

Crunch time for smash repairers

Peter Switzer
• Insurance

LATE paying insurance companies are driving small businesses in the car repair industry close to the wall — and the GST is making the situation worse.

“Insurance companies have always stuffed us around,” said Jerry Raleigh, proprietor of panel beating business Kerry Panels in Melbourne. “But the GST has really compounded it.”

Mr Raleigh is a member of the body repair division of the Victorian Automobile Chamber of Commerce (VACC), which has conducted an extensive survey that has highlighted the tardiness of insurance companies in paying many small businesses struggling with the GST.

“From the outset, we warned our clients that cash flow would be the No.1 issue with the GST,” said accountant Neil Wickendon from HLB Mann Judd.

VACC executive director David Purchase said insurance companies often held up payments to crash repairers by as much as 90 days.

“In the meantime, the costs have to be carried by the crash repairers, who are small business people with high overheads — wages, rents, bills and vehicle parts,” Mr Purchase said.

He said the GST had exacerbated the situation, with small

businesses caught in a vice between delayed payments from insurance companies and tightened credit periods imposed by parts suppliers.

And then there is the tax office obligation.

Federal Opposition MP for the seat of Holt Anthony Byrne has taken up the issue on behalf of VACC.

“Insurance companies need to abide by the same rules as everybody else in their business dealings with the accident repair industry,” said Mr

‘Insurance companies have always stuffed us around’

Jerry Raleigh
Proprietor, Kerry Panels

Byrne. “It must be impossible for many panel beaters simply to meet the GST monthly or quarterly payments when you don’t get paid for 90 days.

“Further, the panel beater doesn’t get 90 days’ grace to pay the GST because they incur an interest penalty of some 11 per cent if they don’t pay on time.”

An ATO spokesman said that any unpaid GST attracted a general interest charge of 11.28 per cent.

Worse still, it is calculated and compounded daily and applied monthly.

Mr Raleigh believes insurance companies are getting it all their own way.

“I reckon 45 days is a reason-

able time for payment,” he said. “I know it isn’t, but it should be, law that people pay up within a certain time frame.

“If the Government wants to slug us 11.28 per cent, we should be able to pass it on to the debtor — we’re the meat in the sandwich.”

Mr Raleigh said he decided to pay his GST monthly so he would not get into a cash mess each quarter. However, the late payment problem has forced up his overdraft by around 5-8 per cent.

President of the National Federation of Independent Business John Farrell thinks the actions of insurance companies border on unconscionable conduct and should be looked at by the Australian Competition and Consumer Commission.

“As a small number of insurers control the bulk of the market, they might also be guilty of misuse of market power, another ACCC consideration, particularly if collusion is present,” he said.

ACCC commissioner for small business John Martin said he was investigating the issue after receiving a number of complaints from the crash repair industry.

The commission is interested in the claim that select crash repairers, who have some tie-in with insurance companies, are being paid more quickly than independent operators.

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for immediate release

BIG INSURERS - BAD PAYERS!

A survey by VACC's Body Repair Division shows that payments to automotive crash repairers by insurance companies are often delayed by up ninety days, a practice which is putting good businesses at risk.

VACC Executive Director, David Purchase, said many crash repairers were having trouble getting paid by insurers for completed repair work, which was extremely frustrating, and it was only getting worse.

"In the meantime, the costs have to be carried by the crash repairers, who are small business people with high overheads – wages, rents, bills and vehicle parts," Mr Purchase said.

"Crash repairers are expected to honour their payments on time.

"Prompt payments are an important part of efficient business operations, especially under GST, which has tightened the credit period of parts suppliers, resulting in many repairers having to pay large accounts for parts well before receiving payment of their repair invoices.

"Repairers who are committed to pay GST but are unable to do so due to a lack of capital, pay a penalty, a percentage of the overdue amount.

"Delayed payments by insurers not only add to repairers' debt levels but are also compounded by the insurers' unrealistically low hourly labour rates, a matter that continues to affect repairers' viability.

"The fact that insurers have bumped up insurance premiums over the last two years by as much as 40% highlights they are getting it all their own way; it is high time they changed their errant ways.

"Late payments and low labour rates highlight the need for a Body Repair Industry Code of Conduct, which VACC's Body Repair Division is currently developing.

"While the Body Repair Division works hard, on behalf of the industry, to improve relations with the insurers the latter seem determined to make life as difficult as they can for crash repairers," Mr Purchase said.

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