

January-February, 1987



NEWS

OFFICIAL PUBLICATION OF SERVICE STATION DEALERS ASSOCIATION OF MICHIGAN



Michigan Gov. James Blanchard meets with SSDA-Michigan president, George Schuhmacher, (left), Dennis Pellicci, executive director and Mark Ambroziak, executive committee member.

SSDA-MICHIGAN — A STRONG VOICE IN GOVERNMENT FOR DEALERS

State Senator Lana Pollack talks with SSDA-Michigan Board of Directors member Ted Beckner (left), and Jay Ohlman at a SSDA-Michigan Board of Directors meeting.



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Message From The President

by
**George
Schuhmacher**

*President
Service Station
Dealers Association
of Michigan*



POLITICAL INVOLVEMENT AN ABSOLUTE NECESSITY FOR ALL DEALERS

Political involvement for service station dealers has become an absolute necessity. The reason is that many decisions that affect our businesses are made at all levels of government.

It is necessary, therefore, that we as service station dealers let public officials who make these important decisions know our positions.

The SSDA-Michigan has as one of its priorities political involvement which means 1) we let political decision-makers know where we stand and 2) support the election of politicians who agree with the SSDA-Michigan on issues that affect us.

Though we have professionals representing our interests in Washington, D.C. and Lansing, as individual service station dealers we must get to know our legislators on an individual basis. That way when the time comes to vote on a matter that affects us, a phone call to a local legislator can do a world of good.

SSDA-Michigan has published a handy directory of federal and state legislators with individual phone numbers and addresses.

If you would like a free copy of this directory, call the SSDA-Michigan office at 313-557-3940.

Remember there is an awful lot at stake for all of us so get involved and keep the SSDA-Michigan as the strong voice of service station dealers in Michigan.

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NEWS BRIEFS

DON'T OVERLOOK PICKUPS

With more than 2 million pickup trucks sold in the U.S. last year, savvy dealers are promoting their ability to service pickups. Here's how:

- Including "We Service Pickups" or "Specialists in Pickups" in advertisements.
- Designating one bay as a "Pickup Service Center."
- Offering high profit pickup accessories, such as bed liners, caps and extra light sets — available through traditional parts outlets.

While pickup owners tend to think their vehicles differ from cars, they are generally the same. Compact and full-size pickups with two wheel drive and half ton capacity share many engine, drive train, suspension, ignition, fuel system and accessory components with standard cars offered by the same manufacturer. If you can work on the cars you can work on the light duty pickups.

SOME TIPS TO KEEP CUSTOMERS HAPPY

A recent article in the Oil Weekly bears repeating and we present it to you here, just in case you missed it...

There are dozens of low-cost and no-cost steps that you can take to keep customers coming back for bay work. Here are four:

- Arrange with a local car wash to wash every vehicle that you service. Either have an employee take the cars and get them washed or give the customer a coupon to get the car washed when they pick it up.
- Never refer to the car to be serviced as "that blue Chevy." Get everyone at your station to get into the habit of referring to it as "Mr. Smith's blue Chevy."
- Use locking plastic bags, available in any grocery store, to hold used parts being returned to the customer. And when returning old belts and hoses, advise the customer, when appropriate, to keep them in the trunk to be used in emergencies.
- Improve appearances of yourself and your help in the service area by installing a full-length mirror next to the wash basin.

You'd be surprised how these little things add up to give your bays a more professional appearance and attitude, thereby giving your customers more reasons to return to you for future repairs.

BE ALERT FOR COUNTERFEIT PARTS

Counterfeit parts may take as much as \$3 billion away from legal parts sales, says Daniel Elliott, General Motors security director. Because of the poor quality of counterfeits, dealers using them, knowingly or not, risk liability suits, comebacks or serious damage to other components.

Popular counterfeit items are usually simple, high-profit-margin items, such as oil or gas filters, belts, gas caps, radiator caps, brake pads and shoes, transmission fluid, antifreeze and electrical parts.

To guard against counterfeit parts, Elliot says:

- Know the "going rate" for various parts in your area. If you're offered a price that's too good to be true, be suspicious.
- Deal with reputable suppliers who back the quality of the parts they sell.
- Be alert for suppliers who claim they are offering a special promotion that is available only through them. When a parts manufacturer offers a special promotion, it's made available to all jobbers and dealers — there's no such thing as a one-jobber manufacturer's special.
- Inspect all parts carefully. Look for poorly made parts and incorrect packaging.

SELF SERVICE STATIONS TRIPLED DURING 1985

Self service accounted for 77% of 1985 gasoline sales in the U.S., the American Petroleum Institute reports, up from about 25% 11 years earlier. In a new publication, *Gasoline Marketing in the U.S. Today*, API attributes this to "changes in automobiles and in motorists' preferences." It says these changes "have caused a reduction in the number of traditional gasoline outlets, especially traditional gasoline service stations." According to API, "Gasoline marketing continues to shift towards large-volume outlets (super stations) and convenience stores." API also said, "These marketing techniques have evolved in response to convenience-oriented and price-conscious motorists who are willing to pump their own gas. However, marketplace demand will continue to require a number of options, including full service stations."

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STUDY SHOWS AVERAGE DEALER NEARING \$1 MILLION IN SALES

They're fewer in number, and many of the survivors of the shakeouts of the 1970s and early 1980s still grouse about market conditions, supplier pressures, and so on. But, on the whole, the typical U.S. "conventional" service station dealer, circa 1986, has never had it so good, according to a recent Hunter Publishing Co. Micromarket study.

The average dealer, in fact, is within a small stone's throw of the \$1 million plateau in annual sales, the new Micromarket survey shows.

Average gasoline volumes have also shown remarkable improvement, with monthly gallonages increasing by 82% since 1975.

Today's average station generates more than four times the dollar volume than the average station did a decade ago. In 1975, stations averaged \$232,000 in annual dollar volume, including gasoline sales. In 1985 (the last full calendar year reported), the typical station had revenues of \$973,000.

Annual dealer repair and service dollar volume has also kept pace with the upswing in his overall sales curve, the Micromarket study reports. Sales of parts and labor, the primary profit "stream" for many conventional dealers, jumped from an average of \$50,800 in 1975 to \$182,000 in 1985, almost a fourfold increase.

Interestingly, however, in 1975 service volume accounted for almost 22% of average station gross dollar volume. In 1985, backroom business amounted to 19% of total sales. This altered ratio of gasoline vs. service sales obviously reflects substantial increases in gasoline prices over the 10-year period.

Yet, since many dealers generate 40%-50% gross profit margins on "backroom" sales, the importance of the contribution of this category of sales to overall profitability is apparent.

Gasoline sales at conventional stations have traditionally been below average when compared to other types of outlets (pumpers, etc.). Since 1975 and through the early 1980s, average monthly through-puts hovered in the 35,000-45,000 gal./month range.

However, gallonages at conventional stations are beginning to improve rather dramatically, according to the Micromarket study. It reports that in 1985, the average station pumped 63,700 gal./month, an increase of 28,700 gal. or 82% over 1975.

The data generated by Hunter's Micromarket study provides a one-of-a-kind portrait of the conventional service station dealer. The information was compiled from a detailed nationwide survey of a demographically balanced sample of 1,014 station operators conducted in late spring of this year. The response rate from the questionnaires was 51.2%, high by normal market research standards.

Details from the "business profile" segment of the study are shown in the accompanying table.

Some significant changes in dealer "demographics" are revealed in the Micromarket survey. For example, there has been a noticeable shift from urban to rural locations among conventional stations, according to the study. In 1975, half of all stations were in cities. In 1985, only 40.6% of these types of outlets are still in cities, while 28.3% of the stations are now in rural areas, compared to only 20.3% in 1975.

Dealer Business Profile

	1985	1975
Average annual dollar volume, including gasoline sales	\$973,000	\$232,000
Average repair and service dollar volume	\$182,900	\$50,800
Average gallons of gasoline sold per month	63,700	35,000
Average number of full-time technicians	2.6	2.2
Average number of part-time technicians	1.4	1.6
Average number of full-time employees	4.4	3.0
Average number of part-time employees	2.9	*
Average number of service bays at station	2.9	*
Percentage of stations with car washes	14.9%	*
Average value of hand tools and equipment	\$35,080	*
Average amount spent on hand tools and equipment in 1985	\$8,270	*
ASE certifications		
All	8.3%	*
Some	25.7%	*
None	65.9%	*
Community in which station is located		
Rural	28.3%	20.3%
Suburb	31.1%	30.6%
City	40.6%	49.1%
Normal parts inventory		
\$5000 to \$10,000	59.4%	*
More than \$10,000	40.6%	*
Where most parts are purchased		
Parts jobber	70.3%	*
Warehouse distributor	26.4%	*
Company TBA program	16.9%	*
Wagon jobber	8.7%	*
Used parts outlets	3.0%	*

Totals of more than 100% due to multiple mentions.

* No available data

APPRAISING YOUR STATION'S MARKET VALUE

by Ole and Jeffrey Brodd

Ole and Jeffrey Brodd are owners of Petroleum Marketers Service, Inc., which has specialized in appraising, listing and selling oil properties for more than 45 years. For more information contact: Petroleum Marketers Service, Inc., Southgate Office Plaza, 5001 W. 80th St., Minneapolis, Minn. 55437. 612 835-2278.

Do you really know the current market value of your service station property? For many years the value of station properties remained fairly constant. However, because of the tremendous increase in land, building and equipment costs in the last few years, many owners are at a loss to put a proper valuation on their business.

Several years ago gasoline pumps could be bought for a few hundred dollars. New pumps today are priced in the thousands. Cost of paving, islands, signs, lights and other equipment are many times over what they were a few years ago. Because of these changing conditions, it is highly advisable that owners get a current market value appraisal of their properties. Owners realize that their balance sheet, which shows depreciation, is not commensurate with current value. In some instances, there has actually been an appreciation in value.

In addition to this sheer increase in property value, there are other factors that have greatly affected the market value of service stations. The current trend towards conversion into convenience stores illustrates that station owners and buyers alike are primarily concerned with obtaining the highest profit possible from a given location. In some instances, this can even mean that a station property would produce the greatest return if sold for some other purpose, such as a fast food restaurant location.

These possibilities raise important questions, and one of the first things the owner needs to know in answering them is the current value of his present operation. A fair appraisal, either by a professional or by the owner himself, is necessary for determining this.

Appraisals vary greatly in cost, method, and completeness. The amount of money you choose to spend and the appraiser you select should depend on the specific reasons for the appraisal, such as selling or terminating partnerships; setting up estates and drawing wills; supporting and supplementing financial statements for banks and suppliers; settling estates; settling tax court cases; taking part or all of the land by right of eminent domain; and for owner's personal satisfaction.

In many of these situations a professional appraiser, preferably someone with knowledge of the petroleum business, is advisable and even mandatory. Service station and oil jobber associations are a good place to obtain recommendations for competent appraisers of petroleum properties.

However, in some cases, such as for personal satisfaction or determining an asking price, a reasonable valuation can be made by the owner himself, providing he pro-

ceeds objectively and considers his property thoroughly. A competent and accurate appraisal of a property should take into consideration a separate evaluation of each of the following:

- (1) Land
- (2) Building
- (3) Equipment
- (4) Business Volume

Land value is determined by location and accessibility as well as size. The number of square feet of the entire property should be ascertained as well as front footage because the value is determined by price per square foot or by front foot. Obviously the price of land per foot would be much higher in a highly concentrated or industrial area.

Wherever possible, try to investigate the current selling price of properties comparable to the one being evaluated. Land value should also include surfacing, which is usually concrete in the gasoline pumping area and concrete or asphalt in the other service or parking area. The cost of both concrete and asphalt is determined not only by the number of square yards but also by thickness or depth. If the present surface condition has deteriorated to where it needs replacement, little or no value should be assigned to it.

The cost of islands should also be included in this category. This cost is determined by the volume of concrete used, regardless of style and size.

Good visibility and easy access are very important features in assessing the valuation of a service station property. Being able to see a station at a distance helps the driver anticipate stopping. Also, being situated on a low speed zone makes for easier and safer entrance and exit. Obviously, arriving at the actual value of land at a station is most difficult because values differ so much with locations. This is why special attention must be given to location.

Building values are easier to estimate than land values and yet there are many aspects to consider. The building should be measured to determine the number of square feet. Cost of a building varies greatly, depending on material used: block, brick, steel or wood.

The roof should be inspected to determine condition and type. A built-up, life-time roof would be more valuable, of course, than any other type. If a station has a mansard roof, additional value should be added. The exterior of the buildings should be examined to determine the type of material used. In a conventional station with service area, overhead doors should be listed as a special item.

The appearance and condition of the interior of the building, including the floor, has a bearing on the value. In respect to restrooms, check the number of rooms, their size, condition and appearance. Note too the type of floor and wall finish and whether or not hot water is available. Make an itemized list of fixtures.

The heating plant should be inspected to determine type and condition. An overhead system would be more valuable than an ordinary furnace installation, and an oil burner would have a higher value than a gas burner. If air conditioning is included, additional value must be assigned.

The age of a building must be considered to determine depreciation. However, because of increases in cost during recent years, a well-maintained building may have depreciated very little, if any.

Other structures, such as canopies, should be measured and evaluated according to number of square feet. Another factor to consider is the style, which can range from simple to average or elaborate. A well-lighted canopy would have added value. Cost of canopies can be pretty well determined from building manuals.

Appraising equipment is easier than appraising land or buildings because catalogs give the prices on most items used in a station operation.

Equipment falls into two categories—outside and inside. Outside equipment includes underground tanks, piping, pumps, lights and signs. Special attention should be given to tanks to determine the size of each one and the number of years each has been in the ground. Those having been underground for many years might have very little value.

For providing protection against potential liability caused by faulty tanks, there are scientific tests that provide on-site analysis of the condition of tanks and lines. You can hire the services of certified operators or secure equipment to do your own testing. If tanks have been recently installed, they should be evaluated according to catalog prices. Piping should be included in the value of tanks. The amount of piping can be determined by measuring the distance from the tanks to the pumps.

There are various types of pumps — single hose, dual or multiple hose and pedestal with submerged pumping. They also come in many price ranges. The best way to determine the value is by make, type, model and serial number, which will give a clue as to age. Some older pumps may have been reconditioned with installation of new heads, etc., increasing their value. The price of all types of pumps can be found in equipment catalogs. Some stations have propane tank and bottle filling pumps which, of course, should be included in equipment.

The number and types of island and area light poles should not be overlooked as part of the equipment. Signs and sign poles vary greatly as to installation cost, size and type. They must be valued individually. Some outlying stations could have their own water and sewer facilities. Others may have road service equipment or a pick-up

truck. These should all be valued as equipment.

Inside equipment at a conventional station usually includes one or more hoists, compressor, tire changer, testing and greasing equipment, jacks, work benches, tools, etc. These should all be priced out according to original cost less depreciation. The amount of office equipment can vary greatly, but every item such as furniture, cash register, consoles, typewriters, calculators and computers should be priced individually according to depreciated cost. Other items such as ice chests, pop or cigarette machines, display cases, etc., if owned, should be included.

If the business to be appraised is a self service and convenience store combination, the value of the building would be higher than a conventional station. In a station remodeled into a C-store, additional expense would be incurred in finished walls, floor, ceiling, lighting and possibly new siding.

If the facility is an original C-store construction, the building is valued based on that type of building cost. There would also be additional equipment involved, such as walk-in coolers, display cases, shelving, popcorn machine, coffee maker, donut machine, pump readouts, and other items customarily used in a C-store operation.

To arrive at a correct appraised value of any type of service station, a value must be given to the volume of business. The most accurate method used to determine this value is to compute a current 12 months' sales of gasoline and fuel gallons. Estimate the average gross margin per gallon. Based on this gross profit margin, a certain percentage should be added to the value of the property. In addition, a percentage of the gross profit margin on inside sales and labor should be added to the value of the business.

By adding the values of the four categories—land, building, equipment and business—you will arrive at a fair current market value of your station property. In order to determine your net value, take the total of the station value, add your accounts receivable, inventory, cash or other assets. Subtract the liabilities and it will show a net worth of the total oil business.

It is not necessary for an owner to have an appraisal every year. Once you have an accurate appraisal, it can be the basis for revaluing the property each year by adding or subtracting any changes in land, building, equipment or business.



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TIPS FOR SERVICE STATION DEALERS AND THE POLITICAL PROCESS

Prepared by
Karoub Associates

Many who encounter the legislative process for the first time experience frustration and disappointment: frustration because the process appears slow and lethargic, disappointment because what appears clear and simple is often muddled and complex. Both reactions are natural.

The legislative process does move slow. It is not, however, lethargic. It is a system structured to facilitate input from any individual or group that could impact legislation. It is a system that solicits, rather than rejects conflicting points of view. It is a system with impediments because its essential ingredient is the human factor. But that human factor is also its strongest component and the major reason the system works.

The response of the legislative process is directly related to the participant's willingness to become involved. And make no mistake, the SSDA-Michigan has both feet firmly planted into the political arena.

Legislators Are People Too

While there are no hard and fast rules governing conduct with elected officials, the following represents twenty guidelines that, absent information to the contrary, should apply. Only one cardinal rule exists: be yourself—legislators are people too. They respond to such old fashioned values as common sense and integrity.

1. Use the legislator's title as in "thank you *Senator Johnson*," or "It was kind of you to see us *Representative Jones*." Unless asked to do otherwise, avoid using the legislator's first name during the conversation. This is a matter of respect.

2. Don't argue. You can make valid points without resorting to an intensity that could be misinterpreted as arrogance. The legislator may not vote with you on this issue, but might be willing to help with a "procedural" vote, or support on another bill. If all else fails and you are convinced the conversation is going nowhere, end the discussion with something like "Thank you for your time, Senator. I would only ask that you consider some of my points before voting on the bill."

3. Don't ever threaten, veiled or otherwise, it is the surest way to lose not only one vote, but many. To threaten with political reprisals is to lose a bill and, more than likely, make a permanent enemy.

4. Your role as a representative of SSDA is to *request*, not *demand*, support or assistance.

5. Stick to one issue. The purpose of your meeting or letter is to discuss an issue of importance to service



One of the most influential (and helpful!) members of the U.S. Congress is Rep. John Dingell, chairman of the U.S. House of Representatives Energy and Commerce Committee. Above Rep. Dingell (*center*) is pictured with George Schuhmacher, SSDA-Michigan president and Dennis Pellicci, executive director. Below Rep. Dingell is pictured with Mick Kildea, SSDA-Michigan treasurer.



station dealers, not take advantage of the opportunity to push a personal point of view on education or taxes.

6. Be respectful and courteous of the legislator's staff. An agitated staffer is a formidable enemy.

7. Put your money where your issue is. Fund raising for political campaigns is an ongoing concern for all legislators. A political contribution does not represent a direct or indirect attempt to buy a vote. It is recognition that you have invested time and effort into educating a legislator on your issue and the SSDA-Michigan.

8. Invite legislators to social gatherings. A legislator's effectiveness is directly related to an ability to translate constituent concerns into intelligent votes and concrete action. As such they want and need to meet as many people in their districts as possible. Invite them to functions where large amounts of people will be present. That invitation should give as much prior notice as possible and include the opportunity to say a *few* words. (Most legislators will not violate a request to be brief.)

9. Arrange to invite the legislator to a meeting with other dealers. Before you ask for support on legislation, that lawmaker should know what is entailed in running a station. That meeting could include a visit to your station.

10. If you would like the legislator to discuss an issue of importance to dealers or other items, make sure that

State Elected Officials Visit with SSDA Board of Directors



State Senator Lana Pollack (center) and State Representative Nick Ciaramittaro (left) were visitors at a recent SSDA-Michigan Board of Directors meeting where they discussed state issues concerning service station dealers. They are pictured with George Schuhmacher, SSDA-Michigan president.

agenda is communicated ahead of time. Otherwise the legislator will appear ill informed, and rightly or wrongly blame it on a dealer.

11. Be prepared to rescue a legislator if a group is getting hostile. It is wholly legitimate for a legislator to defend a vote. However, if that defense is received with hostile reaction, diplomatically conclude the meeting.

12. Start the meeting on time. The demands on a legislator's schedule can be horrendous. Your gathering may not be the only agenda item for the legislator. After a few amenities, get to the point.

13. Don't drop in the legislator's Lansing office without an appointment. Chances are, you will not have an opportunity to discuss your issue. Legislators keep a hectic schedule in Lansing.

14. When calling for an appointment, don't ask for more than one-half hour, and then stick to that time. Lengthy stays quickly translate into wearing out a welcome. If asked to stay longer, then go ahead.

15. Be accurate with your information. The legislator will take your word regarding the authenticity of the data you present. In turn, the legislator will use your information to convince colleagues. Therefore, it must be accurate. Further, if asked a question you can't answer, say so. Don't try to bluff your way through. Indicate you will get back soon with the answer, and then do it.

16. Put your arguments in writing and leave them with the legislator. Do not, however, leave anything longer than one page. Your analysis should include a brief statement delineating the problem, an indication of how the bill corrects that problem, and any arguments in favor of the bill the legislator could use to mount support for your proposal.

17. Ask the legislator for advice on how to proceed. You may know more about the issue, but the legislator

knows more about the political climate.

18. Speak confidently. Remember, a legislator must deal with a multitude of issues and can't be expected to possess intimate knowledge of them all. On issues affecting service station dealers, you are more knowledgeable. Be careful...you are there to impart information, not conduct a seminar. Carefully plan your remarks beforehand. Your objective is not to impress the legislator with your mastery of the subject matter, only to supply information on a particular issue.

19. Don't be intimidated. Frequently, an army of aides and secretaries can generate an insecure feeling. Just remember, as a constituent you have every right to make your views known to that legislator. What you have to say is important. A word of caution, self-confidence should not manifest itself in arrogance.

20. Send a follow-up letter thanking the legislator for taking the time to hear your side of an issue. A follow-up letter has a two-fold objective: it tenders a genuine thanks to the legislator, and it places you and your issue in front of that legislator again.

Writing An Effective Letter

Contrary to what you believe, letters to politicians do get results. With that in mind, there are a few helpful hints that can be important when writing a letter to your legislator.

1. **Be brief.** No letter to a legislator should go beyond one page. Long letters make the writer feel good because the issue has been covered, but does little to ensure it will be read. And the purpose of writing to your legislator is to have your letter read.

2. **Identify yourself.** Point out in the first paragraph that you are a service station dealer, and a constituent.

3. **Use your own words.** Form letters have less impact than those individually penned. It may take a few minutes longer to commit your thoughts to paper, but the results will be ten times better.

4. **Be tactful, but direct.** Refer to the bill by number early in the letter. Indicate in a clear, cogent fashion why support for the bill is warranted. Make sure your name, address and phone number are included. Offer to supply any additional information needed.

5. **State a desired action.** Many a well-written letter has been rendered useless because no specific action was requested from the legislator. State clearly what you want... "Therefore, Senator, we would appreciate a 'yes' vote on SB 429. Further, we would also hope that you would contact your colleagues on the State Affairs Committee to urge their 'yes' vote on the bill."

What you have to say is important. Legislators want and need input on bills. Nothing is more frustrating for a legislator to hear from a constituent armed with a convincing argument, **after** a vote is cast. Establishing a relationship of mutual trust can be a pivotal factor in that vote.

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BUSINESS, TAX, INVESTMENT FACTS

by Larry Wright, President
Lawrence A. Wright, Inc.

*Specialists in financial services and business consultation
for the service station dealer since 1967
Phone: 313-547-3141.*

Here is a series of business, tax and investment facts with which you should be familiar. Discuss them with your accountant or business advisor.

BUSINESS: Your labor income (without counting road service or AET testing) should be greater than your parts sales (not including tires, batteries or oil) • Your wage expense should be 35% or less of your business gross profit • Your gross profit on parts should be not less than 42% (target 45%+) • "Supply and Demand" applies to the service station dealer and can be manipulated to enhance profits • Law of Diminishing returns also applies to the service station dealer and can damage him severely, if not understood • A proper commission payroll structure can eliminate "time-and-a-half" for overtime • Most service station mechanics are working at less than 50% capacity and it's the dealer's fault • The dealer doesn't know his business "downtime" factor • You can write-off bad debts without having to go through collection efforts by doing a "forgiveness of debt" • You must issue 1099's to all unincorporated providers of services to whom you pay over \$600. • Employee's bonuses are part of payroll • Most dealers lose money on road service • Dealers need a minimum of seven sales categories on their *monthly* financial statement • You **must** do monthly inventories to determine your true profitability • You can only make profit in three ways — sell more, increase gross, reduce expenses • Financial management is the balancing factor to most business problems • The service station dealer doesn't have "people problems" - he has payroll administration problems • Advertising expense should run 3% - 6% of gross profit • A "won't start" road service call should be there and back in 21 minutes • Properly administered accounts receivable can build profitable business • Most service station dealers are extremely competent, highly motivated, and intelligent • You owe it to your customers to be profitable • The most profitable stations are not the cheapest places to get your car repaired • Don't buy gasoline or get your oil changed at your own station.

TAXES. IRAs are one of your best tax shelters • Tax shelters still exist in oil and gas, historical structure renovation, low income housing, single deposit insurance and self-employment • Forgiveness of debt is a taxable income to its recipient • Consumer interest deduction is disappearing • T & E expenses are only 80% deductible • Loophole 80% deductible rule starts as late as June for some incorporated dealers • Loophole All the consumer interest on your boat **might** still be deductible as a second home • Loophole - motel/hotel away on business is 100% deductible, could trigger deductibility of food if on the American Plan • Dealers who are proprietorships should hire their wives and children and reduce their FICA bite (pay them \$20,000 and save \$2,860 FICA tax alone) • New tax law still demands reporting of long and short term gains separately • Must now report income three ways earned, investment, passive • Laws are tough on business vehicle expense reporting • IRS wants future audits to be at the place of business • IRS is targeting all businesses that do \$100,000 + per year in **cash** business for future audits • IRS has been given vast authority in interpreting the new tax laws and writing regulations • The average service station dealer will be in the 35% tax bracket in 1987 (if yours is less, you should review your profitability)

INVESTMENT: The Great Bull Market. (GBM), started August 12, 1982 • During the GBM, the Standard and Poor's Index is up 193% • IRA's can still be participated in by **everyone** • There are over 700 mutual funds • Service station dealers **must** invest for their futures since no one else will do it for them • Bonds will go down in value as interest rates rise • The mutual funds have over \$6,500,000,000. in cash and that's preemptive to a bull market • Holding your stock for long term gain will still save you a possible 10.5% on the tax chart in 1987 • Most "N.L." funds are not "No-Load" • A bull market is an aggressive UP market • A bear market is a conservative DOWN market • A mutual fund is a consolidation of funds for a diversification of investment • "Dollar Cost Averaging" is a long term investment technique that beats the market — by ignoring the market • 90% of the winners in the options market are sellers • The average dealer doesn't have a will • Most dealers are underinsured.

If you desire a better understanding of what some of the statements mean to you, or how to apply them to your business management techniques, you are welcome to write us at:

Lawrence A. Wright, Inc.
28277 Dequindre
Madison Heights, Michigan 48071
Phone: 313-547-3141

WAYS TO PREVENT ASBESTOS HAZARD

Mechanics who do brake and clutch work can be subjected to asbestos fibers.

Research shows that millions of asbestos fibers can be released during brake and clutch work. These fibers are so small they can be invisible. But they remain and accumulate in the lungs.

Asbestos can also be carried on work clothing. This can contaminate the family car and home.

Asbestos fibers have been said to cause cancer. The OSHA amended safety standards regarding brake work by auto mechanics effective July 21, 1986 and has set some new standards.

Asbestos can be removed from the air with a high efficiency particulate air filter which can capture the invisible asbestos fibers.

The National Institute of Occupational Safety Hazards has issued strict standards to limit worker exposure to asbestos.

Brake drum vacuum systems are available to control and isolate asbestos fibers in a safe, effective way. One company offers a heavy duty vinyl brake drum to cover the entire brake drum assembly and trap such fibers. It is made of clear-view plastic. A filtration system isolates the asbestos fibers. Air is filtered through the exhaust system before being exhausted. Safety containers are also available to contain the asbestos filtered out of the air.

Another method, which also creates a storage and disposal problem, uses the compressed air solvent system method, the squirt bottle or spray can solvent system method and the garden hose method. Use of a solvent or water control method should use only low pressure spray devices; use a water based solvent; collect and dispose of the contaminated liquids quickly and in full compliance with hazardous waste laws. The best approach here is to use a wet dry HEPA vacuum. Unfortunately these are the only recommended ways to reduce ambient air concentrations of asbestos.

There are, however, several practices that should stop immediately. They are:

1. Dealers should immediately halt the compressed air blowing method, the dry brushing method, the wet brush or rag method and the use of regular shop vacuums for removal of asbestos residue from brake and clutch parts.
2. Blowing asbestos residue from brake or clutch parts without further controls creates airborne asbestos. Dry or wet brushing creates less airborne asbestos than blowing, but may fail to achieve a reduction of ambient concentrations below the 1 f/cc action level.
3. The use of a regular shop vacuum to remove asbestos may cause as much asbestos residue to become airborne as the compressed air gun method.

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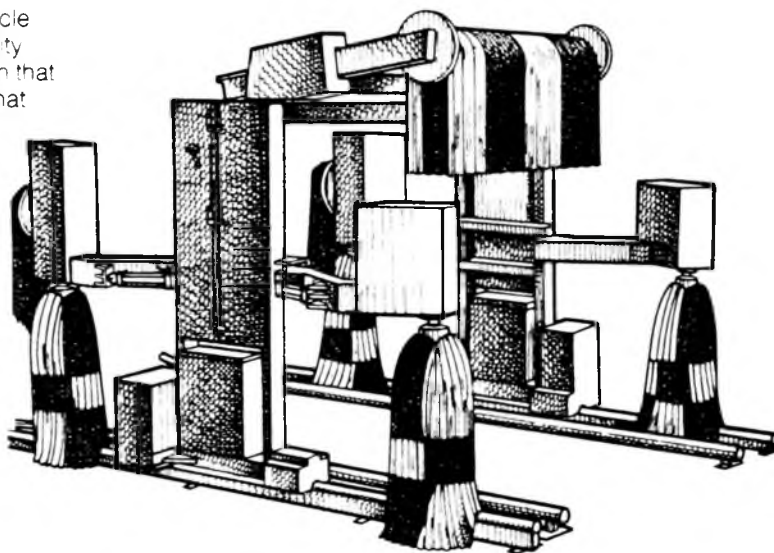
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PRICING "BLACK BOX" WORK

by Fred Gaca, Duffy-Vinet Institute

The material presented in this article is taken from DVI's new two-day advanced management seminar for automotive service business owners and managers.

For seminar information, please call 1/800/USA-BEST. Call between 8 a.m. - 4:30 p.m. EST, ask for operator 6.

Computer controlled systems, or "black boxes" as the engineers like to call them, have done more than change how cars are serviced. The introduction of electronics is changing how a repair shop or service station must charge for its work. Because of the peculiar nature of diagnosing and correcting electronic problems, the pricing techniques you use for other service work cannot apply to computer systems.

In most cases, there is more time and skill required to identify the problem than correct it. Yet, charging for diagnostic work is uncommon in most automotive repair facilities, and for good reason.

For decades, most automotive problems were quick and easy to diagnose. And even if the exact cause was not known, a general cure that would solve most, if not all, problems was usually easy to prescribe and relatively inexpensive.

If a car stumbled and lacked power after you ran a compression check or vacuum test to make sure the engine was mechanically sound, you could be fairly certain a "major tune up" would solve the problem. New plugs, points, condenser, cap and rotor, replacement of the air and fuel filters and resetting the engine to specs would work wonders in making the car run better.

With black boxes, engine stumble and lack of power can have dozens of causes. And with the price of sensors and other components today, you cannot expect your customer to accept a bill for swapping parts until you finally find the problem.

With today's electronic systems, you must charge for diagnosis time and the labor rate must be higher than your standard shop labor rate. If you provide general automotive repair services, you simply cannot charge the same labor rate for all work. Lube-oil-filter service or replacement of an exhaust system cannot and should not command the charge that electronics work does.

Electronic servicing commands both the highest skills of your technicians and a substantial investment by the shop in equipment. A multi-level labor rate allows you to match your labor charges with the skill and investment required to do the work. For electronic work, your labor rate should be at least double or as much as triple your base labor charges. If your current shop rate is \$30 per hour, electronic work should be billed at \$60 to \$90 per hour.

If, and this is a big "if," you have invested the time for training and the money for equipment to bring your shop skills up to the level necessary to service electronic systems, you will not have a problem getting a substantially higher labor rate to do the work.

Too many shops have fallen behind in their ability to service today's cars. As a result, customers wind up going from shop to shop trying to find someone who can correct their car's performance problems. Customers will pay a fair price for experience and expertise to avoid the headaches of repeated trips to a repair shop only to have the same problems exist.

Display signs in your service area can list the multiple labor pricing. Train all of your service desk personnel to clearly explain how the pricing system works—that the customer is charged the higher rate only for actual diagnosis and service on the computer systems.

Have available at the service desk copies of the various troubleshooting procedures or "logic trees" that vehicle manufacturers require technicians to follow when attempting to diagnose performance problems related to computer controlled systems. These diagrams will help give your customers a better understanding of the procedures your technicians must follow and the complexity of the systems they will be working on.

Tell your customers that having their computer-controlled car serviced for a performance problem is the same as going to the doctor when they don't feel well. The doctor will not prescribe any treatment until after he has diagnosed their physical problem. And there is definitely a charge for the time, skill and equipment necessary to make the diagnosis.

In many cases, you must tell the customer that you cannot predict how long it will take to diagnose a problem or problems.

An effective selling procedure that overcomes the "unknown time" problem is to offer to limit your initial diagnosis labor to half an hour or one hour. Tell the customer you will contact him if the problem has not been identified within the time limit and ask if he wants you to continue inspecting and checking the system at the higher labor rate.

If your shop or service station has several technicians who work at different skill levels, you can use a team concept to be more effective in assigning and billing your labor.

Have your best technician do only the diagnostic work. Once the probable cause has been found, have a lower skilled technician do the actual repair or parts replacement. The higher skilled technician rechecks the work once the lower skilled person is finished. One high skilled technician should be able to monitor the work of two, three or even four lower skilled people.

Do not be reluctant to charge more for electronics work. High tech systems require high skill technicians and sophisticated equipment to accurately identify and correct problems. Charging more is only proper because you have invested more.

PARTS RETURN AND FINAL INVOICES

by Fred Pirochta, Director
Repair Facility Division
Bureau of Automotive Regulation

In the last issue, we discussed written cost estimates before repairs. Now we are going to consider two other basic requirements of the Motor Vehicle Service and Repair Act. These are the requirements dealing with returning replaced parts and giving final bills or invoices.

Complying with the requirement for parts return involves two things: giving notice to the customer and actually making the parts available to the customer. Before doing any repairs, a facility must notify the customer of the right to receive or inspect all parts replaced in the repair of the vehicle. This notice must be in the exact wording required by law and may be given in one of three ways. The notice may be in the form of a sign plainly displayed in the facility. It may be printed on the face of a contract, work order or estimate form. And, the facility may give the parts return notice by a separate printed document. Any one of these methods is acceptable, but there are specific requirements for each method relating to type size and style. These requirements are fully explained in the manual "What Every Repair Facility Must Know."

Whenever a customer has paid for the replacement of a part in the repair of a vehicle, the customer is legally entitled to inspect the part that was removed. This includes parts which are typically returned to a supplier or manufacturer for rebuilding purposes. If no charge was made for replacing a part (as in the case of a new vehicle warranty repair), the facility does not have to show the part to the customer.

A customer is entitled to the return of a replaced part upon request. A facility must keep for two days all parts not returned to the customer. A customer may waive this requirement by authorizing the facility to dispose of the parts. Many facilities have the customer indicate on the final invoice whether parts are to be kept or discarded. If a complaint arises within two days after repairs, and the customer has not claimed or authorized disposal of replaced parts, the facility must mark the parts for identification in the presence of the customer and retain the parts until the complaint is settled.

If a complaint involves, or if a customer decides to keep, a replaced part which otherwise would be returned to a supplier under an exchange agreement, the facility may require the customer to pay the core charge. The core charge shall be returned to the customer upon his or her return of the part to the facility.

The basic idea behind the parts return requirement is this: it's the customer's vehicle, so any parts taken off of

it are the customer's property. In any dispute regarding the necessity of replacing a part, the part itself is potentially useful, to both the customer and the facility, in resolving the dispute. As a facility operator, your practice should be routinely to return replaced parts to the customer and dispose of them only in exceptional cases.

In addition to replaced parts, another thing that a customer must receive at the end of a repair transaction is a detailed final bill or invoice. This written invoice must be given to all customers, even those whose repairs are performed under warranty. The invoice must include the following specific information:

The repairs requested by the customer.

Any additional repairs determined necessary and authorized by the customer.

The facility's estimate of repair costs, both the original repairs requested and any additional repairs authorized by the customer.

The actual total cost of all parts and labor involved in repairs. This total should not exceed the amount of the estimate by more than \$10 or 10% (whichever is less) unless authorized by the customer. If the amount is less than the original estimate, the customer may not be charged more than the actual total cost.

A description of repairs and services performed and a detailed indication of all parts installed, with a specification of which parts are new, used, or rebuilt. It is permissible for an invoice to bear a general statement such as "All parts new unless otherwise indicated."

A statement certifying that all repairs were properly completed or explaining why repairs were not properly completed must be signed by the facility owner or by someone representing the owner.

The name and certification number of the mechanic who performed the diagnosis and/or repairs. In the case of repairs done by a trainee, the name of the trainee and the name of the supervising certified mechanic must appear.

As with other documents relating to customer transactions, a copy of the final invoice must be given to the customer and a copy must be retained by the facility for a period of one year.

If you have questions about parts return, invoices, or anything regarding facility operating requirements, consult your manual "What Every Repair Facility Must Know" or contact the Bureau of Automotive Regulation, Lansing, Michigan 48918. Phone (517) 373-9063.

Termination

by Mark Cousens
Legal Counsel

Miller, Cohens, Martens and Ice
313-559-2110



Termination or nonrenewal of a gasoline dealer's franchise is permitted if some event occurs which is relevant to the relationship between the dealer and the oil company, and as a result of which either termination or nonrenewal is reasonable. The PMPA lists 12 examples of "events." Termination or nonrenewal might be reasonable if any of these events occur.

- A dealer who defrauds either the oil company or his customers may be terminated. The fraud must be related to the operation of the marketing premises. A fraud not related to the business will not justify termination unless it is also a crime.

- A dealer who commits a crime may be terminated, but only if the crime relates to the operation of the business. If, however, the dealer was incarcerated and thereby unable to operate the premises, termination would almost certainly be permitted.

- A declaration of bankruptcy by either the dealer as an individual, or the corporation through which the dealer operates is cause for termination absent unusual circumstances.

- Physical or mental disability of at least three months duration is grounds for termination, but only in the event that the franchisee is unable to continue proper operation of the marketing premises. Absence from the premises would not necessarily be grounds for termination or nonrenewal if the dealer was able to supervise the business from his home. If the business was being properly conducted, despite the absence of the dealer, it would be difficult to justify termination.

- Condemnation of the premises will permit termination. But, if only a minor portion of the premises is condemned, without a significant impact on operation of the business, termination would not be reasonable.

- The franchisor's loss of its trademark will permit immediate termination. This is, however, highly unlikely.

- Destruction of the marketing premises, other than by the franchisor, will permit termination. For example, the catastrophic loss of the premises by explosion, fire or wind damage will permit termination, as the franchisor is not obligated to rebuild them. "Destruction" is a very specific term, however. The property must be destroyed, and not merely damaged.

- The dealer's failure to pay monies due to the franchisee will permit termination. The Act speaks of "all sums due." This includes monies due for gasoline, franchise fees, TBA or any other expenses.

- Failure to operate the marketing premises for seven

days (or less if reasonable) will permit termination. This section describes a dealer's abandonment of the facility. The Act permits the oil company to occupy the premises immediately, should the dealer simply walk away from his business.

- "Cross-hauling" of motor fuels is grounds for termination. The Act refers to "willful" adulteration, mislabeling or misbranding of motor fuels. Dealers must review their franchise carefully before selling either unbranded or foreign branded products to be certain that such sales do not violate their franchise, or infringe upon the franchisor's trademark.

- A knowing failure to comply with federal, state or local law relevant to the operation of the premises will permit termination. The key word is "knowing." A dealer who deliberately violates applicable law may be terminated.

- Conviction of any felony involving moral turpitude is grounds for termination, even if unrelated to operation of the marketing premises.

The Act describes these "events" as a basis for termination, but also requires termination to be *reasonable*. Whether termination is or is not reasonable must be determined on an individual basis. Merely because one of these events has occurred does not itself mean that termination is permitted. The final arbiter of such questions is a federal judge.

LEASEE DEALERS... A CAUSE TO SUPPORT

In a case entitled "Barnes vs. Gulf" we all won a landmark case in federal court in Virginia (4th Circuit Court of Appeals). The decision in this case and its implications have upset Chevron (which has absorbed Gulf) and the other majors so much that they now plan to challenge the PMPA and carry this case "all the way to the U.S. Supreme Court."

Mrs. Evelyn Barnes, a widow, has invested everything she can (\$34,000) in this case where the court explicitly disagreed with previous decisions which allowed companies to circumvent dealers' rights to purchase their station properties. The decision also recognizes, and prohibits, "constructive termination" which we know as "economic eviction."

A solicitation of \$20 donations is being asked from dealers all over America in the belief that the \$25,000 it is expected to take to preserve this win can be collected without hurting any one dealer very badly. In other words, the majors have the money, but we've got the numbers. We beat them once before in the Supreme Court (the Maryland Divorcement challenge) and we can do it again. Certainly, there is no better cause you could join right now. If you agree, we encourage you to send a check for \$20, marked "Barnes vs. Gulf" to SSDA, 304 Pennsylvania Avenue S.E., Washington, D.C. 20003.



APPLICATION FOR MEMBERSHIP SERVICE STATION DEALERS ASSOCIATION OF MICHIGAN, INC.

24333 Southfield Road • Suite 111 • Southfield, Michigan 48075
Telephone: 313/557-3940



I (We), by submitting this application and the payment of scheduled dues, hereby apply for membership in the Service Station Dealers Association of Michigan, Inc.

BUSINESS NAME: _____

BUSINESS ADDRESS: _____

CITY: _____ MI ZIP: _____ PHONE: () _____

BRAND OF GASOLINE SOLD: _____

TYPE OF OWNERSHIP: (Check appropriate box)

☐ SOLE PROPRIETORSHIP

☐ PARTNERSHIP

☐ CORPORATION

LIST OWNERS/PARTNERS/CORPORATION PRESIDENT AND TREASURER:

NAME: _____ TITLE: _____

RESIDENCE ADDRESS: _____

CITY: _____ ZIP: _____ PHONE: () _____

NAME: _____ TITLE: _____

RESIDENCE ADDRESS: _____

CITY: _____ ZIP: _____ PHONE: () _____

LIST ADDITIONAL STATIONS OWNED

1 STATION NAME: _____ BRAND: _____

ADDRESS: _____

CITY: _____ ZIP: _____ PHONE: () _____

2 STATION NAME: _____ BRAND: _____

ADDRESS: _____

CITY: _____ ZIP: _____ PHONE: () _____

Signature _____

Date _____

DUES SCHEDULE

Annual Dues \$200.00

Second Station @ \$50.00 _____

Additional Stations _____

@ \$25.00/each _____

Partners @ \$12.00/each _____

Total \$ _____

I would like information on those items checked below:

- ☐ Michigan Bankcard-Visa/MasterCharge
- ☐ Dodson Workers Comp. Insurance
- ☐ Blue Cross/Blue Shield of Michigan
- ☐ Equipment

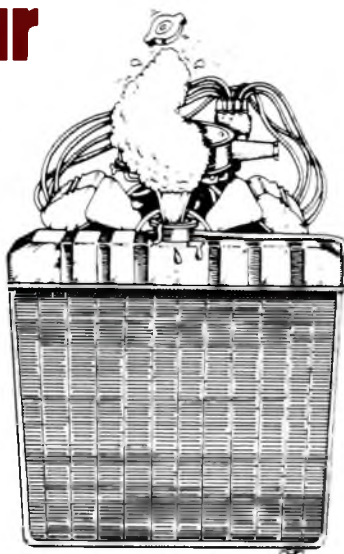
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When dirt, rust and sludge deposits clog the tiny passages in your heater core, you're in for a long, uncomfortable winter behind the wheel.

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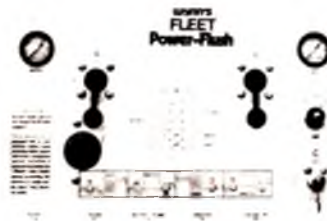
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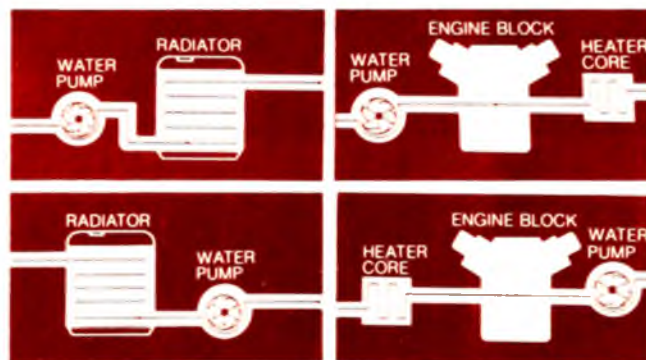
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