viewpoint

Harpoon Courtesy D.O.T.

The Department of Transportation recently released a report that harpooned the entire auto repair industry. The report, prepared from data gathered by the University of Alabama, stated motorists are paying for either needless repairs, or fraudently-diagnosed auto problems. The basis for these assumptions by the Department of Transportation was a survey of just 62 repair shops.

The problem with the report is the statistical basis used. There are thousands of qualified auto-repair facilities in this country, yet the University of Alabama selected the 62 repair shops it studied after consulting with District Attorney's offices in seven cities.

There are two errors in this. First is extrapolating such a small survey to include an entire industry; the second is the inference that the shops surveyed were already under scrutiny by law-enforcement agencies in the cities selected.

Another major error in the Department of Transportation's report is the lack of a true national basis for the survey. The seven cities studied for the report are Miami, Philadelphia, Atlanta, Nashville, Houston, White Plains, N. Y., and Brooklyn. The study concentrated on the middle-Atlantic and southern regions of the country, and ignored New England, the mid-west and far-west.

For Michigan residents, the lack of reference to auto repair shops in our state must be significant. More than being ignored in the study, and yet included (by inference) in the D.O.T. report, Michigan auto-repair facilities were not even given the opportunity to defend themselves.

All full-time, professional mechanics in Michigan must be licensed. This licensing comes only after the mechanic-applicant has passed examinations that require more than just minimum skills. Couple this with the fact automotive manufacturers routinely conduct on-going seminars for dealership service department mechanics, and it becomes apparent the D.O.T. report is unjust, at least for Michigan mechanics.

There is a third consideration not mentioned in the report; the over-all success of the facilities studied. It is a axium of business that when dealing daily with consumers, success is predicated on honesty. Looking at the automobile dealerships in Detroit, one can reasonably conclude

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letters

Our article on the Politics of Gasoline (April and May, 1979) drew a fair amount of mail from readers.

Here are some samples:

Dear Editor:

Why not inform your readers the truth on that over 300 percent profit of Standard Oil of Ohio? Tell them about the billions of dollars invested in the Alaska venture, and much more to come in the future. Let the people know just how fortunate we are that they, Standard Oil, took the big risk and we are now reaping the benefits in being able to pump gas into our cars, etc.

Most of the oil companies made those profits from overseas (out of this country). How about the stockholders who have invested their money in these oil companies, and until now had little compensation?

With all president Carter's ranting and raving, we are not a bunch of dumb klutzes. The American people are smarter than he gives us credit for. We are not pushovers for half truths that are repeated over and over.

Mrs. E. Herrick
Grosse Pointe Farms, Michigan

Dear Editor:

Your article [The Politics of Gasoline, April-May, '79 Car Biz] takes an emotional slant for the most part, and my response first was emotional. However, I have delayed writing this letter, and hope that you will understand the oil industry story–the facts–better, after you have read it. This is a personal response, and not an official company position.

Your first paragraphs cover retail marketing practices of gasoline dealers. Most service station dealers are independent businessmen, and can set up their prices where they wish–except!–the retail prices are government controlled, and there are maximum limits. The formulas are complicated, but U.S. Government price controls do exist on gasoline. You may have noticed that some operators have been forced, recently, to back down on their prices and/or pay fines.

You refer to "oil companies being unwilling to spend money in marketing operations", in reference to station closings. In this area, Texaco is leaving the retail marketing arena because of continued losses.

Further, you refer to "new" and "old" oil. You are nearly right, "All oil looks pretty much the same". These classifications are not put on by the oil companies, but by our U.S. Government, Department of Energy. It is, in effect, a subsidy on OPEC oil. It also penalizes the larger companies, to the benefit of smaller companies. Take Texaco, for instance, which over its lifetime has invested billions of dollars looking for oil. We were very fortunate, and found large quantities. Now, for each barrel of "old" oil it produces and refines, Texaco must pay the difference between old and new oil prices, to a "small" refiner. This "equalizes" the cost of oil to the small refiner who has no crude oil. This is under the so-called Federal "Entitlements" program. What it has done, other than take money away from companies such as Texaco, is encourage the re-opening and new building of small, inefficient refineries, which cannot make products like no-lead gasoline. It has made many small refiners wealthy, even though their own plants operate at a loss. Again, this is the benevolent hand of Uncle Sam at work!

The item to be relieved of price controls, by present laws, is crude oil, and not gasoline. Crude oil will have basically one price (although this has always varied with crude quality–in reality, all crude is not alike. Crude costs vary widely, depending on too many factors to discuss here.

You next talk about profits, taxes, contradictions, etc., but seem to ignore some of the realities.

First, more than one-half of the one-time, "windfall" profit to be made on the de-controlled crude oil will be absorbed by existing Federal and State taxes. Does anyone complain about that? Second, these so-called "enormous" profits are indeed large, at times. But consider this example–and there are many others–the great Baltimore Canyon off the East Coast. The big winner here is the Federal Government, which has already absorbed $1.1 billion in bonus payments

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