

NORTHWEST AUTOMOTIVE TRADES ASSOCIATION

# AUTO OUTLOOK

VOLUME 13  
February | March | April 2011

***State of the Union Address*** features  
Oregon Small Business Owner

**Right to Repair Myths vs. Facts**



**ALUMINUM COLLISION REPAIR: Local Company First to Set the Standard**

**Oregon shops continue to give State Farm top grades; Allstate replaces Safeco as recipient of lowest grade.**

**2011 Insurer Report Card**

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February | March | April 2011

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## RECYCLED RIDES: FIX Auto Collision Centers of Oregon Donate Gift of Reliable Transportation to Local Family

This is the second year Fix Auto Collision Centers of Oregon have participated in NABC's national vehicle donation program, Recycled Rides. Already supporters of Doernbecher Children's Hospital, Alex Smith was an easy choice for this year's donation.

Alex is a toddler who was diagnosed with infant leukemia. After undergoing intensive chemotherapy treatment, a bone marrow transplant and many months at Doernbecher Children's Hospital, Alex was discharged, but due to complications, continues to split time between the hospital and his home in Vancouver, WA. Even when out of the hospital, Alex makes multiple trips a week to the pediatric oncology clinic to get treatment. It is essential that Alex has reliable transportation.

As a Recycled Rides recipient, the Smith family will receive a refurbished car and a gas card and other gifts, compliments of a long list of program sponsors from within the auto industry. Fix Auto Portland owner, JR Carlson said his employees also played a key role in getting the car in top shape for this family. Employees volunteered to come in on their day off to work on it.

The Portland gifting ceremony was held on Wednesday, December 8, 2010.

## The Year of Consumer Right to Repair

On this page we move from the highest office in the land (with picture of NATA member Jim Houser, Hawthorne Auto Clinic, First Lady Michelle Obama and Jim's daughter Helen Dally at Pres. Obama's State of the Union speech) to our State Legislature. NATA and others are introducing a Right to Repair bill in this 2011 session. The bill requires the vehicle manufacturers who make tools, information, and software and wireless capabilities used to diagnose and repair motor vehicles be made available to the vehicle owner and the vehicle repair shop.

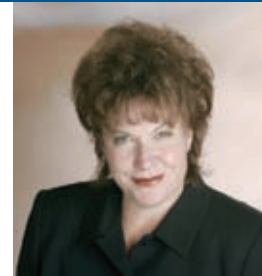
We know that today's cars are like computers on wheels, with as many as 30 or 40 onboard computers producing information about how the car is performing. If passed in Oregon, consumers will have a choice in who repairs their vehicles while ensuring that in our cities and in rural parts of Oregon a local repair shop has access to the tools it needs diagnose and repair the vehicle.

Oregon's Right to Repair legislation won't affect anyone's car warranties. But it will make sure that franchise dealers

and independent auto repair shops have access to the same information and tools on a fair, non-discriminatory basis.

We will continue to talk with you about the progress of the Oregon Right to Repair bill through the Legislature. Visit [www.aboutnata.org](http://www.aboutnata.org) and click on Oregon Right to Repair to get up-to date information on committee hearings for the bill.

**Executive Director**  
Barbara Crest



On January 25, I had the honor of attending the 2011 State of the Union Address as a guest of President and First Lady Obama. The previous week I had taken a call from the White House at my business, Hawthorne Auto Clinic that I co-own with my wife Liz Dally, asking me to join the First Lady in her box overlooking the U. S. House of Representative's chamber in the Capitol. Military heroes, victims of the attempted assassination tragedy in Tucson, representatives of business, education and our government were among the 20 invited guests. On the evening of the Address, guests and family members (my daughter, Helen Dally, was able to join me) arrived at the gates of the White House. After a brief transit through security we were assigned a staff member who led us to our reception in the first floor Entrance Hall where we graciously were welcomed by Ms. Obama.

At 8 pm, while family members (accompanied by Bo, the Obama family dog) remained behind to watch the Address on TV from the Blue Room, the invited guests were escorted to waiting vans and were sped, with lights and sirens, to the Capitol. The First Lady's joined us after arriving with the President. We watched

## State of the Union Address Featured Jim Houser as Oregon Small Business Owner

from our box as members of Congress entered, followed by several members of the Supreme Court, the Joint Chiefs of Staff, the President's cabinet, and finally, the President.

It was President Obama's emphasis on his health care reform accomplishment, The Patient Protection and Affordable Care Act (PPACA) that most captured my attention. The reality is that most Americans under 65 rely on their employers for health care coverage and most Americans work for small businesses. Employee benefits, like health care, are important when competing for the best employees. Small businesses don't have the clout to negotiate for lower health insurance premium prices the way large employers can. Over the last decade, health care costs have become a crushing weight for small businesses and many have dropped coverage all together. My company provides health care coverage for our nine full-time employees and their families. Our premiums have doubled over the last eight years to now equal \$90,000, over 20% of payroll. The PPACA is already providing major health insurance premium relief to many of the four million eligible small businesses all across the country. According to our accountant we will be receiving a 2010 tax credit over \$5,000 to help us pay our increased premiums. And there are even greater health care reforms slated to take effect in 2014.

As we returned to the White House following the Address I was struck by how truly unique our democracy is. Those of us joining Ms. Obama were not famous celebrities or major campaign contributors. In nearly every way we were a representative cross section of our citizenry. My fellow invitees and I participated in a Constitutionally mandated official duty of our President. The invitation to attend the State of the Union Address as a guest of our First Lady was a great honor.

Jim Houser, Hawthorne Auto Clinic, Inc.

# ALUMINUM COLLISION REPAIR: Local Company First to Set the Standard

Precision Body and Paint was the first to receive Western Region's Audi Authorized Aluminum Collision Repair Facility Award in recognition of its on-going five year commitment to the Aluminum Collision Repair Program, the industry's national water-mark for excellence.

In attendance at the historic presentation December 17, 2010 was Stan Ford, Audi Western Region After-Sales Mgr, Scott Story, Audi Regional Mgr., Ron Reichen, President, Precision Body & Paint and Cyndi White, Precision's Certified Program Mgr.

The award signifies an important distinction among collision repair facilities...one given to only a select few businesses that have met or exceeded requirements for meeting Audi factory tool requirements; meeting Audi Authorized Collision Facility standards for all Audi models; maintaining a staff of repair technicians trained and tested in the art of aluminum welding and proper aluminum structural and body techniques and meeting yearly standards audit & bi-yearly welding certification requirements.



Stated Ron Reichen, "We are humbled to be the first collision repair facility on the West Coast to receive this prestigious award. We could not have achieved it without the hard-work of the

Precision team and the great support from our dealer-sponsor, Sunset Audi of Beaverton."

Precision's Aluminum collision repair facility is only one of four on the West Coast. The facility designed by Audi incorporates the latest technology, tools and advanced equipment specific to Aluminum vehicles. So unique in fact, that it also incorporates a contaminant-free environment necessary to perform factory-duplicate collision repairs.

Precision Body & Paint, Inc. founded in 1975, is a full-service collision repair facility that caters to the individualized needs of today's discriminating customer. Precision has facilities in Beaverton and Bend, Ore. If you'd like more information about this topic, please call Richard Zaversnuke at 503-641-5634 or e-mail Richard at richardz@precisionfirst.com

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# Use Checklist to Control Employee Theft

The financial health of any business can be shaken to its very core by internal theft or fraud. According to the Association of Certified Fraud Examiners (CFE), the most costly abuses occur in organizations with less than 100 employees. In fact, the Small Business Association (SBA) reports that when businesses file for bankruptcy, the cause sighted nearly ten percent of the time is business theft or fraud.

Who steals? According to the CFE, the “typical” perpetrator is a college-educated white male, with men committing nearly 75% of offenses. Managers are a source of loss four times higher than employees. Never forget, however, that there are exceptions to every rule. Time and again, sources reveal that it’s frequently “the most trusted, least suspected individual” in the organization, whomever they are, to commit fraud.

Why do employees steal? Generally, the reason is three-fold: A person’s private financial problem or need (gambling debt, drug problem, loss of a spouse’s job, etc.) the perception that they will not be caught, and the ability in situations to justify the action. (“I have given everything to my company, they can afford it and they owe me...!”) Unfortunately, when minor infractions are overlooked, it frequently leads to larger or long-term theft.

Properly insuring your business can be key in the recovery process. However, this type of loss usually causes much more than financial harm to the business. Negative media publicity, decrease in company morale and mistrust by management can have long-term effects on both customers and staff.

What is the best prevention? One of the most important preventative measures is ensuring a positive work environment. Crime increases with stress levels. Make sure that your employees feel valued and that the lines of communication are open, even when difficult news has to be relayed such as reduction in staff, bonuses or benefits. When employees feel good about their employer, they are more likely to act in the best interest of the company.

Designing and implementing good fiscal controls is the very best preventative measure in deterring theft and or fraud. The following items should be on your company’s checklist:

- Always verify references and when possible, run background checks in the hiring process. (Note that some insurance carriers offer discounts through preferred vendors to their policyholders.)
- Implement a clear anti-theft company policy – review it with all staff, requesting them to sign acknowledgement and most importantly, uphold your policy.
- Separation of Duties is critical. Never allow the same person who sends out bills to collect mail and prepare bank deposits. This is difficult for very small companies, requiring thought and creativity, but attention to this process is invaluable.
- Make sure that all checks, invoices, and the like are numbered consecutively and regularly check for missing documents.

- Review accounts payable to avoid the use of fictitious or phantom vendors. (Check for the legitimacy of vendors, their addresses and try cross-checking with employee addresses.)
- Personally sign checks, avoiding the use of a signature stamp, but do utilize “For Deposit Only” stamps to deter checks from being converted to cash.
- Personally look into customer complaints that they have not received credit for payments.
- Work with your bank’s newest technology offering to make controls both simpler and more reliable. Examples are “Positive-Pay,” desktop scanners for deposits, credit card machines that require a previous transaction, and any and all bank reconciliation tools available to you.

The above list is just a sampling of the things for consideration. Working with your bank ahead of time to understand their procedures should a loss occur is paramount. It is also important to work closely with your agent to understand the different variables of crime insurance – confirm that your business is adequately covered for your specific operations. These two partners can likely enlighten you to additional risk management tools valuable to your business.

— Melodie Hight, Heffernan Insurance Brokers.

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# Right to Repair

Modern vehicles have systems controlled by computers. Information about those computers is held by car manufacturers who aren't required to share diagnostic tools, codes and software with independent repair shops, putting them at a competitive disadvantage. Increasingly, information from on-board telematics systems flows freely between manufacturers and their franchised dealers, leaving independent repair shops – and their customers – out of the loop.

Who owns the repair information to a vehicle? In a bill introduced into the Oregon State Legislature this session, NATA and others are proposing that consumers own the repair information once they purchase a vehicle. The reasons for supporting a Right to Repair bill are many. In a recent study conducted by CFM Strategic Communications in Portland, 500 voters were asked about their support for such legislation. By far, there is strong initial support for Right to Repair, and when the voter becomes more informed about the issue, the support grows to 85%!

With more than 25,000 Oregonians employed by independent repair shops in our state, the State House is clear about their responsibility to create and preserve jobs. Since most independent repairs fall in to the "small business" category, support for these businesses remains strong.

## **Oregon Right to Repair** preserves:



- Car owner choice
- Fairness in the marketplace
- Competitive prices for repairs
- Local small businesses and jobs

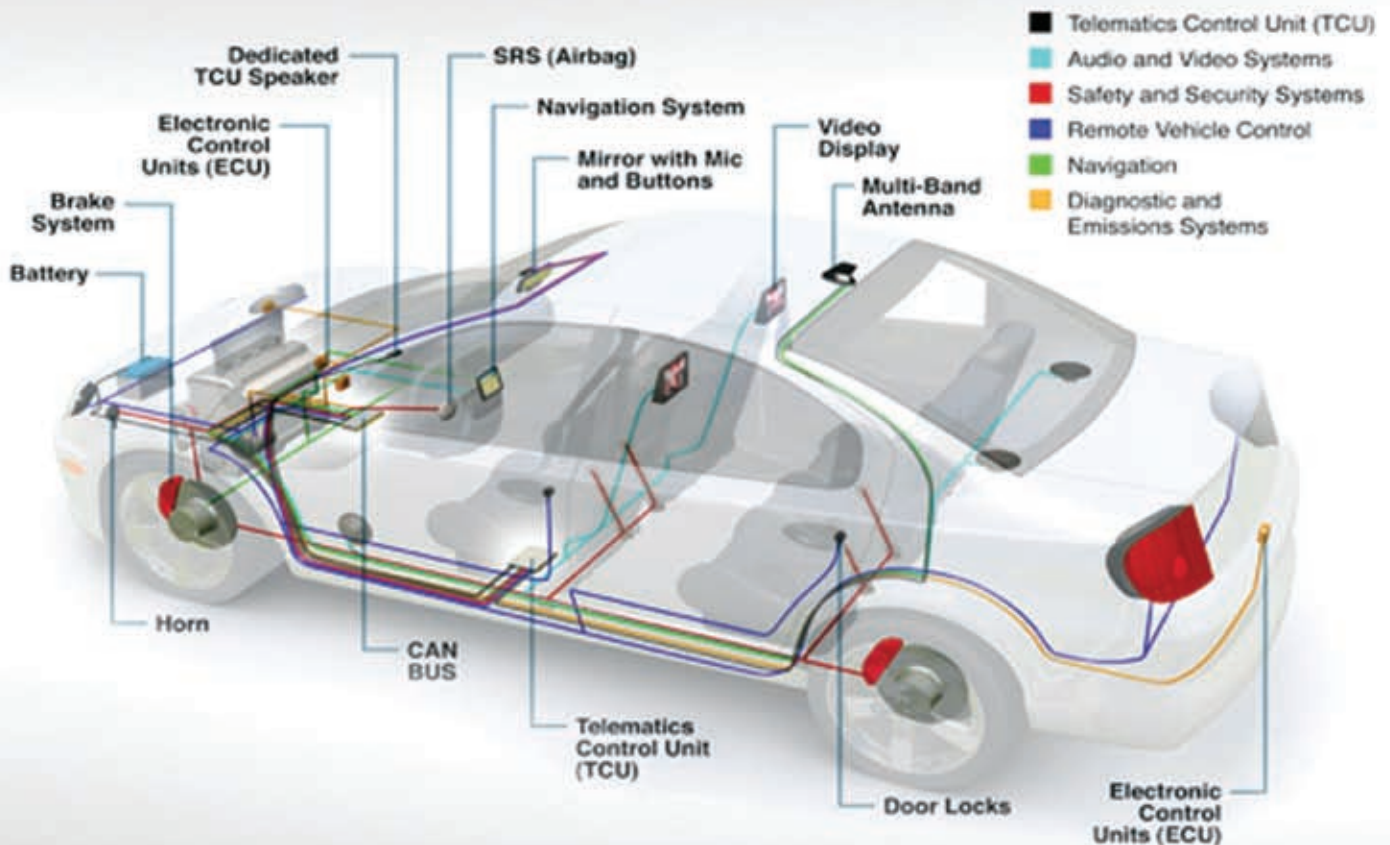
## What the bill does...

**Oregon Right to Repair** legislation gives car owners the right to decide who repairs their vehicles.

**Oregon Right to Repair** legislation requires auto manufacturers to provide independent repair shops with comparable access to the diagnostic tools, codes and software needed to repair a vehicle as it does to franchise dealers.

**Oregon Right to Repair** legislation does not require auto manufacturers to reveal trade secrets or interfere with a manufacturer's warranty.

**Oregon Right to Repair** legislation allows auto manufacturers to charge for information they share, but the price must be comparable to what they charge their own franchise dealerships.



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# Oregon shops continue to give State Farm top grades; Allstate replaces Safeco as recipient of lowest grade.

Oregon collision repair shops say that State Farm and two smaller Northwest-based auto insurers continue to be among the best at taking care of their customers after an accident – and that GEICO, Allstate, Farmers Insurance and Safeco are among the worst.

That was the finding of a new survey conducted by the Northwest Automotive Trades Association (NATA).

“Collision repair shops on a daily basis see how various insurance companies take care of Oregon drivers after an accident, so we feel it is worthwhile to ask how they rate the various insurers,” said Barbara Crest, executive director of NATA. “We believe their views will be helpful to insurance companies and consumers.”

About 600 collision repair shops throughout the state received the survey, which asked them to grade the Top 22 auto insurers in the state in terms of how well each company’s “policies, attitude and payment practices ensure quality repairs and customer service for Oregon motorists.”



This is the fifth time the association has conducted such a survey since 2004. Crest pointed to a number of items of interest in the findings of the latest survey:

- Repairers have consistently given the same three companies a grade of B or better all five times the survey has been conducted. State Farm and Oregon Mutual have held on to the top two spots, each receiving an overall grade of B+ again this year. Another Northwest insurer, Mutual of Enumclaw, maintained a grade of B to again finish third. State Farm is the largest auto insurer in Oregon: Oregon Mutual and Mutual of Enumclaw are ranked 14th and 15th, respectively.
- Overall, shops gave insurers slightly better grades in this survey than they did in late 2009. Six insurers, including Unitrin, USAA and Travelers, finished with above-average grades of B- or better (compared to just four last year), and only one, Allstate, received anything lower than a C- (where as four insurers received a D or D+ in the previous survey). Ten insurers improved their grades compared to 2009, and only two saw declines in their overall grade.

- Although its D+ grade did not change, Allstate slipped to the bottom spot in the rankings as other insurers improved their grades. Although high grades from some shops helped pull Farmers Insurance up to an average grade of C, more than one in four shops responding to the survey gave that insurer an “F,” the most failing grades received by any insurer. By comparison, Allstate, which received the lowest overall grade this year, received only about half as many “F” grades from shops as Farmers did.
- Progressive, which finished last in the survey for several years, has continued to improve its grade, jumping from a D+ in 2009 to a solid C in the latest survey. It ranked 16th in the survey, the first time it was not among the bottom four insurers. Other insurers showing notable improvements were Unitrin, USAA, Travelers, American Commerce, GEICO and Safeco.
- For the first time since the surveys have been conducted, North Pacific Insurance was not ranked in the top four. It slipped from a B- in the previous survey to a C this year, dropping to No. 12 in the rankings. North Pacific was acquired by Liberty Northwest (part of Liberty Mutual) in 2002, and several shops commented that its claims practices have changed since Liberty Northwest’s acquisition of Safeco in 2008.
- In most cases, the grades given a particular insurer from shops involved in that insurer’s DRP were higher than those given by shops that are not part of that insurer’s program. This was particularly true with Farmers, USAA, The Hartford, GEICO, Esurance and 21st Century (formerly AIG), whose DRP shops gave them grades of B or better while non-DRP shops gave these same insurers grades of C+ or lower. But even Ameriprise, Nationwide, Safeco and Allstate direct repair shops gave those insurers only average grades of C+. USAA and 21st Century saw particular improvements in grading from their direct repair shops in the latest survey.
- North Pacific’s grade among shops not participating in its DRP fell more than a full letter grade from a B+ in 2009 to a C in the latest survey. Progressive’s overall grade was buoyed most by improvement in how shops that are not in its DRP rated the insurer (an average C rather than a D in the previous survey).

“Collision repairers say the insurers receiving the highest grades – which includes both larger and smaller insurance companies – do the best job of taking care of Oregon drivers after an accident,” Crest said. “We hope consumers will take these ratings into account when choosing an auto insurer, and that insurers that received lower grades will work to improve their performance.”

More than 100 shops throughout Oregon communities responded to the survey. These shops had an average of 11 employees (down from an average of 13 in the 2009 survey but equal to the average in 2006).

# 2011 Insurer Report Card

What grade do Oregon collision repair shops give auto insurers in terms of how their "policies, attitude and payment practices ensure quality repairs and customer service for Oregon motorists."

Insurer	Overall Grade* (followed by grade in 2009)	Non-DRP Shops**	DRP Shops**
State Farm	B+ (B+)	B	A-
Oregon Mutual	B+ (B+)	B	A
Mutual of Enumclaw	B (B)	B	A-
Unitrin	B- (C+)	C+	B+
USAA	B- (C+)	C+	A
Travelers	B- (C+)	C+	n/a
American Family	C+ (C+)	C+	B+
Country Companies	C+ (C+)	C+	n/a
The Hartford	C+ (C+)	C	B+
American Commerce Insur.	C+ (C)	C+	n/a
California Casualty	C+ (C+)	C	n/a
North Pacific	C (B-)	C	B-
21st Century (formerly AIG)	C (C)	C-	B
Ameriprise	C (C)	C	C+
Liberty Mutual	C (C+)	C	B-
Progressive	C (D+)	C	B-
Nationwide	C (C-)	C-	C+
Esurance	C (C-)	C-	B
Farmers Insurance	C (C-)	D+	B
GEICO	C- (D+)	C-	A-
Safeco	C- (D)	D+	C+
Allstate	D+ (D+)	D+	C+

n/a = Insufficient responses from shops in the DRP to assign a grade.

\* Based on responses from all shops.

\*\*Based only on responses from shops participating in (or not participating in) that insurer's DRP.

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## Right to Repair Myths vs. Facts

**Myth #1: Vehicle manufacturers make all repair-related information available.** A survey conducted by Opinion Research of 1,000 aftermarket repair shops found more than \$5.8 billion in service and parts sales are lost annually because independent repair shops lack access to the necessary repair information and tools from vehicle manufacturers. The survey also found 1.8 million motorists were turned away because independent repair shops did not have the codes and tools to repair their vehicles.

**Myth #2: Right to Repair is intended to allow aftermarket companies to reproduce original parts.** The legislation only requires vehicle manufacturers to share information necessary to repair vehicles – the same information shared with franchised dealers. A repair technician doesn't need to know internal software codes. They just need the information generated from diagnostic tools that pinpoint what needs to be repaired. Replacement parts sold in the aftermarket are frequently manufactured by the same producers of original equipment installed by auto manufacturers.

**Myth #3: Car companies and aftermarket dealers already have a cooperative agreement to provide repair data through the National Automotive Service Task Force (NASTF).** NASTF was established in 2000 to resolve information issues raised by the independent service industry. In reality, NASTF has functioned as a clearinghouse for complaints from independent auto repair shops by funneling them to their respective vehicle

manufacturers. A dispute is deemed resolved when a complaint is filed, not when information is actually provided to repair shops. NASTF has fallen far short of what is needed. In many cases, it can take weeks for NASTF to resolve an information dispute, which does little good for a consumer who wants his or her vehicle repaired as quickly as possible. Several carmakers such as General Motors, Chrysler and BMW don't participate in NASTF. As a voluntary organization funded by car manufacturers, NASTF has no antitrust exemption – or motivation – to address issues such as discriminatory pricing for tools and information provided to independent auto repair shops. Through the auspices of the Better Business Bureau in 2005, an attempt was made to improve the effectiveness of NASTF. The effort failed when vehicle manufacturers refused to agree to a balanced governing board and enforcement powers to ensure repair information was shared equally and at fair prices.

**Myth #4: Nobody has enacted Right to Repair legislation.** The European Union enacted a Right to Repair law almost four years ago and, based on its success, recently extended it until 2023, with strengthened provisions. There is precedent in the United States under the Clean Air Act. Car manufacturers are required to provide information about air emission control systems to all repair shops on a non-discriminatory basis.

Read more on Right to Repair inside Auto Outlook, pages 6-7.