

Warranty Matters

General Motors Edition

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Keep on Truckin'

Our readers know that we don't exchange Christmas cards with the various transportation carriers used to deliver new cars—known as “car buggies” in the trucking industry. They never seem to run out of reasons to make you dislike them!

Mostly, our biggest gripe has always been the drivers seem to think what they have going on is of the greatest magnitude. They want to get in and get out and sometimes don't care who they offend in the process. After all, what could be more important than their load of cars?

That, coupled with their often misguided attempts to shun responsibility, sometimes taking advantage of unsuspecting or inexperienced employees by referring to transportation damage as “factory dents,” “stress cracked glass,” or anything else they can do to eventually deny payment, has left us with little respect for some of their tactics.

In an apparent new twist on avoiding responsibility and/or minimizing liability and getting in and out in record time, we've learned of a certain carrier that has apparently been field testing a different approach when delivering damaged vehicles to the dealership: “Pre-coded” Delivery Receipts!

That's right, the drivers are presenting dealers with Delivery Receipts that are already filled out with the damage codes of their own choosing. According to our readers this isn't just an isolated incident either, as we've received similar concerns from different parts of the country and it's apparently not just a single rogue driver doing this.

At one dealership the manager instructed his check-in personnel that this wasn't acceptable and required them to complete their own Delivery Receipts with the correct damage codes along with a written description that the driver had pre-coded the claim incorrectly. According to the dealership, the “delivery guys went nuts, and one almost came to blows with two dealer employees.”

Yet another dealer cites an almost identical situation saying he has, “seen [their] drivers that will become very upset if I do not use the damage type or severity code that THEY think it should be.” This dealer now requires all deliveries from this carrier to be inspected by the department manager only.

But the story doesn't end there. At one of the stores, a load of vehicles was checked in one day and the driver returned the next day (without any vehicles to deliver) because he didn't like the damage code the dealer had used and demanded to modify the Delivery Receipt from the previous day!

The Dealer Business Center has made their position on this clear by saying “The carriers are not allowed to pre-code Delivery Receipts,” adding, “Each step of the delivery process has its own unique forms and damage types and severity codes are not to be transferred.”

The Business Center advises those who run into these situations to file a complaint with the Damage Group of the DBC, but *Warranty Matters* has been given an opportunity to look into the situation first and we have contacted the offending carrier for an official statement and/or remedy.

As of this writing, there has been no response, but we will keep you informed. In the meantime, do not accept pre-completed Delivery Receipts under any conditions. 10-4, Good Buddy?

IN THIS ISSUE

<i>Keep on Truckin'</i>	1
<i>Time Recording—How Accurate is it?</i>	2
<i>When Does an Audit Become Punitive?</i>	3
<i>Rental Authorizations</i>	3
<i>The Money Game</i>	4
<i>The Back Page</i>	4

- *Carriers just keep giving us new reasons to dislike them*
- *What could possibly be more important than getting this guy's load checked in?*
- *To speed the process, drivers are field testing a new procedure...*
- *One driver “went nuts” and almost came to blows with dealer employees*
- *The DBC wants dealers to report these situations to the Damage Group*

Time Recording—How Accurate is it?

Can we all agree that most technicians are time clock challenged? OK, we said it. Heck, we've all heard the excuses about they work on flat-rate so why worry about time recording. It's hard enough to get them to clock in and out for lunch, much less expect accurate records on warranty claims.

We've had the unpleasant experience to have represented two dealers in franchise terminations related directly to time recording. In both cases, time records were used to attempt to prove the dealer was either shortcutting repairs, or worse yet, didn't perform them at all.

That being said, we want to make it clear that GM policy (with the exception of Saturn) does not require time recording on standard labor operations (those with an associated time allowance), but only for straight time.

We do find, however, there are a number of GM service departments in various pockets of the country who do time record all repairs and we have no objections to that process.

Why they time record is a mixed bag of: "We've always done it," "I thought we were supposed to," "We track efficiency" and "Our rep makes us do it."

For reference, the GM P&P does state: "*All customer pay, warranty, policy and internal repair order time must be accountable through the technician's time and payroll records. All technician's payroll records must reflect the actual time and date the vehicle was worked on.*" (Article 1.6.2, item k.)

While that last sentence might seem to indicate a requirement to time record, GM auditors tell us that their focus is to verify the technician was actually present when the repair occurred and that s/he was indeed paid for the work.

Nonetheless, to our knowledge GM (except for Saturn) and Ford are the only manufacturers who do not have mandatory time recording rules for U.S. dealers at this time. (Certain Ford Regions do "strongly recommend" time recording via annual dealer letters and GM of Canada requires time recording.)

Whether your dealership time records standard labor operations or not, it's being rumored that time recording may become a requirement for all warranty claims with the new Global Warranty System scheduled for introduction to U.S. dealers in mid-2008.

With that consideration and the now-common GM practice of allowing dealers to submit their actual time for certain labor ops on new model lines, time recording should be given serious thought.

The problem is, as mentioned above, technicians hate time recording and service managers view it as a pain in the rear end.

From a technician's standpoint, can you really expect them to set an egg timer and stop 30 minutes into a tracing down a wiring repair to start time recording for needed straight time? It's just not that practical when you're crawling around under a dash with other things on your mind, like fixing the vehicle.

We often see straight time recording somewhere in the middle of the repair, but when you think about it, most straight time today is related to diagnosis time and diagnosis time actually starts when the technician pulls the vehicle in the stall, not after s/he's worked on it for half an hour.

There are two accepted methods of time recording: either use a standard time clock, or electronic time recording through your computer system. Both have their shortcomings.

With standard time clocks, many stores will only have one or two clocks throughout the shop and sometimes one in the parts department, when the reality is they need a clock for each 2 technicians.

Even then, it's difficult to insure techs are accurately recording. Factor in old clocks that don't adjust for Daylight Savings Time, worn printing ribbons, power outages, improper synchronization and the problems can mount.

Electronic time recording would seem to be the most accurate on the surface, but depending on the dealer's set-up, it might be possible for a tech to be clocked on several jobs at the same time—just like with a standard clock.

In addition, both ADP and Reynolds & Reynolds will allow the person booking the repair order to manually manipulate time records, unless that ability has been turned off within the set-up. Both system's default is to allow the override of technician's time in invoicing.

With Reynolds, the accounting and warranty copy will show "Override in Invoicing" adjacent to the time records if they have been manipulated. With ADP, a "Change" indicator of "Y" (Yes) will show up if the technician's actual time has been modified.

For the life of us, we can't come up with a legitimate reason why either system would allow the operator to modify time records. This ranks right up there with standard time clocks that have the keys sticking in them or the covers removed.

A Reynolds spokesperson says it is an old protocol within the system that just hasn't been updated and recommended that dealers should change the default setting so time records cannot be changed.

He also acknowledged that at least one manufacturer's warranty department has taken them to task on this setting, saying if a dealer hasn't turned the capability off, it wasn't compliant with their time recording requirements.

When Does an Audit Become Punitive?

At what point does an audit no longer become a training tool and only serves to punish the dealer?

We've struggled with this question for years. Certainly it's out-of-line warranty conditions that put a dealer in an auditor's sights, but once that happens all compliance issues become subject to chargeback, not just the ones that led to excess expense.

More and more manufacturers are making use of some sort of dealer self-review process. It stands to reason they can reduce warranty waste this way with minimal expense and manpower and these are preferred over a corporate-level audit by all parties.

Manufacturers report that 70% of dealers involved in a self-review process will resolve issues internally without advancing to a full audit.

Even when a self-review process has run its course without improvement, some manufacturers will perform what

has come to be known as a "root cause analysis" before a full-blown audit is initiated, allowing the dealership another opportunity to bring numbers in-line.

In the case of both Ford and General Motors, it is quite possible that a full year has passed after the initial notification before a full-blown audit would start.

With GM, the dealer would have already received 3 Dealer Self-Review packages and most likely have had some sort of AVM involvement and coaching.

Once that time has passed however, manufacturers tend to feel the dealer has been given ample opportunity to make improvements and things can get nasty.

An auditor once commented that in their opinion if a dealer had been going on for a year or more and wasn't able to come back in-line with standards they felt they were justified to "get somebody's attention by hitting them in the pocketbook and any compliance issue is fair game."

Rental Authorizations

Just in case you might have missed GM Messenger bulletin WIW20070078, effective April 1st, all claims for 2 and 3 day rentals (Z7902 and Z7903) now require written service management approval and authorization code G for self approval.

This new approval requirement is a direct offspring of GM's latest assault on warranty waste and outlined in the December 2006 issue of *Warranty Matters*.

A pretty glaring compliance matter was omitted from this bulletin. First off, GM does not consider courtesy transportation job lines as add-ons and written management approval as an additional repair is not required (Article 1.6.2, item e.).

However, management approval is required for *any* claim

authorization, including those that are "H-Routed" (Article 1.6.2, item o.). Considering the dealer must H-Route any rental claim beyond 3 days, it also means those must have management approval for the additional days, but not as add-ons.

So to summarize, any rental claim except Z7901 requires written management approval. Z7902 and Z7903 require written approval and can be self-authorized with code G.

Z7904 through Z7907 must be H-Routed, but also require written approval. Confused yet? Well, when policy gets so skewed it's confusing, the best advice is to adhere to the most stringent rule. In other words, you might as well sign off on all rental claims. Wouldn't it have been easier for GM to just come out and say that in the first place?

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The Money Game

With the extension of GM's powertrain warranty and enhanced Certified Used coverage, many F&I departments are reporting fewer sales of extended service contracts. One of the latest trends for improving dealership profitability and contract penetration is the selling of ESCs on the service drive.

According to a NADA estimate, about 10% of total ESC sales are generated from service drives these days. And if you think about it, there is a natural fit between the two since the service department is likely to have the advantage of a captive audience to sell contracts just before the factory coverage expires, whereas the sales department might never see this customer.

Automotive News reports that a Florida Lexus dealership sells 45-50 contracts a month by having a "dedicated" ESC salesperson stationed in the service area. Those with advisors handling the up sell are reporting sales of five to eight contracts a month. No matter how the sales are generated, ESCs tie the customer to the store and generate part and labor revenue for years to come.

Some dealers use subtle sales tools such as simply making extended service brochures available in the service drive, waiting room and cashier's window, or adding a statement to the bottom of invoices. Others promote sales through direct mailers, again targeting their own customers within specific mileage and delivery date ranges.

While it is more common for a service employee to direct a prospective ESC client to the F&I department, some dealerships are set up to handle the entire sale in the service department—keeping all the profits for their own bottom line. In both instances, the seller is paid a spiff of between \$25 and \$50 and the ESC provider might also require a vehicle inspection, usually paid by the customer.

Either way, the key seems to be training advisors to present and sell the product, as they are usually already familiar with how it works and what it covers. The F&I manager or ESC contract provider will gladly provide assistance with training. There are also outside vendors who provide programs to specifically help advisors sell contracts on the service drive.

The Back Page

A lot of you know that I've been on the road for the better part of the last three months completing a contract assignment and only coming home to change clothes and write newsletters. That project is winding down now and we've been able to schedule some GM Warranty Administration Clinics.

The first clinic for 2007 will be held in Mt. Vernon, IL, on Tuesday, May 22nd, at the Holiday Inn. This is a smaller venue with a comfortable meeting area and nice accommodations.

On Thursday, May 24, 2007, we will be at the Hampton Inn & Suites in Little Rock, AR. This class is filling quickly and only a few seats are left.

On Thursday, June 21st, we will be in Birmingham, AL, at the Sheraton Birmingham Hotel, a new site for us. Due to hotel restrictions and anticipated attendance, the deadline for enrollment in this class will be June 5th.

And although we haven't confirmed dates or locations as of this writing, we are looking at Audit Awareness & Appeal Seminars in Memphis and Dallas sometime in July. As always, we will be joined by former GM auditor, Tino Perez.

With 28 years experience in the GM Audit Department, Tino brings a tremendous amount of knowledge and input to these seminars.

If you are interested in scheduling a Warranty Clinic or Audit Seminar in your area, please drop us a line and we'll see what we can arrange.

If you haven't done so and would like to get in on one of the already-scheduled Warranty Clinics, the information and registration forms are available on our website at: www.warranty matters.com (under the GM Workshops tab). We will update the Audit Awareness & Appeal Seminar information when we have dates nailed down. We look forward to seeing you there!