Tarred With The Same Brush?  
Part Two

Last month, we began our coverage of the National Association of Attorneys General Auto Repair Task Force Report with a summary of the report’s findings and observations regarding incentive compensation systems and technician competence. We’re back again to consider the report’s observations and recommendations concerning automotive repair shop culture, diagnostic procedures, and shop policies.

As I stated, many of the recommendations made by the Task Force represent good common sense. For example, the Motorist Assurance Program (MAP) was already at work implementing some of the Task Force recommendations, before the report was issued.

MAP has published established guidelines for inspections of vehicle systems and has issued publications that are designed to help vehicle owners understand their cars. A shop accreditation program and an alternate dispute resolution system are also on the way. These and other MAP programs address specific recommendations in the NAAG Report. Responses to the report from other automotive associations are sure to follow.

Perhaps our initial gut-wrenching response to this report is due to the fact that a large finger is pointing at our profession. It’s hard to accept that any of us is really as bad as some sections of the report would have us believe.

Maybe your shop is already doing most of the things the NAAG Report recommends, and not doing any of the things the Report suggests that you shouldn’t be doing. If so, you’ve got nothing to worry about. The report is still worth reading however, because it gives us an opportunity to see ourselves as those outside our profession may see us. Like it or not, it’s not always a pretty picture.

Culture of the Shop

If you are the owner of your shop, you decide the rules of the house. This includes the shop’s policies in all its dealings with customers. Your employees take their cue from the guidelines you establish. These guidelines help to establish the “culture of the shop.” The NAAG Task Force Report is succinct on this topic:

For shops to avoid the potential of both civil and criminal liability for selling unnecessary repairs, the Task Force recommends that all repair shops institute a strong management policy against their sale. Further, each shop must inform its technicians of this policy and aggressively enforce it against technicians who violate it. Continued government enforcement against illegal activity should also be effective in sending a message about “shop culture.”
Lest you doubt their sincerity, the report also states: "To assist the state Attorneys General in their law enforcement efforts, the Task Force currently maintains a revolving fund for the purpose of funding undercover investigations of suspected auto repair fraud."

**Shop Procedures**

One of the suggested ways to reduce the number of consumer complaints and unnecessary repairs is to require better communication between the repair facility and the customer:

The Task Force believes that disclosure of information to consumers will enhance their ability to seek further information and to comparison shop. More comprehensive disclosures will provide consumers with essential tools for eliminating many of the problems they encounter with auto repair, especially those related to unnecessary repairs. Thus, the timing and manner of disclosures as to proposed repairs are critical.

These disclosures should be made both before and after repairs:

Prior to any repair work, shops should disclose to consumers:
1) all anticipated diagnoses and repair charges;
2) that any unforeseen repair in excess of the estimate must be authorized by the consumer (unless within the percentage permitted by some state laws);
3) that consumers are entitled to the return of replaced parts;
4) the type of replacement parts to be used (e.g., original equipment, independent aftermarket, rebuilt, remanufactured or other);
5) whether repairs are necessary or recommended;
6) how labor charges are estimated (e.g., flat-rate manuals);
7) any charges for estimates; and
8) any other fees to be paid by the consumer.

After repairs, the shop should provide consumers with an invoice which itemizes:
1) parts installed;
2) labor performed;
3) the total charge for parts and service;
4) the identity of the repair technician(s) who performed the repairs.

In addition, shops should provide a copy of any warranty that applies to the parts installed and the service performed.

The report recognizes the difficulty of fully informing the customer about the needed repairs before it's known for sure what repairs are needed. It makes the following recommendations to help the service writer achieve optimal results:
1) a form to assist consumers in fully and accurately describing the problem;
2) a repair hint booklet and information about pricing; and
3) adequate staffing during peak hours.

The report recommends that "service writers should be trained to act in accordance with the requirements of applicable laws...." At present, 27 states have disclosure laws on the books. Typically, when an estimate is revised, the laws require that the following points be documented:

- The name of the person who called the consumer;
- The name of the consumer spoken to;
- The phone number and time at which the consumer was called;
- A description of the additional work and parts needed;
- The charge for such additional work; and
- A statement that the consumer approved the additional work.

The Task Force believes that all repair shops should include such information on their disclosure forms when a consumer's assent to do work is not obtained in person and signed for by the consumer.

The report further states that when a customer drops off a car and a specific repair is agreed upon, the disclosure form should:

- Describe the problem and provide the
technician’s diagnosis.
- List specifically the parts needed to effectuate the repair and whether original equipment parts, independent after market parts, rebuilt or remanufactured parts, or other used parts are recommended; give the basis for the recommendation and the maximum charge for each part.
- State the maximum labor charge to be imposed to effectuate the repair.
- Tell the consumer his options when the technician cannot easily identify the defective part and has a choice between repairing the vehicle through either:
  i) The “hunt and peck” method of replacing individual parts until the problem is found, versus,
  ii) The “replace the entire system” method, which may be less time consuming and less expensive because of labor charges than finding and fixing specific “broken” parts, but which results in the replacement of parts which need not be replaced and, therefore, charges for those parts. Under this circumstance, technicians should provide consumers with sufficient information to decide for themselves which method they wish to be used.
- Disclose the maximum price to be charged to accomplish the agreed upon repair or service work.

The report takes this issue one step deeper:

The Task Force remains concerned about consumers being charged for the number of hours set forth in a flat-rate manual regardless of the amount of time it actually takes the technician to complete a repair. If flat-rate manuals continue to be routinely utilized by the maintenance and repair industry, the Task Force urges that their usage occur only in accordance with the following recommendations:
- Repair shops should provide written estimates which disclose all diagnoses and anticipated repair charges.
- Repair shops should not exceed the estimate unless:
  a) additional, unforeseen work is necessary to complete the repair; and
  b) advance consent to these additional charges is obtained from the consumer.
- If a flat-rate billing/compensation plan is used, repair estimates and bills should clearly and conspicuously disclose:
  a) that the actual repair time is not being used;
  b) the source of the flat-rate time (e.g., Chilton, Motor, Mitchell);
  c) that the manual times used may not coincide with the actual time spent repairing the auto; and,
  d) that a copy of the manual is available for consumer inspection.
- Consumers should never be charged twice for the same labor. For example, when a repair includes several steps for which separate flat-rate labor charges could be estimated, the consumer should not be charged for overlapping, duplicative or other such included operations, and doing so may violate state deceptive acts and practices statutes.

The report also addresses the sale of recommended services. The Task Force expresses concern that many shops “do not give consumers the reasons why certain repairs are being recommended or the possible consequences if the repair is not performed.” In addition to the items included on the disclosure form previously mentioned, the Task Force recommends that whenever upsells are sold over the phone, the following points be documented:
- A description of the recommended work.
- Whether the recommended work is:
  a. related to the repair which was just done;
  b. an “immediate recommendation” which should be taken care of very quickly;
c. is a preventive and/or scheduled maintenance type of repair or service; or,

d. is recommended for improved performance.

- The basis for the recommendation, including:
  a. whether the work is necessary, according to specifications established by the manufacturer of the auto;
  b. if no manufacturer’s specifications exist, whether the repair or service is necessary according to accepted trade standards; or,
  c. the technician’s reason for the recommendation if not based on manufacturer recommendations or accepted trade standards (including an oral disclosure to the consumer at the time the written recommendation is given of the reasons for recommending the part replacement or service and the fact the work is not necessary according to the manufacturer’s specifications).

Side Issues

The bulk of the NAAG report dwells on how charges to the consumer and technician compensation rates are determined, but it touches upon a few side issues as well. One such issue is the charging of fees based upon a percentage of the sale:

Invoices should itemize any charges, including those for shop supplies and toxic-waste disposal, and include such charges in the total to be paid by consumers. Such charges should not represent an extra profit center for the repair shop. Instead they should reflect the actual costs incurred by the repair facility for the specific repair and should not be represented, directly or by implication, as mandatory government-imposed fees.

The implications of this recommendation are subject to interpretation, but according to the Washington State Attorney General’s office, the preferred method of charging such fees in our state is to itemize them individually. For example, if you pay to have oil filters hauled away by a recycler, include an itemized charge for “oil filter recycling,” not an “environmental fee” based upon a percentage of the labor charge. Furthermore, you should be able to demonstrate that the fees you collect are based on actual expenses. It would be fraud to charge an oil filter recycling fee if all you were doing was throw-

Get Involved

While much of the NAAG Auto Repair Task Force Report could be viewed as an indictment of our industry, it also contains information that may lead to better understanding and enhanced respect for our profession. If you are disturbed by any of the reports, observations, and recommendations excerpted in these articles, you owe it to yourself to become better informed, then get involved! The full Auto Repair Task Force Report is available for $35 (plus applicable taxes) from:

National Association of Attorneys General
444 North Capitol Street, N.W.
Suite 339
Washington, D.C. 20001 (202) 434-8000

Read the full report. If you agree with the recommendations it contains, implement them in your shop. If you don’t agree with certain aspects of the report, work with the automotive professional organizations in your area to communicate your concerns to your state legislators and Attorney General’s office.

—By Chip Keen