



**Property Casualty Insurers
Association of America**

Shaping the Future of American Insurance

2600 South River Road, Des Plaines, IL 60018-3286

**STATEMENT FOR THE HEARING OF
THE SPECIAL COMMISSION ON AUTO BODY RATES
OCTOBER 9, 2008**

The Property Casualty Insurers Association of America ("PCI") submits this statement to the Special Commission on Auto Body Rates (the "Commission") established by Section 108 of the Fiscal Year 2009 Massachusetts Budget. PCI is a national insurance company trade association with more than 1,000 major insurers that provide insurance to policyholders in all property/casualty lines. PCI members write more than 30 percent of private passenger auto insurance in Massachusetts and 52.9 percent nationwide.

PCI has worked with all the interested parties for many years to improve the Massachusetts statutes and regulations governing the repair of damaged motor vehicles. There can be little question that those laws and regulations are outdated, and they cause vehicle repairs to take longer and cost significantly more than they should. Part of the problem has been a long history of distrust between insurers and repair shops. That history of distrust is largely a by-product of the old system of state-set auto insurance rates and tight state control of all aspects of the system.

Under leadership of the Patrick Administration and Insurance Commissioner Burnes, the system of state-set rates has been replaced by one based on competition. The new rating structure is working extraordinarily well, and we believe is a model for modernizing other aspects of the auto insurance system, including our outdated laws and regulations governing repairs to damaged motor vehicles..

The issues the Commission is charged with studying are complex. There is no question that the labor rates paid by auto insurers to body shops in connection with the repair of damaged motor vehicles are relatively low in comparison to many other states. The reasons for that situation lie in the old, now-abandoned, system of state-set rates. Under that system, one Commissioner in the 1980s directed the insurers in a rate decision to be more aggressive in controlling labor rates. That decision was reinforced and given teeth by the enactment of a cost containment statute and then by a cost containment regulation, 211 Code of Massachusetts Regulations 93.00, pursuant to the authority granted by the statute. The cost containment statute and regulation, in effect, allowed the Commissioner to penalize auto insurers in annual rate decisions for not doing enough as determined subjectively by the Commissioner to control costs, including labor rates. It was primarily the combination of these actions that resulted in constraints on increases in labor rates.

It is also essential for the Commission to realize that while labor rates have been relatively low in Massachusetts for some time, the time it takes to complete repairs in this state has also been very high. In fact, it takes longer by far to complete repairs in Massachusetts than in any other state. CCC Information Services ("CCC"), an independent firm that, among other things, collects and analyzes data relating to auto claims and auto body repairs, reports that for the five-year period through 2007, the average number of labor hours per claim was almost 26% higher than the national average. In fact, during each of those years, the average number of labor hours per claim in Massachusetts was the highest by far of any state; in the one year when Massachusetts did not have the most labor hours per

claim, it came in second, only slightly behind New Jersey. See Exhibits A – E, which contain detailed CCC repair data for each of the years 2003 through 2007. No examination of the issue of labor rates paid to repair shops in Massachusetts can be complete unless it also includes an examination of this issue of the amount of time it takes to complete repairs here. Any attempt to address the issue of labor rates must also address the issue of repair times.

We also note that Massachusetts has some of the most restrictive statutes and regulations of any state governing the appraisal and repair of damaged motor vehicles. These statutes and regulations add to the time -- and thus the cost -- it takes to repair damaged vehicles. The leaders of the Legislature's Financial Services Committee have been working diligently for a number of years to address some of the problems with the statutes, but the issues are very complex and no resolution has been enacted. We are hopeful that the work of the Commission can facilitate those legislative efforts.

The answer to the problem of relatively low labor rates is not to set up a new state structure to prescribe labor rates as has been proposed in one bill (House Bill No. 1085) that is currently pending in the Legislature. That kind of system is one of the issues for consideration by the Commission. Moving in that direction would be a serious mistake. No other state has such a system, and with good reason.

Perhaps more significantly, it would be harmful to the new system of managed competition for auto insurance that the Patrick Administration has successfully initiated. That new system, which formally began on April 1st, is working very well so far. Consumers are benefiting with lower rates and more choices in products, services and companies. To date, four new companies have entered the market, and a number of others are considering the possibility. However, our complicated and outdated appraisal and repair statutes and regulations constitute one factor in holding some back. To take a significant step backwards towards our old system by setting up a mechanism for the state's setting of labor rates would be a serious deterrent to new entrants and thus to an even more competitive market.

Finally, we note that creating a new system of state-set labor rates as proposed in House Bill No. 1085, could add significantly to consumers' auto insurance costs and premiums. The Automobile Insurers Bureau of Massachusetts, an insurance industry data collection and analysis organization, estimated that if the labor rate were to approach the national average under H. 1085 "the cost of automobile repairs would increase \$80-90 million, producing a 2.4% increase in the average insurance premium charge." These additional costs would be bad enough, but we are even more concerned about the negative effects on managed competition during this delicate transition period for the new system.

We believe that market forces under the managed competition structure will resolve whatever problem there is with labor rates. However, the Commission should also review other elements of the appraisal and repair statutes and make recommendations to modernize them and to make them work better under a competitive structure.

Respectfully submitted,

Frank O'Brien
Vice President, Regional Manager
and Counsel

Peter T. Robertson
Massachusetts Counsel

Al Brodeur – Al Brodeur's Auto Body, Inc. Marlborough, MA

Good afternoon. I have been an auto body shop owner for nearly four decades, and weathered my fair share of ups and downs in this industry. I am closing in on what should be my retirement years; however, due to the current state of the auto body industry I feel the future to be most uncertain. This last decade has presented some of the biggest challenges to our industry; skyrocketing healthcare and energy costs, increased liability and workers' compensation premiums, escalating administrative costs and highly competitive benefit packages for our employees. All the while, auto body shops in Massachusetts are receiving the lowest labor rate compensation in the country. Comparatively speaking, Connecticut earns 30% more per labor hour, while Rhode Island earns 28% more per labor hour. These comparisons were published in the Mitchell Regional Trends Report in April 2008.

The repressed labor rates are causing permanent damage to our industry. In a recent poll of collision shops in Massachusetts, 87% reported that their companies are less profitable today than they were in the year 2000. Additionally, there is a drastic reduction in young tradesmen entering the industry, and an overall aging of technicians in shops across the Commonwealth. Shop owners report that over 65% of their staff is over 40 and the median age for technicians is 46 years old. The trend is pointing toward a virtual "drying up" of talent in the next decade. According to the US Department of Labor, the nature of body repair work requires (quote) "technicians to work indoors in body shops that are noisy with the clatters of hammers against metal and the whine of power tools...they often work in awkward or cramped positions and much of their work is strenuous."(end quote). This type of work becomes more difficult with age, and the likelihood of injury increases, while productivity decreases.

We need to breathe new life into this industry. Implementing a rate setting system as proposed in the original Labor Rate Bill, will allow shops to go out into the marketplace and promote the capabilities of their shops. The rating system would delineate to consumers the state-sanctioned standards for safe collision repair services. There would be three tiers, "A" shops, "B" shops and "C" shops; the "A" shops, for example, would be compensated a rate proportionate to the degree of standards they must meet or exceed; some of which include a fully equipped facility, staffed with certified technicians and a technologically advanced administration. Customer satisfaction is likely to rise dramatically, as higher expectations will be met with high quality repairs. There would be less of a burden on carriers who must, in a significant number of repair jobs, get involved in settling customers who are dissatisfied with repairs that were done in shops that are not well equipped or employ sufficiently trained workers. We will finally be able to raise the bar of standards in this industry, creating a more equitable, fair market atmosphere.

The costs of the rating system proposed will be borne primarily by the collision industry, through a fee of \$100.00 from each registered shop to fund the commission. This would generate approximately \$170,000.00 per year along with a token amount of \$1,000.00 each year from carriers offering policies in the Commonwealth. Finally, each shop would pay an appropriate application fee in order to become classified. The collision industry is committed to having a rating system. In the poll previously referenced, shops reported that 89% believe all shops should **not** receive the same labor rates as all others.

Establishing a higher standard with the opportunity for reasonable compensation will allow shop owners to attract and retain young technicians. The U.S. Bureau of Labor Statistics reported that Massachusetts employees receive a wage 1.29 times the national average. The auto

body industry cannot bear that difference currently, but with a mechanism in place that will allocate rates appropriately, a new generation of tradesmen will begin to fill the gap in the aging crisis presently facing the industry.

Over the years I've had many people ask how we keep our doors open with such a sub-standard rate. They remark that I must be a magician. Well, I'm no magician, just a small business owner trying to keep my establishment afloat. I don't have a magic wand, or tricks up my sleeve. I run my business with honesty and integrity, and it's a shame that after 38 years I am constantly struggling to service my customers in a consistent manner. It's time to put away the smoke and mirrors and look at what is really happening to this industry. Policy, procedure, standards and systems are the key ingredients this industry needs in order to repair the damage done over the last two decades.

Molly Brodeur – Al Brodeur's Auto Body, Inc. Marlborough, MA.

Good afternoon members of the Commission. I am the operations manager for my family's auto body, and future owner of the business. Recently, I read a report about a condition known in the pediatric community as "failure to thrive", which is defined as: kids who fail to thrive don't receive, retain, or utilize the calories needed to gain weight and grow as expected. I was struck by the similarities between this devastating condition and the current state of the collision industry here in Massachusetts. Our industry is not thriving, and at best, it is barely surviving. In a recent poll of collision shops in Massachusetts, 88% of shop owners believe their shops will be out of business or just surviving in 5 years. We don't receive a labor rate commensurate with the cost of doing business in Massachusetts, nor are we able to invest in our businesses to promote growth and reach a point of profitability. Therefore, I feel it is fair to say that we, as an industry, are failing to thrive.

It is imperative that a rate setting system be developed and implemented. Enough of the arbitrary reimbursement rates from insurers that aren't based on realistic data! If statistical data were used to formulate a labor rate, we would see that first and foremost, Massachusetts is the third most expensive state in the nation in which to do business according to The Cost of Doing Business Index published annually by the Milken Institute. In addition, The Bureau of Labor Statistics reported that while Massachusetts auto body labor rates remained virtually unchanged between 1988 and 1999, the average national cost of auto body repair rose 45.84%. In 1988, the average labor rate paid to the auto body industry in Massachusetts was \$28.00 per hour versus an average labor rate of \$34.50 per hour in 2008, an increase of only 22% in 20 years. Furthermore, if we look at the Consumer Price Index in terms of inflation, \$28.00 in 1988 has the same buying

power as \$56.00 today. That is an increase of 100% while again, our industry collects only 22% more in labor rate reimbursement since 1988.

There needs to be a system in place to monitor, review and adjust labor rates continually. As proposed in the original Labor Rate Bill, a commission, such as the one you are all sitting on now, shall determine and utilize a national average labor rate, index that rate to the Massachusetts labor market according to figures from the US Bureau of Labor Statistics, and verify those market-based rates to the Massachusetts Division of Insurance. The overwhelming majority of collision shop owners believe that using a national average labor rate and indexing it to the Massachusetts labor market is a very fair and equitable way to determine minimum rates under Labor Rate Reform. This amount will reflect a tremendous discount from other comparable industries, so the insurers, as volume buyers of collision repair services, get their very significant discount by using this average rate.

The Bureau of Labor Statistics and US Department of Labor publish periodic reports that measure all aspects of labor markets, both nationally and by state. The use of these statistical reports are non-prejudicial and is the most fair method for indexing wages to the Massachusetts market. In combination, the use of the national labor rate average using the Bureau of Labor Statistics report is the most rational and fair method that can be accessed by the commission to use for determining auto body labor rate in our state. Simply put, we can find no other method that would not be fraught with inaccuracies and subjective manners. Once the commission has identified a labor rate proportionate to the various indexes and cost of doing business in Massachusetts, rate setting will no longer be controlled by the insurance industry. Finally, a sound system with checks and balances will determine the rate.

Without a course of action that is enforceable, it will be impossible for auto body shops to continue to provide the consumer with safe, quality repairs performed by trained technicians and skilled craftsmen. Moreover, the relationship between the insurance industry and the auto body industry has imploded, and what was once thought of as a partnership, is now considered a dictatorship by many. In the poll referenced earlier, 90% of shops believe insurers “impose” their labor rates, while 65% have tried negotiating a different overall rate with at least one insurer. Ninety-one percent of those shops report that “no charge” was made in their labor rates. Auto body shops deserve the right to control their business and operate in a fair market environment.

My hope is that I will be able to continue my father’s legacy once he has retired. He has worked for 38 years to build a reputable auto body shop, while serving on various associations and vocational boards. I want nothing more than to uphold the tradition of a family owned, generational business, however, with the current climate in this industry, I see my American Dream fading away. All I wanted, all we all want, is just a little piece of the proverbial pie... isn’t that what the entrepreneurial spirit is all about? Keep that spirit alive and allow us the freedom to move this industry forward and become the progressive businessmen and women we all desire to be.

Walter G. Thomas
225B Grafton Street
Worcester, MA 01604
508 752 7728 Ph 508 831 9964 Fax
Thomasabdy@conversent.net

October 9, 2008

The Reform Act of 1988 how it affected the Auto Repair Industry

Dear esteemed committee members,

My name is Walter Thomas, I have been in the auto body business for 52 years. I have served on the auto damage appraisers licensee board for 14 years (1991-2005). During that period, I helped administer the appraisal test to over 5,000 applicants and issued more than 3,000 licenses. In 1996, I helped to rewrite regulation 212CMR conduct of appraisals. I served as president of Central Mass Auto Rebuilders Association for 12 years. In 1990, I attempted to apply for a position on a review board that was supposed to be formed as part of the 1988 Reform Act to study the impact on the auto body industry.

In 1988, auto insurers were not making any money and were abandoning Massachusetts for a variety of reasons. In order to stabilize the profitability of the auto insurers that remained in Massachusetts, the state intervened by granting carriers a set of regulations that allowed them to cap portions of their claim costs.

Even worse than the “wage-and-price controls” during the Nixon Administration, these new “cost containment” regulations actually rolled labor rates for collision shops back from \$30.00 per hour to \$28.00 per hour. Our industry went along with this because a

clause in the regulations required the state to study the effects of this move within three years.

Despite repeated calls from our industry, especially by me, to Commissioner Ruthhart to begin this study, nothing was done. Obviously, keeping insurers happy and profitable was much more important than the state actually exercising its authority to create a group of second-class citizens-auto collision shop owners. We were chosen for this role because the state couldn't penalize lawyers or hospitals or doctors. We were the easy target and we have remained so for twenty years. It is time for this foolishness to come to an end. And, we need the help of the state to make this happen.

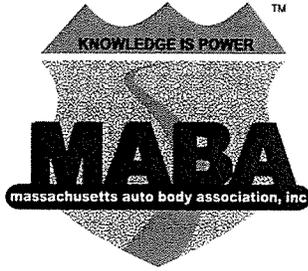
The state is fully responsible for allowing insurers to manipulate the labor rate to the point where it is now the lowest in the country-approximately \$35.00 per hour- in a state where wages, the cost of living, and the cost of doing business are nearly the highest. Nobody, even the insurers, can believe that this condition can continue for very much longer.

Labor Rate Reform that has been proposed in the Labor Rate Bill is the best solution to reverse the errors of the past and restore confidence so that shop owners will modernize and invest in their businesses. The vehicles we have to repair demand high tech equipment and training. There is no other way for this to happen without the state creating a long-term solution. The Labor Rate Bill is just that solution.

Sincerely,

A handwritten signature in black ink that reads "Walter Thomas". The signature is written in a cursive, flowing style.

Walter Thomas



Massachusetts Auto Body Association, Inc.
20 East Street, Hanover, MA 02339
(781) 826-0553 • (800) ITS-MABA • Fax (781) 826-0593
E-mail mail@itsmaba.com www.itsmaba.com

TESTIMONY OF STEPHEN REGAN
COMMISSION ON LABOR RATES, INFORMATIONAL HEARING

WORCESTER PUBLIC LIBRARY, WORECESTER, MASS
OCTOBER 10, 2008, 2 PM - 4 PM

Good morning. My name is Stephen Regan and I am here today on behalf of the Massachusetts Auto Body Association (MABA). MABA is an organization of over 250 collision repair shops and affiliates, which also provides consumers with advice and counsel about their rights after they are involved in an accident.

My testimony today will cover three primary areas. They include the manner in which insurers in Massachusetts establish the amounts they pay for labor, the lack of any credible support from current state agencies authorized to oversee insurers claim handling practices and/protection of consumers and small businesses from predatory practices, and the potential safety issues associates with insurers failure to pay a fair and reasonable labor rate to collision repair shops in Massachusetts.

How Insurers Establish How Much They Pay for Labor

The amount of the initial dollar per hour of labor that an insurer includes in their original estimate of damage provided to their policyholder after a claim is determined solely by each individual insurer internally. We are aware of no surveys, questionnaires, cost of living adjustments, or other relevant cumulative data that incorporates a collision repairers cost of doing business by region or statewide that guides the amounts that are chosen by individual insurers across Massachusetts. Attempts to secure this information have always been met with a response that the information is proprietary.

While the methodology may be a mystery, that is not the real problem. We fully understand that an insurer must establish some amount in order to fulfill their obligation to provide claimants with an original estimate and payment and required by Massachusetts laws and regulations. Our primary concern is what transpires after a claimant has determined that he or she is going to repair the vehicle between the consumer, the insurer, and the repair facility with respect to labor rate.

In Massachusetts it is clear that auto insurance companies have effectively controlled the labor rate by mandating shops agree to whatever their company wishes to pay. This is done through Steering, which is used as a tool of intimidation, the Referral System, where insurers establish agreements with select repairers, and if all else fails by simply refusing to negotiate with repairers.

In a survey of collision repairers in Massachusetts 90% of shops believe that insurers "impose" their labor rates on shops. To further underscore this number, 65% of shops have tried to negotiate a different overall labor rate with at least one insurer. 91% of those shops report that "no change" was made in their labor rates, even though under 211 CMR 212 appraisers representing insurers are required to "attempt to agree" on the cost of repairers and the labor rate is a part of that appraisal.

This is not only a form of price fixing, but also a contractual violation of the terms of the insurance policy. Quincy resident Diane Rice proved this in 2004 when she successfully sued Arbella Insurance for refusing to pay the labor rate of her chosen repairer. The next day Arbella was still refusing to pay the same repairer their posted labor rate, each time forcing their policyholder to seek litigation if they wanted to be reimbursed.

Lack of Enforcement by State and Federal Agencies

One would assume that this type of market conduct would immediately be corrected by the state and federal agencies that are charged with protecting the public and small businesses from predatory practices of larger corporations and enforcing existing statutes, regulations and agreements. But in my experience government has completely failed at every level when it comes to addressing the labor rate issue. And this is primarily why repairers have chosen to seek a legislative solution to ensure that repairers are able to receive a reasonable and fair labor rate for their hard work.

By example, the US Department of Justice entered into a consent decree that prohibited insurers from "controlling prices for labor" with repairers, and has refused to enforce it. The Auto Damage Appraisers Licensing Board has continually refused to consider any complaint with respect to the labor rate issue, even though the parties are required to attempt to agree on the cost of repairs as stated earlier and labor rate is a line item on an appraisal. The Division of Insurance has historically, and almost annually, refused our request to conduct a market conduct study to determine if insurers practices regarding labor rate, and other issues, are fair and reasonable, or rise to the level of unfair claim settlement practices.

The state Attorney General has failed to investigate whether the manner in which insurers in Massachusetts establish and dictate how much they pay for labor is a pattern of behavior that violates consumers and small businesses rights, could be a violation of restraint of trade provisions, or is outright price fixing. The state Division of Standards is responsible for enforcing a statute, Massachusetts general Law Ch 100A that states very clearly that a repairer is required to charge the same amount for labor to an insurer as to a non insurance customer.

And finally, the Massachusetts Office of Consumer Affairs and Business Regulation, which has line authority over the Division of Insurance and the Division of Standards, and perhaps even the Auto Damage Appraisers Licensing Board has done little to help. In fact, in July of 2007 I was present with MABA at a meeting with the director of Consumer Affairs – a meeting arranged by the Governor himself - to both apprise him of the problems in the industry and seek his assistance in getting these other agencies to do their job and investigate our concerns and we were told; “you will have an answer in 10 days.” Even with several follow up letters seeking those answers to our questions, we are still waiting.

Is it no wonder that repairers are seeking to ask the legislature to establish a Commission to determine a fair and reasonable rate and ensure that qualified repair facilities receive no less than that fair and reasonable amount?

Potential Safety Issues

Finally, I do wish to speak to the potentially safety issues that are directly connected to the artificially suppressed labor rate being offered in Massachusetts today by our domestic insurers. At some point it will soon become impossible for repairers to stay in business at this rate and continue to repair cars in a safe and appropriate manner as required by manufacturers and industry standards.

The survey I cited earlier contained some startling revelations about what has been transpiring between appraisers representing insurers and repairers when safety items are discussed. Fully 73% of shops surveyed reported that appraisers have requested that they repair a vehicle in a different manner than the shop would consider being safe for the consumer.

More specifically, 61% report that they have been asked to change a repair procedure to reduce time; 41% report that the appraiser did not allow the replacement of a degraded safety part; 63% were asked to use a sub-standard safety part; and 80% report that the appraiser did not allow enough time for critical repairs, such as to the frame of the vehicle.

I am sure you are wondering how the cars were eventually repaired due to these circumstances. The survey also indicated that 89% of shops report they have added parts, procedures, and/or repairs, at their own expense to a vehicle to achieve full consumer safety, despite an insurance company's refusal to pay for those items. My question is: How much longer can repairers afford to supplement these repairs under the lowest labor rate in the nation.

We all know that everyone's cost for fuel, food, rent, taxes, etc has risen dramatically over the years, and more recently months. Unless something is done to require insurers to pay a fair and reasonable amount for labor to collision repair facilities then I fear we will soon witness an unprecedented amount of collision repairers closing their doors, or worse; That is fixing cars to a lower standard than required for adequate safety assurances.

I thank you for your time and would be happy to answer any questions.

Thank-you

I represent only myself here today.

My name is Gary D'Alessandro. I have owned & operated Quality Auto Body in Holliston since 1984

Business was simple at the start. I would fix a few dents and somehow end up with enough money to support my young family.

As the years passed, my business grew; more space, more employees, and thankfully, more customers! The vehicles were becoming more sophisticated, but we adapted. We still made decent livings. We worked hard but led reasonable lives.

This picture started to change toward the mid 90's. There were still plenty of vehicles to repair, but somehow it seemed much more effort was required.

With the introduction of after- market parts, 2-stage paint, airbags, and non-adjustable body panels, we were now working more hours to keep pace; but life was still enjoyable.

Fast Forward to 2008... We now have a clean, modern, well lit and well equipped shop. We are a Massachusetts registered repair shop with all that entails. The least # of hours that each of my employees works per week is 55hours! My average work week is 70-80 hours. We barely break even.

In my opinion, a less than 1% per year increase in the labor rate over the last 15 years is by far the biggest contributing factor to our loss of profitability. There are other factors to be sure, most are other compensation issues.

With arguably one of the highest insurance rates in the country (especially when the surcharge system is included) and factually the lowest hourly labor rate in the entire country, the situation begs the question: Where does all the premium money go???? Do the laws of mathematics not apply in Massachusetts? It seems a fair share is not being disbursed to the insureds or the shops!

Auto Body repair is a VOCATION for most shop owners., but we need to profit enough to treat our families, employees, & customers fairly without the constant worry of economic ruin.

If honest men working diligently cannot make a decent living in the collision repair business, they will eventually leave. Many have already left! I leave it to you as to who will replace them? What will THEIR motives be?

Who will inherit the awesome responsibility of repairing most people's second most expensive investment- that often transports their most precious possessions?

I would be happy to give any amount of time to this board in the future

Good afternoon:

My name is Bill Bushey and I'm the owner of Arnold's Auto Body Service in West Springfield. Thank you for allowing me to speak with you today. Your time is valuable, so I'll be brief.

My father, Arnold Bushey, started our family business in 1954. I grew up in the business, learned the craft by working with experienced bodymen and painters, and took over the business in 1992. In the 70's and 80's collision repair was a lot easier. Today, automotive design and evolving technology require ongoing training and continuous spending on very expensive equipment. We have invested in technology and education to keep technicians current with the latest repair procedures. I have made that commitment by spending tens of thousands of dollars on plant and equipment. But these have been paid for outside of the business, through an equity loan on my home. Reason being, it is almost impossible for me to operate profitably.

To help me make my point, I have two damage appraisals with me today, both written by insurance company appraisers. The first was written in 1988. The labor rate authorized by the insurer was \$30.00 per hour. Paint and materials were reimbursed at \$8.00 per hour. In 1988 these rates were sufficient to allow a properly run collision repair shop to earn a profit on the repair. The second appraisal was written just last month and authorizes labor at \$35.00 per hour, an increase of just \$5.00

per hour in 20 years. Paint and materials are reimbursed at \$17.00 per hour, just more than double the 20 year old rate. I also have two Sherwin Williams invoices with me, one from 1991 and one from this week. Both are for a clearcoat we purchase by the gallon and use on nearly every repair. In 1991 we paid \$54.00 per gallon. Today the same product costs \$211.00 per gallon. While collision repair shops in Massachusetts are restricted by insurers to \$35.00 or so per hour, if my shop were located just six miles south in Connecticut, the same insurers would routinely pay \$45.00 to \$50.00 per hour. Does that make any sense? Think about this: the next time your lawn mower needs a little tweek, you'll pay \$95.00 an hour to get it fixed. If the refrigerator or washer goes on the blink, you'll shell out \$125.00 for a service call, and then \$105.00 per hour for repairs.

In the early 1990's our repair techs earned about \$10.00 per hour. We paid three quarters of their health insurance and dental premiums and provided short and long term disability insurance at no cost to the employee. Today, technicians earn in the \$20.00 per hour range and we pay half the cost of health insurance. We have high deductibles and co-pays. Dental and disability coverages are gone. Yesterday we learned that our health care premiums with Connecticare will increase by 17% on December 1st. How will we pay for this?

For the past twenty years, collision repairers in Massachusetts

have operated under vigorous cost containment by insurance companies. I work longer hours than ever, I try to be as efficient as possible. I have no expenses left to cut, but when I project revenues at current hourly rates and expenses based on the trends of the past few years, my business will likely no longer be viable by 2010. I speak for all Massachusetts collision repair shop owners, their skilled employees and families when I respectfully ask for your favorable consideration of the legislation before you. Your decision will shape the future of the collision repair business in Massachusetts. We desperately need your help. Thank you.

EASTFIELD

596 EA

THE TRAVELLERS INSURANCE COMPANIES
PC CLAIM DEPARTMENT
120 MAPLE STREET
SPRINGFIELD, MA 01108
(413) 797-5196
AL LOG NO 8237411 DATE 01/24/89

CLAIM# 5N05569 POLICY#
INSURED L JOHNSON CLAIMANT EASTFIELD AUTO SALES
LOSS DATE 01/12/89 TYPE OF LOSS LIAB/D

INSP DATE 01 19/89 LOSS# 100 SP DT
APPRAISER EARL DAVIS COMPANY LDC # 1-112
PHONE 413 797 5196 ZIP

SHOP ARNOLD A/B ATTN OF ARNOLD
ADDRESS 400 MAIN ST PHONE 739 9046
CITY STATE W SPFLD MA
ZIP 01089

NAME EASTFIELD AUTO SALES
ADDRESS 1090 BOSTON RD
CITY STATE SALES MA
ZIP 01119 PHONE 789 9101

LIC# 466938 VIN 1G1AW19RXG0135569
ENG/COLOR BRN MILEAGE 062751
CONDITION GOOD ADJUSTING CTL# D-FRT-4

E=NEW PART EQ=QUAL REPL PART EU=LIKE KIND & QUALITY EP=QUAL RPL PRT RPT P=CHECK
I=REPAIR/ALIGN/SUBLET L=REFINISH N=ADDITIONAL LABOR OPERATION
TE=PART/PARTIAL REPLACE ET=LABOR/PARTIAL REPLACE IT=LABOR/PARTIAL REPAIR
AA=APPEARANCE ALLOWANCE RP=RELATED PRIOR DAMAGE UP=UNRELATED PRIOR DAMAGE

PEND COV & LIAB
CWF TO SHOP - NO CLEAR COAT VER - LKG NOT PRACTICAL

1986 CHEVROLET CELEBRITY 4 DOOR SEDAN U2400A OPTN5 C/G R C M O

OPTIONS: - TINTED GLASS LT REMOTE CONTROL SPORT MIRROR
HEATED REAR WINDOW AIR CONDITIONING
AUTOMATIC TRANSMISSION

OP	QTY	MC	DESCRIPTION	REPL	PART NO	PRICE	AUX	HOURS	R
I	005		BUMPER, FRONT		REPAIR/ALIGN			2.5	1
E	006	40	STRIP, FRT IMPACT		14085239	20.75		1.6	1
L	011		FILLER, FRT BUMPER		REFINISH			4	4
E	030	40	PANEL, FRONT END		14085585	210.00		3	1
L	030		PANEL, FRONT END		REFINISH			2	0
E	036	40	EXTN, FRT BMR OTR	RT	14086116	24.00		2	1
L	036		EXTN, FRT BMR OTR	RT	REFINISH			5	4
E	P041		HEADLAMP ASSY, OTR	LT	QUALITY REPL PART	17.95			1
E	P043		HEADLAMP ASSY, INR	LT	QUALITY REPL PART	17.95			1
E	058	40	DOOR, HEADLAMP	RT	14083786	13.70		1	1
I	073		PANEL, RAD SUPT		REPAIR/ALIGN			3	5
L	073		PANEL, RAD SUPT		REFINISH			2	2
E	P104		FENDER, FRONT	RT	QUALITY REPL PART	134.40		2	1
L	104		FENDER, FRONT	RT	REFINISH			2	4
N	973		HEADLAMPS AIM		ADDTL LABOR			6	2

15 ITEMS

FINAL CALCULATIONS & ENTRIES

GROSS PARTS				274.45
OTHER PARTS				170.10
PAINT MATERIAL				60.00
PARTS TOTAL				504.55
TAX ON PARTS		@	5.00%	22.33
LABOR				
1-SHEET METAL	RATE	REPLACE HRS	REPAIR HRS	
2-MECH/ELEC	30.00	7.2	6.0	376.00
3-FRAME	25.00		6	18.00
4-REFINISH	30.00	7.5		225.00
5-PAINT MATERIAL	8.00			
LABOR TOTAL				639.00
TAX ON LABOR				
SUBLET REPAIRS				
LOADING & STORAGE				
GROSS TOTAL				1,167.88
NET TOTAL				1,167.88

ADP # AUBATEX (A11) LOC 8287411 DATE 01/24/89 08:46:27 09% YY/07/09/03/00

SUPPLEMENTAL REPAIR CHARGES MAY BE REJECTED
 UNLESS APPROVED BY THE TRAVELERS PRIOR TO REPAIRS.
 THIS INSTRUMENT IS NOT AN AUTHORIZATION TO REPAIR.
 REPAIRS MUST BE AUTHORIZED BY OWNER.
 PAYMENT SUBJECT TO CONFIRMATION OF INSURANCE COVERAGE AND, OR LIABILITY

QUALITY REPLACEMENT PARTS REPORT

GUIDE NO.	PART DESCRIPTION	SUPPLIER PART NUMBER	SUPPLIER PRICE	C L SPL 5 CODE
041 >	HEADLAMP ASSY, OTR	LT 89-001	* * *	1 01
049 >	HEADLAMP ASSY, INR	LT 89-004	* * *	1 01
104 >	FENDER, FRONT	RT 14006120	* * *	1 01
>	FENDER, FRONT	RT 6.50.02.11	* * *	1 02

> - ESTIMATE TOTAL IS BASED ON PRICE QUOTED BY THIS SUPPLIER
 CLS = CLASSIFICATION CODE:
 1 - NON ORIGINAL EQUIPMENT MANUFACTURER PART

SPL CODE	SUPPLIER/ADDRESS	ID/CITY	ST ZIP	TELEPHONE
01	BUDGET BUMPER 190 BROOKLINE ST.	PALD149 CAMBRIDGE	MA 02139	(800) 462-0010 (800) 925-0112
02	PANEL CRAFT 8 JULIUS DRIVE	PALD678 EAST HAVEN	CT 06512	(800) 697-4278 (203) 467-2799
03	AUBATEX (A11)	LOC 8287411	DATE 01/24/89 08:46:28	SEQUENCE NO 1-0287411-0287411 004

[Handwritten signature and scribbles at the bottom of the page]

04/03/2008 at 10:57 PM
52193

SUPPLEMENT OF RECORD 1 WITH SUMMARY
2005 MITS LANCER ES 4-2.0L-FI 4D SED WHITE Int:

NO.	OP.	DESCRIPTION	QTY	EXT.	PRICE	LABOR	PAINT
N 57#	S01	ADDL NEGOTIATED PAINT/ MATERIALS P/HR	1		99.20	T	
Subtotals ==>					1255.20	37.6	12.4

Line 3 : BUMPER COVER & ABSORBER NEEDED TO BE REPLACED PRIOR TO THIS LOSS.
Line 57 : ADD'L PAINT & MATERIALS COMES TO \$25.00 PER PAINT HOUR.

Parts		1129.50
Body Labor	23.2 hrs @ \$ 35.00/hr	812.00
Paint Labor	12.4 hrs @ \$ 35.00/hr	434.00
Frame Labor	2.0 hrs @ \$ 38.00/hr	76.00
Non Taxed P&M	12.4 hrs @ \$ 5.00/hr	62.00
Paint Supplies	12.4 hrs @ \$ 12.00/hr	148.80
Sublet/Misc.		125.70
SUBTOTAL		\$ 2788.00
Sales Tax	\$ 1398.00 @ 5.0000%	69.90
TOTAL COST OF REPAIRS		\$ 2857.90
ADJUSTMENTS:		
A/M Bumper cover ES, LS, B50%		61.88
TOTAL ADJUSTMENTS		\$ 61.88
NET COST OF REPAIRS		\$ 2796.02

THIS FORM IS NOT AN AUTHORIZATION TO REPAIR. REPAIRS MUST BE AUTHORIZED BY THE OWNER. SUPPLEMENTAL CHARGES MAY BE REJECTED UNLESS APPROVED FIRST BY THE APPRAISER.

In accordance with ADALB Regulations, this appraisal was prepared and sworn to under the penalties of perjury.

APPRAISER: *Kevin B. Brown*

LIC. # 01383



Finishes

WILLIAMS CO. TELEPHONE (417) 734-8554
IN STREET
MARTINE, MA 01089

REFER TO THIS NUMBER ON ALL PAYMENTS AND INQUIRIES

PAGE 1
DATE 01/21/77 10:13 BOD

CUSTOMER ORDER NO.

AROLD'S AUTO BODY
400 WASH ST.
MARTINE SPRINGFIELD MA 01089

S
H
I
P
T
O

QTY	TERR. NO.	F.O.B.	SHIP VIA	TERMS
100	5572	WEST SPRINGFIELD, M		2% 10TH PROX, NET 30

PART NUMBER	DESCRIPTION	SIZE	MIX	QTY. ORDER	QTY. SHIP	UNIT PRICE	AMOUNT	TAX
C-640	UB-7 CLEAR COAT	GL	N	1	1	42.950	42.95	
C-645	UNIVER URE CLEAR C	GL	N	1	1	54.350	54.35	
CH-690	CLEARCOAT HARDENER	QT	N	1	1	40.350	40.35	
TOTAL PIECES ORD/SHIP				3	3			

MERCHANDISE RECEIVED IN GOOD ORDER	WEIGHT 20.00	SALES TAX →
<i>Mike R</i>	BILL OF LADING	CODE 21000
		TOTAL → 137.65

HAZARDOUS MATERIAL SHIPPING PAPER

PL DE	TYPE PKG.	NO. PKGS.	HM	DESCRIPTION	WT. (POUNDS)	B/L CODE	TYPE PKG.	NO. PKGS.	HM	DESCRIPTION	WT. (POUNDS)	TOTAL PKGS.	TOTAL WT.
01	CTNS		X	PAINT, FLAMMABLE LIQUID, UN 1263 LTD. QTY.	28	009	CTNS		X	PAINT RELATED MATERIAL, FLAMMABLE LIQUID, NA 1263 LTD. QTY.	28		
02	CTNS					010	CTNS						
03	PAIL		X	PAINT, FLAMMABLE LIQUID, UN 1263		011	PAIL		X	PAINT RELATED MATERIAL, FLAMMABLE LIQUID, NA 1263			
04	DRUM					012	DRUM						

FOR OFFICE USE ONLY
1810732 2

DUPLICATE

RETURNS OF MERCHANDISE CANNOT BE ACCEPTED WITHOUT THE SELLER'S AUTHORITY. CLAIMS FOR SHORTAGE MUST BE MADE UPON RECEIPT OF GOODS. PLEASE RETAIN THIS FORM FOR COMPARISON WITH PERIODIC STATEMENT.

09/23/2008 at 04:25 PM
78769



ESTIMATE OF RECORD
2002 TOYO CAMRY LE 4-2.4L-FI 4D SED BROWN Int:TAN

NO.	OP.	DESCRIPTION	QTYEXT.	PRICELABOR	PAINT
9**	Repl	A/M CAPA LT Fender	1	193.00	2.2 1.8
10		Add for Clear Coat	0	0.00	0.0 0.7
11		Add for Edging	0	0.00	0.0 0.5
12		Add for Clear Coat	0	0.00	0.0 0.1
13		Deduct for Overlap	0	0.00	-0.4 0.0
14		MISCELLANEOUS OPERATIONS			
15*	Repl	Cover car/bag	2	6.00	0.4 0.0
16#		Flex additive	1	12.00T	0.0 0.0
17#		Non Taxed P&M @ \$5.00	1	0.00	6.71 0.0
Subtotals ==>			588.00	11.3	6.7

Parts		576.00
Body Labor	4.6hrs@\$35.00/hr	161.00
Paint Labor	6.7hrs@\$35.00/hr	234.50
Non Taxed P&M	6.7hrs@\$5.00/hr	33.50
Paint Supplies	6.7hrs@\$12.00/hr	80.40
Sublet/Misc.		12.00

SUBTOTAL		\$1097.40
Sales Tax	\$668.40@5.0000%	33.42

TOTAL COST OF REPAIRS		\$1130.82
ADJUSTMENTS:		
Deductible		0.00

TOTAL ADJUSTMENTS		\$ 0.00
NET COST OF REPAIRS		\$1130.82

APPRAISER: Raymond D. Brunelle
MA License #13204 / CT License #1056922

This is NOT an authorization to Repair
Repairs must be authorized by vehicle owner.

Supplements will be DENIED without approval from the appraiser.

This document is neither an authorization to repair nor a guarantee of payment. Deductibles, betterments and previous damage, if included in this document, will be deducted from any settlement with the vehicle owner. Supplements will be denied without prior approval from the appraiser. All supplemental damage found by the repairer must be inspected and documented by a representative of the insurance company before those repairs begin. All part price increases are subject to invoice verification. The vehicle owner must authorize repairs.

Testimony Submitted by

Ed Nalewanski, Owner

Ed's Auto Body & Repair, Inc.
24 Mechanic Street
Easthampton, MA 01027
(413) 527-7622
edsautobody@charter.net

Qualifications:

Auto Body Shop Owner since 1978

Immediate Past President, MASS AUTO BODY ASSOCIATION

Founder: MABA TOOL AWARD

5,000 square foot shop Employing 11

(7 Technicians & 4 in office)

**TECHNICIAN
SHORTAGE IN
MASSACHUSETTS**

TECHNICIAN SHORTAGE IN MA

I am very active in vocational school program in Western MA and have mentored voc students for more than 25 years. Each year the # of students available has declined

One way we addressed this shortage was to start an annual tool award

Since 2005, MABA has coordinated an annual award where 7 students from Palmer to Pittsfield are eligible to received \$3,000 in tools to help start their auto body careers.

Criteria is simple:

- Must be a senior enrolled in the auto body program
- Must have a passion for the industry
- Must be working co-op in a MA registered auto body shop
- After graduation, must either be employed full time in a MA registered auto body shop or attend a secondary school in the industry.

Each of the 7 schools can nominate up to 4 students. Each year we should have 28 candidates.

STATISTICS (attached)

2005 – 10 students were submitted: 7 winners (3 still in industry)

2006 – 10 students were submitted: 7 winners (3 still in industry)

2007 – 10 students submitted/7 qualified: 7 winners (5 still in industry)

2008 - 6 students submitted: 6 winners (6 still in industry)

27 winners since 2005 – 10 left the industry within 3 years of graduation

CASE IN POINT:

- Scott Raymond (picture attached) – Scott worked for me for two years. He won the MA Skills contest in his junior year...went to nationals and placed 27th in the nation.
- Won the MA Skills contest in his senior year, went to nationals and won the Gold...he attained the highest score in collision repair since the competition began.
 - This is the caliber of technician that we need now and in the future to keep up with the changing technology in automobiles.
- Scott made the decision to leave collision repair and start his career as a diesel mechanic.
- Why? Because of the higher wages he can earn. Collision repair cannot compete with other industries...we can't compete with mechanical repair, plumbers, electricians, etc

We are losing an entire generation of technicians and soon there will not be anyone to fix these cars.

Not being able to attract and retain qualified technicians translates to longer repair times and safety issues for the consumer. We can train these techs, the problem is there aren't a lot of people to train.

Cars transport your families...think about that. I've thought about it a lot and with the insurance companies suppressing our rates for so long, shops are closing every day and the best technicians are leaving the industry...they can't survive on what we are forced to pay them.

After 31 years in business , having more work than we can handle, doing quality repairs for the consumer and treating my employees the best I can, it's a shame I have to continue to struggle to decide whether to pay the electric bill or health insurance premiums this week.

But this is not about me, this is about you and the safety of your families. This is about the top technicians leaving this industry, this is about the insurance companies not realizing that they are crushing our industry and crushing the quality of repair to the vehicles transporting your loved ones.

If any of you would like to speak to me personally or require more detail of the financial aspects of this industry, let me know....I would love to answer your questions.

MABA TOOL AWARD – WESTERN CHAPTER

	2005			2006			2007			2008		
	*Submitted/ Qualified	Winner	Working In industry									
Dean Vocational HS	2/2	1	0	0	0	0	0	0	0	1/1	1	1
Franklin County Tech HS	1/1	1	0	1/1	1	0	0	0	0	2/2	2	2
Pathfinder Regional Tech HS	1/0	0	0	1/1	1	1	2/2	2	1	0	0	0
Putnam Vocational HS	2/2	2	2	2/2	2	1	2/2	2	2	1/1	1	1
Smith Vocational HS	4/4	2	1	2/2	1	0	2/1	1	0	2/2	2	2
Taconic Technical HS	1/1	1	0	1/1	1	1	2/2	2	2	0	0	0
Westfield Vocational Tech HS	0	0	0	3/3	1	0	2/0	0	0	0	0	0
TOTALS	10/10	7	3	10/10	7	3	10/7	7	5	6/6	6	6

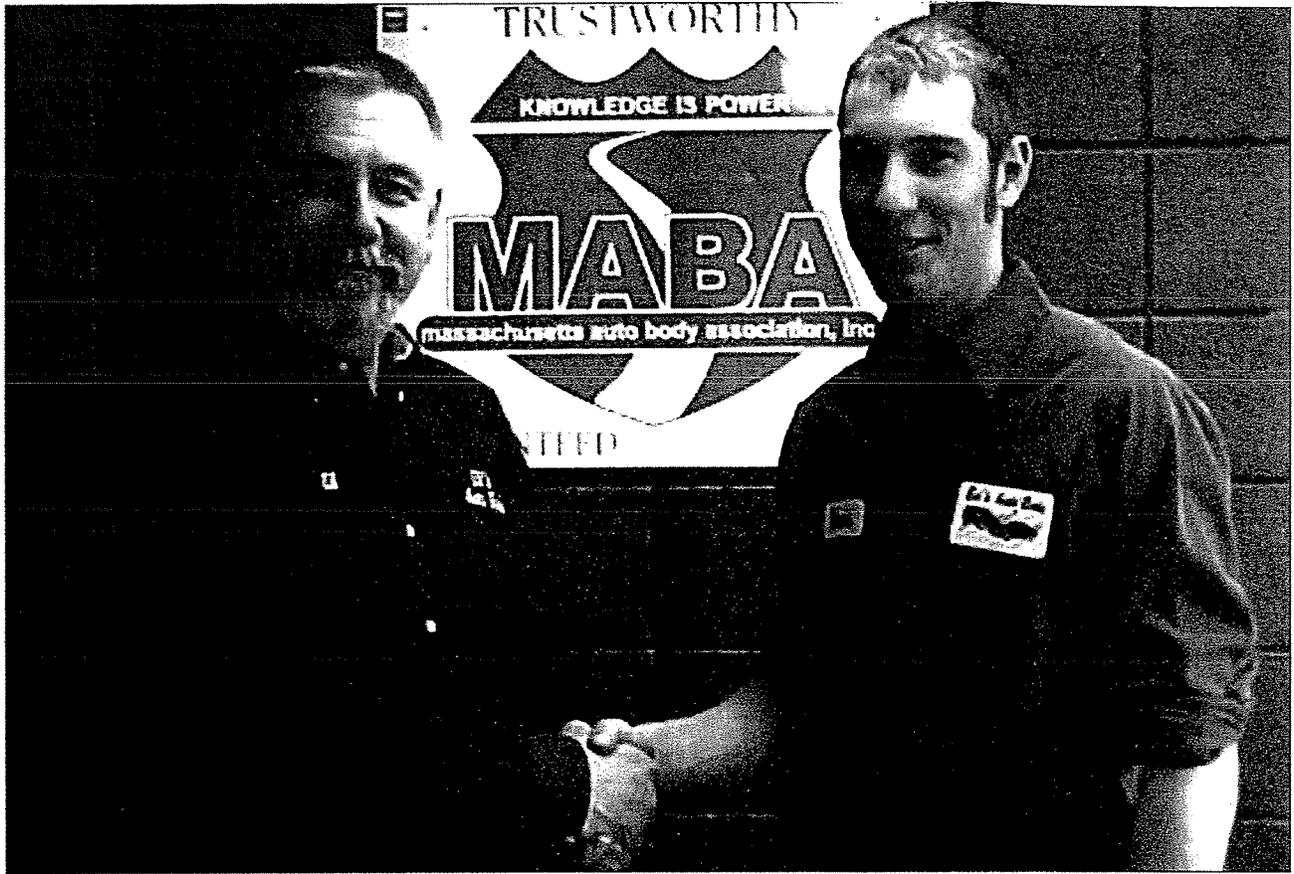
*Each school is eligible to submit 4 qualified candidates

(7 schools x 4 candidates = 28 candidates should be received each year)

27 tool award winners since 2005; 10 left the industry within 3 years of graduation.

CRITERIA:

1. The student must be a senior in good standing enrolled in the auto body program of one of the above schools.
2. The student must have a passion for the industry and currently working co-op in a MA registered auto body shop.
3. After graduation the student must plan on enrolling in a secondary school in the industry or work full time in a MA registered auto body shop.



Mass. Student Wins Skills USA Gold

MABA President Ed Nalewanski congratulates his employee, Scott Raymond, who recently won the Gold Medal in Collision Repair Technology at the National Skills USA Competition in Kansas City. Scott achieved the highest score in collision repair technology in the history of the

competition. MABA sponsored his airfare and hotel. Scott graduated from Smith Vocational H.S. in Northampton, MA this past June. ***Congratulations to Scott and his vocational instructors, Mike Brooks and Bob Holhut. Well done!***



BROWN MOTORS, INC.

*39 Beacon St.
Greenfield, MA 01301*

My name is Darci Lea Brown. I own Brown Motors, Inc in the Western Mass town of Greenfield. We are a franchised new vehicle dealer and currently have a body shop. The retail rate for my service department is \$73.00 an hour. My body shop insurance rate is \$35.00. My body shop techs attend regular training and certifications just like my service technicians; they receive the same benefit package and the same type of wages and incentives. They still require heat, light and materials to do their jobs. The difference is that YTD my body shop is showing a loss of \$37926.00.

In the type of economy we are working in today I will be forced to make decisions based on the survival of the entire dealership. That may mean that my body shop operation will have to close putting people who have devoted their lives to this business out of work.

I do know that if the manufacturer required me to build a new facility the cost of outfitting a new body shop operation and running it under the current labor rate would be cost prohibitive and make my business and my property less appealing to future buyers.

To The Labor Rate Commission,
Good afternoon my name is Thomas Andrus President of Precision
Autocraft located in Sheffield Ma.

I have come here to share my concern for the future state of my chosen industry, the Collision Repair Industry. The question has been asked "If things are so bad how is it that you have stayed in business?"

I would like to respond to this from my experience over the last 30 years. In my case I have been able to grow my company from a two man body shop (1979) to its current size of 15 employees. We like to be referred to as a "Collision Repair Center". The limitations of our labor reimbursements from the insurance companies have created a challenge to over come by understanding the numbers and running the business accordingly. However, we have now entered a new chapter in business history creating a new set of challenges for all. The ability to produce a fair return on investment, ROI, has been ebbed away by rising prices. The inability to adjust our rates to compensate for these additional expenses has reached the alarming stage. We have gone without the ability to adjust our top employees wages, or reinvest in our facility, equipment and training needs. These have been the areas that have suffered to stay profitable. I can no longer keep labor costs, efficiencies, and cutting expenses in line with needed gross profit. What we have to sell is our labor. Labor makes up the biggest piece of the profit pie. That leaves parts and paint and material. As reimbursement for paint and material has been running at a loss or break even for the last few years, due impart again to inadequate reimbursement methods, that leaves only labor/parts.

A means to Labor Rate Reform is what is needed now to allow us to not only survive but to prosper in the future. Perhaps then, we could begin to turn the tide and see students interested in this field receive encouragement from their instructor's, family and friends, instead of discouragement due to poor earning abilities. Perhaps then we can even up the playing field so we can compete with our Ct and NY State shops (8 miles away who can pay wages based on \$15 **more** per hour than us.)

On behalf of myself, my employees and my family, I hope you find this information helpful to your study of the rate setting practices. Thank you for your time in allowing me to testify.