

## Private Motor Insurance Market Inquiry - Retail Motor Law comments on Annotated Issues Statement and Working Papers

### Estimating Systems

I would like to raise the following points with regard to computer estimating systems and the comments made in the Annotated Issues Statement, Paragraph 52 states:

52. This working paper shows that there are two principal repair cost estimation systems used by repairers in the UK: Audatex and Glassmatix. We found that nine of the ten largest insurers recommended or required their repair networks to use Audatex and the tenth insurer did not mandate any particular system. From evidence we gathered from the parties it appears that **Audatex is significantly more expensive, but most parties told us that it is also a superior product**, offering significantly more functionality.

53. We were told that Audatex is installed in over 60 per cent of repair sites in the UK, while Glassmatix is now in less than 20 per cent of repair sites. However, we were also told that Audatex had built its large market share recently and over a short period, and had done so principally by offering **a better product** and by marketing this product in a novel way, ie to the work providers rather than directly to repairers.

I am concerned that the Competition Commission is attempting to compare products in a market that is not a free market and as a result the potential conclusion drawn has been skewed.

It is accepted that the Audatex product is potentially a more functionally rich product however both GlassMatix and Audatex provide the repair industry with a system that generates a repair estimate. In comparing the two products perhaps the Competition Commission could draw a similarity from comparing an S Class Mercedes with a Mini. Both vehicles will convey 5 people from A to B but the S Class may have additional functionality.

However for the majority of vehicle users the services provided by a Mini are more than acceptable, and the additional extras may be irrelevant and never used rendering the additional cost of the Mercedes S Class a waste of money.

I respectfully submit that the same is the case with regard to the Audatex system not all of the functionality is required by repairers and I believe that the purchaser of the system should have the right to choose which system they wish to use.

I am convinced that in a commercial environment value for money is perhaps more important than additional functionality which may to all intents and purposes be superfluous.

With regard to differences in the systems I wish to raise the following items;

1. I understand that GlassMatix utilises data [X] available, there is therefore transparency in the creation of repair times with GlassMatix. Audatex by contrast have [X] system which I understand is the electronic equivalent of a blank sheet of paper, there does not appear to be any indication as to where repair times are generated.
2. Audatex is an online system and requires a constant internet connection in order for repairers to use it. GlassMatix is an offline system which is beneficial for repairers and consumers, in that it does not require a constant internet connection and therefore does not fail when connections drop out. It also has wider coverage and

'fits' some businesses better due to not being heavily reliant upon the need to have an internet connection.

3. With regard to vehicle identification, both systems use a link to the VRM lookups provided by HPI / Carweb / Experian. I understand that GlassMatix is much more fastidious in this linking process and GlassMatix ask the users to make decisions on two or three different vehicle alternatives more often than Audatex. The impact of this accuracy in VRM connection is better vehicle identification driving more accurate assessments and better parts accuracy resulting in swifter repair times.
4. GlassMatix have work broken down into more categories than Audatex, and has Mechanical Electrical, and Trim 'MET' labour separated which Audatex does not.
5. I believe that GlassMatix has a strong user base [X] who regularly manage the repair process for insurance companies. Given the fact that [X] have to satisfy the insurance companies that they work for it cannot just be about the pricing model that they prefer. If the GlassMatix system were inferior to Audatex, as indicated by the Competition Commission, I don't believe [X] would use it. They would not be happy using an inferior product to service customers as this would reflect upon the service they offered.
6. Glass's have an equally impressive viewer, auditing and management information's product suit to that provided by Audatex. In fact the Glassmatix MI tends to be more tailored to users' needs.
7. Further I do not believe that [X] mandate that the repairer purchase training with them. Whilst [X] I understand in order to increase its income introduced a requirement for repairers to purchase training from [X]. With a mandated product and a captive market [X] is 'free' to operate as it sees fit.
8. Finally, I am led to believe that [X] does not and has never paid insurers to mandate the use of its product. The [X] system is not mandated and yet a significant number of repairers choose to use this system.

In the circumstances and having considered the comments made by the Competition Commission I do not believe that the [X] Computer estimating system is inferior [X] and I strongly urge the Competition Commission to review this area of the industry.

If Audatex were superior to the GlassMatix system one could ask why Audatex has to pay insurers to mandate its use? Surely such an alleged superior product would 'sell itself' and not require mandation?

## **Paint**

Upon reviewing the ToH5 document I wish to raise the following comments.

5. It appears to us that repairers face **slightly higher costs for paint** as a result of the contracts between insurers and paint manufacturers. However, the evidence from repairers suggests that such cost increases are generally low, being not larger (and usually much smaller) than £18 per repair, which is a small percentage of the total cost of paint for insurers and around 1.5 per cent of the total cost of a repair. Moreover, we note that such cost increases are likely to be close to the level of rebates earned by insurers.

I believe that the Competition Commission has failed to fully appreciate the complexities of the Paint Distribution and Repair industries and I submit that there are a number of latent inefficiencies that the Competition Commission has failed to consider when calculating the 'higher costs of paint'.

1. In particular I am concerned that the Competition Commission is comparing 'higher priced paint' with alternatively sourced 'higher priced paint' rather than considering the potential price of paint in a hypothetical free market.
  - a. An example could be drawn from the 'Alternative parts supply industry' where parts that 'Match and Fit' can be compared with 'Vehicle Manufacturer Supplied Parts' and 'OE Parts'. There can be a significant difference in price from a manufacturer supplier part to an alternatively sourced part.
  - b. Unfortunately this lesson does not appear to have been adopted in the supply of paint. Repairers are prevented from purchasing alternative cheaper paint because the [X] is largely prevented from sourcing paint from outside the UK market. If a [X] imported paint directly rather than purchasing/importing via the 'correct' a [X] it would, I am assured, face retaliatory action from [X] resulting in the closure of the [X].
2. Further I believe that the Competition Commission has failed to consider the efficiencies that arise from a [X] use of one Paint System rather than stocking several mandated systems.
  - a. There is of course the reduction in space required to house several paint mixing schemes, associated stock and equipment. Such space could be utilised by the Repairer to generate income not merely be used to store paint mandated by the work provider.
  - b. Further if the Repairer was able to use one Paint System of choice the paint system could be used on multiple vehicles, rather than having to use alternative products and increasing wastage.
  - c. The Repairer is required to train and familiarise employees with the different products which incurs additional latent costs.
  - d. Further employees may require specific equipment to apply each product. For example rather than a Paint Sprayer using 1 spray gun to apply paint he may

actually need a number of spray guns that are set up for applying different paints thus increasing hidden costs.

- e. If the Repairer held one type of paint he would be able to reduce overheads, stockholding and choose to only use one Paint distributor. The amount a repairer would spend with the chosen supplier would increase (rather than his paint and material spend being divided between a number of Paint Distributors) and as a result he would be able to negotiate a greater discount and additional services from the single paint Distributor.

I trust these points will persuade the Competition Commission that further consideration with regard to the mandating of estimating equipment Paint and Paint Distributor.