  
21 where we think we have understood it. Can I go to a very specific question,  
22 because we have been interested in choice between using OEM parts and non-  
23 OEM parts for replacement? Is there a significant disadvantage in using non-  
24 OEM parts?

25 A. (Mr Marsh) There are flavours in this discussion. Most vehicle manufacturers

1 make a proportion of the vehicle themselves. They rely on, in the main,  
2 significant, large suppliers to make parts for them. There are some licensing  
3 agreements sometimes, but that is their business. So they supply the  
4 aftermarket, branded products from the vehicle manufacturer, most of which  
5 was not from the vehicle manufacturer. That is a commercial transaction.

6 The next level is where that tier 1 supplier, the major supplier, supplies the  
7 market direct, so it could be [X], - it could be any kind of household name  
8 happens to make the identical part, one is branded vehicle manufacturer, one is  
9 branded their own, so there is a price differential.

10 Objectively, for the consumer, the best deal is the supplier's part that is cheaper  
11 because it is the same product, produced the same way for the same standard.  
12 Then there is another flavour, this is a supplier who happens to be in the same  
13 arena who does not supply a vehicle manufacturer who has created another  
14 kind of part. Here we are in the blue. We do not know if it is comparable  
15 quality. If it is from a reputable supplier, it might well be, but then there is a  
16 consumer choice on price and a little bit of unknown on quality.

17 So then you can go right the way through that chain to the people who reverse  
18 engineer parts (and this is typically on panels) who then supply the parts, not  
19 necessarily even in the same material, to the collision repair businesses, as a  
20 replacement part. I am talking here if the original was made in aluminium, the  
21 replacement part might even be made of steel. There is no understanding of  
22 engineering that went behind the part. They have simply copied the shape and  
23 produced it.

24 Q. (Mr Oram) So, those three tiers, the parts manufacturer, the first level, the  
25 manufacturer licences, the parts manufacturer gives it to the manufacturer and

1       they supply it?

2   A.   (Mr Marsh) Yes.

3   Q.   (Mr Oram) The second level is, let us say, the same or...

4   A.   (Mr Marsh) It is.

5   Q.   (Mr Oram) So again the second tier it is still a licensed parts manufacturer by

6       the car manufacturer?

7   A.   (Mr Marsh) Yes, and they may supply direct to the market.

8   Q.   (Mr Oram) Yes, okay. And the third is not licensed; they are just producing

9       those parts.

10  A.   (Mr Marsh) Correct, yes. Then there is the whole range of qualities which

11       could be quite good or completely off the page.

12  Q.   (Mr Oram) Yes, I can understand that.

13  Q.   (Mr Stern) My question is on the definition of OEM; OEM stands for Original

14       Equipment Manufacturer.

15  A.   (Mr Marsh) Original Equipment Manufacturer, yes.

16  Q.   (Mr Stern) Original Equipment Manufacturer. So you have a Ford product

17       made by Bosch, what is OEM, is it Ford or is it Bosch?

18  A.   (Mr Marsh) This is something that I am comfortable with, but as somebody who

19       used to work inside vehicle manufacturing, OEM refers to vehicle manufacturer.

20       Taken literally, OEM refers to the people who made the part. In the automotive

21       industry, OEM refers to the vehicle manufacturer. Everybody else is tier 1, tier

22       2, tier 3, however far away they are from the supply of a complete vehicle. But

23       unfortunately in the aftermarket there is quite a lot of confusion around what

24       that means.

25  Q.   (Mr Stern) So tier 2 is non-OEM?

1 A. (Mr Marsh) No. Tier 2 could well be OEM because they are the supplier to a  
2 supplier to the vehicle manufacturer. You can go right the way down to 3, 4, 5.  
3 At any point if it is a little bit of larger assembly, they could go direct to market.

4 THE CHAIRMAN: I suppose the key question for us is; does it happen that there is  
5 consumer detriment because the consumer gets replacement parts put into his  
6 vehicle that invalidate the manufacturer warranty. Can that happen?

7 A. (Mr Harvey) The example that Andrew has just stated I have come across  
8 them myself where you get lots of vehicle now use aluminium panels to reduce  
9 the weight of the car and improve fuel efficiency. That is designed into the  
10 structure and the way that vehicle performs in an accident. If then that panel  
11 that is replaced that is non-OEM is made of a different material, i.e. steel, the  
12 consumer is not going to get the same fuel efficiency, you cannot guarantee the  
13 same crash performance if it is involved in another accident; does that then  
14 compromise the safety of that vehicle because the aluminium bonnet, for  
15 instance, may be designed to fold up at a certain point, the steel one may not  
16 collapse at the same rate and comes through the windscreen? Those are the  
17 potentials that are there, which is why in the opening statement referred to the  
18 fact that indemnity is about making sure that that vehicle performs in any  
19 subsequent impact the way that the manufacturer spent millions and millions of  
20 Pounds developing.

21 You talk about Euro N Cap 5 now and take it so much for granted (sorry,  
22 Andrew, I am in your territory now) Euro N Cap 5, if you invest and research the  
23 purchase of your car or your family car and say I can put them in that safe, if  
24 that then suffers an accident, goes in for repair and non-OE materials and  
25 equipment is fitted, can you guarantee that is going to perform to the standard



1 that you bought at Euro N Cap 5, and the safety of your family and other road  
2 users?

3 Q. (Mr Oram) Can I ask a question to be clear about the impact on the  
4 manufacturer's warranty. Let us say you replace a wing and a bonnet with non-  
5 OEM parts, and as I understand it, the driver loses the manufacturer's warranty,  
6 but does he lose the warranty for the entire bodywork on the car or just the  
7 parts that have been replaced with non-OEM?

8 A. (Mr Oliver) We have a technical expert on vehicle manufacturer that would  
9 suggest that question is best going to the VMs. We are not entirely equipped to  
10 answer that fully. Our suspicion is yes, the entire warranty is compromised. To  
11 what extent is best directed to the Vehicle Manufacturers.

12 Q. (Mr Oram) Yes, because the repairer will give a guarantee, but it will only be  
13 for the parts that have been replaced, whereas if it is possible they lose the  
14 entire warranty.

15 THE CHAIRMAN: But you say it is for vehicle manufactures to answers that  
16 question?

17 A. (Mr Oliver) Yes.

18 Q. Okay.

19 A. (Mr Marsh) We know of cases where the manufacturer has taken one line. In  
20 recent years it has taken a much harder line where almost you could say  
21 anything replaced invalidates the warranty.

22 A. (Mr Oliver) The area we are comfortable is fit form and performance.  
23 Performance is an area which is subjective. Some part suppliers at whatever  
24 tier will say our performance is okay. You are best qualified to test their  
25 assertions. Fit and form, we are at the front end. We can say fit and form are

1 not as the manufacturer designed.

2 A. (Mr Marsh) Sorry, I was going to add in one difference that we know in North  
3 America to the UK market is that in this graduation of offerings of different types  
4 of part there are some savings to be made, and I am told that in the United  
5 States, consumers are given a choice. They do not necessarily get a full  
6 saving, but they are aware there is a difference in quality and that they may get  
7 some financial benefit in choosing the level of quality of parts.

8 In the UK I would suggest there is not one insurer that offers that to the general  
9 public. Indeed, I know that the wording of many policies was changed to say  
10 that it is at the insurer's discretion what kind of part they sanction to be used in  
11 the repair.

12 Q. Throughout the course of this inquiry we have had repairers tell us that they  
13 have conversations with insurers about how to do particular repairs, and they  
14 come under pressure to cut costs to repair rather than to replace. What we  
15 have been told, to repair rather than replace, to not necessarily worry about  
16 fixing something properly if it is not visible. Is it your view that this kind of  
17 pressure is common practice?

18 A. (Mr Oliver) As repairers, Chair, there are commercial sensitivities for us in  
19 answering that directly. If that is a characterisation you have drawn on the  
20 information you have been given, we would not sink towards that as a  
21 characterisation.

22 Q. You are using slightly different words from the words I used, which was several  
23 people have said this to us.

24 A. (Mr Oliver) We would find it difficult to disagree. We do not know exactly what  
25 was said, but as you have put it to us we would find it hard to disagree.

1 A. (Mr Tagg) Can I just comment that as a consumer, as a motorist (and Andrew  
2 mentioned the way that some insurers have changed their policy documents) I  
3 already said right at the start that my history is 30 odd years in the insurance  
4 industry and therefore I can be a bit of an anorak in actually reading the  
5 policies. So, when I shop around every year for my wife's insurance policy, I do  
6 actually read them. The number of policies that I am willing to buy for my wife's  
7 insurance is reducing every year, because I do not feel that the restrictions that  
8 many insurers are putting in are warranted in putting my car back on the road in  
9 the way that I would want it put back on the road.

10 Q. If you are not at fault you can choose your repairer?

11 A. (Mr Tagg) Yes, you can.

12 Q. So it is just the fault sides of the insurance?

13 A. (Mr Tagg) If you are fault, in many cases you should be able to choose your  
14 repairer. Some insurance policies have it written as a contractual requirement  
15 that you will go where they tell you. I deliberately choose policies that do not  
16 have that clause in it. But having said that, the bullying and the barracking that  
17 I get.... no you will take it to so and so.

18 A. (Mr Moody) I think you need to be careful with the policy wording as well  
19 because some insurers will say you have a choice and you may have to pay a  
20 non-approved repairer excess, but there are a number of insurers that are  
21 saying, essentially, you have a choice to take it wherever you want, you will  
22 have to pay an additional £200 excess, but then when you read the small print  
23 it then says, but we will only pay, essentially, our approved rate to the repairer  
24 that you want to use. So, if I damage my Mercedes, for example, if I want to  
25 choose a Mercedes Benz, I read the policy and it says, yes I can choose, them,

1 frankly I would pay the additional £200 to use the Mercedes Benz approved  
2 bodyshop.

3 The insurance company then says, but we are not going to actually pay the  
4 approved repairer rates. We will only pay the Mercedes Benz bodyshop £23 an  
5 hour. Whatever their rate is, it is unlikely that you are going to have a choice  
6 then to choose a repairer, and what some insurers do is send out a cash in lieu  
7 offer to the customer and leave the customer with a damaged vehicle and not  
8 enough funds to have it repaired where they want.

9 A. (Mr Lowe) Very often not enough funds for it to be repaired full stop, Andrew,  
10 because an insurer will not like to factor in any VAT content of any settlement  
11 that they may offer, less 20 per cent short of anybody's requirement to repair  
12 the vehicle; This indeed drives the wrong behaviour as well with policyholders  
13 because policyholders then would seek to have that vehicle repaired by a low  
14 grade repairer Fred in the shed next door does a little bit at the end of his  
15 garden on Tuesday nights and fuelling the black economy, which is not good  
16 for us.

17 A. (Mr Oliver) Licensed partnerships.

18 Q. What do the insurers and others do to ensure the quality control of the work  
19 that you do for them?

20 A. (Mr Lowe) They hide behind PAS 125.

21 A. (Mr Oliver) To exemplify that, that is largely left to body repairer's integrity.  
22 There is no systematic process engineering or technically competency base to  
23 assess the quality of my repairs or indeed Tony's repairs.

24 A. (Mr Harvey) There is no real mechanism that can verify that a policy holder has  
25 been fully indemnified.

1 A. (Mr Lowe) It is up to the individual repair facility's integrity and their quality and  
2 customer care.

3 A. (Mr Marsh) Part of the reason is that Constructional and Use Regulation is the  
4 only technical document that applies and one could drive a coach and horses  
5 through it.

6 A. (Mr Oliver) Our members tell us on numerous occasions, and I am sure  
7 Malcolm has will bring this out, they will repair a car to a standard. Typically,  
8 there is a guy at the end of my road who sometimes operates in a wooden out  
9 building, referred to as a shed, and his name is Ryan or Fred, and he will repair  
10 it at a completely different standard. There is no measure. Everybody is at risk  
11 in that model.

12 Q. (Mr Stern) You mention at PAS 125 that is obviously supposed to maintain the  
13 standards.

14 A. (Mr Moody) I think to a certain degree it may be counterproductive because  
15 PAS 125 was driven by repairers and repairers wanted to identify one standard.  
16 Prior to that point there were numerous standards in the industry. PAS 125  
17 was negotiated and brought in just as the corporate manslaughter bill was  
18 going through Parliament and there is a suggestion that maybe PAS 125,  
19 audited by British Standards Institute, provided insurance companies with a  
20 possible get out of jail free card because you have an independent auditor,  
21 allegedly auditing repairers.

22 The argument, therefore, is that because they feel confident with a British  
23 Standard for Bodyshops, perhaps they are not so keen on making sure that the  
24 repair standards are at the level they should be. So potentially repair levels  
25 could be going down on the basis that British Standards PAS 125 will ultimately

1 be responsible for the procedure of the repair. Obviously, the repairer's neck  
2 would still be in the noose, but the insurers potentially can take a step back  
3 because it is independently audited. So rather than driving up standards there  
4 is a suggestion that it could have actually driven them down.

5 A. (Mr Marsh) As you probably know already, PAS 125 is a business operation  
6 standard. It does not demand safety, as such. It requires that people research  
7 what they are doing and record it and keep it. Some means of a paper trail  
8 from the point the vehicle arrives to the point the vehicle has left, that is what it  
9 does.

10 A. (Mr Moody) It empowers individuals as well. Individuals working on the  
11 vehicle, it empowers them to make decisions based on their training and  
12 competence levels.

13 Q. (Mr Stern) But to be clear, this is an overall standard which looks at business  
14 operations. There is no standard whereby somebody looks at a car and says,  
15 this confirms to X, Y or Z?

16 A. (Mr Marsh) That is what we are saying.

17 THE CHAIRMAN: One last question we have about repairs, and this is about the  
18 choice between repairing and writing off when a vehicle is sufficiently badly  
19 damages that write off is potentially the right thing to do. Do you see insurers  
20 having a preference for jumping one way rather than the other if you are looking  
21 at a marginal decision on repairing against writing off?

22 A. (Mr Oliver) This is another area which is a model of clarity. The Commission  
23 might be looking down the wrong rabbit hole. It might choose to have a look at  
24 how salvage is operated. The salvage market has a great deal of influence on  
25 decisions taken on whether a vehicle is subject to a total loss.

1 There are significant issues around salvage of vehicles.

2 Q. We were certainly aware that substantial referral fees seem to be paid in  
3 relation to salvage vehicles.

4 A. (Mr Oliver) That is one driver. There are other economic drivers as being part of  
5 the EU. There are other economic drivers around non-licensed shops versus  
6 standards-based shops. There is significant potential for consumer harm.

7 Q. (Mr Stern) Somebody told us that really it did not make any difference as far as  
8 the insurers were concerned because they have to give the value of the  
9 vehicle, the value of the vehicle is relatively easily ascertainable in magazines  
10 and what have you, and therefore once a decision has been taken to write the  
11 vehicle off, does it matter what goes on in the way that you are --

12 A. (Mr Oliver) Yes, it does for the consumer.

13 Q. (Mr Stern) Can you explain it?

14 A. (Mr Oliver) For the consumer there is massive risk there in that when these  
15 vehicles are written off (and I guess you are aware with the salvage  
16 categorisation A, B, C and D) anything that is C and D can, in theory, be  
17 repaired, and I know Andrew has a view on As and Bs, but the vehicles can go  
18 , quite often, out of the country. They are sold to (like Chris said) unlicensed  
19 operations that take them out of the country and quite often they come back,  
20 they get re-registered when they come back into the country. The consumer is  
21 totally unaware of what they are buying. They take bulbs out of warning lights  
22 that are there to say a particular system is not functioning. They use second  
23 hand safety systems like airbags and seatbelt.

24 You have to beg the question; should repairable salvage be allowed to find its  
25 way back to the consumer who buy it in all innocence thinking they are just

1 getting a really good deal on a car without actually knowing the providence and  
2 his history of that vehicle.

3 A. (Mr Marsh) Picking up on that, from a technical perspective, salvage that is  
4 categorised as repairable I could do it, you do not want to see my welding, but  
5 anybody can do it. Anybody can buy the wreck and do their best to restore it  
6 any way they see fit, so it is the wild, wild west.

7 If I put into context, the salvage agents are getting more and more concerned  
8 about the scale of the problem. We have roughly a static car park in the UK. It  
9 is roughly around 33 million units of which 28 million or so are cars. It does not  
10 vary very much. We have around 2 million units going to into the market each  
11 year, so you say statistically around 2 million are leaving the market. DVLA  
12 issue a certificate of destruction for around 1.2 million vehicles a year, and  
13 there is question against them by another organisation is saying what  
14 happened to the other 800,000; 800,000 vehicles on walkabout that should be  
15 destroyed. It is a huge problem.

16 A. (Mr Oliver) Apologies for the confusion, Chair.

17 THE CHAIRMAN: We understand the problem you talk about. The question for us  
18 about whether this is an issue that is for this inquiry, we are focused on  
19 decisions made within the insurance industry, the scrapping versus writing off is  
20 an insurance industry driven decision therefore that is of interest to us. If there  
21 are other problems in salvage it is less clear that that comes under the heading  
22 of a private motor insurance investigation.

23 A. (Mr Lowe) It is a difficult one, we were discussing this the other day, actually.  
24 We do feel there is huge potential harm to people in respect of salvage.  
25 Unfortunately we trawled through and we cannot see really anywhere you could



1 pick it up within your investigation other than making a recommendation that  
2 you have uncovered that there may be this harm that may be has to be dealt  
3 with at a later date under a certain code.

4 We do believe there is a significant problem there and having again been on  
5 the front line, we see some of these vehicles that might come in for a second  
6 accident and some of the vehicles we see we get pretty highly fired about;  
7 Somebody has put them back on the road, you would not want to be travelling  
8 in one, you would not want to hit one either. The cost of that is going to be  
9 significant to the insurer because the integrity of the vehicle has been  
10 completely undermined and without a shadow of a doubt cause additional injury  
11 to passenger and additional cost to somebody else that perhaps collided with it.

12 A. (Mr Oliver) Chair, we do feel it is a tenuous argument and one for the legal  
13 minds amongst us and that is why we brought Mr Moody, but the theory of  
14 harm 5, which is virtual integration, probably just about tenuously covers the  
15 scope of salvage. Salvage is such a significant driver of total loss and  
16 scrappage as a one off. We urge your panel to look at that.

17 A. (Mr Moody) And in particular, whether that decision to scrap or to repair should  
18 be an insurer's decision or an independent engineer's decision with some  
19 direction as to where that salvage will ultimately end.

20 Q. Should the voice of the consumer be heard in that decision as well because  
21 sometimes one hears that typically somebody, especially the owner of an older  
22 car, wants the car repaired rather than getting the insurance value of an old  
23 car?

24 A. (Mr Moody) The difficulty there is, whatever, these vehicles are sold to  
25 anybody to be repaired anywhere in Europe without any redress or record of

1 what repair has been undertaken, the value of salvage will be high because it is  
2 sold generally at the salvage auction. So, if I can buy a stolen or a vehicle that  
3 is particularly damage then I can go and pinch one that is exactly the same  
4 make, model and colour. I can repair that vehicle very, very easily and very,  
5 very cheaply. So, we are developing and encouraging the black market  
6 situation and we are creating an industry that is not licensed or regulated.

7 The consumer does generally want the car, some want them written off, but  
8 generally the older vehicles, they want them repaired because the customer  
9 has had them for a length of time, has spent the money on maintaining them,  
10 they know that the tyres, the exhaust, the batteries, the engine is sound and so  
11 they would like it to be repaired, but because the salvage value of the vehicle is  
12 potentially high, it will be written off and that decision will be taken away from  
13 the consumer.

14 The other point with regard to salvage - and I know it is not within your remit - is  
15 that vehicle - and it relates to repaired vehicles also - there is no record when a  
16 vehicle is repaired. So, if a vehicle is written off and it can be repaired, other  
17 than the categorisation, but if I have a significant accident and my vehicle is  
18 repaired by one of the major insurers, nowhere on that vehicle would be  
19 repaired, so when that vehicle is sold the next owner will look at the vehicle and  
20 under the Protection from Unfair Trading Regulations, the trader would have to  
21 inform you if he was aware that the vehicle had been in an accident. He would  
22 never know. It has never been recorded. There is no documentation to say that  
23 vehicle has ever been in an accident. So, the customer will never be aware,  
24 the dealer will never be aware and it is all kept. We do not know how it has  
25 been repaired, we do not know where it has been repaired and we do not know

1 what parts have been used in the repair process.

2 A. (Mr Oliver) To answer your question, Chair; consumers should absolutely be at  
3 the heart of this and customers should be consulted before a decision is made.  
4 We see, time and time, again our members tell us time and time again that they  
5 have to often deliver the hard news because insurers do not have the balls to  
6 do it. Consumers are making decisions completely outside of any conversation  
7 with the insurer. The vehicle is not just about monetary value it is all sorts of  
8 other social issues that goes into that outline. Andrew has outlined some of  
9 them and in some cases it is economic to repair over and above what would be  
10 the current book value.

11 Q. We have three other questions on my list, but my immediate question for you is;  
12 are you happy for us to crack straight on or would you like a brief break?

13 A. (Mr Oliver) I think we will crack on and I would urge my members will be  
14 concise.

15 Q. Okay, we will have a five minute break. It is one of these questions where it is  
16 not a majority vote question. But, hopefully, it will not take too long after the  
17 break.

18  
19 (short break)

20  
21 THE CHAIRMAN: Welcome back, everyone. I want to ask about supplier  
22 relationships. We are aware that many insurers have contracts with suppliers  
23 of paint or parts and that these contracts generate rebates. What efficiency do  
24 you think these arrangements achieve? I mean, do you think that these  
25 contracts reflect the buying power that insurers have say in the paint market

1 and that they are achieving a lower price of paint than repairers could achieve  
2 for themselves by negotiating with the paint companies?

3 A. (Mr Oliver) Chair, the evidence does not support that and I am not sure if the  
4 evidence did support it, our member are not telling us those alleged benefits  
5 are being passed on to consumers in lower premiums.

6 A. (Mr Tagg) Certainly a lot of our members are very aggrieved at the fact that an  
7 insurer will stipulate that a particular brand of paint must be used for a repair  
8 job and that the quantity is dictated by them when they know full well that they  
9 could go out and buy that exact brand of paint from their own chosen supplier  
10 at a lower cost would certainly flow through. Andrew has done a huge amount  
11 in this connection.

12 A. (Mr Oliver) Sorry, I am going to defer to Andrew Moody in a second, but we  
13 question an assumption, we think a false one, and our members are telling us it  
14 is false one, that insurers are actually purchasing the paint or have the scale of  
15 buying power. They are not writing out the cheques, Chair, the repairers are.  
16 I know Andrew has done a tremendous amount of work in this area and I am  
17 sure you will benefit from his comments.

18 A. (Mr Moody) That makes it sound very interesting. I do not believe insurers buy  
19 paint, although they would say that they do. They argue that they are a bulk  
20 purchaser, but I do not believe that is the case. A body repairer purchases paint  
21 and the agreement that an insurance company has with the body repairer is a  
22 contract for service, it is a service contract regulated by the Supply of Goods  
23 and Services Act 1982. So the insurance company will send a damaged  
24 vehicle to a repairer, the repairer will then repair the vehicle, he will fit parts and  
25 panels, as required, and apply paint and then the vehicle will be returned to the

1 customer. At no point does an insurance company buy paint, as such,  
2 otherwise the risk of the paint would transfer to the insurance company. The  
3 insurance company may, if he was purchasing paint, have purchase and sales  
4 invoices for the paint that he purchased and sold to repairers. Repairers buy  
5 paint from paint distributors not from insurance companies.

6 Just to clarify; they may be able to present you with a purchase invoice for paint  
7 because some insurance companies do own their own recovery repairer  
8 networks, and so there may be a small percentage that buys paint. But on the  
9 whole they do not buy paint, they do not buy panels either. The repairer buys  
10 them.

11 Q. I do not think, apart from the subsidiary repairer, they are representing  
12 themselves as buying paint, but if an insurance company goes to a paint  
13 company and says, by mandating our approved repairers to use your paint you  
14 are getting this quantity of business and we can identify what it is and we would  
15 like to have a quantity discount which you pay to us.

16 They are not saying that they are buying the paint. They are saying they are the  
17 ones who should be receiving the quantity discount.

18 A. (Mr Oliver) They would, would they not?

19 Q. (Mr Stern) They are also saying that they provide you with paint. They  
20 negotiate a deal which allows the repairers to get paint at a very reasonable  
21 price, and in fact they feel that this is generous of them. It enables you to get  
22 the paint at such reasonable levels.

23 A. (Mr Lowe) I would actually disagree with that. We do have repairers that  
24 actually say --

25 Q. (Mr Stern) I am being advised by my colleagues, for the record, to take back

1 the word "generous".

2 A. (Mr Lowe) We do have repairers that actually have had to change paint and  
3 actually take a reduction on their discounts. I can actually prove that, and  
4 actually you have a reduction as a result of having to change the paint. So, in  
5 other words, they are implying that a 75 per cent discount, that goes down to 65  
6 to allow for a rebate to be given.

7 A. (Mr Moody) Also, I would suggest if it simply was a matter of paint, say RBS  
8 mandate Sikkens brand. If the repairer could buy Sikkens at any distribution  
9 outlet in the UK, or in Europe for that matter, then there would not be an issue,  
10 theoretically. The repairer is required to purchase paint from a limited  
11 distribution network and so they can control the supply at the rate and the  
12 amount that is purchased.

13 I would also comment that I do not see any benefit in mandating a particular  
14 type of paint. There does not appear to be any warranty on the paint offered by  
15 the paint company. If you look at the terms that they sell the paint to the paint  
16 distributor on and the terms that the paint distributor ought to sell the paint to  
17 the repairer on it is the repairer that is responsible for the ultimate quality of the  
18 finished repair, and also that is reflected in the approved repair agreement that  
19 the repairer will sign which he accepts and agrees to indemnify the insurance  
20 company fully for the repair he has produced. So if there is a problem with the  
21 paint, the repairer is ultimately responsible.

22 A. (Mr Harvey) There could be another issue; we have touched already about  
23 vehicle manufacturers and warranties, but lots of manufacturers have a line in a  
24 particular paint brand, so even if you use complete OE parts and everything  
25 else, but the paint used by a repairer was different to that used by the

1 manufacturer during production, is that going to compromise any warranty?  
2 Again, you would have to ask the vehicle manufacturer, but you have potential  
3 consumer detriment because lots of manufacturers have very, very long term  
4 body and paint warranties; is that being compromised by a particular insurer  
5 mandating a particular paint brand for all their repairs when they insure  
6 multiple brands of vehicle?

7 A. (Mr Moody) The cost of the paint also does not reduce because of bulk  
8 purchase, so AkzoNobel, for instance, they have their Sikkens brand and they  
9 have their Lesonal brand, which is the cheaper brand which, theoretically, the  
10 insurance companies should be encouraging repairers to use, but they are not.  
11 They will mandate a particular more expensive brand. My understanding is that  
12 the Sikkens and the Lesonal are produced at the same plant and it is the same  
13 substance in the tins.

14 A. (Mr Tagg) And the same batch numbers on any of the tins.

15 A. (Mr Harvey) The only difference is different tin, different name and a higher  
16 price.

17 A. (Mr Oliver) You will forgive me, this is not difficult. If you look at the evidence in  
18 the marketplace, paint has risen year on year, chunk on chunk and there is a  
19 direct correlation between the amount paint prices have risen and the amount  
20 rebates have increased in simple layman's terms. I will leave you to draw any  
21 conclusions from that.

22 THE CHAIRMAN: So is the complaint fundamentally that the discounts have gone to  
23 the insurer rather than to the repairer? The repairers are paying high prices  
24 and the insurers are getting the rebates. If you had the price that the insurers  
25 were paying would you be content?

1 A. (Mr Lowe) A couple of issues there really; one is the fact that repairers are  
2 forced into multi sources of paint to align themselves with individual insurers.  
3 This causes massive inefficiencies within the working environment. Instead of  
4 having one lot of waste every day they have three lots of different waste, so  
5 they are actually wasting a huge amount of product. They are wasting three  
6 times more product than they should be wasting because they are having to  
7 use three completely different sets of paints, so you are going to have three  
8 sets of wastage sometimes.

9 It is stock and cash flow issues as well for the repairer because he has to stock  
10 additional materials that he does not need to stock, so he will just stock three  
11 separate areas. The interference by the work provider does not allow them to  
12 make an informed decision of what suits the business and the profile of the  
13 business, so it restricts in being able to bring in additional sources of work from  
14 a vehicle manufacturer because they might like to align themselves to a  
15 specific paint manufacturer. That would introduce, perhaps, another paint, so  
16 the repairer has three, four, five sets of paint. What our members would like to  
17 see is for this interference to be taken out of the supply chain. It has no  
18 enhancement to the repairer and we would refute that repairers are getting  
19 additional discounts as result of the insurers being involved in that.

20 A. (Mr Harvey) The question we also ask is: Are those rebates being used to  
21 offset premium to the consumer or is it (I think you touched on it earlier) i just  
22 going into an insurer's big pot that gets mixed in with everything else? There  
23 have to be benefits for the consumer if that is what the insurer wanted to do. I  
24 do not think the current way some insurers operating mandated paint systems  
25 is transparent.



1 A. (Mr Moody) When we talk about paint as well we are not just talking about the  
2 colour that you see. It is a whole paint system, so when Tony says I have to  
3 have three paint systems, probably it may have two types of undercoat, an  
4 etch-primer, a high build primer, they will then have a colour and they will then  
5 have a lacquer. So it will probably have potentially four types of paint that he  
6 has to use on each job.

7 If he has a paint from Sikkens, he will have to use those four products for that.  
8 the next job might be for another work provider, but that might be a Glasurit job,  
9 so he will have to use another four products, he will have to mix the undercoat,  
10 the ex-primer for that job as well, so that is why he is saying I have all this  
11 waste. Rather than being able to paint the next five jobs that all need  
12 undercoating in the same undercoat that is in the same book. I know it sounds  
13 a bit nerdy and a bit technical, but all these paints go on in a different way. So,  
14 Tony will have his painters and Chris will have the painters who will prefer to  
15 spray with a particular type of paint system - they will think it covers better, they  
16 will think it is better for the the customer, it just does a better job. But if he gets  
17 another work provider, that work provider might say, no you are not using that.  
18 You are now going to go to PPG. The his sprayers then have to learn this new  
19 product or they have to put one pot down and then spray a different pot, which  
20 is inefficient and is of no benefit to the customer whatsoever.

21 A. (Mr Oliver) Let the market operate as the market, Chairman, is our  
22 recommendation.

23 Q. (Mr Wright) Going back to the financial issues, you say that the cost of paint  
24 has gone up and I think you also said earlier on that the discount that you get  
25 off the paint index has gone down. How is that affecting the margins that

1        repairers achieve on the paint?

2    A.    (Mr Lowe) The margin is just diminishing all the time.

3    A.    (Mr Harvey) The paint manufacturers can only make so much profit based on  
4        the raw product and production costs and what they are doing is they are taking  
5        that slice of the cake and it is going to somewhere else rather than the repairer.

6    Q.    (Mr Stern) I would not want to divert potentially, but I have one or two more  
7        questions.

8    THE CHAIRMAN: Yes, yes, on you go.

9    Q.    (Mr Stern) From the discussions which we have heard so far and your original  
10       report, it seems to me that there are two different kinds of approaches; one is  
11       the one that you described of a particular paint manufacturer that tends to tie  
12       distributors and bodyshops in very closely, and then there is everybody else, all  
13       the other insurers, who do not tie people in so closely and there seems to be a  
14       more open market. I just wanted to get your perception; have I got this right?

15   A.    (Mr Moody) You have. You have the insurance companies that will align  
16       themselves with a paint manufacturer. Some will mandate it - you have to use  
17       that; some will recommend it, but there is very little difference, as I understand,  
18       between recommendation and mandate. If you want to do their work you have  
19       to do it by that by that framework.

20       Then you have the vehicle manufacturers that again will specify a certain brand  
21       of paint, and so you are in a difficult situation if you want the work repair  
22       allowing the paint.

23       With regard to the supply, you have one paint company and one work provider  
24       that specify the brand and the distributor. You have another large work  
25       provider who specifies the distributor, but not the brand, as such. That

distributor might have three brands, but you must buy from that distributor and you must spend approximately £100 per repair on paint and materials.

Q. (Mr Stern) Is there any insurer then who negotiates a good price with one or two manufacturers because they have the ability to get volume discounts, and then effectively passes that low price straight on to you?

A. (Mr Lowe) Not at all.

Q. (Mr Stern) None?

A. (Mr Oliver) There is no evidence of that, no.

A. (Mr Moody) What these schemes do is to take not only any profit, potentially, from the paint from the repair; it also takes it from the paint distributor as well. So the warranty that is given on the paint which is not really given is provided by the paint distributor generally. The paint distributor will be the one who provides the warranty and also the support to the repairer. Obviously, the less margin they get, if it is a mandated product, there is no requirement from the paint distributor to actually market themselves and supply a better service because however they treat the repairer that repairer has to buy that paint from that distributor, and so you see less services being provided to the repairer as a result of the paint distribution and these paint systems being operated.

Q. (Mr Stern) In the discussion, again about the original problems that you raised, it seems that the arrival of the Paint Marketing Association was an issue. Would you just like to talk about the advantages and disadvantages of, very briefly, Paint Marketing Associations in this; do they add benefit to the process?

A. (Mr Moody) Paint Marketing Associations, a number of them were the creation of and were funded by the paint companies. The idea was that you had a number of distributors that covered Great Britain, and so the distributors were

1 gathered together to promote the distributor network so they could then go to  
2 the insurance company and negotiate a national supply agreement.

3 Do they provide any benefit? I would suggest my opinion is no they do not.  
4 They may have done 15/20 years ago, but currently I do not know whether they  
5 do it at all. Most of the paint distributors are highly professional organisations  
6 who are able to support the repairer in their local area. And because of the  
7 nature of the product you need regular supplies and the paint distributor needs  
8 to be located in a relatively local situation to the repairer, so he can supply the  
9 product.

10 Q. (Mr Stern) One of the issues which you raised was the fact that there were  
11 various people who supported, if you like, the existence of Paint Marketing  
12 Associations and that it was part of the arrangements that repairers paid money  
13 which ends up in the hands of the paint management associations, is not  
14 correct? (Pause) If it is not, then that is fine, I am not going to press it.

15 A. (Mr Moody) I do not think repairers pay money to Paint Marketing  
16 Associations. They are generally funded by the paint distributors, who are  
17 members of that organisation. The paint distributor then uses that organisation  
18 to market their services nationally and it is distributed itself to the --

19 Q. (Mr Stern) Fair enough. In that case, I will take this off line and you can  
20 change the subject.

21 THE CHAIRMAN: I have a couple of things to ask about Northern Ireland, and I  
22 appreciate you may not feel that you have detailed knowledge of Northern  
23 Ireland, but let me ask anyway. How does the management of claims and the  
24 provision of post accident services differ in Northern Ireland compared to the  
25 rest of the UK?

1 A. (Mr Tagg) I specifically asked my area manager, who covers Northern Ireland,  
2 that question. Penetration of numbers of accident management companies is  
3 not so high in Northern Ireland as it is throughout the rest of the UK. There is  
4 one which is very dominant, which I think is called Crash Services and there  
5 are others that do work there, but the volume of claims being put through does  
6 not necessarily warrant a huge influx of organisations of that sort.

7 I also asked him whether the amount of retail work that repairers deal with, and  
8 that is work which is instructed by the vehicle owner, rather than paid for by an  
9 external source, is any higher than it is in the rest of the UK. His impression  
10 (although he cannot back it up with any figures) is that this is very definitely the  
11 case. Northern Ireland, in my experience, has always been a more expensive  
12 insurance market for motor insurance as with all other insurances. The fact  
13 that the insurance cost is higher will drive people to take higher excesses to  
14 reduce their cost and it also means that maintaining a no claims bonus is worth  
15 paying a fair amount of money for in terms of repairing your own vehicle up to a  
16 given point, which actually drives the fact that the market dynamic is slightly  
17 different. More of the repairs in Northern Ireland are driven by the vehicle owner  
18 than by the insurance industry and the other parties.

19 Q. Why do you think accident management companies are less well represented  
20 in Northern Ireland?

21 A. (Mr Tagg) I think it is probably because the market is smaller, certainly in terms  
22 of credit repair. If an insurance company has a relationship with an accident  
23 management company that is no different in Northern Ireland to the way it is in  
24 the rest of the UK in terms of credit repair. The market is so much smaller. It  
25 does not necessarily warrant an investment in the product.

1 Q. (Mr Wright) If there is a higher proportion of retail work in Northern Ireland is  
2 profitability slightly higher for repairers in Northern Ireland than the rest of the  
3 UK?

4 A. (Mr Tagg) The answer is potentially it should be better for them anyway  
5 because it is a concentrated area. They should actually be able to drive up the  
6 cost because it is a limited geographical area. Insurers are not going to shift  
7 vehicles into Southern Ireland because the labour rates are significantly higher  
8 and the cost of bringing them across the Irish Sea to the UK means that it is not  
9 viable. But where an insurer is paying for the work or the work provider is  
10 paying for it the rates for repair are just as expensive as they are in the rest of  
11 the UK, and the same dynamic applies. It is just that our view is that more work  
12 is done on a retail basis.

13 A. (Mr Lowe) We discussed this issue and we do not feel that we have sufficient  
14 membership to actually have any decision or give you any advice on that, but  
15 we are prepared to put that in writing. We are prepared to put some findings in  
16 writing once we have had a look.

17 THE CHAIRMAN: We have been told it can be difficult for repairers to get into  
18 approved repair networks in Northern Ireland. Do you have any sense that that  
19 is justified?

20 A. (Mr Tagg) The whole of the island of Ireland, the North and the South, is more  
21 driven by franchise dealerships than on the mainland. Does not make sense.  
22 Whether that has anything to do with it I do not know, but many repairers in  
23 Northern Ireland do not want to be on an insurer's approved repair list because  
24 it is actually beneficial for them not to be. They have sacrificed the volume that  
25 potentially is available, and again we are talking about a smaller marketplace

1 and therefore the volumes are not as high as they are in the mainland. The fact  
2 that they can actually pick and choose with the work that they do and get, from  
3 their perception, more value out of each job.

4 Q. Any other comments on Northern Ireland?

5 A. (Mr Tagg) Nice place to visit, but not at the moment; they will calm down a bit.

6 Q. (Mr Wright) I just wanted to touch back to when we were talking about repairs  
7 earlier on and repair quality, where I think you said the insurers do not ensure  
8 quality, they seem to stand behind PAS 125 (I think was your description) and  
9 you said it was basically up to the ethics of the repairer to ensure that there is a  
10 good repair job, but what is it that keeps the repairer honest; what incentive  
11 does the repairer have?

12 A. (Mr Lowe) Passion.

13 A. (Mr Harvey) And it is their name that goes on the job and as far as they are  
14 concerned it is their customer.

15 A. (Mr Lowe) Reputational risk is key.

16 Q. (Mr Wright) Representation to whom?

17 A. (Mr Lowe) The individual repair centres.

18 Q. (Mr Wright) Towards consumers or towards insurers?

19 A. (Mr Lowe) Within the industry, to be honest with you. You really would not  
20 want to be associated with a whole list of poorly repaired cars, and I can say  
21 that most of the key players provide the bulk of the accident repairs to the  
22 whole of the industry are pretty well know to each other.

23 Q. (Mr Wright) So is that essentially that if you have a bad reputation for doing  
24 shoddy jobs then insurers would not put you on their list of potential companies  
25 to go to when they --

1 A. (Mr Lowe) Well, if your average repair cost is right they may consider you.

2 Q. (Mr Wright) And what happens if an insurer receives, during the period of the

3 contracts with the repairer, a number of complaints relating to that repairer?

4 A. (Mr Lowe) I think that will determined exactly where you are located. If your

5 average repair cost is in line with their model I do not think you have any

6 issues.

7 A. (Mr Tagg) Largely the insurers are not picking up the problem, if there is one.

8 As a headline they are picking it up, but it is not their issue to resolve, it is the

9 repairer who did the work in the first place.

10 Q. (Mr Wright) No. I guess it is their customer as well, so they have a customer

11 retention sheet which comes from there as well.

12 A. (Mr Oliver) Members to tell us it is used as a control.

13 Q. (Mr Wright) Sorry, say that again?

14 A. (Mr Oliver) Members do tell us on numerous occasions that complaints

15 tolerance is used as a control mechanism, i.e. to control cost and to control the

16 repairer in that controlling relationship.

17 Q. (Mr Wright) So the insurer will use the level of complaints that they receive as

18 a way of essentially controlling the quality of the repairs?

19 A. (Mr Tagg) It becomes a threat as to the continuation of business.

20 A. (Mr Oliver) I have to say I cannot give you a rate review, I cannot give you the

21 work. I can control you in this particular geographical area or this particular

22 footprint or this particular type of work because you have a high level of

23 complaints. So, in some senses, our members tell us that they are not

24 unhappy with the level of complaints.

25 THE CHAIRMAN: Any other questions?



1 Q. (Mr Kaltenbronn) Just one. Something that is not here and from what we have  
2 been discussing today and that is you were saying as organisations prepared  
3 contracts and there is all kinds of other arrangements with insurers, and yet in  
4 the beginning you said our finding that there is no major issue with the repair  
5 quality does not surprise you. For me, it just does not stack up; either you have  
6 major issues and find there is evidence of it or you do not have major issues  
7 and do not find that repair quality issues. I was just wondering whether you  
8 could just try to square that puzzle?

9 A. (Mr Oliver) If I understand the question correctly, you are saying there is a  
10 paradox in what we are saying?

11 Q. (Mr Kaltenbronn) Yes.

12 A. (Mr Oliver) You are saying there is no quality assurance, but the IFF research  
13 says, broadly, policy holders are happy?

14 Q. (Mr Kaltenbronn) No, it is more like you are saying insurers, those repair  
15 contracts are slightly risky, and insurers never come out and check that is why  
16 they are risky. Insurers do not mind shoddy bodyshops as long as they deliver  
17 the average repair cost and yet the quality seems to be okayed. If you have all  
18 these things you would expect that quality would be an issue?

19 A. (Mr Oliver) Again, we do not want to introduce a level of confusion. Clearly,  
20 that has. In some of the assumptions that the IFF research have made, we  
21 have covered some of the topics here anyway, we would just question as to  
22 how well informed policy holders are to judge the quality, technical quality of  
23 repair. They could judge it on face value and they could judge the service  
24 provision, so there is some cognitive flexibility when you ask that question of a  
25 policy holder, so I think that is a challenge.

1 The second issue for us (again, not to confuse matters) is: I think this excellent  
2 service provision is delivered by our members in the face and despite  
3 everything that is going on, not because of, it is not because of the way the  
4 market is structured that you have this good quality research, it is solely as a  
5 result of the reputation, the ethics and the moral approach that repairers have,  
6 and I think it is absolutely outstanding. For me, there is no paradox  
7 whatsoever. It is exactly what we would expect to see. You might say I would  
8 expect to say that because you are a passionate repairer. I am happy to be  
9 challenged at any point at any level.

10 A. (Mr Marsh) Can I just add to that that if we say that the situation was a kind of  
11 equilibrium at the moment, what is absolutely clear is that equilibrium is going  
12 to change because the cost of the base vehicle will increase the complexity, will  
13 increase, so over the next few years if this present situation is maintained or  
14 deteriorates you will see a net deterioration.

15 A. (Mr Oliver) There is a very fine line. There is a very fine line between  
16 potentially compromising the safety of repairs and the current situation.

17 A. (Mr Harvey) To a certain degree, insurers are relying on the integrity of the  
18 repairer to make sure that things are done properly.

19 A. (Mr Oliver) I can see that has not provided any clarity whatsoever. (Laughter)

20 THE CHAIRMAN: We understand the answer.

21 Is there anything else that you want to say before we finish or have we covered  
22 all the issues that you were expecting to talk to us about?

23 A. (Mr Oliver) I do not think there are any substantive items my side of the table.  
24 Clearly, I cannot speak for others. We have a couple of procedural points that  
25 you covered at the beginning, substantial material items.

1 A. (Mr Moody) I would just like to make one brief comment. I would suggest the  
2 body repair industry is under the control of the insurance industry and the Office  
3 of Fair Trading has identified it is dysfunctional, so it seems pretty blatantly  
4 obvious to me that it would be they have to remove the control that the  
5 insurance industry has over the repairers or it will continue to be dysfunctional.  
6 As Andrew Marsh has pointed out, cars get more complex as repairs get more  
7 interesting. We are heading for a difficult period ahead if things are not  
8 changed.

9 A. (Mr Harvey) The risk of the consumer.

10 Q. When you say "control" you mean in the form of approved repairer networks  
11 and relationships like that?

12 A. (Mr Moody) I think not just approved repairer networks, the whole management  
13 of repairs is essentially controlled by insurance companies, and so if the  
14 industry is dysfunctional then the responsibility for that dysfunctional operation  
15 has got to rest either solely or the majority of that responsibility has to rest on  
16 the shoulders of the insurance industry, I would suggest.

17 A. (Mr Oliver) Procedural points, Chair, if I may. You spoke at the beginning;  
18 transcripts in about a week (fluid concept "about") but some time in the next few  
19 days); no material changes to the transcript, but if we have material,  
20 substantive points, write to you. The timescale for that is about a week from  
21 us?

22 Q. (Mr Wright) It is less urgent because the key thing for us when we ask you to  
23 comment on the transcript is for you to identify if there are any errors, or  
24 inaccuracies, or anything which is confidential, before we can publish it.  
25 We would welcome any further substantive comments from you as soon as

1 possible.

2 A. (Mr Oliver) Thank you. In your annotated Issue Statement, we clearly were not  
3 sure of the level of detail and complexity of questions. We certainly welcome  
4 those. But in your annotated Issue Statement we have some query and  
5 clarification over some of the assumptions; how do you think those are best  
6 dealt with - in the same way?

7 Q. (Mr Wright) Our annotated Issue Statement is a summary document of all the  
8 working papers which we are going to publish in the course the next few  
9 weeks/2 or 3 weeks or so. So, I would suggest that you wait, as we suggested  
10 earlier on, with regard to the key repairs paper, to see the substance of our  
11 analysis where we are summarising the annotated Issue Statement before you  
12 respond.

13 A. (Mr Oliver) Thank you. The last final point for me is we have spoken  
14 throughout this about giving you additional written submissions on some of the  
15 points, would it help if we had a copy of your questions or would you prefer to  
16 wait until those working papers arrive and then comment further?

17 Q. (Mr Wright) I think just wait. I do not think we would intend to send you any  
18 further questions at this stage?

19 A. (Mr Oliver) Not further, just the questions that you have set out just today.

20 Q. (Mr Wright) The points that have come up in your conversation?

21 A. (Mr Oliver) Yes.

22 THE CHAIRMAN: You will get a transcript.

23 Q. (Mr Wright) I would suggest that you respond to those at the same time as you  
24 respond to the working papers.

25 A. (Mr Oliver) Just so we have a clear timeline because you have a challenging

1 deadline of around 15 August.

2 Q. (Mr Wright) I should say that that deadline we set when we knew we were  
3 going to publish the annotated Issue Statement, our intention at that stage was  
4 to get the working papers out sooner than has been possible, so we may well  
5 have to revise that deadline when we know what the publication schedule is  
6 going to be.

7 THE CHAIRMAN: I think, Andrew, to be fair to say it is very likely that the August 15  
8 date is going to change.

9 Q. (Mr Wright) It is very likely to be pushed back because of the complication of  
10 working papers.

11 A. (Mr Oliver) September? Are you going to go back to December?

12 Q. (Mr Wright) No. It is only going to go back a matter of 1, 2, 3, or 4 weeks, 1 or  
13 2 weeks, something like that.

14 A. (Mr Oliver) It gives us some time to manage our own resources.

15 Q. (Mr Wright) It may well be that we set deadline for the response to the bulk of  
16 our papers, which we manage to get out in say the next couple of weeks, and  
17 then we have a subsequent extension if there are one or two papers which we  
18 cannot get out, because the announcement is not complete until some point  
19 later.

20 A. (Mr Oliver) It is a good job it is all so easy. Thank you very much

21 THE CHAIRMAN: Once again, thank you very much for your time. It has been a  
22 very interesting meeting for us.

### Key to punctuation used in transcript

--	Double dashes are used at the end of a line to indicate that the person's speech was cut off by someone else speaking
...	Ellipsis is used at the end of a line to indicate that the person tailed off their speech and didn't finish the sentence.
- xx xx xx -	A pair of single dashes are used to separate strong interruptions from the rest of the sentence e.g. An honest politician – if such a creature exists – would never agree to such a plan. These are unlike commas, which only separate off a weak interruption.
-	Single dashes are used when the strong interruption comes at the end of the sentence, e.g. There was no other way – or was there?