

Good Evening Chairs Gotham & Powers,

I'd like to start by thanking you, and the committee, for your time and attention to this imperative matter. Please see my recommendation below.

Immediate and Sustainable Adjustment to the Auto Body Labor Reimbursement Rate

I. Executive Summary: The Need for Immediate Rate Correction

The current auto body labor reimbursement rate of approximately \$45.00 per hour paid by insurance carriers to consumers and the collision repair industry is critically insufficient and poses an existential threat to the industry's viability in the Commonwealth. This suppressed rate is a market anomaly that is far below the national average and grossly neglects the higher Cost of Living Index (CPI) in Massachusetts.

To ensure the continued presence of qualified repair facilities, protect consumer choice, and maintain vehicle safety standards, this report recommends two key actions:

1. Immediate Increase of the Labor Reimbursement Rate: The rate must be immediately raised from \$45.00/hr to \$114.12 per hour.
2. Establishment of an Annual Cost-of-Living Adjustment (COLA): The revised rate must be indexed to the Consumer Price Index (CPI) for the Northeast Region (or an equivalent Massachusetts-specific measure) to ensure future sustainability and prevent a recurrence of the current crisis.

II. Justification for the Proposed Rate Increase to \$114.12/hr

A. Disparity with the National Average

Massachusetts' current labor rate is widely recognized as one of the lowest in the nation, crippling the local collision repair industry.

- National Benchmark: The current national average for auto body labor reimbursement is approximately \$81.00 per hour. The present Massachusetts rate of \$45.00/hr is nearly 45% lower than the national benchmark.
- Unsustainable Gap: A rate that significantly undercuts the national average makes it impossible for Massachusetts shops to compete for the necessary investment in training, high-tech equipment, and professional wages required to repair modern, complex vehicles safely and effectively.

B. Accounting for Massachusetts' Higher Cost of Living

The proposed rate of \$114.12 per hour is necessary to bridge the gap with the national average and account for the elevated operating costs in the Commonwealth.

- High CPI: Massachusetts, particularly the Boston-Cambridge-Newton area, consistently registers a higher Consumer Price Index (CPI-U) compared to the national average. This higher CPI translates directly into higher costs for:
 - Labor Wages: Skilled technicians demand market-competitive wages, which are necessarily higher in a high-cost-of-living area. Low reimbursement rates force shops to suppress wages, leading to an exodus of trained professionals and a technician shortage. The 2022 Special Commission's report highlighted that Massachusetts technicians earn significantly less than comparable skilled trades.

- Commercial Real Estate: Rents and property costs for adequately sized repair facilities are substantially higher in Massachusetts.
 - Operating Overhead: Expenses like utilities, insurance, and the cost of sophisticated, required repair equipment (e.g., specialized welding equipment, scanning tools) are continually rising.
- The \$114.12 Rationale: By raising the rate to \$114.12/hr, we move past the national average of \$81.00/hr by a reasonable margin (approx. 41%) that is reflective of the greater economic pressures and operational costs unique to Massachusetts. This rate will allow businesses to be sustainable, attract and retain skilled labor, and invest in the mandatory training and equipment needed for modern vehicle repairs.

III. Recommendation for Future Rate Sustainability (Annual CPI Adjustment)

The practice of infrequent, politically negotiated rate changes has led directly to the current crisis. To prevent the rate from eroding again due to inflation, the reimbursement rate must be tied to a reliable economic indicator.

- Indexing to CPI: The adjusted labor rate of \$114.12/hr should be subject to mandatory, annual adjustments based on the official Consumer Price Index for All Urban Consumers (CPI-U) for the Northeast Region as published by the U.S. Bureau of Labor Statistics.
- Maintaining Economic Parity: This mechanism will ensure that the labor rate keeps pace with the true cost of operating a business in Massachusetts, offering long-term stability and predictability for both the collision repair industry and the insurance sector. It prevents the labor rate from becoming a stagnant figure that eventually falls out of line with economic reality.
- Encouraging Investment: A commitment to annual CPI adjustment sends a clear signal of market fairness, encouraging repair facility owners to invest confidently in new technology and technician training, ultimately benefiting vehicle owners and public safety.

Conclusion

The current, suppressed labor reimbursement rate is not a sustainable policy for a high-cost-of-living state like Massachusetts. It jeopardizes small businesses, discourages qualified workforce development, and ultimately affects the quality and safety of vehicle repairs for the consumer. The immediate implementation of a \$114.12 per hour rate, followed by a permanent policy of annual CPI-based adjustments, is the only responsible course of action to ensure a robust, safe, and professional collision repair industry in the Commonwealth.

Thank you for your consideration,
Doug

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