

# Today's Auto Repair

## With Chip Stewart

### - Cost and Price -

"OUCH! That sure is a lot of money!"

It sure is - ever wonder why? Let's examine the cost and price of auto repair this time. The costs involved in running a successful auto repair business are considerable and higher than ever. Besides the normal expense of running any business, the auto repair industry has to invest highly in the continual upgrading of tools and equipment. Education is of primary importance, on going and expensive. And, dealing with special government rules and regulations such those imposed by the EPA and OSHA are not only costly but frustrating as well. We also have to absorb the costs of warranty repairs often due to no fault of our own, for example, the replacement of defective new or rebuilt parts.

Now, how does a facility pay for all this? Just like every other business, the cost is in the price of the goods or, in this case, parts and labor. So, what about the price of labor in auto repair? The national average for labor is between \$55 and \$80 per hour. Most shops use a nationally published hourly flat-rate guide that gives a reasonable estimate of the average time involved in most procedures. For example, if a technician takes two hours to replace a water pump but the flat-rate manual gives 1.5 hours, the customer is charged for only 1.5 hours. However, if the technician is highly skilled and experienced on the replacement of that particular pump, it may take him only one hour but the job is still worth the 1.5 hour flat-rate. In fact, it usually comes out in the customer's favor because flat-rate is measured in conditions generally more favorable than those in real life. Conversely, times may be increased when the technician runs into problems beyond his control such as broken bolts, excess rust, or accessories that are in the way. As a matter of fact, there's a lot of discussion in the industry that accuses the flat rate system of *cheating* technicians. This stems from the fact that new car companies are continually cutting flat rate times for warranty work and those unfair times are being transposed into retail work. This is one of the several reasons that the repair industry is losing so many mechanics - but, that's another topic.

Now this price for labor doesn't buy just a technician but an *entire* organization of people, equipment, and skills. And the price is low compared to most professions. The reason the hourly rate isn't much higher is because of profit generated by the sale of parts and oil, which is used to help offset the cost of overhead (if the shop sold parts at cost, the charge for labor would have to be half again as much in order to stay in business.)

So, how do you know you're paying the *right* price? You don't want to pay too much but if you pay too little you may find you've wasted your money entirely. Choosing to buy from an establishment that offers unrealistically low prices is usually a poor buying decision. It is much more prudent to be concerned with the shop's reputation. Reputable shops will give good service at fair and reasonable prices - prices that are competitive but will allow them to maintain their business so they'll be there the next time you need them. All in all, the price of auto repair may seem like a lot of money but, considering the costs involved, it's really quite reasonable. Now, what do you get for your investment? Maybe we should discuss what you **should** get for your investment. See "Getting Your Money's Worth".

