

To; Auto Body Labor Rate Advisory Board,

I attended both of the in-person advisory board meetings, at those meetings we heard from many shop owners, myself included, about the need to "balance bill" our customers for the difference between our posted labor rate and what the insurance companies are paying. This was a very hard decision for my shop to make, as I don't like the idea of charging my customers for something the insurance policy they have paid for should be covering, I hate having the conversation with my customers to tell them their insurance company won't cover the actual cost of the repair and that difference will have to come out of their pocket. This same sentiment was echoed often at the meetings and in discussions I have had with other shop owners.

The reality of the situation is we have exhausted all other courses of action to maintain a sustainable business. We have put in place lean practices to eliminate waste and wasted effort, we maximize discounts on parts and materials to help drive profit from those purchases. We scrutinize our estimates and can spend hours writing supplements trying to get reimbursed for the repairs we make for our customers, often having to write three, four or five supplements on the same insurance claim.

These practices can only go so far and there are only so many line items we can write for on our appraisals. This is why so many of us have had to resort to balance billing the customer. There is no meat left on the bone. We have no choice but to bill the customer.

I need to pay my people more than they are making now to retain them, and I need to be able to offer someone new who might be interested in this trade a comparable wage to other trades to show them they can earn a comfortable living working in collision repair. We have reached a crisis point in this industry; not enough money to attract the desperately needed new talent to repair today's high tech vehicles.

Massachusetts prides itself on its high standard of living and boasts of having one of the highest minimum wages in the country. Which is great because we also have one of the highest costs of living in the country.

How can we reconcile having a high school kid working part time at a fast food restaurant earning \$15.00 per hour and a modern collision repair shop being reimbursed at an average rate of only \$46.00 per hour? From this \$46.00 a shop has to pay all of its overhead - rent, insurance, utilities, information system subscriptions, etc., pay their technicians as well as the office staff, pay to train all of their employees, maintain all the equipment as well as purchase the needed new equipment, the list goes on.

The insurance industry representatives use their self-serving "data" to say the system is working just fine, they say the reimbursement rates of many companies have increased 10 to 40% in the last few years, I don't know of any that have increased more than 20%, and an increase of 20% on \$42.00 is still an unacceptable rate!

I don't like the idea of a state set minimum reimbursement rate as I would much rather have an actual fair market rate, but the insurance companies doing business in Massachusetts will never let that happen on their own and will continue to suppress rates as they have for the past 40 years.

As a shop owner, when I try to negotiate an increase in the labor rate with an individual insurance company I am most often met with "We don't negotiate labor rates, what we pay is the market rate", the truth is - I can only remember one insurance company sending out a survey one time asking what my rates were, and that was well over 10 years ago. Where is their "market rate" coming from?

Looking at a few examples from a prevailing rate schedule for a public works construction project in Massachusetts, the pay rates with benefits as of 12-1-25 will be \$89.65 for a Painter (brush), Mechanic Maintenance \$91.17, Tender (multi-trade) \$77.90, Electrician \$102.26. Bear in mind these are the wages the worker earns, the construction contractor is being paid significantly more than this.

I need to be able to compete for these workers and attract the best of the best into collision repair to keep the motorists of Massachusetts safe on the road.

One of the KPI's in our industry is gross profit on labor, 55% is on the low end of that target. So, in order to attract the smart - technology focused individuals this industry needs - I believe I need to pay a skilled and trained technician \$50.00 per hour, which would require a labor rate of about \$110 per hour using that 55%. A top technician with bonuses and incentives could now earn pay equal to other trades.

The cost of living and the cost to do business in Massachusetts is 40 to 46% higher than the average in the US. The average rate for collision repair based on a national survey is over \$80.00 per hour. If we apply 40% to \$80.00 the rate should be \$112.00 per hour. This is my recommendation; \$112.00 per hour for collision repair, across all the related labor categories.

Going forward, once a rate is set, it would need to be reviewed yearly and adjusted as needed, by some combination of this board, automatic adjustments tied to the CPI or by actual market surveys of registered collision repair shops in the state.

The Auto Body Labor Rate Advisory Board has been tasked with recommending to the Governor's Office what a fair auto body repair labor rate should be. I do not believe that insurance policy premium increases threatened by the insurance industry should have any bearing on the recommendation you are to deliver.

Thank you for the opportunity to have my recommendations considered by the board.

Sincerely,

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