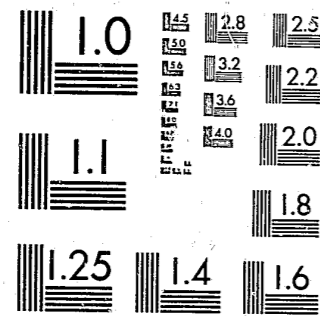


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9/22/83

AUTO REPAIR FRAUD AND INCOMPETENCE: A LITERATURE SURVEY

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Authors wish to thank Carol Wyatt for typing help, and to express their appreciation to National Institute of Justice for a grant which made possible the work upon which this report is based. 79-NI-AX-0050

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ABSTRACT

Three major kinds of information are examined in this paper. First, there is a review of consumer complaints about automobile fraud which indicates that citizens are highly aggrieved by what they regard as continuing difficulties in getting satisfactory repair work accomplished. Second, studies show that auto repair fraud and incompetence cost consumers vast sums of money and are commonplace occurrences that selectively victimize vulnerable consumer populations. Finally, a review of four studies demonstrates that the public in general and police chiefs in particular do not regard auto repair fraud, despite its aggravating nature and widespread occurrence, as a particularly "serious" behavior. These matters, taken together, form the background for the discussion emphasizing a need for coordinated inquiries with consensual definitions of auto repair fraud and incompetence and a need as well for remedial efforts.

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AUTO REPAIR FRAUD AND INCOMPETENCE: A LITERATURE SURVEY

Fraud and incompetence on the part of persons responsible for automobile repairs steals both life and money from the public. Americans are reported to spend nearly \$70 billion each year to maintain their automobiles, and it is estimated that \$12 to \$20 billion of this repair bill is for unnecessary, not done, or fraudulent repairs [9].

Such expenditures undoubtedly subtract from the total dollars available for necessary mechanical and safety repairs. And the failure to keep cars in satisfactory shape, sometimes a consequence of unnecessary expenditures or fraudulent transactions, can have severe consequences. A study by the National Safety Council concluded that eleven percent of turnpike accidents were because of a vehicle's mechanical defect, its inadequate brakes, or similar difficulties [23]. Another study, this by Motor Service, found that for 409 fatal, single-vehicle accidents, 29 percent of the cars involved had one or more mechanical defects [23]. We can assume that many of the accidents could have been prevented by better maintenance.

The present survey of fraud and incompetence in the automobile repair business is designed to bring together representative results from a literature that tends to be widely scattered. Studies often appear in in-house research reports, government hearings or newspaper features. In addition, the cumulative impact of the literature on auto repair fraud and incompetence can serve to create a deeper awareness of the seriousness of the problem, and to point toward the pressing need for remedial action.

CONSUMER COMPLAINTS

The public is notably sensitive to victimization at the hands of the automobile repair industry. Year after year, complaints regarding the automobile and its repair lead the list of consumer grievances [11, p. 402; 22, p. 1]. A survey of 2,419 households in 34 major metropolitan areas in the United States indicted the automobile repair industry as "the worst offender from the consumer's viewpoint. One-third of all automotive repair purchases resulted in complaints concerning workmanship" [1, p. 97]. A survey of consumers in Maryland and Texas found that less than one-third of those responding were satisfied with the repair service they had received [14].

Hearings before the U.S. Senate Subcommittee on Anti-trust and Monopoly in the late 1960's and early 1970's portrayed a similar public discontent with the work of the automobile repair industry. The owner of a repair shop that diagnosed problems but did not do any repair work testified before the subcommittee that of the 5,000 to 7,000 cars his facility had checked following repair, less than one percent had been fixed adequately within industry specifications [23, p. 56]. A past-president of the Independent Garage Owners of Georgia told subcommittee members that approximately twenty percent of the brake jobs that his shop did involved repairing work that had been done incorrectly or doing what had not been done somewhere else [23, p. 336]. A representative of the Independent Garage Dealers' Association of Texas agreed with Senator Philip Hart's estimate that as repair dealers go "one in three is a bandit" [23, p. 758]. Further, a study conducted by the National Automobile Dealers' Association in 1969 reported that of the 10,000 auto owners surveyed, one-third were dissatisfied with the repair work that had been done for them [4].

Yearly surveys carried out by the Consumers' Union continually show that about a quarter of those persons responding are dissatisfied with the way their cars are repaired under warranty [23, p. 874]. Dissatisfaction regarding automobile repairs comprised 18.9 percent of the total complaints received by the President's Office of Consumer Affairs

between February and December of 1976. The second highest category, involving "mail order" services, accounted for only 8.1 percent of the total [22]. These figures are consistent with the ones reported for earlier years [10]. A survey of American Automobile Association (AAA) members conducted in the latter half of 1975 found that only 54 percent of the repair work had been done to the customers' satisfaction 2. Another AAA survey, this one in 1977, discovered that 66 percent of the respondents were concerned with trying to find an honest, competent auto repair facility [10].

FIELD TESTS

A number of investigations have been conducted in order to reach an empirical conclusion concerning the extent of the repair problem. One of the earliest of these studies was reported in the Reader's Digest more than forty years ago:

John Patric...and Miss Lloy May traveled 14,516 miles up, down and across the continent in a Lincoln Zephyr coupe....Before the journey began, the car had been completely overhauled by an expert and equipped with new brakes, valves, rings, pins, oil filter, fuel pump carburetor, ignition coils, distributor, spark plugs, cylinder heads, water hoses, gas line and generator. The car looked well traveled but it was in flawless mechanical condition [16, p. 10].

The couple drove to within a few hundred yards of a garage and then disconnected a wire that would render half of the engine's cylinders useless. The problem was readily noticeable by anyone familiar with automobiles. If a repairman didn't see the problem within a few minutes he was considered to be "utterly incompetent." Miss May would usually drive the car into the shop and say that "she didn't understand how a car so recently overhauled could go wrong so suddenly." Then she would ask to have it fixed. The researchers reported that 129 of the 347 garages or service stations tested spotted the disconnected wire at once, told the investigators what was wrong, fixed it in a few

seconds, and either asked for a reasonable sum or made no charge at all. "But a majority, 63 percent, took the investigators for suckers and treated them accordingly." Cities had the worst record. There "the gyps predominated 62 to 20. Small garages were much more honest than larger facilities, and those in rural areas and towns cheated less than those in cities" [16, p. 10].

Many studies conducted since the Reader's Digest experiment have duplicated this pioneering research strategy. National Educational Television undertook a similar test in several cities to determine the response a consumer might expect when in need of a car tuneup. "In more than half the cases," it was found, "the experience was bad" [23, p. 858]. A Michigan report involved 35 new car dealers. "Only eight discovered the defective spark plug wire, replaced it at a fair price, and sold no unnecessary repairs" [18, p. 1].

Similarly, a 1974 investigation in Wisconsin found that only four of the sixteen shops surveyed correctly diagnosed a simple repair problem involving unbalanced front tires. The remaining twelve shops recommended unnecessary repairs that cost from \$13.95 to \$88.75 [24]. The Better Business Bureau of the Greater New Orleans Area investigated ten transmission repair shops. Half recommended complete overhauls at a cost of \$350 to \$450, though the job should have cost approximately \$50 [21, p. 12]. Michigan's Consumer Protection/Antitrust Division in the office of the Attorney General surveyed shops to determine possible fraud cases. "[T]he Division charged that more than 70 percent of the dealers were either incompetent or dishonest or both" [21, p. 12]. An Ohio study estimated the amount of unnecessary and overpriced automobile repair work at between 10 and 33 percent of the total amount expended on automobile repairs [13]. The Chicago Tribune conducted a study of 52 garages in the city in 1976. Only twenty-two "did the proper work at, or below, the estimated fair price." The "Tribune Task Force" estimated the chance of obtaining a good repair at a fair price at 50-50 [3].

Other work comes to the same general conclusion regarding the extent of fraudulent practice in the auto repair business. The Kenneth E. Johnson Environmental and Energy Center, focusing on six major U.S. cities, had engine and suspension malfunctions induced into autos. The cars were then taken for repairs to 62 randomly selected facilities. After the work, the cars were inspected by the researchers. The results indicated that:

(1) 39 percent of the cars had an unnecessary brake, engine, or suspension repair. That is, 39 percent of the cars had repairs made to an item which passed when the vehicles were inspected prior to being taken to the repair facilities.

(2) 20 percent of the cars did not have the induced malfunctions repaired by the facilities. That is, for 20 percent of the cars, the repair businesses did not correctly diagnose the problems and make the appropriate repairs [9].

The cost of repairing the 62 cars totaled \$3,163, of which more than half the amount was estimated to be for unnecessary repairs. Based on their sample, the researchers concluded that "the chance was 50-50 that the motorist had repairs made which were not needed or did not have the needed repairs made" [9, p. 1].

The Johnson Environmental and Energy Center also attempted to learn if consumer auto repair costs can be reduced through the use of sophisticated diagnostic centers. A site at the University of Alabama had been one of five Motor Vehicle Diagnostic Inspection Demonstration Projects established under the Motor Vehicle Information and Cost Savings Act (P. L. 92-513). From March 1975 through the end of September, 31,301 car inspections were performed at the University center. The basic approach was to begin with an initial general inspection; then the owner would take the car to be repaired wherever he or she wished. Following this, the car would be reinspected.

The findings, besides offering a valuable insight into auto repair in at least one area of the country, also provides a useful approach to a basic issue that concerns researchers, that of distinguishing satisfactorily between degrees of necessity in repair work. This

problem is compounded by the need to differentiate clearly between incompetence and fraud. For consumers, of course, the distinction may be little more than a jesuitical matter; for prosecutors and reformers however, establishment of adequate criteria can be essential for the laying of civil or criminal charges and for the inauguration of remediative programs.

In the Johnson Center study, the unnecessary repairs study consisted of a sample of 6,075 repair actions costing \$129,215. A team of three automobile repair experts used the following definitions to determine the nature of the repair work:

A repair was considered required if the repaired item was found to be substandard during the Auto Check diagnostic inspection.

A repair was considered recommended if the repaired item is normally repaired as part of the repair of another substandard item, even though nothing was found to be substandard with the subject item during the Auto Check Inspection.

A repair was considered optional if the repaired item may or may not normally be repaired as part of another substandard item repair, even though nothing was found to be substandard with the subject item during the Auto Check Inspection

A repair was considered unnecessary if the repaired item was found to be satisfactory during the previous periodic inspection and no other repair of any other marginal or substandard component would normally affect the decision to repair the subject item [20, pp. 10-12].

The Johnson researchers warn that "an unnecessary repair may have been requested by the motorist for preventive maintenance" [20, p, 12]. It is customary, for example, for a repair shop to recommend that the motorist replace all radiator hoses at one time

rather than to risk overheating the engine. Also the researchers note that unnecessary repairs may have been performed to insure compliance with the Auto Check re-inspection [20, p. 12]. The dealers knew of the project, but they did not know the researchers' criteria, and they may have "overrepaired" in order to try to insure compliance. Overrepair, therefore, does not by itself indicate dishonesty. Auto Check participants who fixed their own cars often did unnecessary repairs [5, p. 48]; it can be assumed that the owners were not seeking to cheat themselves.

Overall, the Johnson researchers found that 65 percent of the repair actions were required, 3 percent recommended, 7 percent were optional, and 25 percent were unnecessary. Sixty-one cents of every repair dollar went for necessary repairs while 19 cents of the same dollar went for unnecessary repairs. The remaining dime went for optional or recommended repairs [5, p. 47].

The results of the foregoing studies regarding fraud and incompetence in auto repair work are striking when taken together. The estimates regarding repair work suggest that between 50 and 60 percent of repairs are done correctly the first time. In a \$70 billion industry, the cost of inadequate repair seems strikingly high.

It is no wonder that every car owner seems to have a horror story about repair. Data from California show that car owners believe that only 42 percent of the state's mechanics are honest and that only 54 percent are competent [8]. For the average car owner, a trip to the garage may be only slightly more pleasant than a burglary and could well be a good deal more expensive.

VICTIM SELECTIVITY

Not all car owners are subject to equivalent exploitation. We have noted that some locales—rural compared to urban sites, for instance [16] tend to have more honest and/or more competent repair businesses. But holding such matters constant, there remains a discernible pattern of selective victimization.

Women and members of minority groups suffer an adversely disproportionate amount of loss or inconvenience from fraud. Researchers at the University of Alabama, for instance, found that females spent significantly more for unnecessary repairs than did male customers [5, p. 48]. Minority group members are particularly victimized because they drive older cars, which need repairs, and because they are dependent upon a single vehicle for their transportation and, often, for their livelihood. This makes them less apt to be able to comparison shop, and to more readily buy any bill-of-goods that a repair shop may sell them. At the same time, owners of newer cars, and persons who appear more affluent, may be subject to exorbitant charges because the repair facility anticipates that they will pay these stiff fees without protest.

The applicable generalization is that auto repair cheats will, in a rational manner, tend to victimize persons who seem least apt to discover the fraud and to report it to the authorities. Persons who indicate unfamiliarity with the workings of an automobile are apt to be cheated more often than knowledgeable customers [7]. Similarly, persons who are transient, such as drivers with out-of-state licenses, are more apt to be cheated than local and repeat customers. In one study of repair fraud, a person who asked to have a battery checked and said that she was moving elsewhere in the state the following day was duped more often than another person (in fact, the same person going to other garages) who made the same request without saying anything about moving [8].

PUBLIC OPINION POLLS

Despite the high level of fraud and incompetence in the automobile repair field and public aggravation about the matter, opinion polls indicate clearly that the offense is not regarded as particularly "serious" behavior by the general public. Four studies have tapped responses by different samples of the population to the offense of "overcharging on repairs to automobiles."

Table 1 summarizes the results of the four studies in regard to subjects' ratings of the seriousness of automobile repair overcharges. The highest seriousness rating was

found by Cullen in his sample of 105 persons living in rural McComb, Illinois [6]. The most tolerant attitude appears in the nationwide sample of police chiefs studied by Pontell and his associates [15]. This result closely approximates that of the Midwestern city criminal justice functionary population examined by McClenry [12]. The pioneering study in the sequence, by Rossi and his colleagues of a mixed black and white Baltimore population, falls between the extremes registered by the three later inquiries [17].

INSERT TABLE 1 ABOUT HERE

Even among white-collar crimes, auto overcharges do not strike the respondents as notably serious violations. There are a number of explanations that can be offered for this finding. First, respondents almost invariably react more vehemently to behavior that leads to personal injury than to behavior producing monetary loss: had the item indicated that an accident followed the fraudulent and inadequate repair the question would have drawn a stronger negative reaction. Second, the absence of a specified loss vitiated somewhat the force of the abuse. Had the wording indicated a devastating degree of financial harm, it would have carried more weight. And, third, the absence of a specific statement of mens rea, that is, of intentionality in the overcharge, made it appear less serious to the respondents. It can be noted, for instance, that knowingly selling worthless stocks as a "valuable investment" was seen as more serious than repair overcharging, despite the fact that the harm from the latter could have been much worse. Research on seriousness issues generally indicates that respondents will rank behaviors involving merchandising or consumer fraud as seriously as they do street crimes if they believe that the harm inflicted by the behavior is equivalent [19].

INSERT TABLE 2 ABOUT HERE

Further understanding of the relative seriousness of auto repair overcharges as seen by study respondents can be gained from Table 2. That table averages the ratings from the four studies. The method ignores the slightly different sizes of the populations that

TABLE 1

Seriousness Ratings by Four Study Populations of Auto Repair Overcharges, Mean Rating of 60 Diverse Offenses, and Mean Rating of White-Collar Offenses, on a 1-9 Rating Scale

Study	Auto Repair Overcharge Rating	All Offenses	Only White-Collar Offenses
Rossi [17]	5.14	6.34	5.81
Cullen [6]	5.75	7.08	6.93
McCleary [12]	4.05	5.76	5.32
Pontell [15]	3.93	6.38	5.65

TABLE 2
Average Seriousness Ratings From Four Studies of Diverse Offenses, Including Auto Repair Overcharges

STANDING	OFFENSE	RATING
1	Assassination of a public official	8.47
6.5	Killing someone during a serious argument	8.17
6.5	Forcible rape of a stranger in a park	8.17
11	Armed robbery of a bank	7.94
16	Manufacturing and selling drugs known to be harmful to users	7.61
21	Beating up a policeman	7.25
26	Neglecting to care for own children	6.88
31.5	Intimidating a witness in a court case	6.61
31.5	Blackmail	6.61
36	Beating up someone in a riot	6.18
41	Knowingly selling worthless stocks as a valuable investment	5.87
46	Fixing prices of a consumer product like gasoline	5.25
51	Overcharging on repairs to automobiles	4.72
56	False advertisement of a headache remedy	4.13
60	Refusal to pay parking fine	3.12

were sampled, and the different character of the populations. The Table should be regarded only as no more than a very crude index of the relative position of the offenses.

CONCLUSION AND DISCUSSION

This review of aspects of auto repair fraud and incompetence indicates clearly that consumers are distressed with the standards and the performance of the auto repair industry. There is, however, no strong sense that the behavior is notably "serious." Public definitions of fraud and incompetence, however, often tend to be dependent upon a form of imagery than can translate a benign situation into one considered direly malevolent. Few persons would have regarded the packaging of over-the-counter drugs as a "serious" problem, but when several deaths resulted from capsules into which lethal agents had been introduced, public understanding altered dramatically. If auto repair fraud and incompetence become associated in the public mind with very harmful and unacceptable consequences the possibility for mobilization of support for far-reaching remedial measures will likely be greatly enhanced.

Studies of repair fraud and incompetence agree that such behavior is widespread and costly. There exists, however, no consensus concerning the best way to monitor such behavior. Different studies have employed different approaches, and reported differing (but not notably dissimilar) results. Nor has it proven easy to distinguish satisfactorily between incompetence and fraud in auto repair work. It would be useful if a standard method were derived that would allow the accumulation of reliable longitudinal and comparative materials.

The large amount of fraud and/or incompetence in auto repair work fuels consumer discontent and distress, and undoubtedly contributes to death and maiming from highway accidents, in addition to a heavy loss of money by consumers. The present review supports two major conclusions: (1) There is a need for stronger public condemnation of auto repair fraud based upon a shared sense of the importance of the problem; and (2) There is a need for measures to see to it that the performance of the auto repair industry is upgraded considerably.

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