

ABAC NEWS

November
December
2016

The Official Newsletter of the Auto Body Association of Connecticut

Mike Anderson
CollisionAdvice
“Who Pays for What”
Survey Results at
ABAC Meeting

President’s Message:
2016 - Year in Review



Also In This Issue

Mike Anderson, Collision Advice, Pack Them in at Recent ABAC Educational Event.....2-5

President’s Message: “2016 - Year In Review”6-7

Huge Decreases Reported As State Farm Recalculates Some Auto Body Labor Rates.....7-9

Small Claims Courts Ups & Downs 10

“Tech Tip Toolbox”
2017 Jeep Compass: 65% High-Strength Steel, “liberal” with Adhesives..... 11

I-Car Warns About Bumper Covers Over Blindspot Sensors..... 12

You Charge How Much for Labor? Figure Out Your Costs First!..... 13-14

Why OEM’s MAke Techs Travel, Owners Pay for Collision Repair Training 15

Your ABAC Officers & Board of Directors 16

Mike Anderson, Collision Advice, Attracts Connecticut State-Wide Collision Shops for Informational & Money Making Presentation

Over 150 attendees gather for “Who Pays for What” Survey Results; one of many tools supplied to attending members.



ABAC President Tony Ferraiolo welcomed everyone to the November meeting then went through the order of events that would follow. Ferraiolo began, as usual, by thanking everyone that was involved supporting the night’s meeting:

Major Sponsors:

Axalta Coating Systems

Todd Ransom - Darryl Hoffman - Mario DiScioscia

Albert Kemperle, Inc.

Rich Perry - Sean VanDale - Joe Nunes - Denise Cassarino

Co-Sponsor:

Enterprise Rent-A-Car

President Ferraiolo then recognized **two new ABAC members:**

- Levine Auto Parts – Gary Danko, Sales Mgr.
- Long Auto Group – Tom Schube, Parts Director



Continued on Page 3

Continued from Page 2

Tony also thanked the **new Supporting Advertisers for the ABAC News:**

- **County Line Nissan**
- **Premier Kia**
- **Sherwin Williams**

Attending the event that evening was the President of the Auto Body Association of Rhode Island (ABARI), Randy Bottella, Reliable Collision Repair, West Warwick, RI and Board of Director Tony Victoria of Auto Service Auto Body, North Kingstown, RI

Ferraiolo then thanked Dave Fogarty and Attorney John Parese for their recent involvement in a "Short Pay" Seminar that was held in October in Groton, CT. There were 75 people in attendance. The seminar helped shops with information on how to collect if you believe you've been short paid and how to take your proceedings to small claims court and continue there.

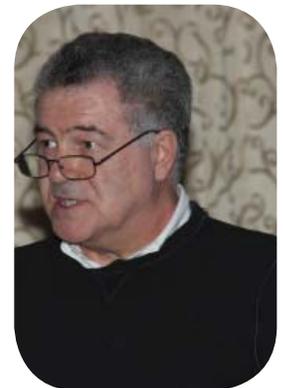
The ABAC will be meeting with DMV in Dec and the DOI on a couple of major problems with imitation parts and insurance companies claiming they can guarantee repairs. Only a licensed repairer can guarantee the work. Stay tuned!

Please support your local tech schools! There have been budget cuts and we need to make sure the students continue to learn with the best possible information and support that we can provide. ***"We need to keep out support going for these kids so we can get entry level technicians from the high school. They have a "work-day program" if any of you here tonight want get these students involved in your shop. I have 2 students who have been working in my shop for about 4 years now full time. Feel free to contact me at 203-269-2842 for more information,"*** says President Ferraiolo.



Our first speaker for the evening was Tony Lombardozi, President of CCRE and Co-Founder of Superare Marketing & Advertising along with Peter Abdelmaseh. Tony thanked the ABAC for their continued support and briefly touched on Superare facts. He then turned over the microphone to his co-founder Peter. Exploring multiple options that shop owners can use to charge and collect fully for each product and service provided to customers, Lombardozi and Abdelmaseh instruct attendees on how to create their own pricing structures, how to charge for all products sold and work performed,

and how to establish a method for collecting on invoices that are not fully paid. These methods included use of the court system, especially in cases of simple breach of contract cases. Peter then explained the workings of Superare and gave everyone a flyer for more information. If you would like more information you can contact: Superare Marketing - 617-993-6901 - www.superaremarketing.com



Continued on Page 4

Continued from Page 3



Tony then introduced our featured guest speaker for the evening, Mike Anderson, President/Owner of Collision Advice. CollisionAdvice is a full service Autobody Collision Consulting company that offers assistance in the following areas but not limited to: Accounting-Financial, Marketing, Estimating-Damage Analysis-Management-Lean-Production-Cycle Time- and much more, visit their website at www.collisionadvice.com

Mike gave us a short bio on himself and his endeavors before getting right into the meat of his presentations. ***“I travel around the country, I do classes on behalf of Axalta Coatings Systems such as Estimating, Sales & Marketing, CSI Classes, etc. I also facilitate 20 Groups for Axalta Coating Systems which is where shops owners who are not competitors get together on and quarterly basis and I’m like a business coach***

for them to help them improve their business. I also have a team of several young people that work with me and we travel around the country and work with shops to help them improve their processes. And last but not least, one of the things I’ve been doing the past year is I’m now working directly with 7 OEM manufacturers. And I can tell you absolutely, unequivocally without a shadow of a doubt that the OE Manufacturers are going to be more involved in this repair industry that you’ve ever seen since you’ve been alive. And I can tell you that it’s the one main reason and I’m gonna give you a statistic and you might want to write this down. You might want to write this down because it’s some smoking hot s**t.” (Nice ice breaker and some great laughs from the crowd!) He continued, ***“Y’all with me yes or no? 60% of all consumers who have a problem in a body shop, either their car is not fixed right, the lights don’t work, the paint doesn’t match, whatever the case may be, 60% of those consumers who have a problem with that body shop will trade or sell their car within one year. And 63% of that 60% will change vehicle brands. They may go from a Toyota to a Honda or a GM to a Chrysler or a BMW to an Audi which means these vehicle brand manufacturers lose out on all those potential mechanical repairs to that car. So, the single most important reason you will see OE Manufacturers get more involved in your industry or our industry is because they want to protect their brand.”***

“I’m here to tonight to share with you my ‘Who Pays for What’ survey results.

At this point, Mike began his presentation on his 2016 Who Pays for What Survey. Since this information was available to only attendees at this meeting we can give you a brief synopsis of what the “Who Pays for What” survey is all about from their website:

“Who Pays for What” is a series of annual surveys from Collision Advice and CRASH Network to discover which insurers pay for which repair procedures.

Continued on Page 5

Continued from Page 4

With the goal of helping shops become more aware of the “not-included” repair operations they are doing and whether other shops are being compensated for those procedures, CollisionAdvice and *CRASH Network* developed this survey series to provide a real-world picture of the payment patterns of the eight largest U.S. auto insurers when it comes to “notincluded» repair operations.

Throughout the course of a year, the “Who Pays for What?” series covers nearly 100 different “not-included” procedures and estimate line items with each survey covering a different part of the repair process: Refinish Operations; Body Repair Operations; Aluminum Repair & Shop Supplies; and Frame and Mechanical Repair. We ask shops to describe how often they are paid, by each insurer, for each procedure: “always,” “most of the time,” “some of the time,” or “never.”

At the conclusion of each survey, we report the results in an expansive visual format, with a two-page section dedicated to each repair operation in the survey, with charts and graphs that allow comparison at a glance between the differing payment practices of the eight largest auto insurers in the U.S.

In addition to breaking down the results by DRP and non-DRP facilities, the reports also breakdown results by U.S. regions, helping to illustrate how billing and payment practices vary for each repair operation around the country.

The reports also contain definitions of every repair procedure surveyed (there are 20-25 operations in each survey), as well as some guidance and resources that repair facility operators and managers can use to put the survey results to real use in their business.

Mike Anderson fielded questions from attendees and provided them with tools to begin making more money in their business. We have already talked to several shops that have implemented some of these tools and have told us that the tools are already making a financial difference in their shop.

The value of attending these ABAC meetings cannot be measured. The ABAC continues to bring in guest speakers and industry professionals from throughout the country who are willing to share their knowledge, expertise and processes with ABAC Members to help make their businesses more profitable. The Auto Body Association continues to make their mark nationally in the Automotive Industry by offering this type of knowledge and education to their membership.





ABAC President Tony Ferraiolo 2016 - Year In Review

In 2016 the Auto Body Association of Connecticut hit the ground running. The ABAC Board of Directors agreed that education would be, and will continue to be, our number one goal. We will bring to this membership, educational meetings that will provide shops with information to make informed decisions on running their businesses and how and what is needed to properly repair vehicles of today.

The year started with a Saturday seminar featuring Rich Altieri. Rich covered, Proper Blue printing and Lean Process. In February, we met with some of our legislature, to inform them of concerns we have with Insurer influence in the repair process. We followed that up with meetings with the Department of Motor Vehicles to discuss Towing and Storage, imitation parts and the safety concerns of their use in repairs. Next, we met with the Department of Insurance. We have a lot to work out with the DOI. First, we voiced our disgrace of the department website's FAQ's. We feel there is some misleading information there and we want it taken of the website. We also discussed the insurer influence in the repair process and how repairing motor vehicles is not the business of Insurance. We have a follow up meeting on December 15th to continue to work for solutions to consumers and shops on going issues.

The ABAC is working hard to educate the motoring public on the choice of parts in the repair of their vehicles. We are also informing the consumers that the OEM's are producing position statements on what should and should not be done concerning their brand of vehicles. Who better to educate you on how to repair a car brand than the manufacturer of that vehicle? Remember the manufacturer and the licensed repair facility are the only professional's in the repair process.

We created a mobile App "Now What" to help consumers when they are involved in an accident.

Along with Senator Blumenthal the ABAC had a press conference to support the State Technical Schools and inform the public of Imitation parts. The ABAC along with five of our ABAC News advertisers made a donation of \$10,000.00 to the State Technical Schools to show our commitment to the state programs. I would like to thank Auto Body Supplies and Paint, Albert Kemperle, Paul Francis & Co., West Springfield Auto Parts and Paint World for stepping up and matching the ABAC's donation.

2016 has also brought the ABAC News to a new level, with a new look and a commitment to informative articles. Features of Shop of the Month and Meet your Board make me very proud of how the ABAC News has evolved. Special thanks to Don Cushing and Dave Fogarty for their continued hard work on a great product.

Now let's talk about the four membership meetings we put together this year.

Our March meeting subject was: Get Paid the Price You Need to Make a Profit. This meeting taught members on how to know their true cost of everything and collect their short pays successfully. Primary sponsor was Buckley, Wynne and Parese. Our Co- sponsors were Enterprise Rent-A-Car, Auto Body Supplies and Paint, and Corporate Business Solutions.

Our May Meeting Subject was: Pre-and Post-Scan Vehicles. If you're doing it get paid for it. Remember, your equipment needed to properly and safely repair vehicles need to be accounted for. Figure it into your cost of doing business (posted labor rate) or equipment usage fee charged when equipment is used.

Continued on Page 7

Continued from Page 6

Our Co Primary sponsors were Bald Hill Dodge-Chrysler-Jeep & Kia and Collision Diagnostic Services. Co-sponsors for the event were Enterprise Rent-A-Car, Kent Automotive, and Paul Francis & Co.

Our September Meeting Subject was: Proper Equipment to Repair Vehicles Properly and Safely. This meeting was a live display of tools and equipment needed for today's auto collision repair. Primary Sponsor was Lombard Equipment. Co-sponsors were Enterprise Rent-A-Car, Designer Systems, and Paint World.

Last, but certainly not least, our November Meeting featured Mike Anderson of CollisionAdvice. The Subject: Who Pays for What. If you missed this one, wow you missed out on what was the BEST meeting of the year. Mike challenged all attendees to "Own Your Shit!" Stop complaining and get paid for what you do. Get educated and write better repair plans. Our Primary sponsors were: Axalta Coatings, and Albert Kemperle. Co-sponsor was Enterprise Rent a Car. (Mike will be back in 2017 and you better be there).

If you missed any of these educational meetings, well I don't know how to motivate you and maybe neither do you.

In 2017 please make a commitment to go to a meeting and see for yourself what the buzz out there is all about. This Association is one of the strongest and best informed in the country. Your Board of Directors continue to work hard to provide the very best for the ABAC. Please do your part and support, participate and spread what this association offers.

Merry Christmas and Happy Holidays to you, your employees and your families.



President - Auto Body Association of Connecticut

Huge Decreases Reported as State Farm Recalculates Some N.Y., N.J. Auto Body Labor Rates

By [John Huetter](#) on December 5, 2016

[Associations](#) | [Business Practices](#) | [Insurance](#) | [Market Trends](#)

Some New York and New Jersey collision repairers could receive \$15-\$16 less an hour from the nation's largest auto insurer after a change in how State Farm determines "prevailing competitive prices" in certain metropolitan areas. State Farm in 2015 redefined at least [parts of New York, New Jersey and Pennsylvania using Census Bureau Core-Based Statistical Areas](#). On Monday, spokesman Justin Tomczak confirmed that State Farm had ceased using [labor rate surveys](#) to deduce the market rate in four areas and instead would calculate based on "analyzing the cost of vehicle repairs" in claims:

The State Farm Repair facility survey program will no longer be utilized in the divisions that make up the CBSA in NY, NJ, PA that the repair facility was previously included. PCP rates in this "Division" were developed by analyzing the cost of vehicle repairs for Insurance work. This analysis did not include DRP type repairs.

Continued on Page 8

Continued from Page 7

Rates for repairers are (based on division):

- *Dutchess/Putnam Division*
- *Nassau/Suffolk Division*
- *Newark, New Jersey – Pennsylvania Division*
- *New York – Jersey City – White Plains Division*

Those decreases have been reported to be about \$15-16 in the New York City and Long Island areas (New York-Jersey City-White Plains and Nassau/Suffolk, respectively) must be passed on to the customer, eaten by the shop, or tested through court battles over whether the cost was “reasonable.” State Farm is expected to handle supplements to existing repairs at the previous rates in at least one of these regions, we’ve also heard.

The Newark-Pennsylvania area doesn’t seem to have experienced much, if any, change based on initial reports, and we haven’t heard what’s going on in the Dutchess/Putnam area of New York.

We also discussed CBSAs and State Farm in greater detail back in 2015:

Ironically, some of the shops which saw the rate decrease had seen a couple of dollars/hour worth of increases from State Farm just last year. The decision could lead to changes in other carriers trying to stay competitive amid higher severity and (for now) higher frequency. Insurers tend to match each others’ labor rates, litigation in several states has claimed; the plaintiff shops alleged this is done improperly, while the defendant insurers argued that it’s just good business sense not to pay more than your competitors do.

We asked Tomczak if State Farm had changed labor rates in other parts of the country, but he didn’t answer this or other questions except to say: “State Farm has nothing additional to share with Repairer Driven News at this time.”

Jack Molodanof, lobbyist for the California Autobody Association, said Monday he hadn’t heard complaints from his repairers about dramatic reimbursement policy shifts. A Pennsylvania repairer located outside of the Newark-Pennsylvania region told us he hadn’t experienced that kind of thing either. The decreases appear to have taken effect Monday.

“My phones are blasting off the hook,” Alliance of Automotive Service Providers of New Jersey Executive Director Charles Bryant said Monday. “I don’t have a handle on it yet,” he said. He said he’s heard different responses from his membership, including one repairer who was resigned to the change and another which planned to make customers pay out-of-pocket.

Continued on Page 9

Continued from Page 8

Another option for those unwilling to accept State Farm's rate decision might be to pursue what is a "reasonable" charge in court — [something that's been done successfully before in California](#).

Of course, State Farm doesn't have to battle over "reasonableness" at all. New Jersey law allows the carrier to take a customer's vehicle to any shop near the customer which will fix the repair at the price the carrier wants. But the insurer is then on the hook for the shop's repair quality.

[As the state's insurance ombudsman explains:](#)

Provided the repair shop is licensed, your insurer has to try to reach an agreed price with the shop of your choice. If your company cannot reach an "agreed price", they will provide you with the names of licensed shops who can do the repairs for the price the company has determined. ... At your request, your company must recommend a qualified repair facility convenient to the vehicle's location which will repair the vehicle at the price the company is willing to pay and whose work is guaranteed. Your insurance company further stands behind the repair shop's guarantee.

'We're still trying to figure it out,' Ed Kizenberger, executive director of the Long Island Auto Body Repairmen's Association and Auto Body Craftsmen's Guild of New York City, said Monday. "We're trying to understand the dynamics here," he said. Cars are growing more advanced and demanding more training and equipment to repair — which repairers recoup through labor charges — and his area sees "mostly newer-model cars." Collision repairers "can't go backward, for crying out loud," Kizenberger said. Kizenberger said the insurer seemed to be "looking at the numbers without looking at the reality of it." State Farm had been "fairly accurate" in its past estimating, Kizenberger said. "Now, we're gonna have inaccurate dollars," he said. He raised the question of policyholders, who would receive "less of a recovery than they were last week" on their property.

A representative from the New York Department of Financial Services, which regulates insurance, said he would look into the issue but wouldn't be able to respond until Tuesday at the earliest. "A vibrant, profitable auto collision repair industry is in the interest of State Farm. At the same time, we are advocates on behalf of our customers for reasonable repair costs," Tomczak said in a statement. "We believe repairer profitability and quality auto repairs that are reasonably priced can both be achieved. This change in our labor rates brings us more closely into alignment with the actual cost of vehicle repairs and is in the best interest of our customers."

As noted above, he declined to answer further when asked if State Farm would lower premiums for policyholders following such major cuts in its own repair costs.

Source: www.RepairerDrivenNews.com

Small Claims Court Ups and Downs



I am pleased to report that some of our members have experienced some good wins in Small Claims Court recently. In one case, a shop sued Allstate for failing to pay its storage charges. Allstate claimed that the vehicle was on the premises non-consensually, and accordingly DMV rates applied. After a hearing, however, the court found that the vehicle was on the premises consensually and ordered Allstate to pay the shop's posted storage rate of \$85 per day. A judgement entered in favor of the shop and against Allstate in the amount of \$2,281. In another case against Allstate, the same shop lost the battle on whether a nonconsensual tow converted into a consensual storage situation upon the customer's signing of a direction to pay. The court did, however, conclude that a labor rate of \$85 per hour was appropriate and ordered Allstate to pay that for charges connected with disassembly. The lesson

here is to make sure your customers sign the proper repair contract and consent to charge storage forms (both of which are available free of charge to ABAC members).

In another case, a body shop that charged \$85 per hour was successful in getting full reimbursement of \$2,377.42 after a Small Claims trial. Progressive, the insurer for the at-fault party, was refusing to pay greater than \$52 per hour for labor and was refusing to pay for certain OEM parts. The same shop filed another suit against a Progressive insured under similar circumstances, and once again, the court ordered Progressive to pay the shop its posted labor rate of \$85 per hour.

While these success stories give us hope, I was also witness to a Small Claims magistrate who essentially thought the licensed repairer should be unhesitatingly following the instructions of the appraiser and insurer (i.e. to disregard his better judgment as the only licensed professional in the room). Despite our best efforts, there was no convincing the magistrate otherwise. In short, we lost the case before it began. That's the kind of luck you can have in Small Claims. Unlike Superior Court, where legal deviations are subject to appellate review, there is no such review in Small Claims. That makes the process less predictable.

With that said, most magistrates are thoughtful and will give you a fair opportunity to explain your position. My experience has been that when this happens, the result is most often in favor of the shop. If you find yourself in court, be prepared for the standard appraiser testimony, which comes out in almost all of these cases: "this shop is the only one that charges more than \$52 per hour;" or "this is the only shop that charges more than state rates for storage." For as many times as I have heard that one, it never gets old.

I wish you all a very safe and happy holiday season!

John M. Parese, Esq. is a Partner with the law firm of Buckley Wynne & Parese and serves as General Counsel to the ABAC. Buckley Wynne & Parese maintains offices in New Haven, Hartford and Stamford, and services clients throughout all of Connecticut. The opinions set forth in Attorney Parese's articles are for education and entertainment purposes only, and should not be construed as legal advice or legally binding. If you have any questions or concerns about the content of this or any of Attorney Parese's articles, you are encouraged to contact Attorney Parese directly.



2017 Jeep Compass 65% high-strength steel, 'liberal' with adhesives

The 2017 Jeep Compass is more than 65 percent high-strength steel, FCA announced Thursday — yet another commonplace vehicle which demands auto body shops embrace OEM procedures and new repair and joining methods.

“Compass boasts a rigid foundation,” the OEM wrote Thursday in a news release. ***“The upper body structure and frame are engineered as a single unit for a stiff and more mass-efficient structure, and it is designed and built with an extensive use of high-strength steel and liberal use of structural adhesives. More than 65 percent high-strength steel is used for maximizing vehicle dynamics and crash performance while optimizing weight efficiency.”*** FCA has said its entire 2017 lineup uses 53 percent more higher-strength steel compared to 2012. FCA didn’t elaborate further on the unibody body-in-white or joining in its news release Thursday. We’ve reached out to the OEM for more information. Continue to check Repairer Driven News for details.

Adhesives in the factory can easily translate to structural adhesives in the aftermarket — shifting more repairs from welding to alternate joining methods. Besides allowing some materials to be connected without ill effects like joining or loss of structural integrity, adhesives also help OEMs to save more weight than possible with welding.

As for steel, higher strengths generally make it more likely that shops will have to refrain from traditional welding, section in only specific places, and replace rather than repair damaged parts. The 2017 Compass is probably going to be fairly different from a repair perspective than its predecessor, considering that the Mopar Repair Connection body repair manual for the existing Jeep Compass still contains references to “DaimlerChrysler.” However, the current-generation Compass, introduced in 2006 and redesigned in 2011, already uses some boron steel, including on the B-pillar, roof rail and A-pillar and involves structural adhesives during repairs, so it won’t be completely alien for shops that’ve been keeping up.

Other elements worth noting by shops:

- A ton of advanced driver safety features are offered standard or as options, including autobraking, automatic lane-keeping and rear cross-traffic checks.
- Seven airbags standard.
- What Jeep described as “intelligent 4x4 systems, each of which can send 100 percent of available torque to any one wheel.” That probably means more sensors and more scanning and calibration of the technology.
- LED taillights
- A nine-speed transmission standard, which Jeep says is a first for the compact SUV segment. (We threw this one in more for the mechanics, but it’s an interesting example of a growing fuel economy trend of adding more speeds to the powertrain.)
- The Trailhawk trim has its own “unique fascias with 30-degree approach angle, 24-degree breakover angle and a 34-degree departure angle.”

Shops might also benefit from checking out FCA’s extensive description of all the safety technology possible on the company’s 2017 models, some of which will no doubt appear on the Compass.

Source: www.RepairerDrivenNews.com

I-CAR Warns About Bumper Covers Over Blindspot Sensors

I-CAR warned collision repairers Wednesday that many OEMs do not allow repairs on a bumper cover if a blind spot sensor exists behind it.

It also noted even bumper cover removal can require a calibration of blind spot sensors under some OEM procedures. “Events that may require a calibration of the sensor include, removal of the sensor, removal of the bumper cover, or damage to mounting locations,” I-CAR wrote. “Programming will be required on many blind spot sensors, followed by an aiming procedure. ... Also, keep in mind that most OEMs do not allow repairs to bumper covers in front of blind spot sensors.”

The caution was the latest entry in the organization’s nifty “Typical Calibration Requirements” series. The educational organization has been reviewing OEM procedures and giving readers a nice summary of typical best practices and what they might expect for procedures like windshield replacement and ADAS calibration. (Though as I-CAR notes, you’ve got to check and use the actual OEM procedures for the specific model in front of you.)

As bumper covers are the most commonly affected items in a collision (68 percent of the time), according to Mitchell data, repairers need to pay extremely close attention to these kinds of OEM requirements as advanced driver assistance technology appears more frequently behind fascias and panels. About 72 percent of those times, the affected bumper covers are replaced, according to Mitchell’s study of a 3 million-estimate subset of the IP’s data.

Don’t miss the blind spot piece or other entries in the calibration series on the Repairability Technical Support portal. Here’s some other recent entries:

- “Typical Calibration Requirements of Forward Facing Cameras”
- “Typical Calibration Requirements of 360° Camera View”
- “Typical Calibration Requirements for Forward Radar Sensors”

Excerpt sources from: www.RepairerDrivenNews.com

You Charge How Much for Labor? Figure Out Your Costs First!

Tim Ronak, Senior Services Consultant with AkzoNobel – Vehicle Refinishes.

With vehicle construction and technology evolving at the most rapid pace in history within the automotive industry, what steps will auto body shops across the country need to take to remain successful?

According to **Tim Ronak**, Senior Services Consultant with AkzoNobel – Vehicle Refinishes, it will be critical for collision repairers to invest in their facilities, equipment, and training to stay current and capable to properly repair vehicles. Since this will most likely be a significant additional cost of doing business, he encouraged shops to take the time to build a pricing model that allows companies to accurately identify these additional costs. The purpose would be to quantify the actual amounts the company will need to seek to get reimbursed for this significant new and ongoing investment of capital. “Once you know the amount costs have increased, you can use this information to calculate a suitable adjustment or increase in prices and will help determine the shop’s new desired labor rates,” said Ronak, during a recent SEMA 2016 presentation: “You Charge How Much for Labor?” “Savvy business owners will recognize that they require additional returns on the recurring additional invested capital.”

When calculating how much your business should charge for labor, Ronak advised shop owners to know their costs before trying to figure out a price. “It is not something that is dictated to you by the insurance industry as many people might seem to think,” he said. “Figure out what it is going to cost you, including technology, facility and people in a capable fashion and then work backward to determine what you need to sell that for to preserve the profit level you enjoyed before the additional capital expense.”

New technologies such as onboard safety systems, telematics, and hybrid power systems are expected to be at the forefront of development for another two decades. In addition, there is pressure to increase vehicle fuel efficiency due to CAFE requirements. He said these two factors are driving advancements in both technology and vehicle construction methods and materials.

How much should a shop invest? Ronak said it depends on a shop’s individual circumstance.

Some considerations include:

- *Aluminum repair equipment (\$75,000 to \$150,000)
- *New measuring/fixture equipment (\$15,000 to \$20,000)
- *Hybrid technology (\$15,000 to \$35,000)
- *New welding equipment requirements (\$15,000)
- *OEM certification training (\$2,500 to \$12,500/tech/year)
- *Certification documentation fees (\$2,500+/year)
- *Carbon fiber repair (?)

Ronak created a [three-part spreadsheet](#) for shops to enter their data in terms of labor. Although individual results will vary, he said it was devised to help shops identify, quantify and track what they are currently spending and perform the calculations.

Continued on Page 14

Continued from Page 13

Training: With training expenses increasing as shops attempt to keep pace with changing and emerging technologies, the idea is to annually track all training-related expenses (including tuition, testing, wages paid while training, travel expenses, etc...). By clearly identifying this aggregated annual training expense, Ronak said it will more accurately determine how much to allocate the following year per unit produced/billed. The key is to spread the expense out over ALL of the potential billable units to get reimbursed for the valid usable life of the investment made to ensure that technicians remain capable of repairing the technology-laden vehicles.

Facility: Ronak mentioned two different strategies. One is expanding the facility, in which he said owners would need to look at additional volume. This is a different return model than taking an existing work-stall and reconfiguring it for an alternate specified use (i.e. using it for aluminum repair) and ensuring there is a payback on the expenses for that unique type of work being done.

Equipment: As more complex technology is developed, the cost of new equipment for the industry is rising while during the same period shops are realizing a return that is decreasing due to old technology and tooling being displaced too soon by new technology. Ronak said many shop owners are finding they need to purchase new (updated) equipment every year or two in order to repair vehicles properly per OEM specifications. Ronak said this is a difficult investment option as many scenarios result in equipment becoming obsolete before a real return is captured.

After determining these costs, Ronak said shops would have a better idea on how to price labor to ensure they can price in such a way as to create a sustainable investment cycle. According to an industry survey, Ronak said a decreasing percentage of shops reported that net profit improved despite reporting significant increased net sales. "This increase in sales with decreasing net profit is an unsustainable trend as it will choke out investment," he said. At the same time, according to PCI, claim dollars paid through insurance providers increased \$2 billion or roughly 10 percent from \$19.9 billion the 12 months ending Q1 2015 to \$21.9 billion the 12 months ending Q1 2016.

Ronak said that the information seems to imply that while the expenditures are going up, there is pressure on severity that is forcing facilities to dramatically reduce what they charge for repairing vehicles. "Facility net profit is declining, and a large part of that decrease in profitability may very well be through this massive increase in financial investment required to understand this new technology," he said. "These investments are not optional and in fact just to be able to be capable of fixing the technology, in addition to significant equipment and facility investments they are also being faced with massive annual per technician training expenses."

He said businesses need to recognize it's now an ongoing and recurring expense and the only option available is to adjust what they choose to resell that labor for. "To remain profitable, you need to consider ALL of the costs of providing capable labor, including training," said Ronak.

He added that the annual costs associated with being capable of repairing these new vehicles is going to continue to accelerate, and keeping up with the additional training expenses will also be a necessity. "Technology is not going away and all reports indicate it will continue for another two decades; Just like Moore's Law regarding Transistor compaction, vehicle technology is likely going to increase by doubling every 18 months," said Ronak. "Clearly understand your costs ... and figure out a way to get paid for it!"

Source: www.autobodynews.com

Why OEMs make techs travel, owners pay for collision repair training

Though General Motors recently announced a slate of in-shop courses, many OEMs offering collision repair training demand auto body shop owners send technicians offsite to a dedicated facility — sometimes internationally. That's inconvenient for the owners — which based on brand retention data are doing the OEMs a favor by being prepared to deliver proper repairs.

As A&B CARSTAR owner Brett Bailey pointed out in April, losing a productive technician temporarily for the days of training can be the “expensive part” to a proprietor — far more painful than paying the tech's actual travel costs. But logistically and practically, training at the shop itself just doesn't work, representatives of mainstream and luxury OEMs said during two Society of Collision Repair Specialists “Meet the Trainer” events in April and November. **In part, it's the owners' own fault.**

Tesla's Kelly Logan said in April at a Repairer Roundtable that he used to travel to shops around the world before Tesla built a dedicated training center in California. Sometimes during in-shop training, “the tech gets pulled away” to put out one fire or another. “Things are going on. ‘We need to get a car out.’ There's a lot of distractions,” Logan said.

James Meyer of Toyota agreed during the OEM Collision Repair Technology Summit in November. Toyota Collision Repair & Refinish Training tried in-shop training, but gave it up because it never worked, he said.

Jason Bartanen of I-CAR, which handles training for Jaguar Land Rover, in April said a technician simply wasn't as focused on learning delivered on their home turf — they're leaving after work for a kid's baseball game, etc. At off-site training, “they're there the entire time,” he said. “You want to have the technician's full awareness and for him to take it seriously,” Logan said. Besides distractions, a shop just doesn't have all the necessary equipment on-site to train an entire class, OEM trainers said. Audi's Shawn Hart, who attended both events, said in November that Audi doesn't profit from the offsite training, and “we give them the perfect environment.” Hart describes his class as extremely hands-on, and the Audi center has enough copies of each piece of equipment that everyone can use it. Contrast that with a shop, which might have just one of each item. Logan agreed, noting that much of the Tesla course is built around a Fronius welder used to repair the OEM's aluminum vehicles. Trying to have eight to 10 of them at even a regional facility isn't feasible, he said. Hart also pointed out that he physically would only have been able to go to a certain number of facilities had Audi held classes within a shop itself — “There's only 52 weeks in a year,” he said.

Cost of training for OEMs, shops

One audience member at the November panel wondered if OEMs would subsidize the cost of training for auto body shops given the automaker's stake in the mutual customer getting a good repair. Mike Kukavica of Porsche said his company doesn't charge for training beyond an initial fee — which hadn't changed in the nine years of the training. After the shop pays the initial fee, Porsche will train anyone an owner sends there. Rick Miller of Jaguar Land Rover said his company's fee is used to pay the program's third-party partner — and that charge actually went down after 13 years of existence. Jag doesn't make any money off of training, he said.

Meyer called Toyota's cost “very reasonable,” pointing out that there was no way the company's investment in its training facility was recouped by what it charged shops.

Sourcewww.RepairerDrivenNews.com

ABAC EXECUTIVE OFFICERS 2016

PRESIDENT

TONY FERRAIOLO
A&R Body Specialty - Wallingford

SECRETARY

MARK WILKOWSKI
Stanley's Auto Body - Waterbury

IMMEDIATE PAST PRESIDENT

BOB SKRIP
Skríp's Auto Body - Prospect

VICE PRESIDENT

ED LUPINEK
Eddie's Auto Body - East Haddam

TREASURER

MIKE WILKOWSKI
Stanley's Auto Body - Waterbury

ADMINISTRATIVE DIRECTOR

Heather Romaniello



**AUTO BODY
ASSOCIATION
OF CONNECTICUT**

The goal of the ABAC News is to provide a forum for the free expression of ideas. The opinions and ideas appearing in this publication are not necessarily representations of the ABAC and should not be construed as legal advice.

ABAC BOARD OF DIRECTORS

BOB AMENDOLA

Autoworks of Westville - New Haven

TONY CATAPANO

Walt's Auto Repair - No Branford

MARIO DIMICHELE

Jake's Auto Body - Waterbury

CAROL LUPINEK

Eddie's Auto Body - East Haddam

RONALD POIDOMANI

Town Line Body Shop - Monroe

RANDY SERKEY

A&R Auto Body - Torrington

WILLIAM ROMANIELLO

Legislative Director

GEORGE ATWOOD

Atwood's Auto Appearance - Deep River

TONY CAVALLARO, JR.

Airport Rd. Auto Body - Hartford

ADRIANNA INDOMENICO

Santostefano Auto Body - Middletown

DEAN McCOY

Dean Autoworks - Durham

STEVE SBALCIO

Dean Autoworks - Durham

JOHN WELSH

Oxford Automotive - Oxford

JOHN M. PARESE, Esq.

ABAC Legal Counsel - Law Offices of Buckley & Wynne

ASHLEY BURZENSKI

Autoworks of Westville

WILLIAM DENYA

Denya's Auto Body - Meriden

SABRINA INDOMENICO

Santostefano Auto Body - Middletown

JOE MIANO

Friendly Auto Body - Hartford

JOANNE SERKEY

A&R Auto Body - Torrington



Your ABAC Board of Directors

**Advertising & ABAC
Sponsorships Available**

*Want to be a Sponsor?
The ABAC has many different
Sponsorships available to fit
any advertising budget!*

*Advertise and support the
Auto Body Association of
Connecticut by placing your company ad
in the Supporting Advertisers Directory
found as a pull-out in this newsletter*

*Corporate, Affiliate and Meeting
Sponsorships also available*

For more information contact:

Dave @ 860-227-0653