

# South Western Flash

February 2008, Vol.6, No. 2



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## Upcoming Events of Interest

### Dealers of Tomorrow

#### Workshops:

- Aug. 5-6 - Emporia, Kan.
- Oct. 14-15 - San Antonio, Tex.

*Mark your calendar and look for more information on these workshops in the coming weeks.*

*Training that's just as needed, just enough, just on time and just right®*

## SouthWestern Association Education Trust

SouthWestern Association has introduced a new program - The SouthWestern Association Education Trust. This program makes it possible for dealers to train their entire staff quickly and efficiently without ever leaving the dealership.

Nearly 100 courses are available in categories such as:

- Selling skills
- Negotiation
- Leadership
- HR Compliance
- Safety
- Operations
- Administration
- Customer Service

Programs can be used for training, coaching, refreshing learning, performance support, promotion paths and meetings. These courses are available on your computer 24 hours a day, seven days a week.

### Here's How it Works...

Members purchase a subscription to the SouthWestern Association Online Campus. Pricing is based on the number of employees at all your locations. Then, all your employees will have access to the campus materials. We'll issue a unique password to each staff member.

SouthWestern Association will help you set up a curriculum for new hires or specific positions. And, you can identify those who are motivated to excel by their campus activity. If you identify someone you'd like to develop into a manager, you can set up a curriculum of courses for that person to help them transition into their new role. In addition to campus access for your employees, subscribers also receive a discount on other Association seminars such as Dealers of Tomorrow seminars and on-site seminars that you arrange with campus faculty.

As the campus grows, industry specific courses will be developed featuring such popular and well recognized experts as Bill Sharp, Bob Janet and others.

### Proven Results

Real companies similar to yours have shown outstanding results by using online campus technology. One company with 175 employees got these results over an 18-month period:

- Increased sales and profits
- Reduced product returns by 10%
- Improved customer and employee satisfaction
- Reduced employee turnover by 33%
- Reduced training costs
- Compliance with state and federal law

**Continued on next page**

### South Western Association

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Kansas City, MO 64141-6264  
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[www.swassn.com/register-email.htm](http://www.swassn.com/register-email.htm)

## SouthWestern Education Trust

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### Member Price

# of Full-Time Employees	Annual fee
0 to 9	\$1,000
10 to 24	\$2,000
25 to 49	\$3,500
50 to 99	\$7,500
100 to 199	\$10,000
200 to 399	\$12,500
400 & up	\$15,500

### Special "Early-Bird" Offers

- Enroll between March 1 and June 30, 2008 - Receive a 25% discount prorated for the balance of 2008. Receive a 15% discount for 2009.
- Enroll between July 1 and December 31, 2008 - Receive a 15% discount for the balance of 2008 and 2009.

In addition, all trust participants receive a 10 percent discount on other education programs, such as Dealers of Tomorrow seminars. *For more information, contact Olivia Holcombe at SouthWestern Association - 800-762-5616, [www.swassn.com](http://www.swassn.com)*

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# Employer-Paid PPE – Effective Now

**P**ersonal Protective Equipment (PPE), with a few exceptions, must be provided at no cost to employees. The rule does not require employers to provide PPE where none has been required before. It just means the employer must pay for PPE that is already required to be worn.

Many OSHA standards require employers to provide their employees with personal protective equipment (PPE). Such equipment is necessary to protect employees from job-related injuries, illnesses, and fatalities. OSHA standards that require PPE generally state that the employer is to provide such PPE. However, some of these provisions do not specify that the employer is to provide such PPE at no cost to the employee. *In this rulemaking*, OSHA requires employers to pay for the PPE provided, with a few exceptions listed below.

The final rule became effective on Feb. 13, 2008 and employers must be in full compliance with the rule by May 15, 2008.

The final rule contains a few exceptions. Employers are NOT required to pay for:

- Regular safety-toe protective footwear (steel-toe shoes or boots)
- Regular prescription safety eyewear
- Ordinary clothing (long sleeve shirts, long pants, sturdy work shoes)
- Weather-related gear (rain gear, cold weather gear, sunglasses, sunscreen)
- Dust masks/respirators used under the voluntary use provisions
- Shoes or boots with built-in metatarsal protection that employee requests to use instead of the employer provided detachable metatarsal guards
- Logging boots
- Lineman's boots

Employers ARE required to pay for PPE where PPE is required to be worn (including, but not limited to):

- Hard hats
- Goggles, safety glasses, face shields (non-prescription)
- Hearing protection
- Protective gloves (from abrasions chemicals, etc)
- Respirators
- Fall protection
- Welding PPE, including masks, aprons, and gloves
- Rubber boots with steel toes
- Prescription eyewear inserts for full-face respirator
- Prescription eyewear inserts for welding and diving helmets
- Fire fighting PPE
- Medical/laboratory PPE
- Reflective work vests

## Employee-owned PPE

Employees may provide adequate protective equipment of their own, but employers are not required to reimburse the employee for the equipment.



## Replacement PPE

Employers are NOT required to pay for lost or intentionally damaged PPE. Employers DO pay for replacement PPE when the original item wears out.

## Definition of Employee

Employees include: full-time, short-term, temporary, piece workers, seasonal workers, labor pool employees, and transient employees. Self-employed independent contractors are not included in this rule.

## More Highlights of the Rule

- OSHA refused to exempt “high turnover” industries
- OSHA anticipates that this rule will result in more than 21,000 fewer occupational injuries per year
- 24.9 million U.S. workers under OSHA jurisdiction wear PPE:
  - 11.3 million wear non-prescription safety eyewear
  - 9.2 million wear abrasion-resistant gloves
  - 6.5 million wear goggles
  - 5.8 million wear chemical-resistant gloves
  - 5.7 million wear hard hats

OSHA said employers in nearly all industries already pay for 96.5 percent of their workers' PPE, with the chief exception being foot protection at 50-55 percent. Steel-toe footwear is this final rule's biggest exemption. Basic PPE for the hazards at hand is all employers must pay for. All five OSHA industries – general industry, construction, shipyards, longshoring, and marine terminals – have the same rule taking effect at the same time. Self-employed independent contractors aren't covered. When a different OSHA standard specifies whether or not the employer must pay for specific equipment, that standard shall prevail.

*Source: Regulatory Consultants, Inc. (RCI). Please contact RCI at 800-888-9596 if you need additional information or have questions.*

# Preventing Injuries

By Mike Jenkins, Federated Insurance Co.

Have you thought of partnering with your insurance carrier to control workplace injuries? Insurance companies handle thousands of injury claims every year. They can monitor industry loss data and analyze frequency and severity of injury types.

The benefit in working with large numbers is that the results are more reliable and can help identify specific areas that need attention. For instance, Federated's claims data for the year 2006 identified the most frequent "part-of-body" injuries and the most frequent causes as shown below.

### Three most frequent "part-of-body" injuries in 2006:

- Hand and fingers - 23.4 percent
- Back - 13.9 percent
- Eyes - 8.62 percent

### Three most frequent causes of injuries in 2006:

- Strains - 28.4 percent
- Slip or fall - 16.3 percent
- Cut, puncture or scrape - 16.0 percent

Federated has conducted claims studies for several years and has developed "packaged programs," including industry-specific packages, to address a wide range of safety topics. Most packages contain a video and related printed material to help business owners or managers conduct safety meetings. The packages are available to insured businesses free of charge. Printed materials are yours to keep, but we ask that the videos be returned within four weeks, using the pre addressed, postage-paid mailing box provided. For a list of topics or to order a package program, call Federated's Safety Topics line or order online by logging in at [federatedinsurance.com](http://federatedinsurance.com). After all, doesn't it make sense to partner with the same people in preventing accidents that you will work with if an accident occurs?

Call Federated's Safety Topics line at 1-800-838-1760 to order Risk Management Packaged Programs.

*\* Data based on Federated Insurance workers compensation claims incurred for calendar year 2006.  
This article was provided courtesy of Federated Mutual Insurance Company, your association's recommended insurer.*

*The Time is Now! Start 2008 off right...*

## Enroll in the Dealer Candidate® Course

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Dealers are looking for ways to pass progressive operational, financial and personnel management techniques on to their replacement, branch managers and other key leaders. But for most dealers, there is simply **not enough time** in a day to take on such initiatives. In 2008, let JCC train them -- so you don't have to!

The **Dealer Candidate® Course** is training for existing dealers, general managers, location managers, prospective management and other leadership personnel in the dealership. Students attend 2-days, three times per year for two years with the option of a third year advanced course. Homework and on-the-job exercises are in place for measurable accountability.



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## Watch for Equipment Dealer ADA Assessment

### A Dealer's Chance to Make a Difference

The SouthWestern Association is encouraging your participation in the Equipment Dealer ADA Assessment. The assessment (questionnaire) will provide valuable information to NAEDA about the potential effect of new Americans with Disabilities (ADA) regulations on your dealership and business.

Your response to the questionnaire will be confidential and used only in the aggregate to determine the overall effect the new proposals have and help NAEDA counsel prepare comments for consideration by the U.S. Department of Justice.

The questionnaire is long (130 questions). However, the data we need to measure the potential costs and effects of the new regulations requires information. Responses will be confidential. Only the data will be used for analysis by association counsel. We will not retain respondent names, e-mails or other identifying information.

The assessment is key for SouthWestern Association and NAEDA to prepare a proper response to these new regulations and we hope you'll complete the survey when it arrives in your email. If you have any questions, please don't hesitate to contact SouthWestern at 800-762-5616.

## Technician Training Program

SouthWestern Association has partnered with OSU-Okmulgee to establish a technician training program for equipment dealership technicians. Students enrolled in the program are sponsored by equipment dealers in the SouthWestern Association territory.

For more information on the program contact: Tag Webb, SouthWestern Association Regional Manager - 918-232-2830; Steve Doede, OSU-Okmulgee Dept. Chairman - 918-293-5392 or Jeff Flora, CEO, SouthWestern Association, 800-762-5616.

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A HAY RAKE, A TRACTOR, A BALE WAGON AND A BALER.

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# Federal Legislative Update

Source: North American Retail Hardware Assoc.

## Bush Signs Stimulus Bill

Individuals will be getting tax rebates; businesses can take bigger deductions for business investment. Those are the major provisions of an economic stimulus bill signed by President Bush.

The intention of the legislation is to give tax rebate checks to anyone who had earned income or tax liability in 2007 plus a bonus for each dependent child. Special provisions assure that senior citizens on Social Security and veterans who receive disability benefits receive rebate checks. Rebates will be phased out for high income taxpayers.

The Internal Revenue Service (IRS) plans to begin issuing the rebate checks as soon as the current tax filing season ends, starting in early May. Although the IRS will send the checks automatically, they will be based on tax filings for 2007. Acting IRS commissioner Linda Stiff said that tax filers must have a Social Security number to receive a rebate and that individuals who are not normally required to file a tax return must do so this year to receive the rebate.

Businesses can take advantage of one-year tax incentives for equipment bought after Dec. 31, 2007, and placed in service during 2008. The Section 179 small business expensing limit is increased to \$250,000 and the phase-out threshold to \$800,000 for this year. Businesses can also expense 50 percent of the value of new equipment put into service this year.

In an effort to help the housing market, the bill temporarily raises the limit on government sponsored or insured loans to \$729,750.

Senators are already lining up for a second – or maybe a third – stimulus bill. Senate majority leader Harry Reid (D-NV) said Democrats would move on a second bill as soon as they returned from a week-long Presidents' Day recess. The next bill, according to Democratic leaders, would concentrate on providing relief for homeowners facing foreclosure.

The Senate Republican Policy Committee also had ideas for additional stimulus legislation. Suggestions include a permanent extension of 2001 and 2003 tax cuts, tax credits for certain home buyers, longer net operating loss carryback periods and estate tax reform.

## New Law Expands FMLA Benefits

Bush also signed a defense authorization bill that expands unpaid Family & Medical Leave Act (FMLA) leave to family members of military service personnel on active duty or in need of care after being wounded in combat.



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# Quoting Service Jobs to Customers

By John Walker, President, After Market Services Consulting Co., Inc.

Look For John Walker as a future trainer for the SouthWestern Association On-Line Campus

Over the past several years we have seen an interesting trend taking place in the equipment industry. More and more equipment dealers of varying sizes and lines of equipment are quoting service work versus the old form of estimates based upon an hourly labor rate and flat rating jobs. One of our clients is today quoting 69 percent of his service business and is looking to top out at 85 percent. He refers to this quoting as "Technology Based Service Pricing with Standard Rates."

## Standard-Rate Labor Pricing

We are also glad to hear that many manufacturers have taken an interest in having their dealers' flat-rate their service to customers. Many have worked with their dealers to develop standard hours for standard jobs. They have also promoted the idea of recruiting, hiring, and retaining more qualified technicians with pay-for-performance programs developed around the technician's overall productivity.

In the past when we mentioned "flat-rate" to dealers they would roll their eyes and tell you that they are not in the auto industry and that "flat-rating" is somehow manipulating the customer's charges. At any rate, dealers have always come up with negative answers too numerous to count.

We have boiled down the answers and have come up with two basic reasons equipment dealers steer clear of flat-rate labor pricing. (We prefer to call it standard-rate labor pricing.) One is that it is just too hard and time consuming to develop; and, second, technicians will be measured (and paid) against specific standards and they (technicians) may object or fear the results.

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**The first point a successful dealer will recognize is that the shop has only one thing to sell and that is TIME! Selling time is quite a bit different from selling a part or a product.**

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A review of the equipment dealer's *Cost of Doing Business Studies* continues to show their shops are losing money. Long ago successful dealers began to ask why, and then began to make changes that would curtail their shop losses. The first point a successful dealer will recognize is that the shop has only one thing to sell and that is TIME! Selling time is quite a bit different from selling a part or a product.

What you don't sell today in your parts department, your sales department can sell tomorrow in various quantities. On the other hand, what service hours you don't sell today **cannot** be repackaged and sold tomorrow in any increased quantity.

What your dealership buys is eight hours a day of a technician's time. Each employed technician represents 2,080 hours per year. This figure is not affected by inflation, your labor rates or the competition's labor rates. What the dealership markets and bills out is what is sold. If this paid out time is not sold today, it cannot be carried over and sold the following day. It becomes a service paid for but not billed out to recover the cost.

## Selling Time in a Dealership

Time is different from anything else that is sold within an equipment dealership. 1) It is a highly perishable product - time purchased today, but not sold today cannot be sold tomorrow. 2) It varies in cost by technician, and any hours billed over eight hours a day cost a premium. 3) Every day your Service Manager repurchases your inventory of time. 4) Eight hours a day per technician determines your dealership's daily inventory of time. 5) The professional Service Manager therefore, will maximize his marketing effort to maximize the number of hours billed versus those hours that are purchased. 6) Hours not billed or hours that do not produce revenue for those hours purchased do not benefit the department or the dealership's profitability. 7) Therefore, it is imperative for the professional service manager to bill out to customers and to the sales department, the maximum number of hours purchased.

Recovery rate is the percentage of hours purchased from technicians that your dealership is able to resell to customers and to other departments of the dealerships. At best, a typical equipment dealer charging an hourly labor rate can only bill 80 percent to 85 percent of his cost of labor. The remaining 15 percent to 20 percent is generally found to be vacations, holidays, training time, sick leave, etc.

## A Measure of Productivity

If, at best, an equipment dealer can achieve an 80 percent to 85 percent service billing efficiency, why doesn't the dealer look to methods whereby he can do even better than 80 percent? Particularly given that most aren't even achieving the guideline of 80 percent.

"It is too difficult to establish flat rates and our industry is totally different from the automotive industry. There are too many variables in the work we perform, there are too many unknowns. The manufacturer's flat rates won't work for us because they are a good 20 percent below what we believe they should be."

**Continued on next page**

## Quoting Service Jobs to Customers

Continued from page 8

To these objections we would answer: Without some estimate of the time that is required to perform a job how does someone measure the productivity of the technician performing the required service? If you don't measure the technicians, then you will be unable to manage the technicians! Developing flat rates or time requirements for particular services performed allows a manager to measure performance. If performance is measured, then incentive and motivation programs can be easily established.

*Productivity or an individual technician's productivity is a comparison of the amount of time a technician takes to do a job against the standard time (flat time) for that particular job.* It is extremely important to recognize that professional technicians want to be measured. They want to know how well they do against the norm and they want to be paid for improved performance.

## Improved Quotations to Customers

The establishment of flat rates also makes it far simpler for the dealer's Customer Service Salesperson to provide accurate and timely quotations to the customer in the field. This eliminates the need to contact or return to the dealership to work up a written quotation, allowing the customer to contact another supplier in the meantime. Some will argue that this will leave the service department vulnerable to the unknowns, such as a rusted transmission that will take an additional two hours to break apart. These contingencies can be handled if it is explained to the customer beforehand that they will be contacted in advance for approval before any work is done that will exceed the quoted repair time.

In developing flat rate pricing, customers are charged a specific amount for a particular job, regardless of how long it takes the service person to do that job. The service people receive their normal labor rate for the time quoted to do the job. If the job is flat rated at four hours and the service person does the job in two, the customer is billed for four hours and the service person is paid for four hours. If the service person takes five hours to do the job, the customer is billed for four hours.

If the technician performs the work in two hours and the customer is billed for four and the technician is paid for four, but the job requires some re-work, the customer is not billed nor is the technician paid for the re-work. We recommend that the technician is allowed to "bank" hours where he beat the standard time, and when the technician exceeds the standard time the hours are deducted from the bank. This puts the pressure upon the technician to 1) beat the standard and 2) to make sure that the work is performed correctly.

Ed Walsh, one of the industry's best known service consultants, identified yet another reason why equipment dealers hesitate to institute a flat rate system in their service department. Ed calls it the fear of the unknown. Many technicians

have a fear of the system despite the fact that none of them have worked with the system. These technicians never having worked with a flat rate system, can all tell you of someone who told them the horrors of the system.

Ed states that when flat rates are used as originally intended, the average dealer will have results as follows, relative to the compensation to the technicians:

Eighty-one percent of the shop jobs will be profitable.

Thirteen percent of the shop jobs will be at a loss.

Six percent of the shop jobs will be at break even.

These percentages should indicate to your technicians that all service work will not be profitable and that the exceptions should not condemn the system. Experience and hard working technicians will beat the flat rate most of the time. Those that cannot meet the flat rate will require further specialized training. If the system and the technicians are properly monitored, necessary courses of action within the department can be taken.

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**Experience and hard working technicians will beat the flat rate most of the time.**

**Those that cannot meet the flat rate will require further specialized training.**

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Change is inevitable for the successful service department of the future. If your dealership is not ready for a flat rating system, you might want to consider a pay plan for technicians based upon productivity.

Under this system the technician is paid an hourly wage based upon his actual productivity. As an example, if his starting productivity is 50 percent, his hourly wage may be \$15. When he achieves 55 percent productivity, his hourly wage increases to \$16.50, at 60 percent it may go to \$18.60. The point being that the technician is receiving pay increases based upon a measurable goal.