

Warranty Matters

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No More Free Doughnuts

Over the past few months, we've had numerous dealers contact us saying that Enterprise Rent-A-Car (ERAC) had begun charging a "recovery fee" over and above the maximum payment that will be reimbursed from General Motors.

As best we can learn, the fees are minimal (79¢ to \$1.30 per day), but not everyone is paying them! Actually, we've verified 4 different scenarios:

- 1.) ERAC is standing strong behind the fee, even telling dealers "it's like the dealer's DOC fee and it would not be going away."
- 2.) Some dealers have flat out told ERAC they would not pay the additional charge, in which case ERAC has instructed them to mark the invoice with "Short Pay" and remit only the maximum allowable by GM standards.
- 3.) ERAC is rolling the fee into the maximum daily allowable charge. In other words, if the allowance was \$42, they will bill the rental at \$41.21 and add the 79¢ to make the invoice total \$42.
- 4.) There is no such charge billed at all.

As readers might know, we take no issue with scenarios 2, 3 or 4, as this does not create a non-reimbursable expense for the dealership or customer.

On the surface, it seemed, at minimum, there was no consistency among ERAC branches when it comes to billing this fee. A further rub comes in because we have personal knowledge that Enterprise will accept payments less than GM allowances on *some* rentals in *some* markets.

To get to the bottom of this, we contacted ERAC Vice President of Business Development, Jeffrey Morrell. We started the conversation asking for an explanation of a "recovery fee."

Mr. Morrell described a recovery fee as an industry negotiated and allowed fee to recover expenses related to personal property taxes, licensing and titling of rental vehicles. These charges vary by state and to be justifiable, they must be "line itemed" on every invoice.

Mr. Morrell acknowledges these fees are sometimes rolled into the total maximum allowance that GM will pay (\$37, \$42 or \$45). On the other hand, this can vary by market and other circumstances.

For example, some municipalities will impose fees on rental cars to offset the cost of certain projects such as a new sports stadium, without raising taxes on the citizens of that city. Depending on the situation, ERAC may absorb the additional cost, or pass it along to the customer or dealership.

Mr. Morrell cited an example where ERAC shared costs of so-called "stadium taxes" applied to rental vehicles with a dealership in a city that was funding a new arena. The shared cost: A whopping \$180,000 combined!

In most cases, standard sales taxes are rolled into the maximum allowance on the dealer's invoice. Since taxes vary from state to state and city to city, the profit margin on a rental can vary on this same basis.

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- *Some dealers have negotiated deals to avoid these charges*
- *Your negotiation leverage may hinge on the amount of business you do with ERAC*
- *Some dealers are telling ERAC to "make the customer pay it," which creates ill will*
- *Dealers are reporting that Hertz is happy to get \$37 a day and will "make magic happen" to obtain your business*
- *Although it doesn't seem realistic, ERAC may lose your business over 79¢*

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Traveling in New Jersey recently we noticed a \$5.00 “DOM SEC” fee attached to every Enterprise invoice. According to Mr. Morrell, this is a “Domestic Security” fee only applicable in the state of NJ and the \$5 goes directly to the state.

Several clients pointed out that they assumed Enterprise was bound by contract to accept payment based on the \$37, \$42, \$45 allowances set up by GM. ERAC’s position, however, is the agreement specifies what allowance GM will reimburse the dealership—not what Enterprise can bill for the vehicle and additional fees that might apply.

There are some circumstances and markets whereas the costs might be prohibitive to ERAC even breaking even on a \$42 rental and until a new strategy can be worked out with GM, these charges can apply.

In the meantime, it does appear ERAC will continue to apply recovery fees to every invoice in states where this charge is valid.

Whether or not that fee is rolled into the total maximum GM allowance may depend on your location

Claim Payment Delays?

Several readers have contacted us saying they’re having problems getting claims paid lately. Some have suggested this might be tied to GM’s money woes and reps are being directed to postpone claim approvals.

We decided to play Snopes on this one and see if there is any truth to the rumors floating around.

What we have noticed is what seems to be a tightening of the parts ceiling on a number of repairs, particularly in the engine and transmission categories that generate a “Parts Amount Excessive for Labor Op” reject.

To investigate these claims and the reject, the warranty administrator should first confirm the labor operation is indeed correct (actually, this is the most common cause of this reject message).

If all is good to go there, you should verify the parts have the proper cost and mark-up applied and note if any out of the ordinary parts are billed, including excessive fluids. Also assure any core charges are removed.

If there are no problems with that, your next step is to insure the proper repair procedure was followed. This is a relatively easy step that can be found in the SI200 link in GlobalConnect.

Once you’ve completed all this research and everything is acceptable, your only remaining option is to H-Route

and/or relationship with the local ERAC branch. Dealers who maintain their own rental fleets and only use Enterprise for overflow might not have the negotiation leverage to avoid absorbing the costs.

On the other hand, several service managers tell us that Hertz Rent-A-Car is scrambling for GM dealership business and are happy to accept the maximum \$37 a day offered for non-Enterprise GM rentals.

A warranty administrator comments, “Hertz said they would do whatever it takes at \$37.00 [per day].”

One manager says, “I’ve never had an issue [with Hertz] to correct a bill or split it between internal, customer pay and/or warranty. They make magic happen sometimes to get a GM car.”

Some managers report that they need two or more rental sources just to insure the use of GM vehicles, since one may run out at any given time.

Mr. Morrell advises dealers who have questions regarding fees and/or other issues should contact the ERAC Area Manager and escalate the case to the Regional Manager if necessary. We’d like to thank Mr. Morrell for his time and comments for this article.

the claim, explaining the situation and parts used. If the rep has any questions, they will either call or let you know of their concerns with the next rejection.

As for the possibility of reps intentionally delaying claim payment, well, we’ve looked into that one too and can say without a doubt, this rumor is false!

Not a single rep we’ve discussed this with has said s/he has been given orders to hold up a dealer’s money.

What some have acknowledged is the fact that they are intentionally watching claims and scrutinizing them more closely these days, but that’s more of a “we’re being watched too” reason.

Keep in mind, reps have bosses just like the rest of us and their job performance is under constant review as well.

We’ve been fortunate to examine some of a rep’s monthly dealer performance reports. They are expected to be able to justify every decision made and even investigate some they didn’t make.

The biggest single measure measurement for a rep’s performance, in our opinion, is who’s stores are either entered into the Dealer Self-Review Process or advanced to the audit stage. Now, that’s the real bottom line and it is closely monitored by GM.

Auditing for Dollars

Keeping with the rumor theme for a moment, it's often believed that auditors have a specific target amount or quota when auditing a dealership. Fifteen years ago, we believed it too!

While we can't speak for every single manufacturer, we have experience with quite a few. Not only do we have experience, we have relationships with a number of retired warranty auditors and several who have worked in this capacity for more than one manufacturer.

Based on what we've learned, there is very little truth to the myth, but...

Not a single auditor we know has been put under pressure by upper management to hit a target dollar number during a warranty audit. As we've noted in past newsletters, the paperwork will tell the story and the claim is either compliant or not.

Some manufacturers do, however, monitor and expect a certain number of claims to be examined each day. Auditors who fall short of this goal are pulled on the carpet, but again, there normally isn't a dollar quota.

We are also aware of certain manufacturers (the Germans come to mind) who have the attitude to "throw it against the wall and see if it sticks." That is to take exception to a claim and see what defense the dealer might offer.

And although there might not be pressure from senior management to audit for dollars, that is not to say there isn't a certain amount of pride and/or peer pressure for an auditor to do their best to make the trip worthwhile.

After all, how long would an auditor last if s/he wasn't at least paying for their time and expense? Nobody needs to hear that from their superiors, it's just simple mathematics, but there's really more to it than that.

Regardless of the debit amount, if a dealer comes back in-line on the manufacturer's warranty expense report either after an audit, or even a Dealer Self-Review type process, there is a realized "projected cost savings."

The projected cost savings is the true measuring stick for an audit department or an individual auditor—not just the dollars debited.

"Yellow Top" Reminder

Almost 5 years after the release of bulletin 04-00-89-029 we are still hearing of reps telling dealers they should not perform OBD System Enhancement Software updates (commonly referred to as Yellow Top Bulletins) listed under the "Required Field Actions" section in GMVIS unless the customer has a specific concern related to the update.

To clarify, these updates are to be treated just like a re-

call and have no time and/or mileage limits. The only difference between a recall and a Yellow Top is the customer is not mailed a notification letter on the YTs.

Nonetheless, the dealer is required to complete these reprograms if the customer brings the vehicle to the dealership for any type of service.

This should be considered "free money" and does not impact the dealer's Cost Per Vehicle Serviced numbers.

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The Money Game

Just about everywhere we go people are asking about Global Warranty Management and when it will launch for “GM proper” dealerships.

Some months ago, we were told June of 2009 for North America. Later we heard it was being pushed back to September. More recently, we heard rumors it was being scrapped over expense concerns.

To get the latest accurate information, we contacted our friends at GM and learned a few things to boot!

As readers recall, GWM was launched for U.S. Saturn dealers in December 2007. Overall, the transition has gone fairly smoothly, although some compatibility issues remain between the ADP/EDS in-house computers used by Saturn stores versus the GWM system. For unknown reasons, these glitches haven’t been addressed by either side at this point.

Still though, GM has more than 15 countries submitting claims through the GWM system as of this writing.

The good news is, the launch for the U.S. dealers has not been scrapped, although it has indeed been pushed back. As it stands now, GM proper stores are scheduled to launch in the 3rd or 4th quarter of 2009.

That leaves a window for the launch of somewhere between July and December of ’09. Realistically, we wouldn’t expect it before September.

As part of a coordinated plan, GWM will launch in Canada before the U.S. GM expects that to take place sometime between July and September of this year.

With the November reorganization, several “GM proper” reps were assigned to Saturn points along with their other GM stores. They weren’t provided a lot of training beforehand, but seem to be catching on pretty well.

Dealers should expect to see some GM official notification information about GWM in April.

The Back Page

During these tight economic times, we’ve had to watch our pennies too.

In fact, I laid Robin off a couple of weeks ago as a cost-cutting measure. While it looked good on paper, she started presenting invoices for meals, laundry, landscaping, housekeeping, and you name it...

Let me tell you, I had no idea a baked potato costs \$5.00 and cocktails were \$9.50 each. That last load of mulch she spread was pretty pricey too.

Robin actually took to the idea of cutting corners quite comfortably—maybe too comfortably. Perhaps growing up on a farm with 4 siblings gave her the ability to take frugal to a whole new level.

I was OK with the cheap toilet paper and didn’t complain too much about working in the dark, but when she came home with a Flowbee®, I had to draw the line. My hair looks goofy enough the way it is.

She even got the cat involved in our ex-

pense reduction exercise by only giving him a 1/4 cup of Kibble per day instead of the “all you can eat buffet” he’s grown accustomed to all these years. He was none too happy.

Finally, I had to give in. It was simply costing more to cut corners than to just put her back on payroll. I did, however, cut out unlimited use of the corporate jet.

Of course, this is all in jest. It saddens us both to see so many of our friends and colleagues losing jobs and fighting to meet payroll.

Service managers and warranty administrators are having to fill many roles these days and are being pulled from every direction.

Nonetheless, the industry has seen tough times before. We all have. I have confidence in General Motors taking the initiative to do what it takes to survive. The stakes are just too high to do otherwise.