



# NEWSLETTER

[www.dealersalliance.org](http://www.dealersalliance.org)

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## WARRANTY CHANGES NEGATIVELY IMPACT DEALERS AND CUSTOMERS

In cooperation with Brad Summers of Summers Dealer Services, Inc., a warranty specialist working closely with Ford Dealers Alliance, we have prepared a summary of those warranty changes that will have the most impact on your dealership and on your customers.

It is unfortunate that Ford Motor Company continues to make it more difficult to satisfy customers, as well as more difficult to receive proper reimbursement for the work we perform under warranty. We would like to remind Ford Motor Company that the dealer body provides a tremendous service. We do not build the vehicles and have no input as to quality control. We simply repair factory defects and deserve to be reimbursed fairly for that service.

### ROADSIDE PROGRAM IS NOT CUSTOMER DRIVEN

If your customer has their vehicle towed to your dealership without using the Roadside local provider, do not write a purchase order. Any customer with a vehicle requiring a tow within New Vehicle Warranty limits is required to use the Roadside Assistance Program.

In the past your dealership could

obtain an approval code from Roadside Assistance and mail the original tow bill along with a copy of the warranty repair order. Roadside would issue a check to the dealership directly for reimbursement. The letter dated March 1, 2002, states that now **only the customer** can submit for reimbursement for tows.

Most dealerships provide assistance with tows as a good-will gesture. Not allowing dealers to collect tows on the customer's behalf is not customer driven and will have a negative impact on customer satisfaction and ultimately a negative effect on a dealership's VOC scores. Many dealerships are currently absorbing the cost of the tow rather than risk

dissatisfying a customer. This is not right!

The new policy should be reviewed and changed by Ford Motor Company. Dealers should not be forced to pay for a customer tow. Remember that the major responsibility of a dealership's service department is to repair defects in materials or workmanship by the manufacturer - in short, to repair factory defects. Dealers should not have to pay for warranty tows or any aspect of warranty for that matter.

Be sure to inform your service advisors and parts personnel of this change to determine how your dealership will handle this situation in the future.



# WARRANTY TREND REPORT

## CHANGES!

Dealership After-Warranty Assistance (AWA) repairs are under the magnifying glass again. For years, all AWA repairs showed under the measured line and had its own group. Beginning April 1, 2002, Dealer AWA (P05 and P07) repairs will now be located above the line in the corresponding repair group (refer to the letter dated March 08, 2002). Any company AWA (P01, P98, W02, etc.) repairs will continue to be located below the measured line. All Company AWA repairs will show up in the Miscellaneous Program group. We have always been curious as to what else Ford includes into this group.

As always, Ford expects to have at least 20% average total participation for AWA at warranty repair rates with combining Dealer and Customer participation. It appears that Ford has placed time and mileage limitations on the CSM's (Customer Service Manager) for AWA adjustments. Some dealers have stated that Ford has been reviewing the percentage of participation with dealership management on a regular basis.

For years dealerships that work on diesel trucks trended higher than other dealers in the group. Now Ford has added two new component groups "Diesel Engine" and "Diesel Drivability" for the 7.3 liter diesel repairs (refer to the letter dated March 29, 2002). This will assist dealerships to obtain an explainable variance with a high warranty expense trend.

Although the created groups were added February 2002, the information for these groups will accrue data monthly until the full

six-month figure is reflected. These changes will benefit dealers to track the expensive diesel repairs. Remember these vehicles have a 5 year/100,000 miles engine (7.3 Liter Powerstroke) warranty. It is unfair that dealerships get penalized because their vehicle mix of diesel repairs is greater than other similar dealerships. Not all dealers specialize in diesel repair, therefore, those dealers who do, tend to stand out on the report.

Starting with the April Warranty Trend Report, Ford is using color-coding and will include some detailed spreadsheets for your review and analysis. To review briefly the color codes and what they mean: Green indicates that all is well. Red indicates a condition code has been assigned. Yellow is a warning that your numbers are slightly abnormal and if these are not corrected within one to four months, depending on the circumstance, you will be assigned a condition code. The rules for Yellow are as follows:

Variance is higher than a 2.0

Last two periods are greater than 1.0

Last five periods are greater than 1.5

Variance increased 3.0 over previous month.

Variance has increased for past three-months

One-month grace if the variance is again larger than 2.5 or exceeds 3.0.

Two-months grace if the variance continues to be greater than 1.0.

Four-months grace if the variance continues to be greater than .5.

The growth would have to be greater than 4.0 to cause a condition code.

Three-months grace with a . month-to-month growth for six months.

## YET ANOTHER PRIOR

Here we go again. Effective May 20, 2002, Ford is commencing a new prior approval program for warranty engine replacements. This program will include both the use of QCdealer.com and a phone hotline.

Types of warranty repairs now requiring prior approval include New Vehicle Limited Warranty, Service Part Warranty (SPW) and After-Warranty Adjustments (AWA). Engine base part numbers included are 6006, 6007, 6012 and 6V012.

This does not apply to engines replaced under the Extended Service Plans (ESP), Field Service Actions (Recalls and ONP), and for all Diesel Engines. For these, continue to follow the current policies and procedures.

Prior to determining that the engine may need replacement, technicians will be required to log onto QCdealer.com and fill out the appropriate diagnostic sheet. After completion, the technician is required to contact the Technical-Hotline to obtain a five-digit approval. You can bet that hotline operators are looking for clear cut diagnostic proof that the engine requires replacement; therefore, accurate numeric test results is key.

## APPROVAL PROGRAM

It is not yet clear how lenient Ford is going to be on missed approvals. It is going to be up to the diligence of the entire service department to get these high dollar repairs submitted properly and paid. For now it would be safe to assume that poor support for engine replacement and missed approvals will result in unpaid claims that the dealership will ultimately have to absorb. We already consider this move to be nothing more than a cost cutting measure at your expense.

Clearly, this prior approval process was not designed to be simple. To help streamline the process of acquiring prior approval, our company, Summers Dealer Services, will provide copies of the diagnostic test sheets based on the customer concern. By having this information completed before you log onto QCdealer.com, you should be able to get through this process more efficiently.

Please feel free to contact Summers Dealer Services, Inc., should you have additional questions or are interested in receiving the diagnostic test sheets at (800) 361-1449 or locally (989) 348-9755.

to falling beyond 180 days. Closer monitoring of your money is crucial and will become even more critical in the future.

The FCSD Regional Managers may authorize an additional 30 days (prior-approval code required) to submit warranty claims for dealers who are not on Reduced Warranty Requirements (i.e., up to 120 days). Any older repair order must be submitted to the Regional Office for consideration.

The special exceptions allowing repairs to be paid beyond 90 days are as follows:

- Company-approved After-Warranty Assistance claims.
- Customer Satisfaction Program (formerly ONP) refund claims.
- Field Service Action (formerly recalls) within one-year claims.
- Chargeback of Transportation Damaged claims charged back stating to submit as warranty.
- State sales tax audits that are within 180 days from the original payment date for ESP repairs and After-Warranty claims.

## FORD RESTRICTS WARRANTY REIMBURSEMENT -AGAIN!

Are your open repair orders and warranty receivables under control? Open repair orders can cause dealerships big trouble in a short period of time, and it is about to get worse.

Ford Motor Company will soon be making it more difficult for you to collect on warranty work. Beginning October 1, 2002, you will only be allowed 120 days **from the day you wrote the repair order** to receive payment. To make it even more difficult, Ford is again reducing the time for payment in 2003. Effective October 1, 2003, you will only be allowed to collect warranty repairs within 90 days. If you are not currently doing so, the open repair list should be reviewed at least weekly, if not daily. This is money you are entitled to receive. It is an undiscovered gold mine to many dealerships.

Most dealership personnel believe the repair order close date is when the clock starts ticking for payment, but that is incorrect. It is the date the repair order was generated. Many dealerships we have assisted in collecting past due warranty-receivable claims are already close

A common reply from dealer principles as to why they have a warranty problem is "we lost our service manager or warranty administrator." This will not be an exception to the 90-day rule. Ford has stated that this rule will be strictly enforced. In other words, even someone falling ill due to triple bypass heart surgery will not be an acceptable excuse.

More than ever you should monitor your warranty dollars closely. Many dealerships have a person called a warranty administrator who may or may not have limited responsibility. To be effective this person **must** monitor your warranty, collect your money in a timely fashion, and insure you will keep your vital cash in the event of a one-year audit. A true warranty administrator will make sure that warranty policy and procedures are followed and that the technician documents the repair performed properly.

Concentrate on getting your personnel trained and try to have low turnover or things may fall between the cracks. Some dealerships rely on a reputable company that can process your warranty claims and help keep your people aware of Ford's Warranty Policies and Procedures. Most companies will help you stay out of trouble by properly submitting your warranty claims. Either way, you should have someone in your dealership or outside your dealership monitor your process on a regularly basis. Do not give Ford Motor Company an excuse to keep your money.



## THE BATTLE ON PARTS RETURNS CONTINUES!

Parts managers have advised me that Ford and their vendors are requesting the return of more defective warranty parts than in the past several years. Along with this trend it seems that chargebacks are at an all time high.

We all know that Ford has the right to request the return of defective parts and that the dealership only receives compensation for the freight charges to ship the parts to the location requested by Ford. Parts managers state that on average it takes their personnel about 15 minutes per part to prepare for shipment. This has changed drastically because the parts are now sent to over 30 locations, not just Ford Motor Company locations as in the past years. This starts to add up in labor costs alone, (excluding any shipping supplies).

Now parts managers are finding out that a repair order is charged back because Ford states that it never received the part or that the part is damaged. At this point the parts manager must get involved; thus, the lost labor cost increases. The next step is to locate the hard copy to determine what happened and locate your shipping records. When a part is not returned, you must contact the WPRC and discuss your case. Part Managers state that they have proof that 90% of the time it was shipped. Then the Warranty Parts Return Center (WPRC) or vendor may request to have the information faxed for verification and you may see the credit within a week. If you did not return the part as Ford requested, you could still get your money back. Spend the time to contact the WPRC or the vendor to get approval on returning the part.

Parts that are charged back because they were damaged is yet another battle. The chargebacks are done by the WPRC or the vendor and in most cases you have no means of recouping the money for the part debited. You must go on-line into ACES II to review the assessor's comments to determine the reason for the debit. Many times there is a contact person and phone number. Do not give up the fight. Pick up the phone and inquire as to why you were debited.

I feel the vendors are motivated to charge you back because the defect will not count towards their failure rate. It has been a known fact that Ford is pressuring the vendors to lower their faulty parts per million by 25 percent to keep their Q1 rating. Most vendors take a digital photograph of the defective part before it is scrapped. It should be required that the digital photo be e-mailed to the dealership when the part is charged back or that the part be returned to you.

The most common chargebacks are outside mirrors, bumpers, seat trim, antennas, and other soft trim. Contact the source and plead your case for your vital cash. The last resort is to contact your CSM (Customer Service Manager) for assistance, if not resolved by the vendor.

Watch the parts you return to Ford for core allowances. If you purchased the part from your Ford Authorized Distributor (FAD) and Ford requests the part to be sent anywhere other than your FAD, make sure you collect your core allowance. Make sure you collect your core allowance. Appeal the repair on-line on ACES II to obtain your credit. If you miss the core, this could add up to some sizable cash.

I sometimes wonder if Ford charges back repairs because they can delay in paying the repair or hope that dealership personnel will not dispute the debit. It is like a game to Ford and Ford, so far, seems to be winning.

Work with your parts personnel and warranty administrator to make sure there is a plan to handle any chargeback. This will show up on your warranty receivable report as a debit and, if monitored properly, there should be no reason to exceed 120 days appeal limit. I know of many dealerships that do not submit a claim for reimbursement for the freight charges. Spend the time and collect your dealership money. Ford has made it a battle to collect your money. Step up to the plate and accept the challenge or ultimately you will be the loser and Ford will continue to win.

## FORD WANTS HIGHER CUSTOMER SATISFACTION RATINGS - BUT SOLELY AT YOUR EXPENSE

Within the past year it has become more noticeable that Ford is second-guessing your decisions as to actual time and/or warranty coverage. They are reducing the actual time or totally disallowing payment. Ford is also removing reimbursement for required parts and paying the repair short. In fact, we have seen total disallowance of payment of repairs because of comments entered in a Technical Hot-line report by the Ford personnel. Unfortunately, the dealership personnel cannot review these comments because they do not have access to the

report. These may be nothing more than statements made by an upset technician because he/she are limited to warranty labor standards instead of retail allowances.

Occasionally, customers will bring in vehicles with questionable repairs as to warranty coverage. Service managers are expected to make appropriate judgment calls from all the evidence presented as to whether the repair is covered under warranty. Dealers must always give the customer the benefit of the doubt as to whether they have contributed to causing

the need for the repair - in other words, the customer is always innocent until proven guilty. Under Ford's new program, the dealership is always guilty until proven innocent.

It appears Ford has contracted a company in Canada to review any high-dollar claim submitted by the dealers. They are setting their own policy, along with time standards that are not published. If you contact them, they will give no leeway, allowance or consideration for paying your denied claim. You have no recourse. Often these repairs are picked up by your CSM (Customer Service Manager) under a Company After-Warranty-Adjustment making it a non-measured repair. Here are some of the areas that are being denied:

The manual states that in dealing with actual time, if there is not a published labor standard that applies for the repair being performed, the dealership may collect actual time for the repair. If additional time is required for unusual circumstances or abnormal diagnosis time and is not covered by any published labor standard, this time is also reimbursable. Of course, the dealership must ensure that there is proper time clocking with appropriate technician comments on the repair order.

From our experience, often the technician will have much more clocked time than what



the dealership is submitting for actual reimbursement. In fact, sometimes it is less than half the clocked time and the dealership is absorbing the difference. Most dealerships will find ways to pay technicians outside of warranty to compensate them for the shortcomings of warranty repairs.

The big problem we are now facing is that many times actual time is being refused, even when the technician is following steps in the shop manual. They may also be using diagnosis steps suggested by the Technical Hot-line or the steps that are required by other Ford publications.

**Example:** If the technician follows TSB 02-02-03 and pulls the cylinder head to inspect for block flatness if the motor is replaced, expect to collect only about 4.5 hours, even when the labor operation pays 7.8 hours (6051AR) to replace the gasket. The Manual review division at Ford will reduce your actual time and pay the claim short. Ford is setting a standard labor operation without a published labor standard. This is second guessing the dealership without all the facts and there is no formal means to appeal the decision. You may argue your case with a representative by calling (877) 334-3317, but unfortunately, in most cases, payment will be refused.

**Example:** If for any reason you have to replace eight injectors on a 7.3L diesel, it is required you get

prior approval in writing from your Ford CSM. Even if the technical Hot-line advised you to do so, **it will not be covered.** All claims will pay at zero dollars stating "That replacing all 8 injectors is related to a fuel quality issue and Navistar engineers state this is not covered by Ford warranty".

Again, you are guilty until proven innocent. The claim will be denied, even if you inspect the fuel for water and it is clear. So you must tell the customer who spent upwards of \$35,000 for the new vehicle and that they must have at sometime during the life of the vehicle obtained a tank of fuel with water. If you have already performed the work prior to the denial, you will eat over \$4,000 dollars of warranty repair. And yet, Ford knows there is a problem and SSM 12649 states that the injector walls have been changed to tungston carbide due to premature bore failure. If your technician states in his comments to the Technical Hot-line that the bore is scuffed, then the replacement of any of injectors will be disallowed. So much for customer satisfaction.

**Example:** If your technician is involved in a big repair problem and there is no published labor standard operation for the repair required, do not expect to collect for the time you request. You will not collect the time you submit for payment, even if you are not requesting the total time your certified-trained technician took to fix

the concern caused by a manufacturer defect. In no way expect to get paid in full. Ford is reviewing repairs and deciding arbitrarily how long it should take and only paying their unknown non-standard labor operation. **Ford should never refuse to pay for a warranty repair performed due to factory defects.**

In summary, watch your warranty payments closely and remember you only have 120 days to appeal a paid repair line. More than ever you should track your warranty receivables closely.

We think that the current practice of paying the repairs short should end. The repair line should reject indicating an error. Consequently, an explanation could be given with a direct phone number to call for review. This seems to be a more equitable way of evaluation, especially for those dealerships who strive to do everything right (in other words, the cream of the crop pertaining to warranty). Those are the dealers who are most impacted by this unfairness. Ford would like to improve dealer-to-company relations but, unfortunately, they are determined to save money at the dealers' expense. Dealers could have better dealer-to-customer relations, if all the obstacles put in place by Ford Motor Company were removed.

- Warranty Practice Review
- Audit Appeal Assistance
- Warranty Claim Collection
- Collection of Past Due Claims

*Please feel free to call us anytime for further*



- Temporary Claim Processing
- ACES II Corrections & Training
- Mini Warranty Mock Audit
- Warranty Administrator School

*information regarding our services 989-348-9755*