



Tennessee Collision Repairers Association
www.tncollision.net

NEWSLETTER

Vol 1, Number 5

©2007 TCRA, All Rights Reserve

December 2007

Articles:

- **Estimating Systems Parts and Labor-Time Change(From Collision Week)...Pg 1**
- **Chief and ALLDATA join forces (Chief News Release)..Pg 5**
- **Collision Repair Facility Business Conditions: Third Quarter 2007(From Collision Week)...Pg 5**

The above articles were selected for their content and relevance. I felt that they would be of particular interest to most of the membership. If this is not the type of information you are looking for, please drop me a email at bob.mitchell@mitchellsbodyshop.com and let me know what you would prefer to have in the newsletter.

President's Message:

We are about to start a new year with a meeting on Tuesday, 9 January. During this meeting we will elect new officers for the coming year. A new Vice President will be elected and four new members at large. We currently have five members at large. Because we did not have an Immediate Past President when we formed up we elected an extra member at large to serve in that voting capacity. The current Vice President, Al Childrey, will move to the Presidents position. The Election Committee (Joey Harris, Rudy Quarles and Steve Hite, all of Henderson) will present their list of nominees at the January meeting. Nominations and motions will also be taken from the floor. Voting will be done by closed ballot if there is competition for the particular position, otherwise a voice vote will be taken. If you have not been able to attend all of the past meetings, please make every effort to attend this meeting. In addition to the election, we will have a general business meeting and discuss the future of the association. We need all members to be present for this meeting and please bring a new body shop or an old one

who has not joined the association. It has been my pleasure serving as your President this past year. I appreciate the confidence that you have shown in me to represent your wishes. I look forward to seeing y'all in January. I would also like to thank the following individuals who served on the Board of Directors over the past year.

- Al Childrey, VP
- J. Mark Smith Sec
- Steve Hardee Treas
- David White M@L
- Melvin German M@L
- Ivy Delk M@L
- Roger McDonald M@L
- Rudy Quarles M@L

Please contact Joey Harris (731-989-7093), Rudy Quarles (731-989-0440) or Steve Hite (731-989-5795) with your request to run for one of these open positions or a nomination for someone else. There will be four Member @ Large positions and the Vice-President. Should the Secretary or Treasurer desire to run for VP or one of the M@L positions, they should notify the Election Committee so that they can also seek nominees for the position that will be vacated.

Estimating Systems Parts and Labor-Time Changes Over the Years

What would you find if you compared parts prices and labor times on five identical repair estimates, using all three estimating systems, written more than 13 years apart?

In the fall of 2004, ADP met with tremendous industry criticism when it instituted a significant, across-the-board drop in the refinish labor times in their database. The company, at the time, later reversed the changes and blamed the drop on "operational issues," the cause of which were never fully explained or detailed.

In the several years that followed, the subject of estimating system accuracy, and the disclosure of changes to the parts and labor databases that power these systems continues to be at the center of many industry debates.

With this in mind, CollisionWeek wondered what might be discovered by comparing estimates that were written many years apart on the same vehicles, parts, and operations.

We conducted a study comparing estimates written today, with the same estimates written using 1994 software and 1994 data on five different vehicles across all three major estimating systems. We hoped to get a glimpse of any changes that may have been made over the years in the databases involving parts, labor or both.

The comparison was made by writing estimates to replace four common parts, on five different, relatively high volume vehicles using all three estimating systems. The estimates called for the replacement of the front bumper cover, hood, left fender, and left quarter panel on a 1994

Chevrolet Camaro, Ford Taurus, Cadillac Fleetwood, Ford Mustang, and Toyota Camry. The estimates written today included all of the same parts and labor operations as they did in 1994.

Assuming the estimating systems were reasonably accurate in 1994, we would not expect to see any significant changes in labor times. Though these vehicles are now 13 years old, they all still have the same number of bolts, the same attaching parts, and the same refinish area as they did when they were new.

In 1994, the 15 estimates (five vehicles on three systems) had a total of 483.1 labor hours. Looking at these same operations in the 2007 version of these estimates we were able to identify 35 different labor times changes. However, the net result of these changes amounted to an increase of just 0.5 percent. The 2007 estimates had a total of 485.5 labor hours, 2.4 hours more than in 1994.

The 35 time changes were almost evenly split between increases and decreases. Almost half of the changes increased the labor time while the other half decreased it. When comparing the estimates by company, we found a similar split- two companies had a net increase in total time, and one had a net decrease.

Labor Time Changes	# Up	# Down	Net Change
Mitchell	5	4	1.40%
Audatex (Formerly ADP)	8	9	0.60%
MOTORS	3	6	-0.50%
All	16	19	0.50%

Half of the changes found were in refinish times, but those were also split evenly between raised and lowered times.

Obviously, the sample size of this study is too small to draw any firm conclusions. However, if you were to assume that all database providers were making changes over the years in an effort to make their systems more accurate, whether that resulted in a time increase or a time decrease, you would expect to find exactly what we did- a mix of both upward and downward revisions resulting in little significant net change in either direction.

The only specific conclusion we can make is that labor times have definitely changed over the past thirteen years, but we might also make a few general conclusions:

- Information providers do change flat rate amounts over time.
- Vehicle flat rate changes are in both directions, almost equally split between flat rate amounts that went up and those that went down.
- Vehicle flat rate changes have a minor overall impact. The net effect of labor changes is a slight increase of only one-half of one percent. This indicates that labor changes do not show a consistent bias one way or the other.

So while the labor times show what we might expect in a normal market, an examination of parts prices paints a different picture.

Parts price increases over a 13 year time span would obviously be expected. In fact, according to the Bureau of Labor Statistics, actual inflation since 1994 has averaged about 2.66 percent per year. This means that a \$100 part in 1994 should cost about \$140 today- so any parts price increases in the neighborhood of 40 percent should seem fair.

In our sample of estimates, which included 20 parts (five different cars, four parts on each), the total parts bill increased from \$22,659 in 1994 to \$32,304 in 2007. That is an increase of 42.6 percent, close to what we might expect. The parts bill increased at an annual rate of 2.8 percent, similar to actual inflation.

When we look at the individual price increases by the type of parts, the details tell a very different story.

We found that the cost of the hoods, as a group, increased 60 percent over the past 13 years while the cost of the quarter panels, as a group, increased a whopping 95 percent- almost double what we would expect due to historical inflation.

The fender and bumper cover prices offset these steep increases with the price of our fender group increasing only 6.6 percent in 13 years. The bumper covers actually went down in price, costing 5.0 percent less in 2007 than they would have in 1994.

Again, this is a small sample of parts, much too small to draw any reliable conclusions. However, one can certainly speculate about what market forces might be at work here.

Hoods and quarter panels both increased well above normal expected inflation rates. Both of these parts categories have little, if any, competition from the aftermarket, and therefore no pressure to keep prices in check.

Bumper covers and fenders however, have plenty of aftermarket competition, especially on high volume car models such as the Ford Taurus and Toyota Camry, both of which were included in this study. The aftermarket competition might possibly be the reason that our group of bumper covers, that cost \$5,879 in 1994, actually dropped 5.0 percent in price to now cost \$5,587 today.

Part Prices (5 vehicles)	2007	1994	Change
Bumper Covers	\$5,587.41	\$5,879.48	-5.00%
Fenders	\$4,359.60	\$4,089.96	6.60%
Hoods	\$11,075.81	\$6,912.95	60.20%
Quarter Panels	\$11,281.61	\$5,776.72	95.30%
Total	\$32,304.43	\$22,659.11	42.60%

Chief and ALLDATA join forces in new business venture

Chief and ALLDATA have paired their product offerings to offer a new repair solution, branded as Chief VIP (Vehicle Information Portal), which integrates ALLDATA collision data into Chief computerized measuring systems.

VIP is available exclusively to Chief and ALLDATA customers and provides convenient access to OE repair information directly to work bays. Randy Gard, president of Chief Automotive Technologies, says the joint effort will have a "huge" impact on repairers who can now have both the tools and repair data together in a single workspace. The companies note the product can give shops access to repair data wherever they feature Chief products (Chief performs the actual integration). The accessibility of the data, say reps from both companies, allows shops the opportunity to add services such as engine and mechanical repair. Representatives from Chief and ALLDATA touted the significance of the combined company efforts, declaring it to be the single greatest bond between two industries that will affect the collision industry for the next 20 years.

Collision Repair Facility Business Conditions: Third Quarter 2007

Third quarter results show the largest deterioration in overall business conditions since the first quarter of 2004.

The latest results of our Quarterly Business Conditions Survey are showing the third consecutive quarterly decline in business conditions at collision repair facilities.

Overall both sales and earnings are showing weakness, along with employment, hiring plans, and nearly every breakout indicator we generate in this report. In fact, out of 60 data points generated by our report, 45 of them show deteriorating business conditions. That is the largest deterioration in conditions in a single quarter since the first quarter of 2004 when 46 out of 60 showed declines over the previous quarter.

Repairer optimism about business conditions in the coming months is very near the readings last quarter. The vast majority of repairers believe, maybe "hope" is a better term, that business six months from now will be no better or worse than the current quarter- with 59 percent saying they believe conditions will not change.

The percentage of shops that believe business conditions over the next six months would improve declined only a tenth of a point over last quarter to 23.0 and remains just 6.6 points above the record low we recorded in the first quarter of this year. Historically, the percentage of shops that feel future business conditions will improve has averaged 31.2 percent, while the

pessimists average just 13.7 percent.

Sales and earnings both showed continued negative developments in the third quarter of 2007 with just 23.0 percent of shops overall reporting an increase in net earnings when compared to the same quarter a year ago. While that is up .1 points from last quarter, the percentage of shops overall reporting declines in net income rose from 41 to 47 percent.

In write-in responses, an increasing number of shops are citing rising costs and flat reimbursement rates having a negative impact on their bottom line. When looking at net earnings broken out by shop size, based upon annual revenue, 21.1 percent of shops with under \$1 million in annual revenue saw an increase in net earnings, a definite improvement over last quarter. However, the majority of these shops, at 55.3 percent, are experiencing declines in net earnings.

The mid-sized shops, those with \$1-2 million in annual sales, reported nearly identical conditions this quarter as last, still less than 1 in 5 saw improvement in net earnings. The number of those shops that showed a decrease in net earnings rose slightly to 40.9 percent, up from 40.0 percent last quarter.

The largest shops, those with over \$2 million in annual revenue, showed an increase in net income across only 27.0 percent of facilities, also a drop from the second quarter when 38.9 percent recorded an increase. Nearly half, at 45.9 percent of the largest shops are reporting a decrease in net earnings in the third quarter versus the same period last year.

When we look at quarterly sales, an interesting picture emerges. Overall, 33.7 percent reported increased sales, up from last quarter's 29.5 percent. Looking at the shop sales groups, both the smallest shops and the largest shops reported an increased number of facilities with rising sales. Only the mid-sized shop group saw declines in sales at 22.7 percent, down from the 33.3 percent that saw higher sales in the second quarter.

The apparent discrepancy between higher sales and lower net earnings seems to lend credence to the increasing complaint that repairers are unable to pass along higher costs in the form of higher sales prices. Higher gross revenue may mean more cars in the door, but without a corresponding increase in net income, they may simply be "working much harder for less," as one respondent indicated.

Employment

When asked about hiring and employment conditions, shops' answers reflected the same general decline in business conditions.

After three consecutive quarters of overall employment increases going in to the second quarter of this year, we saw the first decline in overall employment last quarter, and those declines continued in the third quarter.

Just six percent of shops reported an increase in employee numbers in the third quarter- a record low since we began this quarterly study at the end of 2001.

By shop size, the largest facilities are slowing down their hiring. For four consecutive quarters they have reduced hiring to the point where just 10.8 percent said they hired in the third quarter. In the smallest shops, only 5.3 percent had more employees in the third quarter than they did in

the prior quarter and not a single mid-sized shop in our respondent group reported increased employment- a dramatic reduction since the first quarter when nearly one in five shops reported hiring activity.

Three quarters ago, 35.6 percent of shops told us that they had positions they had been unable to fill for more than one month. That figure is now just 17.0 percent overall.

Only 22.2 percent of shops overall said they would be looking to hire additional technicians in the coming quarter. That is the second lowest figure we have seen since the first quarter of 2003, when just 18.9 percent said so. Over the past six years, since this study began, the percentage of shops looking for technicians has hovered near a third, at 31.5 percent and has been as high as 42.4 percent.

Conclusion

The past two quarters seem to now indicate a trend toward deteriorating conditions. In the first quarter of this year, though down slightly from the prior quarter, results seemed to indicate slowing conditions. The second quarter showed further declines, making it the second consecutive quarter to do so, and now the third quarter seems to indicate that the declines may be gaining momentum.

We hope that the 23 percent of shops who say conditions will be better in six months are correct as we now head into a winter that is predicted to be drier than normal in most parts of the country (see related story below), while facing spiking oil prices likely to raise heating bills and drive prices of petroleum based products upwards.

NEWSLETTER SPONSOR:

COLORMATCH

... Providing Solutions



119 Riverside Drive, Jackson, Tennessee

731-427-5790