

Impact!

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FALL 2008

A newsletter for Alberta motor industry's licensed businesses and registered salespeople.



Satisfying automotive customers in Canada

Reprinted from *Auto Service World*, 8/6/2008

OK Tire ranked highest in satisfying automotive customers in Canada with the service establishment experience, according to the J.D. Power and Associates 2008 Canadian Customer Commitment Index Study (SM).

The study provides a measure of the service satisfaction and loyalty of owners of 2- to 12-year-old vehicles. Overall customer satisfaction with vehicle service providers is determined by examining five key factors: appointment/check-in, service advisor, work quality, after-service and customer orientation. The study examines customer satisfaction with both dealerships and aftermarket facilities.

.../See "Customer satisfaction" on page 3

Insurance company loses *Must pay autobody shop fees*

For two years, a dispute between an autobody shop, the customer and a major insurance company regarding remunerating the shop for a repair waged on.

Finally, on August 1, 2008 the dispute was resolved. An umpire settled the formal appraisal process with a ruling in favour of the customer and the autobody shop, rejecting the insurance company's arguments in almost every item in dispute.

Key findings by the umpire:

1. Not all shops are the same. **A shop that has invested more in training and equipment can ask for and is entitled to higher prices than the norm.** It is then up to the insurance company to show that these rates are unreasonable. In this case, the umpire found that labour rates equal to what the top paying insurer was paying were reasonable.
2. Not all cars are the same. **A shop that specializes in certain vehicles and can show that there are different costs in providing that specialization is entitled to more money.** In this case, the umpire found that four dollars more per hour was a reasonable amount to pay for the specialization.
3. **Shops can charge for specialty equipment that is not part of the usual complement of tools that is normally carried.** They can charge the equivalent of renting the tool even if the shop owns it. In this case, repairing the vehicle per the manufacturer's specs required using a specific type of resistance welder. The umpire found that a \$150 charge was reasonable.

.../See "Dispute resolved" on page 3



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Investigations Update

Is the incentive really FREE gas?

A customer bought a vehicle at a dealership offering \$1000 free gas as a gift with purchase. The purchaser believed they would receive a gas card. A Florida based promotion company managed the gas incentive and was not linked to the dealership in any way.

The consumer did not receive a gift certificate and paid a \$5 registration fee to open an account with the promotion company. To get the free gas, the customer first had to purchase the gas and then send \$100 in gas receipts monthly. In return, they were to receive a \$25 gas card. The Florida company did not send the gas cards and the consumer did not receive \$1000 of supposedly free gas.

Ultimately, the consumer made an informed decision to buy the vehicle from a dealer offering a fuel incentive plan. If the consumer doesn't receive a thorough explanation of the incentive or it isn't realized, as in this case, the dealer is responsible to consumer for any loss. AMVIC recommends dealers be careful with advertising free gas; if it is free then be prepared to offer that incentive.

Selling a used vehicle with a factory warranty

During the purchase process of a diesel truck, the dealer disclosed that based upon mileage, the balance of the factory warranty remained. The purchaser used the vehicle for a short time before it broke down. The consumer took it to an authorized repair shop and the shop discovered that the repair would not be covered under warranty. The customer complained to the dealership because the dealer, and hence the buyer, believed the vehicle had an existing warranty.

Who is responsible for the repair?

In this case, the dealer was held accountable and compensated the consumer for the repair, as it would have been a warranty item.

Dealers and consumers should verify that a vehicle does in fact have the remainder of factory warranty available. The dealer should not advertise that a vehicle has warranty remaining in order to conclude a sale without verification from the manufacturer. Using the VIN will accurately verify the warranty.

Year-end Investigation Statistics

April - September 2008

Complaint Statistics (number of calls)

New purchases	188
Used purchases	682
Repairs and service	240
Information and advice	5,882

Investigation Statistics

Total <i>Fair Trading Act</i> charges laid	2
Total Criminal Code fraud charges	0
Total <i>Traffic Safety Act</i> charges laid	1
Open investigation files	898
Closed investigation files	1,752
Total arbitration by investigators	\$725,274
Fines and restitution by the courts	\$76,311

Licensed wholesaler or curber?

Often a sales business takes a vehicle on trade that they do not want to sell to a retail customer. There are several options as to how to dispose of the vehicle, including selling it to a wholesaler.

AMVIC investigators have come across several instances where the wholesaler is not licensed and is curbing vehicles. Help stop curbers; check to see if the wholesaler is properly licensed with AMVIC.

Fraudulent bank drafts



In the last year, people have bought heavy equipment and paid for it with a forged bank draft. They have 'purchased' two pickers and a semi truck from businesses in Gibbons, Rainbow Lake and Myrnam. In each instance, a seemingly legitimate bank draft paid for the equipment. A couple of weeks later, the business discovers that the bank draft was forged. It is unknown as to where the vehicles went and who the individuals were.

To protect itself, a business should ensure any received bank draft is legitimate before delivering a vehicle.

Keep the sales floor active

It is in a business's best interest to make sure any newly hired salespeople take the compulsory education course within 90 days. If a salesperson does not complete the course within the mandatory time frame, AMVIC will suspend the registration and the salesperson cannot work the sales floor.

Registrants receive a class confirmation. AMVIC recommends that management request to see it and ensure they attend the scheduled class.

Dispute resolved */Continued from page 1*

- The umpire found that the insurer can always serve notice to the customer in writing that they are taking over the repair and have the repair completed by whomever the insurer chooses. However, unless the insurer specifically takes over the repair, **the customer can choose the repair shop of their choice and that might mean that the "reasonable expense to return the car to pre-accident condition" might be more than the price the insurer would get at their preferred supplier.**
- The insurer owes the customer and the shop reasonable interest on the unpaid invoice from 60 days after the submission of the proof of loss.** In this case, that is 24 months at 6% (prime lending rates) for the \$28,000 owing – an interest bill of over \$3,000.

All of these findings are important in clarifying the rights and responsibilities of customers and autobody shops.

Fighting a determined and stubborn insurer is time consuming and difficult. In this case, the original dispute on a \$25,000 bill was only \$2,200. The insurer has spent thousands on lawyers and will have to pay the court costs of the customer on an early court action at the beginning of the fight. The insurer lost on every item in dispute except for a seven-dollar dispute on the cost of a bumper bolt. The insured and insurer must split the approximate \$3,000 cost of the umpire. In the end, the shop and the customer were vindicated and a precedent has been set which the Automotive Service and Repair Association will vigorously promote and advertise.

Customer satisfaction */Continued from page 1*

OK Tire achieved an overall index score of 902 on a 1,000-point scale and performed particularly well in work quality and customer orientation-two of the most important drivers of customer satisfaction. Petro-Canada (Certigard) follows OK Tire in the rankings with a score of 886, while Autopro ranks third overall with 881.

The study found that customer satisfaction with the service experience has risen steadily-up from 826 points in 2004 to 850 points in 2008. The improvement in 2008 is driven by increased satisfaction in the customer orientation, service advisor and work quality factors.

"In addition to improvements in various measures of dealer performance, satisfaction with service delivered by new-car dealers in particular also increased," said Adrian Chung, manager of automotive syndicated research at J.D. Power and Associates.

"This suggests that service centers across the industry are listening to their customers, and putting more focus on improving the overall service experience."

The study found that 2- to 12-year-old vehicles account for nearly 70 percent of all vehicles in Canada in 2008. Owners within this category spend an average of \$860 annually on service and repairs, creating substantial revenue potential for all types of service establishments.

"Satisfaction with the service experience is essential to increasing customer loyalty, which can have considerable impact on the bottom line for a service establishment," said Chung.

The study also finds that share of service occasions accounted for by the various types of service establishments-including new car dealerships, independent repair shops, quick lubes, tire specialists, auto specialists and mass merchants-shifted slightly in 2008 compared with 2007, with new-car dealers losing market share.

The most noteworthy drop in share for new-car dealers was among owners of 2- to 3-year-old vehicles, declining from 75 percent in 2007 to 73 percent in 2008.



Regulation Education

Question

Frank was just in a car accident and needs a vehicle to get to work tomorrow. Even before contacting the police or his insurance company, he immediately calls his friend Bill who has an AMVIC wholesaler license. Frank asks Bill, "I need a car desperately, will you take my vehicle as a trade for a vehicle I can drive." Bill sells him a vehicle on trade. Frank drives it 100 kilometres and the transmission fails which costs him \$1,800 in repairs. The next day the motor seizes and the quote is \$1,200 for this repair. Frank then goes back to Bill and says, "I want my money back for the car and the repairs." Bill offers Frank his money back only for the vehicle.

Does Bill have to reimburse Frank for the repair?

Answer

Bill is not a licensed retail outlet. By selling the vehicle without a retail licence, he is in breach of the legislation and can be prosecuted through the Courts or be subject to licence action by AMVIC. He did not provide the certificate of mechanical fitness required when a vehicle is sold by an automotive sales business. Steps he takes to correct the harm done to the consumer that arose from his breaches of the legislation would be considered before a penalty is determined for those breaches.

Where can a customer have regularly scheduled maintenance performed?



Will having the manufacturer regularly scheduled maintenance performed at an independent automotive facility or lube shop void my new vehicle car warranty?

The consumer has the right to choose where they get their maintenance and repairs completed. Consumers are not required to bring their vehicle back to the new car dealership to have the

manufacturer recommended schedule maintenance completed.

Completing the vehicle's manufacturer recommended maintenance at an alternative source other than a dealership will not void the warranty. The consumer may need to provide proof, with tangible repair orders, that they completed the manufacturer-scheduled maintenance with the use of proper lubricants, tools, parts, and within the recommended time/mileage intervals.

1. It is a violation to state or imply in advertising or anytime throughout the vehicle purchase process that to keep the warranty valid the vehicle's maintenance and repairs must take place at a dealership.
2. It is a violation to inform a customer that they are offering "FREE" services of any kind if those services are in fact not free. An example would be offering a customer "free" oil changes for the duration of the new vehicle warranty as long as all other maintenance on the vehicle is to be completed at that facility.
3. It is a violation to mislead a consumer to believe that the dealer's facility is the only option that is equipped or trained to properly to maintain and or repair that particular vehicle. The image above shows a sticker affixed to the engine - this is not appropriate.

Unlicensed extended warranties being sold

AMVIC is cautioning consumers about a company named Warranty Center that is trying to sell after-market vehicle warranties to Albertans. "This company is not licensed to sell warranties in Alberta," says Bob Hamilton, AMVIC's executive director.

Consumers are being contacted by a company representative advising that their vehicle warranty will expire in two days. The representative claims the information was provided by the manufacturer that provided the original warranty. They are then offered a five-year extended warranty for \$175 and asked to provide a credit card number. The representative tells consumers they can contact Warranty Center at 1-877-914-7776.

Extended warranty contracts on vehicles are considered insurance and are regulated under the *Insurance Act*. Consumers should confirm that the provider an extended warranty is a licensed insurance company and a properly authorized restricted insurance agent by contacting the Alberta Insurance Council at 1-800-461-3367.

"Do not purchase an extended warranty from any unknown source," advises Hamilton. "We suggest consumers contact the dealer where they purchased the vehicle if they want to buy an extended warranty. Consumers can also contact AMVIC at 1-877-979-8100 or www.amvic.org if they have questions about an extended warranty."

Salesperson registration fallacies

When dealing with licensing salespeople, AMVIC has discovered two prevalent misconceptions in the industry. Read on to make sure you're in the know.

True or false: a salesperson has 90 days to become a registered salesperson.

FALSE: a salesperson of an automotive sales, leasing, or consignment business must be registered BEFORE acting on behalf of the business for that activity. On the first day of employment, the salesperson should submit an application to AMVIC.

True or false: it is the responsibility of the business to ensure the salesperson is properly registered.

FALSE: it is the responsibility of BOTH the business and the salesperson.

It is the salesperson's duty to make sure their registration has current information on file. It is also the business's responsibility to authorize the salesperson to act on behalf of the business and that the registration is active.

It is a chargeable offence if the salesperson is working and the registration is either not current or not active. The *Automotive Business Regulation*, section 16, states it is an offence to act on behalf of a business if not registered to do so. Under section 20.1, it is also an offence if a business does not authorize its salespeople to work on its behalf.

It is in the best interest for the business to keep AMVIC up-to-date on the status of all its salespeople. Ensuring salespeople are properly registered alleviates the possibility of the business being charged for having unregistered sales people.

To determine if a salesperson's registration is at an active status visit the AMVIC website at www.amvic.org and search under the business name. It has a listing of all the salespeople working for the business and their registration status. To keep the information current, AMVIC updates the listing nightly.