



# CRB Newsletter

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## A Word From the Chairman

### Injunctions Filed in Lorain County, More to Follow

On May 31, 2006, injunctions were filed in Lorain County Common Pleas Court by the Attorney General's office against five collision repair operators who have failed to register with the Board as required in Ohio Revised Code Section 4775.02. Those shops are: Rapid Auto Body, 1354 Colorado Avenue, Lorain, Ohio 44052; Lou's Body and Paint Shop, 1766 Elyria Avenue, Lorain, Ohio 44052; Fender mender, 8720 Leavitt Road, Amherst, Ohio 44001; Zibb's Auto Body, 12540 State Route 58 North, Oberlin, Ohio 44074, and Jeff's Auto Body, 1339 Colorado Avenue, Lorain, Ohio 44053. The intent of the injunction is to restrain the aforementioned collision repair operators from continuing to violate the law.

In the next couple of weeks, the Attorney General's office will be filing injunctions in Butler and Hamilton Counties against numerous non-compliant collision repair operators. The Board Investigator has been aggressively compiling lists of shops across the state that continue to operate illegally and will soon face prosecution as outlined in ORC 4775.

It is the intention of the Board to register all collision repair shops voluntarily and provide each shop with the best service possible. However, for those collision repair operators who refuse to register and continue to operate in defiance of the Ohio Revised Code section 4775, they will be prosecuted to the fullest extent of the law.

## MISSION STATEMENT

*To promote consumer protection through oversight and enforcement of Ohio laws requiring registration of motor vehicle collision repair operators and facilities in the State of Ohio.*

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## Has State Farm Started a Revolution?

*“State Farm just gave the collision repair industry its greatest opportunity.”*

The first shots in a revolution have been fired at the Collision Industry Conference (CIC) held in Portland, Oregon in April. They came in the form of a low-key presentation by George Avery, a claim consultant for State Farm Insurance. Avery was explaining the changes in State Farm’s Service First program and the reasons behind State Farm’s decision to test some new methods of running its variation on the direct repair theme. “The bottom line is State Farm doesn’t think it is reasonable to pay more for repairs than its competitors,” Avery told the audience, regarding State Farm’s decision to making efforts to receive discounts that collision shops are offering other insurance companies. Then Avery fired the shot, “If your business model gives discounts, then we want the same discounts. If you don’t give discounts, then we won’t take discounts,” he said. It didn’t take long for the statement to sink in.

Immediately following Avery’s presentation, long-time industry leader, Jeff Hendler approached ABRN saying, “State Farm just gave the collision repair industry its greatest opportunity. I always said that if I could rescind the anti-trust law for a day and get everyone together in Denver’s Mile High Stadium, we could solve all the industry’s problems. This is that chance.”

Saying that State Farm won’t ask for discounts if a shop doesn’t offer them to other insurance companies, gives shops the potential leverage to say that they will not longer offer discounts on parts, material or labor. “I think this new program is one of the most, if not the most, significant even in our industry. It’s huge when you think about the potential ripple effects,” says Darrell Amberson, President of Lehman’s Garage, a group of shops in the Minneapolis area, and President of the Automotive Service Association (ASA) Collision Division Operations Committee. “There are some tough decisions to be made. Some shops may go to their other DRPs and say, ‘We can’t afford to give you the concessions we have in the past.’ Then the insurance company is going to have to decide whether to pay more or to find other shops in the area. It’s going to be fascinating to watch.”

Amberson predicts that ultimately there will be fewer shops as a result of State Farm’s actions, a forecast that is seconded by several other industry experts and observers. “Whatever the number you can document that State Farm is going to reduce their number to—if they are going from 20,000 to 10,000 or 18,000 to 8,000, whatever it is, I think you’re going to see a similar reduction in the number of stores in the country,” says Dan Bailey, chief operating officer at CARSTAR.

Bailey thinks shops are going to have to do some serious analysis of their business if they intend to survive. “The risk there is that a shop may be removed from programs they are on if they stop giving the discounts and they may not get on the State Farm Program,” he says, “You have to figure out how to make that kind of business decision. They don’t want to increase their rate with State Farm, so they take the risk that a company that’s 20 percent of their business may take them off their program.”

One key to extracting concessions from other insurers is that in most markets, State Farm is the largest auto insurance company. That means a shop that remains in State Farm’s DRP can have some leverage. “This is an opportunity for shops to roll back some of the concessions they have given. They can say, ‘State Farm is sending us a lot of business and we can’t afford to give them the discounts we give to you, so we aren’t going to give you any discounts’,” says Tony Molla, Vice President of Communications at the National Institute for Automotive Service Excellence (ASE).

*Cont’d on page three...*

## Investigator Report

This year continues to be productive with the investigative process. Our newly appointed Assistant Attorney General, Ted Klecker, is proactive and is moving forward with the prosecution phase for illegal shops. Ted has been very helpful and we have established a good working relationship. Shop visits continue to go very well. Issues and concerns are uniform throughout the state and complaints continue to grow regarding illegal shops.

I appreciate the excellent cooperation I have received from the shops registered in Ohio. Please continue to contact me should you have any questions or concerns.

The following is a 2006 year-to-date recap of activities:

Complaints investigated	66
Notices of violations issued	245
New shop applications issued	84
Renewal reminders issued	38
Prosecution proceedings initiated	171
Attorney General Injunctions Req.	92
Shops located "Out of Business"	125
Total shop visits	730

*Report by Michael R. Greene*

### **State Farm Revolution**, *Cont'd from page two...*

If enough shops make that move—eliminating or reducing the discounts they offer—the problems that the industry faces as a result of offering discounts may diminish. Roger Wright, Vice President of Material Damage in the Personal Lines section of AIG, says, "I think this will stabilize the industry. I say stabilize because those shops that really hurt the others—the ones that offer everyone a discount—won't be undercutting everyone else and there will more of a level playing field."

Not everyone sees State Farm's actions as being all that revolutionary. Sales and Marketing specialist, Hank Nunn says, "While they say they haven't been getting discounts, they have in effect been leveraging their buying power for years to obtain discounts through their rate-setting survey and methods." In spite of that observation, Nunn does think the results of State Farm's actions will be "healthy and positive" if the shops examine their business and move toward reducing their discounts and reliance on business models driven by DRPs.

The other side of the coin is that shops may decide to not get rid of their discounts and instead give State Farm the same discounts. That could prove ruinous to the industry. "I don't think this is going to do away with discounting," says one industry observer who asked not to be named. "I don't see shops getting together and getting rid of discounting. I see State Farm reforming their plan because asking for the best of the best of the best of all discounts is not going to give shops a reasonable profit on their repairs and shops are going to start going out of business."

Shops that give an ultimatum to their other DRPs are at the risk of losing that business, which is why everyone ABRN spoke with said shops must carefully examine their business to see whether to risk losing business or risk the cost of continuing to offer discounts.

*Cont'd on next page...*

*What will the result be?  
Opposing thoughts:*

*"...This will stabilize the industry...those shops that really hurt the others...won't be undercutting everyone else and there will more of a level playing field."*

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*Make your  
T-CLOCK  
checklist today!*

The prudent shop operators will be looking at their numbers to find what their real costs are to see what they can afford to do and then negotiate with some of their insurance companies to raise their rates. "You're talking about big stakes," says Ambersson.

It's a long way from a remark at CIC to huge changes in the collision repair industry, but the consensus is that State Farm's position on discounts will be good for the collision repair industry - at least for those shops that remain in business. "This is probably the best thing that has ever happened," says Bailey. "The people who lose a big part of their business because they asked for an increase or no discounts are going to think I am nuts, but I think this will help the business that made the right decision."

*Article By Mark Johnson for Automotive Body Repair News*

## Safe Riding Begins With Pre-Ride Trips and Good Judgment

Safe motoring starts even before the ride begins. Riding a motorcycle takes coordination, balance and most importantly, good judgment. By taking just a few moments to conduct a pre-ride check of your motorcycle before you ride and choosing not to consume alcohol, you can increase the chances that nothing will go wrong while you are on the road.

The Ohio State Highway Patrol (OSHP), American Motorcyclist Association (AMA), and Ohio Department of Public Safety's Motorcycle Ohio office recommend riders follow the Motorcycle Safety Foundation's "T-CLOCK" pre-ride checklist to help make every ride safer:

- T - Tires and Wheels:** Check the tires and wheels, which are the most important part of the motorcycle.
- C - Controls:** Check the controls.
- L - Lights:** Check the lights; including brake lights, headlights, and turn signals to insure that everything is in working order.
- O - Oil:** Check the oil and fuel, and if the motorcycle is liquid cooled, check the coolant levels.
- C - Chassis:** Check the chassis, including the frame, suspension, chain or belt, and fasteners.
- K - Kickstand:** Check the side stand and center stand to make sure they fold up properly, and stay up.

Alcohol and motorcycles don't mix. As motorcyclists begin thinking about riding throughout the upcoming summer season, here are some points to consider from AMA's national Ride Straight alcohol awareness program:

- Alcohol and you** - Even one drink can negatively impact your ability to ride safely. The dangers posed by a loss of skill and judgment can be a problem anywhere motorcyclists ride after consuming alcohol.
- How much is too much?** - Alcohol affects everyone differently; however it begins working on your brain and motor skills with the first drink.
- What can you do:** - The safest and most responsible choice is don't drink and ride.

The goal of Ride Smart, Drive Smart, is to help motorcyclists and other drivers share the road safely. Three key awareness themes to achieve the goal are:

- Ride Trained (including knowing proper safety gear to wear)/ Ride Licensed;
- Ride Sober (incorporating the AMA's national Ride Straight program); and
- Other drivers, be aware by looking out for motorcyclists.

*Courtesy Ohio State Highway Patrol*

## Is There Still Money in Glass Repair?

**A Variety of factors have made in-house glass work less profitable, but some shop owners still make it work. Is it right for you?**

To be, or not to be? That is the question.

If Shakespeare's *Hamlet* had been a body shop owner, he might have pondered a tougher query: "To do my glass work, or subcontract it out?"

Now that's the question, and a tough one at that.

On one hand, doing your own glass work in-house offers the opportunity to create a new profit center, albeit one with relatively low margins that seem to be getting smaller every year. Subbing it out may save you headaches, but also may stifle your ability to control the quality of the job and leave you liable if something goes wrong. If you're going to be held liable either way, many argue, then why not do the work yourself? It comes down to a decision that each individual shop owner has to make by carefully considering a number of factors and deciding if doing their own glass work is right for them.

### Challenges Aplenty

Frank Gobekar's shop used to perform its own glass work, but that all changed two years ago. Gobekar, General Manager of ABRA Auto Body and Glass in Woodbury, Minnesota, now subs out work to the corporate ABRA center due to an inability to turn a decent profit.

"The hardest thing with glass was hiring good employees to come to work every day," Gobekar says, "Plus, you had to deal with the expenses of the vehicles (for mobile service) and the employees taking care of the vehicles. Hiring good people who knew the trade and were reliable was hard to do."

Worker's Compensation was another expense squeezing net profit—down to roughly 2%. Gobekar says there were also other factors that contributed to his decision to sub out glass work. "The other challenge was that we were a stand-alone, one-truck deal," he says. "I was restricted to a particular area and limited to a certain radius from the shop, and that made it difficult." Based on the experience, Gobekar believes shop owners and managers should steer clear of bringing glass work in-house unless they plan on doing it on a large scale and can work with the insurance company angle.

"Every time you turn the corner, there's another glass truck in the market out there," Gobekar says, "unless you have connections with the insurance companies, you'll only get a little work. And it probably won't be worth it to hire a trained technician just for that."

Based on current market conditions, Willie Myers Jr. agrees that shop owners looking to create a new profit center should consider something other than in-house work. "The glass industry has let this thing get nasty," says Myers, owner of Myers Auto Collision Repair in Trussville, Alabama. "Safelite and other national companies have come in and put the local vendor out of business—he can do it for nothing." Myers advertises his shop as a glass installer, but his shop doesn't do the glass work itself. Instead, Myers calls in Lynx Services, a referral service, that will find an outside glass installer to come to the shop and perform the work—and for that Myers' shop receives \$25 from Allstate. Myers considers the \$25 payout to be the lesser of two evils and not exactly something to be overjoyed about. "We make no

*If Shakespeare's Hamlet had been a body shop owner, he might have pondered a tougher query: "To do my glass work, or sub-contract it out?"*

*Before making the decision of whether to do in-house work, be prepared to tackle all the tough questions.*

profit on that, nothing to cover light, insurance, etc.," he says. "But if you have your own guy do it, you have the cost of him added to worker's compensation, taxes, etc. If you sub it out, you still have the administrative cost of calling someone and going through the system. You have cost either way."

Even though Myers subs out his glass work he says that he maintains control over work quality by making sure the subcontractor is properly trained. "The quality has to meet the standards the warranty will cover," he says. "You don't hire some guy who has a jackleg business working out of his garage." Myers advises anyone looking to get into the glass business to analyze four things before deciding what route to take: cost, liability, warranty and profit. How much does it cost for you to fix a windshield? And how much profit is there versus the liability? Myers envisions a day when he'll take a closer look at doing glass work in-house, but for now he believes it just doesn't make sense. "Right now, the glass business is worse than the body shop business. The questions I would ask are: 'Am I making enough profit to hire a person out?' and 'Am I doing enough glass work?' 'What volume do I need to do to put a truck and person on?' It's a war right now among who can do it cheaper, but you can't do it so cheap that the air bag doesn't work. It's so technical, but as soon as you train a guy to do it, he can pick up and leave and go start a business for himself."

Brad May, glass manager for the ABRA Auto Body & Glass facility in West Aliss, Wisc, agrees that volume is key for any glass business, not just for profitability but for employee training as well. The better your employees are at installing or repairing glass, the better you can stave off any liability claims. "The reason our guys do it well is that they do a lot of glass work and do it every day," May says. "And to body shops that sub the work out to us, it's worth it because they can warranty their product. There's more damage done to the body and more glass losses from someone who doesn't do it a lot." May believes the chips are stacked against anyone trying to get into the glass business today. "If you have the budget to get your name out there, you might make it work," he says, "but it's harder than hell to make a profit. One guy said you can make enough to make a living, but not enough to get out of it. And there's no room for error in installation, or you won't have a business."

### **Making it work**

Location is an important factor when considering in-house glass repair. The more glass shops in your area, the less your volume and the less your pay. In Randy Crittenden's case, that's not a problem. He owns Randy's Paint & Body in Tribune, Kansas—population 1200 for the whole county—and he's the only one around doing windshield installation and repair. "If you're in a location where there are glass shops all over, you might want to reconsider doing glass work yourself. As for me, I don't see having that problem anytime soon, but you never know."

Crittenden admits that there's not as much profit as there used to be, but he says that "every bit counts." For those who would need to invest in training and tools, he says they will have to decide if that outweighs the profits they will make.

For Cory Almy, in-house glass work isn't so much about making a profit as it is making his collision shop a "one-stop shop." Almy is part owner of Minot's Finest Collision Center in Minot, N.D. "We do it to be able to offer all collision services," he says. "Plus, it brings in revenue during slower times." Almy also uses it to upsell customers. When a customer comes in to get an estimate on body repair, Almy will mention that the shop does glass repair if he notices a crack in their windshield. He also runs a glass repair advertisement in the Yellow Pages, which generates two or three calls a week from potential customers.

In addition to that, Almy recently invested in a chip repair machine that allows his staff to fix minor chips more effectively and efficiently. He typically charges \$50 to

*According to the NGA, the technical knowledge needed to perform windshield replacement has increased by fifty times.*

\$55 for the work, and can usually eke out \$10 to \$15 profit on each job. He says the machine paid for itself after the first year and was easy for his staff to learn how to operate. And it's yet another service that his shop can offer that contributes to the bottom line.

As for liability, it isn't a concern for Almy because of the level of expertise and training his staff has. "I know the work is being done right. At a glass shop, they just pay the installer by the hour so he may or may not have the right frame of mind to be careful, but I have an 18-20 year technician working on a job so I can feel confident that it will be done right." Some argue that adding in-house glass work to an already overloaded daily work schedule creates havoc and confusion among technicians who don't know who is responsible for what job and what job takes priority over another. Others like Almy say it presents an opportunity to solve those issues and come out with a more efficient work process overall. "It promotes the concept of working together," says Almy. "One guy works on a dent while another works on a windshield chip. In the end, it contributes hours to the team. Some techs scoff at a windshield chip when a dent needs to be fixed. They know it isn't lucrative, but they also know it's something we need to offer."

### **A Technical Process**

If you are going to do your own glass work, particularly installing new windshields, you're going to need highly trained technicians to do it, since it takes more skill and focus to remove and properly install today's windshields, back glass and other urethaned or bonded stationary glass than it did for windshields on older cars. According to the National Glass Association (NGA) the technical knowledge needed to perform a windshield replacement has increased by fifty times. Many decisions need to be made: sealants, dry times, gasket types, one or two part sealants, OEM glass or after-market, proper primers and pinch weld treatments, etc.

According to I-CAR, 90% of windshields installed are installed improperly. This endangers vehicle occupants (and makes you liable if something happens) since 60% of strength in roof crashes comes from the windshield and 100% of the structural support for air bag deployment.

All that said, it stands to reason that bringing glass work in-house isn't a decision you should make without doing a lot of market research. For some of you, it may prove wise. For others, it may not.

*Article by Jason Stahl, Courtesy of Body Shop Business*

## **Legislative Update**

**House Bill 150, Junk Yards/Secondhand Dealers:** Introduced in the House on March 24, 2005, by Representative Gibbs, HB 150 would require penalties to be imposed if a junk yard owner fails to make required changes or improvements. It permits a licensee to sell junk while the licensee's license is suspended. It requires a license to be revoked if the licensee fails to make changes or improvements during the 90-day suspension. HB 150 also increases the tax imposed on the owner, up to \$100 per day while the violation continues. **The Bill's effective date is 10/12/06.**

**House Bill 198, Glass Technicians:** Introduced by Representative Blessing on 4/14/05 in the House of Representatives. It would establish the State Board of Glass Technicians. The Board would regulate automotive glass repair technicians and glazers. This would be a licensing board that would evaluate qualifications, prescribe standards, adopt rules as necessary and establish continuing education curriculum. **There have been no hearings on the bill, to date.**

**Amended Substitute House Bill 208:** Introduced on 4/20/05 by Representative Raga, it was assigned to the House Transportation, Public Safety and Homeland Security Committee. It **allows** salvage motor vehicle auctions and salvage motor vehicle pools to sell salvage motor vehicles to certain specified authorized purchasers instead of only to motor vehicle salvage dealers. It **eliminates** the restriction that provides that an insurer, repair facility or installer may use a salvage motor vehicle part in the repair of a motor vehicle only if the part is removed from a salvage motor vehicle by a motor vehicle salvage dealer. It **increases** from five to nine, the membership of the Motor Vehicle Salvage Dealer's Licensing Board. It **changes** the name of the current Board of Vehicle Collision Repair Registration to the Board of Motor Vehicle Repair Registration. And it **requires** the registration of motor vehicle mechanical repair facilities. **There are no new hearings scheduled at this time.**

**House Bill 370, Bittering Agent:** Introduced on 10/05/05 by Representative Skindell, it would require automobile antifreeze or coolant containing more than 10% ethylene glycol and manufactured after 12/1/05, to include a bittering agent making the engine coolant or antifreeze unpalatable. The bittering agent shall consist of not less than 30 parts per million and not more than 50 parts per million. **There have been no hearings scheduled on this bill.**

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