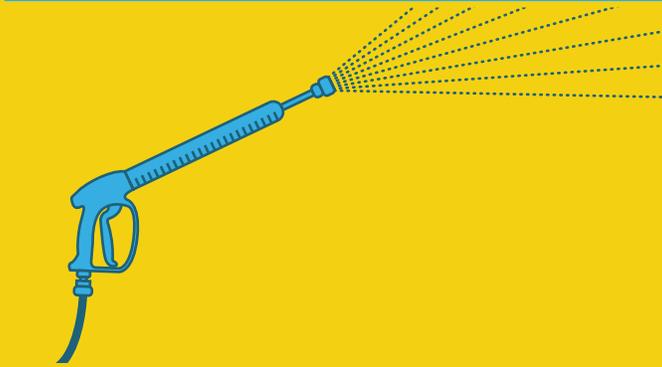
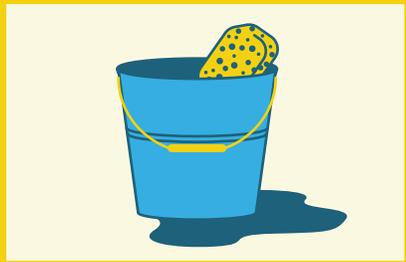


Conveying Carwash Owners' Stories:

Competition, Diversity and Growth in the Southern California Carwash Industry.



FORD FOUNDATION

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For almost fifty years, the UCLA Labor Center has created innovative programs that offer a range of educational, research, and public service activities within the university and in the broader community, especially among low-wage and immigrant workers.

The Labor Center is a vital resource for research, education, and policy development to help create jobs that are good for workers, employers and their communities, to improve the quality of existing jobs in the low-wage economy, and to strengthen the process of immigrant integration, especially among students and youth.

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Executive Summary

Southern California is home to a large, diverse, and iconic carwash industry. Employing over 10,000 workers and providing investment opportunities for hundreds of business owners, the carwash industry constitutes a significant share of the region's business community. This study – the first of its kind – provides an introduction to the industry, its owners, and the opportunities it affords across the Southland.

Conveying Carwash Owners' Stories: Diversity, Competition and Growth in Southern California Carwash Industry provides an overview of industry business owners who have consistently been left out of current policy and public opinion debates. Through carwash owner insights, we find an industry that is complex and diverse.

To understand how competition and diversity work among Southland operators, we developed an analysis of the industry as consisting of three sectors: low road, law abiding and high road operators. While much of the current literature on the service industry focuses on low road and high road employment strategies, our analysis of the carwash industry shows that a third category – law abiders – is required. The significant quantity of low road operators makes it dramatically more difficult for employers who are law abiders to upgrade their strategies and become high roaders. According to reports by the CLEAN Carwash Campaign over 165 unregistered carwashes have been identified in Los Angeles County alone, and many more are expected to be in operation. These low-road operators do not meet their most basic requirement to register with the Labor Commissioner of the State of California. This schism in the industry has led even industry representatives to decry low road employers as “rogue” operators.

Methodology

To better understand the industry, this report presents the findings from a mail survey of registered carwash owners from four Southern California counties in the greater Los Angeles area: Los Angeles, Orange, Riverside and San Bernardino counties. The findings of this report are based on the 54 respondents (a response rate of 12.2 percent) as well as a review of current literature, analysis of publically available data, and ethnographic research.

Key Findings

- + Business owners in the carwash industry reflect the rich diversity of the Southern California region. More than half (56 percent) of the respondents are immigrants. Among our respondents, Middle Eastern, Asians and Latinos account for 64 percent of the owners combined. Whites account for 36 percent of owners.
- + Although a large portion of owners are not native to the region, they have called Southern California home for many years. Owners tend to maintain a long tenure in the industry (average is 14 years). More than 1 in 4 have owned a carwash for over 20 years, and about half have been in the industry for at least a decade.
- + Carwashes not only have high profit potential, but many owners have a diverse investment portfolio. The profit margin reported amongst our carwash owner respondent pool averages 16 percent which is high for a service-based industry. Moreover, half of the study respondents stated that they own other businesses. Property ownership is also high among respondents: 70 percent owned residential property and 30 percent owned commercial property.
- + Carwash owners are major employers within the region's service industry. Respondents employ an average of 20 workers that scrub cars clean. One-third of the respondents own multiple carwashes – the average fleet is 3 carwashes.
- + Low-road – or rogue – carwash operators are hurting the industry. Nearly 90 percent of our respondents viewed the presence of unregistered, low-road carwashes as very or somewhat negatively affecting their business.
- + There is potential for industry growth as green practices attract environmentally-conscious consumers. The study found that 66 percent of surveyed carwash owners viewed the rise in green consumers as positively impacting their businesses. Many carwashes already employ green tactics – most notably water recycling. The average home carwash can use 140 gallons of water, while a professional wash using recycled water uses just 45 gallons.

Recommendations

1. Create initiatives that would recognize and promote law abiding and high road carwash owners.

Consumers, government officials and policy makers have a vested interest in promoting law abiding and high road carwash businesses to ensure that they thrive, contribute to the regional economy and are recognized as valued community stakeholders. A series of initiatives to promote these employers would help foster a lawful business climate in the carwash industry.

- + Create a seal of approval or certification process that promotes law abiding and high road employers.
- + Create a centralized online clearinghouse of information where consumers and businesses can learn about law abiding and high road carwashes in the region.
- + Create a database of high road carwashes for purposes of contracts with municipalities for services of fleet vehicles.

2. Develop opportunities and incentives for consumers and business owners to find common ground to build community goodwill and public education campaigns focused on green carwashes and their expansion.

From our survey, we learned that many carwash owners are engaged in efforts to address high impact environmental issues such as water drought and hazardous waste. The majority of respondents expressed the willingness to work towards a “green” industry.

- + Create a Clean and Green program with a regionally recognized certification component to increase environmentally sustainable practices and decrease exposure of toxic chemicals to workers and consumers.
- + Develop a Clean and Green placard or emblem for consumers to easily recognize law abiding, high road and environmentally-conscious carwashes.
- + Create a Clean and Green website recognizing and highlighting the carwashes in the region that are environmentally and socially-conscious businesses. This site could potentially offer a consumer review system and consumer incentives such as coupons for carwash services or refreshments while you wait.

3. Strengthen local enforcement of employment and labor laws against low road employers that undermine and compete unfairly with employers that are in compliance.

Almost ninety percent of respondents in the survey say that unregistered carwashes hurt their business and their ability to be competitive. Local governments should prioritize carwash industry enforcement as part of the citywide plan to level the playing for law abiding and high road employers and to enforce local laws against wage theft.

- + Move toward proactive, “investigation-driven” enforcement in the carwash industry, rather than simply reacting to complaints.
- + Increase the reach and effectiveness of enforcement by partnering with carwash owners, unions, community organizations, social service providers, and legal advocates.

4. Establish partnerships with carwash owners who are in compliance with labor and employment laws and local government to eliminate unlawful business practices and ensure better industry conditions.

With an average profit margin of sixteen percent, carwashes stand out among service-based industries. A formal local government partnership with law abiding employers could significantly improve working conditions, as well as create a climate for fair competition within the carwash industry.

- + Work with local government and agencies officials to create a task force of employer and worker representatives of the carwash industry and government officials.
- + Create incentives for responsible carwash employers to be able to further thrive as legitimate businesses and participate in the growth and development of the industry and community.

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PART 1: Driving In

Introduction

The production line carwash recently celebrated its 100th anniversary. The Automobile Laundry in Detroit, Michigan opened its doors in 1914 to the first-ever production line carwash. Rather than washing one car at a time, at the Automobile Laundry cars were cleaned as they were pushed in a circle to various stations. A quarter of a century later, Los Angeles' booming car culture of the 1940s gave birth to the first automatic carwash, in which cars were not manually pushed down the production line. Instead, the car bumper was hooked to a winch system that pulled the car through a tunnel as workers scrubbed and sprayed the car clean¹. Just as production lines revolutionized the manufacturing and consumption of automobiles, the automated production line carwash

enabled lower cost services to the emerging middle class car owner, and "what started as a niche business in the Motor City, has become a global industry."² In Southern California, these businesses have become an iconic industry in a region in a long-time love affair with cars.

California is home to an estimated 1,600 carwashes, employing nearly 25,000 workers³ and generating \$872 million annual revenue.⁴ Los Angeles County is home to nearly 8,000 of these workers.⁵ As this report will show, these small businesses are not just major employers but also serve as important investment opportunities for entrepreneurs across Southern California. This report

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1. The Davison Blog (Undated) "History Tuesday: The Carwash." Available online at: <http://www.davison.com/blog/2013/04/23/history-tuesday-the-car-wash/>
 2. International Carwash Association (2014) Car Wash Industry Celebrates Centennial Milestone [Press release]. Retrieved from <http://www.carwash.org/docs/default-source/press-releases/100years-carwash-release.pdf?sfvrsn=2>
 3. Bureau of Labor Statistics, Quarterly Census of Employment and Wages: Private, NAICS 811192 Car washes, All Counties in California 2014 Annual Averages, All establishment sizes. Available online at http://www.bls.gov/cew/apps/data_views/data_views.htm#tab=Tables
 4. Parker, Matthew. 2006. "Wage Labor and Safety Conditions in the California Car Wash Industry" Unpublished Manuscript.
 5. Ibid.

PART 1: Driving In

conveys the stories of carwash owners from four Southern California counties: Los Angeles, San Bernardino, Riverside and Orange.

Given the size and scale of the carwash industry and the iconic role cars play in American culture, it is surprising that so little research has been conducted on this business and the experiences of carwash owners. The UCLA Center for Labor Research and Education research projects, along with a handful of UCLA student-led papers, account for the majority of academic literature on the carwash industry in Los Angeles. These studies have told us more about the working conditions of *carwasheros*⁶ than they have of carwashes as businesses, employers, and community stakeholders (one exception to this is a 2003 survey of carwash owners that gauged attitudes towards the 2003 Carwash Worker Law passed in California).⁷

Though we began this study at a time when the popular press was reporting on the industry's scandalous working conditions,⁸ we also learned that some owners are working to pave a high road for this industry.⁹ The carwash industry has been spotlighted as state laws, union campaigns, press and academic reports target unlawful working conditions at many establishments. However, many carwash owners, as well as the Western Carwash Association have denounced these working conditions and business practices. Although the industry has its fair share of unethical operators, Southern California¹⁰ is also home to carwash owners who are deeply invested in their communities, building loyalty and trust with employees and customers through worker, community, and environmentally-friendly and sustainable practices, and who abide by state and federal labor and business laws. Divisions within the industry are underscored by industry leaders. In 2008, then-president of the Western Carwash Association Jerry Nix lamented, "It has been disturbing to



6. Carwasheros is a term meaning carwash workers. Its common Spanish suffix "-eros" is reflective of the large number of Latinos who work in the industry.

7. Parker, Matthew. 2006. "Wage Labor and Safety Conditions in the California Car Wash Industry" Unpublished Manuscript.

8. Nazario, Sonia and Doug Smith. March 23, 2008. "Inspectors Find Dirt on Books at Southern Calif. Carwashes" The Los Angeles Times. Available online at: <http://www.latimes.com/local/la-me-carwash-220308-story.html#page=1>

Nazario, Sonia March 23, 2008. "Workers Getting Soaked at Southland Carwashes." The Los Angeles Times. Available online at: <http://articles.latimes.com/2008/mar/23/local/me-carwash23>

9. We first learned of high road operators through informal conversations with members of the Western Carwash Association at their annual trade show.

10. Department of Industrial Relations (2015) Labor Commissioner Cites 35 Los Angeles Car Wash Businesses over \$1.3 Million for Wage Theft. Available online at <http://www.dir.ca.gov/DIRNews/2015/2015-18.pdf> and <http://www.kcrw.com/news-culture/shows/which-way-la/los-angeles-the-nations-capital-of-wage-theft>

me that these ‘rogue operators’ are taking advantage of their labor force by not treating them fairly and/or by not paying their workforce properly according to California Labor Law Standards”.¹¹ “These ‘rogue operators,’” Nix continued, “have an unfair business advantage in the marketplace over the legal operators who are paying their workers legally and operating within the letter of the law.” Likewise, Ross Hutchings, then executive director of the Western Carwash Association, observed in 2014 that the entire carwash industry should not be perceived as participating in egregious labor violations.¹² He asserted, “we want those operating outside law to be busted [because] if someone is not paying minimum wage and worker’s comp, it creates an unfair environment for legitimate businesses.”¹³

This study originated in an attempt to reconcile the public outcry over working conditions with the industry’s own criticism of rogue, low road operators. Through a mail survey of carwash owners in four Southern California counties, this report highlights the tension between rogue and legitimate carwash operators. Employer studies are a powerful if underutilized tool in academic literature that focuses on low wage work. We looked to research on high road employers by the Restaurant Opportunity Center,¹⁴ as well as Philip Moss and Chris Tilly’s¹⁵ monograph highlighting a phone survey of employers nationally, to frame our study.

This report paints a picture of the carwash industry often left out of press reports and policy debates. We present key findings related to both the background and make-up of carwash owners and on trends that have potential to hurt and help the industry. Owners of carwashes in this region are highly diverse and frequently foreign born, but have long tenure living in the region and operating carwashes. Owners have diverse investment portfolios and carwashes have high profit potential, with an average profit margin of 16 percent. This report also highlights two trends, one hurtful and one beneficial to the industry. The first is that low-road operators hurt the industry and operators within this survey. The second is that there is potential for growth in consumer share and profit through greening the industry.

After providing an industry overview in the next section, this report explicates local context, employment strategies, and the regulatory environment of the industry. With this background established, the report turns to present findings from our survey that provide an overview of who owners are, their business profiles, and their attitudes towards industry trends and the potential for growth through greening of the industry. The report concludes with recommendations for improving the industry by supporting law abiding operators and reducing the number of low road operators.



11. Carr, Kate (2008) “What California Can Teach Us” Professional Carwashing & Detailing. Vol 32, Issue 9.

12. Roosevelt, Margot. August 31, 2014. “Union-backed car wash workers fight for more pay, shade.” The Orange County Register. Available online at <http://www.ocregister.com/articles/car-633355-workers-wash.html>

13. Ibid.

14. Restaurant Opportunities Centers United and Batt, Rosemary (2012) Taking the High Road: A How-To Guide for Successful Restaurant Employers. February 8, 2012. Available online at http://rocunited.org/wp-content/uploads/2012/01/ROCGuide_Report_F4.pdf

15. Moss, Phillip and Chris Tilly (2001) Stories Employers Tell: Race, Skill and Hiring in America. New York: Russell Sage Foundation.

Industry Overview: Driving into a Carwash Today

The carwash industry comprises establishments engaged in cleaning, washing, waxing and polishing motor vehicles (including passenger cars, trucks, buses, and trailers), or in furnishing facilities for the self-service washing of such vehicles.¹⁶ These services are provided both to private individuals and to automotive dealers, car rental establishments, fleet owners, and other businesses. Although carwash establishments may offer a combination of facilities and options, the basic categories of carwashes are self-service, in-bay automatic, conveyor, parking lot, and pop-up wash.

Self-service: In these self-service facilities, customers clean their cars at drive-in bays equipped with “wand” type high-pressure nozzles, low-pressure brushes, and other car cleaning accessories.¹⁷ Coin-activated controls determine the length of spray nozzle operation and allow the customer to switch among pre-soak, engine and tire cleaning, foam, rinse, and wax sprays. In addition, these facilities generally provide coin-operated vacuums for the cleaning of car interiors and may have car care products such as towels and polishes available through coin-operated dispensers. Self-service operations require minimal labor and little supervision.

In-bay automatic: At in-bay automatic facilities, drivers pull into the bay and park their vehicles. They remain stationary while the machines move back and forth over the vehicles to clean them, instead of the vehicles moving through a tunnel. These rollover car washes are based on guide wheels that follow a vehicle’s contours with horizontal overhead brushes and vertical “wraparound” brushes that clean the car in pre-soak, undercarriage, foam, rinse, and wax spray cycles, followed by a hot-air dryer. Given the rise of customer concerns over paint finish damage, many operators have implemented “brushless” soft-cloth systems, while others have resorted to “frictionless” spray-only systems controlled by electric eyes and robotics technology to minimize vehicle and paint damage.¹⁸ In-bay automatic car washes are typically found at gas stations.

Parking lot carwash: The parking lot carwash is an emerging business model that is rapidly growing in size and popularity. Frequently seen in the parking lots of large office complexes and shopping centers, these carwashes are performed while the car owner is elsewhere. While some parking lot carwashes have a designated portion of the lot dedicated to the carwash where owners valet their car with the carwash operator, others utilize a mobile cart which brings the wash materials to cars in the lot. While conveyor, self-service, and in-bay automatic carwashes utilize water recycling and sludge collection and removal, parking lot carwashes do not.



16. Reference for Business. Undated Entry. "Carwashes: Industry Snapshot." Available online at: <http://www.referenceforbusiness.com/industries/Service/Carwashes.html>

17. Ibid.

18. Ibid.



Pop-up carwash: The pop-up carwash offers the cleaning of a full service conveyor but without the mechanization or infrastructure of a conveyor system. As with parking lot washes, water recycling does not take place in pop-up carwashes. The lack of infrastructure at these carwashes leads to a higher dependence on the labor force but at a lower start-up cost.

Conveyor: In this type of carwash, vehicles move on a conveyor belt through a tunnel with different stations. As with in-bay automatic carwashes, conveyor services offer two basic technologies for the wash cycle, friction and frictionless. The friction conveyor uses brushes or other material or curtains made up of strips of cloth, while the frictionless conveyor uses high-pressure nozzles for a touchless wash. Depending on the level of service, conveyor facilities are categorized in the following three types:

- + The professional full-service wash cleans the exterior and interior and the customer waits outside the vehicle while the wash proceeds. Vacuuming, prepping, washing, drying and interior cleaning are performed by a combination of equipment and workers. Full-service facilities not only require more space than self-service or automatic systems, they are also more labor-intensive and tend to have higher prices than other types of carwashes, but also a higher profit potential.
- + In exterior-only carwashes, the driver stays in the vehicle while it is being washed. Since all the prepping, washing and drying are performed by equipment, minimum labor is required. Many exterior carwashes provide free access to vacuums after exiting the tunnel that customers can use to clean the interior of their cars.
- + Flex-serve carwashes mix the properties of full-service and exterior-only with multiple possibilities and variations. Since flex-serve washes are primarily focused on cleaning the exterior of the car, prepping, washing and drying are performed by the equipment. If the customer requires just the exterior wash, they can leave and often pass by free or vended vacuum cleaners. If they decide to get more services, they can pull to an after-care area where they can get an interior cleaning or an express wax. This model also creates opportunities to upsell to even more expensive detail services that can be done at the after-care area.

Industry Overview: Driving into a Carwash Today

The table below compares carwash types along the lines of profitability, labor intensity and startup costs. Conveyor carwashes have the highest barriers to start-up, but also have the highest profit potential. Their labor intensity requires them to be registered with the State of California and makes them subject to increased regulation to protect their workers. This also increases the total costs to start-up and operate, and explains the high profit potential. The up-sale potential at conveyor washes further increases the profit potential.

Figure 1: Comparison of Carwash Types¹⁹

Type of Wash	Startup Costs	Labor Intensity	Profit Potential
Conveyor	High	Medium-High	High
In-Bay Automatic	Medium	Low to Medium	Medium to High
Self Service	Low to Medium	Low	Low to Medium
Parking Lot	Low	Medium	Medium to High
Pop-up Wash	Low	High	Medium to High

Profit potential is one likely reason carwashes have a strong foothold in the Southern California region. The table below shows the number of carwashes in across the four counties and the number of total employees in the region. As we can see, the recession led to significant declines in both the number of operators and employees. The graph also highlights the number of employees at work in this industry. To understand the breakdown of workers per carwash establishment we looked at public records and created a stacked bar chart which shows the variation in employee base across county.

Figure 2: Number of Carwashes in Four County Area, 2013*



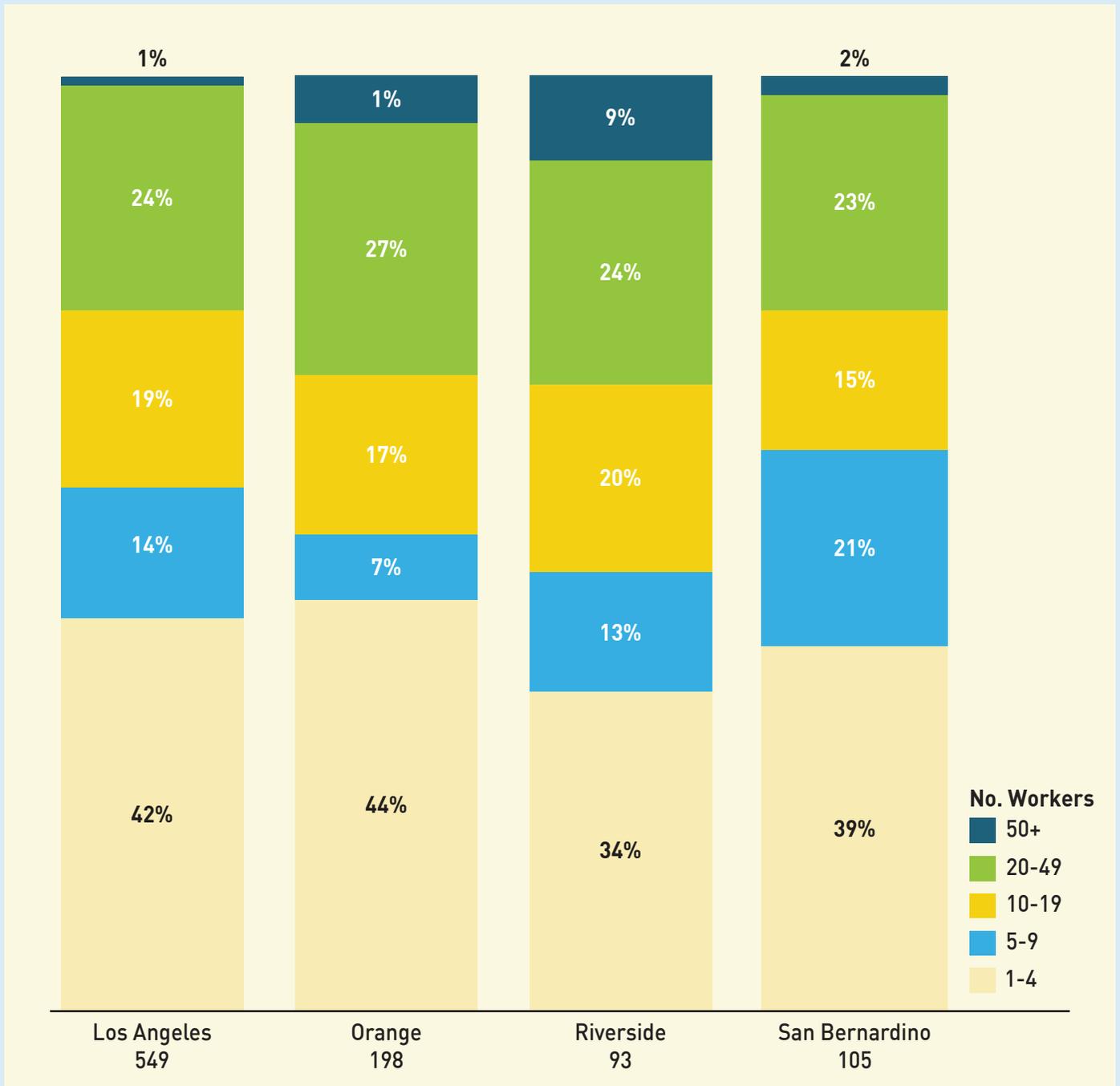
Figure 3: Number of Carwash Workers in the Four County Area, 2013*



*Source: Source: U.S. Census Bureau. (2013). Industry Code Comparison 811192 Car Washes, California Counties — 2003 to 2013 County Business Patterns (NAICS). [Table]. Retrieved from <http://censtats.census.gov/>.

19. Mintzer, Richard (2007) Start Your Own Car Wash and More. Irvine, CA: Entrepreneur Press.

Figure 4: Carwash Establishments by Employment Size Class, 2013



This section has painted a picture of the complexity and diversity of the carwash industry. Not only is this a large and growing industry but one with multiple types and business models, all of which provide the public with sparkling cars. The next section explores what a low road business is, why it negatively affects the broader industry and introduces our conceptual frame while introducing the setting of Los Angeles.



PART 2: Pre-Soak

The Los Angeles Frame

This study focuses on the four counties that account for much of the greater Los Angeles region: Los Angeles, Orange, Riverside and San Bernardino. Three factors make this region ripe for study: 1) Los Angeles' historic car culture and its density of carwash businesses, 2) its unique worker campaigns and the entry of a major union into a largely immigrant labor market, and 3) the California Carwash Worker Law.

As we wrote above, Los Angeles is home to the first-ever automated production line carwash, which opened in 1940 just outside of Hollywood. The emergence of automated carwashes from Los Angeles is no coincidence, as Los Angeles has long had a vibrant car culture. In 1919, as mass consumption of automobiles was mounting, Los Angeles had more cars per capita than any city in the United States.²⁰ Just as the car was becoming a primary mode of transportation in the 1920s, Los Angeles was

experiencing a major population boom; in the decade between 1920 and 1930, the city's population ballooned from 577,000 to 1,240,000 (the county's population also doubled). The transportation system of private cars and streetcars helped shape an urban development pattern that had to quickly adapt to population growth. Los Angeles' preference for private automobiles enabled the city to grow out by way of sprawl, rather than up by way of density.

This development pattern suited early Los Angeles residents who hoped to create a new kind of city – one that avoided the urban horrors that plagued many east coast cities in the early 20th century. The industrial revolution had turned America's more economically developed cities, like New York and Chicago into sites of poverty and squalor. Some city boosters in Los Angeles envisioned a "dream of the urban homestead, the dream

²⁰ Wachs, Martin (1984) "Autos, Transit, and the Sprawl of Los Angeles: The 1920's," *Journal Of The American Planning Association*, Vol. 50, No. 3 (Summer), pp. 297-310.

PART 2: Pre-Soak

of a good life outside the squalors of the European type city".²¹

The region's sprawling development of the 1920s was accentuated by the development of the freeway system in the middle of the 20th century. The rail system was literally ripped out of Los Angeles as city planners and politicians predicted that private cars would be the future of transportation in the city. Freeways further enabled the city to expand horizontally. As part of a Fordist/Modernist approach to city development and planning, freeways were seen as a way to unify a large, geographically broad city, "promising urban cohesion."²² However, most historians recognize that the result has been quite the opposite. Rather than bringing about social and physical cohesion in a city, freeways have served to fragment and fracture the urban core.²³

Despite the many downsides to Los Angeles' car culture—including air pollution, traffic congestion, and a fractured urban landscape, the car is still the primary mode of transportation, even among the region's poor.²⁴ However, in addition to its car culture, the city possesses a clean car culture.

Los Angeles, San Bernardino, Riverside and Orange counties are home to over half of California's full-service carwashes. In Los Angeles County alone there are approximately 500 full-service washes. When we add in the number of tunnel and self-service car washes, the numbers grow dramatically. The proliferation of carwashes in Los Angeles is reflective of the sheer number of cars, the dry and dusty climate, and the status derived from car ownership. As a local businessman explained to the Los Angeles Times, California carwashes are unique:

"In other parts of the nation, a carwash could probably get by offering a few specials, weak vending-machine coffee and assorted pine tree air fresheners. Not in California. Here, customers may drive as far for a wash and wax as they do for work, and competitors offer amenities such as free Wi-Fi, gourmet coffee, pet accessories, aromatherapy supplies, fish ponds and high-definition television... Here, it seems like everybody loves their car. It's like a hobby for them, and they bring a lot of personal feeling into it."²⁵



21. Reyner Banham quoted in Soja, Edward and Allen Scott (1998) *The City: Los Angeles and Urban Theory at the End of the Twentieth Century*. Berkeley, CA UC Press.

22. Graham, Stephen and Simion Marvin (2008) *Splintering Urbanism*. New York: Routledge: page 109.

23. As Graham and Marvin (see above) state "a central paradox...is that the extension of standardized highways and roads across and beyond the metropolitan region – ostensibly to support metropolitan integration – has tended in practice to support the partitioning and fragmentation of urban space."

24. Blumenberg, Evelyn (2003) "Transportation Costs and Economic Opportunity Among the Poor" in *The Access Almanac*, a publication of the University of California Transportation Center. Available online at <http://escholarship.org/uc/item/4wd5n61m>.

25. White, Ronald D. (2007, June 20). "Cleaning Up in Inglewood," *Los Angeles Times*. Available online at: <http://articles.latimes.com/2007/jun/20/business/fi-carwash20>

Operating a carwash in Southern California poses unique challenges and opportunities. A clean car culture means there is a high potential for profit and loyal customers. While Los Angeles and the surrounding region attempt to build a larger network of public transportation to reduce car dependence, neither car nor clean car culture are in danger of disappearing any time soon. As local journalist Patt Morrison explains, in Southern California "our heart belongs to horsepower. Earthquakes have shaken this place, but nothing has shaped it like our mad automobile love."²⁶

Competition: High Road, Law Abiding & Low Road Operators

Like many service industries in the United States, carwashes have been under increasing pressure from competitors; frequently this pressure to compete has meant a race to the bottom for labor practices. From the handful of existing studies on the carwash industry, we know that the working conditions in this labor-intensive industry are fairly poor.²⁷ The wages, in general, are low and often do not meet the minimum wage; in the worst cases workers are paid in tips only, a clear violation of California law. Many are paid by the day rather than the hour, so a common wage for carwash work is \$30 - \$40 a day. Work shifts are usually long despite low daily rates—many shifts start at 8:30 AM and extend until sunset ten or eleven hours later.

Besides poor wages, these studies showed that workers are routinely denied rest and lunch breaks mandated by law. Access to potable water, also a required provision, is often denied to these workers, leading to heat exhaustion and dehydration, especially in the warm summer months. Further health risks predictably follow from the toxic chemicals used to scrub cars, as many workers are not provided proper protective gear such as gloves, boots or masks. A carwasher's work, then, is demanding, physically taxing and sometimes hazardous, and is often flagrantly undercompensated.

For over two years, Bosbely Reyna endured severe working conditions at a rogue carwash in Los Angeles. "The owners cheated us out of our wages and didn't pay us for all the hours we worked. The working conditions are dangerous, and they treated us with no respect, yelling at us to work faster and humiliating us in front of customers," he said.²⁸ Reyna and his co-workers also suffered from adverse health effects from using acids and other toxic chemicals without goggles, gloves, or any protective gear. The only free drinking water his employers provided was from a spout primarily used to clean dirty rags.²⁹

When describing labor and employment practices in the service industry, a conceptual framework contrasting high and low road strategies has proved productive for many researchers. Remaining competitive by depressing labor costs is a key strategy of low road employers. In many areas of the low wage labor market, lowering labor costs frequently crosses the line into illegal and abusive practices.

High road strategies include practices that provide livable wages, offer room for upward mobility through training, and maintain a productive and healthy workplace through sick benefits, health insurance, and a work environment that is safe and healthy.³⁰ When employers utilize high road practices, there are generally lower rates of workforce turnover as well as higher quality work.³¹

Low road strategies provide none of the benefits of the high road and instead employers "evade or outright violate the core laws and standards that govern job quality in the U.S."³² Low road employment strategies including paying below minimum wage, failing to offer benefits or room for professional development, facilitating a high turnover rate, and turning a blind eye to many worker safety and health standards clearly stipulated in labor laws.

26. Morrison, Patt (2006) "Our True Heartthrob," Los Angeles Times. June 21 2006. Available online at: <http://articles.latimes.com/2006/jun/21/autos/hy-125morrison21>

27. Barry, Kevin, Marcy Koukhan and Chloe Osmer (2009). Regulating the Carwash Industry: An Analysis of California's Carwash Worker Law. Unpublished manuscript.

28. Levine, Art. March 14, 2009. "Will Hilda Solis Arrest 'Wage Theft' CEOs? Lessons from L.A.'s Car Wash Bust." The Huffington Post. Available online at http://www.huffingtonpost.com/art-levine/will-hilda-solis-arrest-w_b_166261.html

29. Cathcart, Rebecca. February 10, 2009. "Carwashes Accused of Labor Violations," New York Times. Available online at http://www.nytimes.com/2009/02/11/us/11carwash.html?_r=0

30. Restaurant Opportunities Centers United and Rosemary Batt (2012) "Taking the High Road, A How to Guide for Successful Restaurant Employers." A Report from ROC United. Available online at: <http://rocunited.org/taking-the-high-road-a-how-to-guide-for-successful-restaurant-employers-2/>

31. Folbre, Nancy (2006) "Demanding Quality: Worker/Consumer Coalitions and "High Road" Strategies in the Care Sector" in *Politics & Society* 34.11.

32. Bernhardt, Annette, Heather Boushey, Laura Dresser and Chris Tilly (2008) "An Introduction to the Gloves-off Economy" in *The Gloves-off Economy*, Bernhardt et al. Eds. page 2.

PART 2: Pre-Soak

When describing California's carwash industry, we find that a dichotomous structure of employment practices is insufficient. We therefore propose a third category of employment strategy, law abiding, which helps define the many employers who occupy a grey area between high and low road employment. Law abiding carwash operators, while not high road employers, have complied with state law regarding wage and hours, employee safety and payment of the bond and registration with the state, both of which are requirements of the 2010 Carwash Worker Law (see below for a detailed review of this law). Through our survey and through qualitative methodology, we observed a number of law abiding carwash owners who have rebutted the growing tide of negative press surrounding working conditions at Southland carwashes. And while we agree that these operators are not low road, we still see room for improvement at many operations. For this reason, we have created a three-part categorization that highlights the area between low and high road employment strategies (outlined in the chart below).



The middle-of-the-road approach – law abiding – is especially important in our study due to the demands put on carwash operators by California's Carwash Worker Law (explained in detail in the chapter on Labor Standards and Enforcement). There are a number of operators in Southern California who are law abiding: they meet the requirements for wages, hours, breaks, health, and safety; they register with the state of California and maintain a surety bond from which claims of employment violations can be made. While we applaud those who reject the low road approach of violating standards and norms, we also encourage these actors to collectively move from a culture of compliance toward high road standards.

There are many troubling effects of low road – or what former Western Carwash Association president Jerry Nix termed “rogue” – operators, ranging from the social costs and reduced quality output to unfair competition. In a 2001 report comparing strategies for remaining competitive, Turner, Weaver and Fichter describe the negative externalities associated with low road, rogue operators:

“In the advanced capitalist countries, along with low wages come low skill levels, which in turn are increasingly associated with low productivity and low quality. The social inequalities that inevitably accompany such a strategy (poverty, wide income disparities) have to date seemed acceptable, at least to the individual companies choosing to take the low road. These growing social problems, have however, become increasingly salient in national and state-level political debates and in the lives of millions of U.S. workers and families.”³³

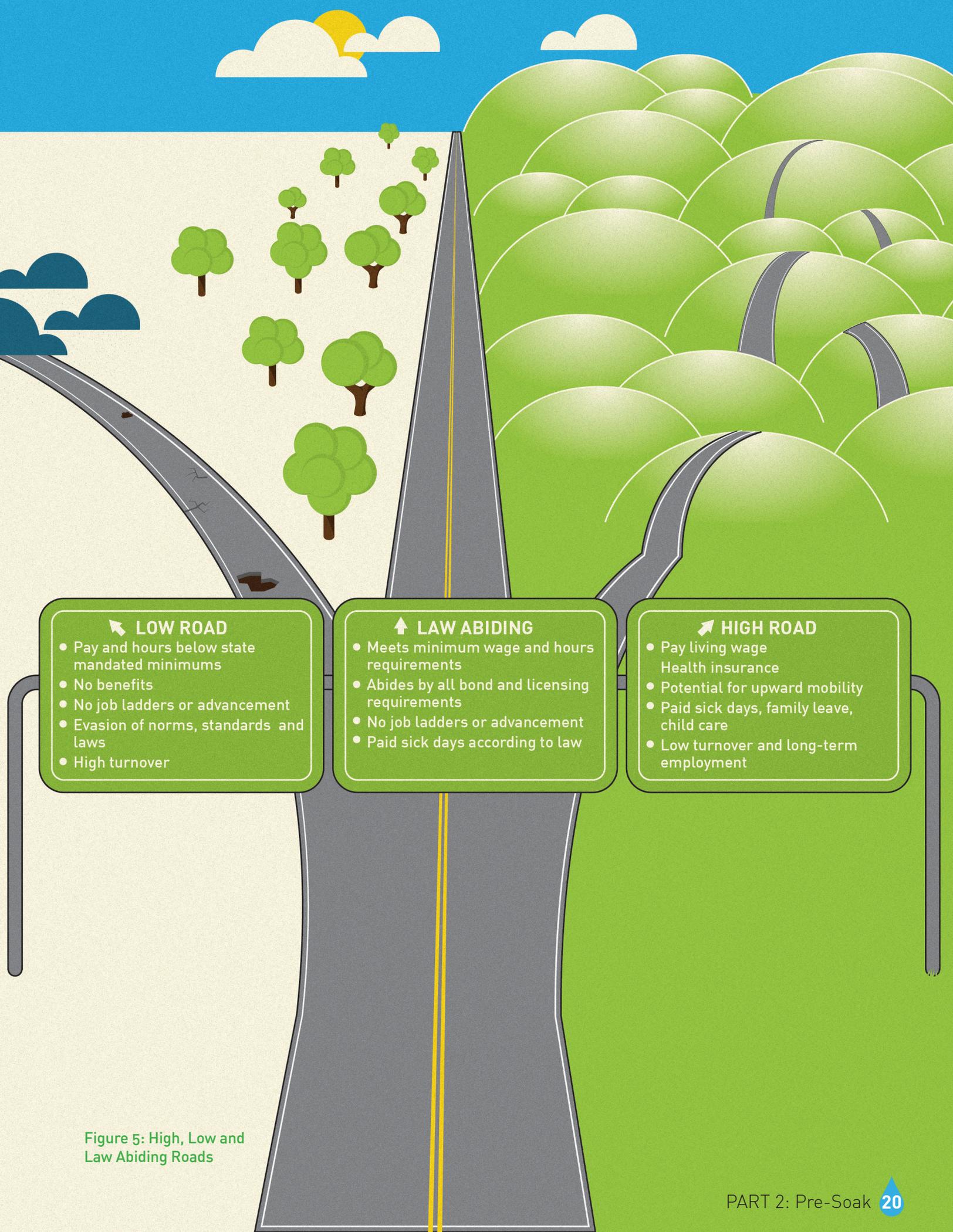
Aside from troubling social consequences, low road strategies often affect the quality of service. Carre, Tilly, and Appelbaum point out that the pressure to cut labor costs often conflicts with a desire to provide high quality service.³⁴ In describing the competitive drive to the bottom in the U.S. retail industry, they find that, “in the majority of cases, companies are scrambling to cut costs, above all labor costs, but are also seeking to enhance service and quality to differentiate themselves from big-box competition. But cost-cutting undermines attempts to improve service or quality, throwing into question the viability of these combinations of strategies.”³⁵ Carwash operators who buy into the low road approach risk doing so at the cost of providing higher quality washes and customer experiences.

Moreover, when low road carwash operators violate labor laws to cut consumer prices and increase competitiveness, they do so unfairly. Operators who meet all the standards, norms, and requirements of the law are forced to compete with low road operators. While they may provide a higher quality service, they are often unable to meet the low-cost competition of low road operators. It is simply unfair. In an already tight and a highly competitive market, it is incredibly difficult for law abiding operators to compete with rogue operators, let alone upgrade their practices to become high road employers.

33. *ibid*, p 125.

34. Carré, Françoise, Chris Tilly, and Lauren Appelbaum (2010) “Competitive strategies and worker outcomes in the U.S. retail industry.” UCLA Institute for Research on Labor and Employment Research & Policy Brief. Available online at: <http://www.irle.ucla.edu/publications/documents/ResearchBrief5.pdf>

35. *ibid*, p 3.



↙ LOW ROAD

- Pay and hours below state mandated minimums
- No benefits
- No job ladders or advancement
- Evasion of norms, standards and laws
- High turnover

↑ LAW ABIDING

- Meets minimum wage and hours requirements
- Abides by all bond and licensing requirements
- No job ladders or advancement
- Paid sick days according to law

↗ HIGH ROAD

- Pay living wage
- Health insurance
- Potential for upward mobility
- Paid sick days, family leave, child care
- Low turnover and long-term employment

Figure 5: High, Low and Law Abiding Roads

Operators who employ low road strategies are unfairly competing against law abiding and high road employers. They are able to offer services at a lower cost to the consumer by illicitly cheating their workers out of government-mandated wages and benefits. This situation is especially troubling for law abiding and high road operators, as it raises the costs of meeting or exceeding the minimum standards set by the law. One large carwash operator in the San Fernando Valley told us that this kind of competition is deeply troubling to him and his business. Likewise, Western Carwash Association legislative chair Sander Romick has “said that the Western Carwash Association agrees that wash workers deserve to be treated within the law, and thinks the rules need to be strict on those that violate them. He said that is not only unfair to the wash workers who’re not paid adequately, but for the legitimate businesses that have trouble competing with washes that do not comply with the law.”³⁶ Southern California’s rogue carwash owners who utilize low road employment strategies have serious negative consequences for legitimate operators. Not only have they given the industry a bad reputation, but made it the target of state laws and union campaigns. Our estimates indicate that as many as 4 out of every 10 carwashes in the counties we studied are not registered with the State of California’s Department of Industrial Relations. While not all carwashes are required to register (only those with employees involved in the washing and polishing), this figure indicates a significant rate of noncompliance. Of the 1,103 registered carwashes in the state of California, nearly half (46 percent) are in our study region (Los Angeles, Orange, Riverside and San Bernardino Counties).

Labor Standards and Enforcement

California is home to a first-of-its-kind state law protecting carwash workers and increasing accountability among operators. Here, we outline the origins of the law, the campaigners that made it possible, and the enforcement mechanisms currently in use. Under this law, carwash operators are required to register annually with the California Labor Commissioner, pay a registration fee, and post a surety bond. As we detail in this section, while many carwash operators

and employers opposed this legislation, it has helped responsible employers that are trying to comply with labor standards against unfair competition by rogue, low road operators who engage in major labor violations to maximize their profits.

History of the Carwash Law

In 1999, a group of day laborers³⁷ who suffered employment violations at a LA carwash approached the Workers’ Rights Project of the Coalition for Humane Immigrant Rights of Los Angeles (CHIRLA). At that time, day laborers were being picked up by carwash owners and/or their managers to work at some local carwash establishments as informal workers paid solely in tips. This meeting led to deeper contact with day laborers from CHIRLA’s Day Laborer Program, and they exposed a pattern of workplace abuse in the carwash industry, including complaints of egregious wage and hour violations, substandard working conditions, and harassment.

Independently, during that same period, a group of approximately 16 carwash workers from SpeedWay Carwash, an affluent car wash establishment in West Los Angeles, approached State Senator Tom Hayden’s office about the very same issues. Senator Hayden’s office contacted CHIRLA and the Koreatown Immigrant Workers Alliance (KIWA). CHIRLA and KIWA set up a meeting in Senator Hayden’s office with workers, owners, and third party advocates. The majority of these workers were fired for their participation in the meeting. Representatives from KIWA and CHIRLA met with the owner of the SpeedWay Carwash to attempt to negotiate on behalf of these workers, and the owner responded with threats and physical confrontation. CHIRLA and KIWA then worked with Cal/OSHA (California Occupational Safety and Health Administration) and the California Labor Commissioner’s Office to investigate SpeedWay. All of the workers, save one, were reinstated with back pay. While advocating for these workers, CHIRLA noticed that their colleagues from legal services organizations in LA were receiving many wage and hour complaints from carwash workers, and labor abuses in Southland carwashes seemed to be far too common.

36. Napoli, Joe (2014, February 4). “Updated: WCA weighs in on California carwash surety bond increase,” Carwash.com. Available online at: <http://www.carwash.com/articles/88895-california-carwash-law-increases-surety-bond-by-135000>

37. According to Abel Valenzuela and co-authors, day laborers are men and women who seek “employment in open-air markets by the side of the road, at busy intersections, in front of home improvement stores and in other public spaces.” For more on Day Labor see: Valenzuela, Abel, Nik Theodore, Edwin Melendez and Ana Luz Gonzalez (2006) “On the Corner: Day Labor in the United States,” a report available online at http://www.sscnet.ucla.edu/issr/csup/uploaded_files/Natl_DayLabor-On_the_Corner1.pdf

Following their experience with SpeedWay, CHIRLA and KIWA worked with Senator Hayden to draft legislation to regulate the carwash industry — California Senate Bill 1097 — that would have created an annual registration requirement, set up a fund for wage and hour claims, and held employers liable for violations.³⁸ Due to a lack of information and reporting on labor violations within the industry, the bill faced fierce legislative opposition from the Western Carwash Association, the major trade group representing carwashes on the west coast. In spite of this opposition, the bill passed the legislature, but Governor Gray Davis vetoed the bill citing a lack of evidence demonstrating the need for this law.

In 2002, many community and legal services organizations in Los Angeles who deal directly with low-wage workers, labor violations, labor enforcement, and immigrant communities formed a coalition called the Los Angeles Workers Advocates Coalition (LAWAC). The purpose of LAWAC was to create collective strategies with wage and hour cases, and to work together to create legislation and policy reform. Because of a continually high number of cases dealing with labor violations in carwashes, as well as the failure to pass SB 1097, LAWAC's first major effort targeted the carwash industry. LAWAC advocates combined their collective experiences with legal cases and policy work to analyze the failure of Senator Hayden's earlier effort. They also connected with UCLA Law School students to provide research support and the first-ever survey of carwash workers and employers in direct response to Governor Davis' complaint of insufficient evidence.

LAWAC located a powerful sponsor for the bill in Assemblywoman Jackie Goldberg, who had a long history of effective coalition-building and a strong background in labor issues. The result was a successful policy effort to pass AB 1688 ("The Carwash Worker Law") through the legislature. Unlike the previous bill, AB 1688 was signed into law by Governor Davis on October 10, 2003.

Presently, carwash worker advocates and the Western Carwash Association are exploring ways to collaborate to improve the implementation of the law in a way that would reward responsible employers while targeting unscrupulous operators in the industry.

Unionization of Carwash Workers

In 2008, after a two-year process of strategy meetings with researchers, worker centers and worker advocates in Los Angeles, the AFL-CIO and United Steelworkers (USW) launched the CLEAN Carwash Campaign, a

Figure 6: Overview of the California Carwash Worker Law

AB 1688 (California Labor Code Section 1050 et. al.) requires carwash operators to register with the California Labor Commissioner and also creates a system of accountability. Only operators of conveyor washes that employ individuals to wash, dry, polish, and clean cars (including conveyor full-service, express and flex-service conveyor washes, as well as parking lot and pop-up hand washing establishments) are required to register. This registration process requires employers to submit proof of workers' compensation insurance, and city/local business licenses. In addition, the bill establishes a bonding system to ensure the prompt payment of wages due to the difficulty of collecting unpaid wages when workers prevail on their claims.

AB 1688 also contains a successor liability provision so that employers cannot evade their legal obligations to their workers by transferring or selling the business to another person or company. Finally, this bill creates a Carwash Worker Fund, funded by carwash operators through registration and penalty fees, to be accessed by carwash workers who are found by the California Labor Commissioner to have been denied their wages.

AB 1688 aims to guarantee the wages and provide for a safe working environment for carwash workers. The bill contained a sunset provision of three years to address the concerns of pro-business legislators as to whether a registration requirement for carwash employers was necessary. In 2006, SB 1468 was passed to extend the existing law by three years until January 1, 2014. One year ahead of its sunset in 2013, Governor Jerry Brown signed an overhaul, AB 1387, into law. This removed the sunset provision, increased the surety bond from \$15,000 to \$150,000, but waived this requirement if there was a collective bargaining agreement in place.



38. This mirrored the Garment Worker Law, CA Assembly Bill 633 (AB633), which regulated the garment industry.

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coalition of more than 30 community, health and safety, environmental and labor groups in Los Angeles (CLEAN stands for Community-Labor-Environmental Action Network). The campaign is an innovative effort whose mission is to create safe workplaces and raise the standard of living for the over 10,000 carwash workers — nearly all who are immigrants — through a comprehensive strategy. The CLEAN Carwash Campaign is a unique model of a labor-community partnership that brings the labor movement and the community together as equal partners.

The CLEAN Carwash Campaign is dedicated to improving working conditions in the industry; educating workers about violations of workplace standards; raising public awareness of the working conditions of carwash workers; identifying and implementing public policy changes needed to secure workplace justice for carwash workers; and facilitating the filing of targeted enforcement actions. The long-term goal of the campaign is to fight for the workers' right to organize into a union and engage in the process of securing collective bargaining agreements with employers.

On October 25, 2011, workers at Bonus Car Wash celebrated the first union contract of the CLEAN Carwash Campaign. For years, workers at this carwash in Santa Monica suffered routine labor violations that were common in many carwashes in Southern California: not being able to clock-in until customers arrived, unpaid wages, no breaks, and in some cases, non-payment of wages.³⁹ In 2010, the CLEAN Campaign reached out to the California Attorney General about the labor violations reported by the workers at Bonus. In response, California's attorney general filed a suit against the business, demanding \$6 million in back wages for workers, as well as fines and penalties.⁴⁰

"It was a two-year struggle," said Eduardo Tapia, a Bonus worker for five years. Now, "we have 10 more minutes of break. We have our water to drink. If they say 'show up at work at 10:30,' I start work at 10:30." Oliverio Gomez, who has worked at the carwash for nine years, said he hopes the union is the beginning of something larger. They "didn't treat us like people," he said of his bosses. "What I hope is that future generations who come to work here aren't treated as badly as we were, that they're no longer humiliated, but respected."⁴¹

In Los Angeles, the CLEAN Campaign secured its first ever union contract.⁴² "This is the future of the labor movement," said AFL-CIO President Richard Trumka,



gesturing to the parking lot full of workers waving signs in English and Spanish before he went on stage at a press rally to celebrate the victory. Throughout the afternoon, chants of "We did it" in Spanish competed against whirring sounds from the carwash. Trumka stood on stage with religious leaders and Spanish-speaking carwash workers, rousing the crowd.⁴³

To date, there are over 30 carwash union employers with collective bargaining agreements, a Carwash Worker Organizing Committee of the United Steelworkers with over 300 members, and a newly formed Carwash Worker Center in South L.A.

Implementation and enforcement

Two key strategies have proven successful in implementing and enforcing existing regulations governing Southland carwashes. The first process is the collaboration between government and the private sector. Since the passage of AB 1688 and the launching of the CLEAN Carwash Campaign, the Labor Commissioner's Office of the Department of Labor Standards Enforcement (DLSE) has significantly increased its enforcement in the carwash industry. The campaign has worked with the DLSE to more than double its investigations into unlawful conditions at carwashes throughout Los Angeles County. The campaign began with investigations into approximately 50 carwashes, primarily located in Central and West Los Angeles. As the campaign has grown, it has broadened its reach to include South Los Angeles, East Los Angeles, and the Valley, for a total of approximately 200 carwashes.

39. Quinones, Sam. October 26, 2011. "Carwash workers celebrate union contract," Los Angeles Times.

40. *ibid*

41. *ibid*

42. Semuels, Alana. February 22, 2012. "Union Forges a New Alliance with Carwash Workers," Los Angeles Times.

43. *Ibid*



More recently, the Labor Commissioner's Office cited carwash businesses in Los Angeles more than \$1.3 million for wage theft following a two-day enforcement activity. The majority of the violations were found at 35 carwashes that failed to register with the Labor Commissioner's Office, as required by law. The inspection uncovered violations of state wage and hour laws that totaled over \$700,000 and impacted nearly 400 workers. Worker health and safety continues to be a key issue for carwash workers. The CLEAN campaign and the Southern California Coalition for Occupational Safety and Health (SoCal COSH) have assisted carwash workers in filing Cal/OSHA complaints and alerting the agency to dangerous working conditions in area carwashes. The campaign also educates state enforcement agents, including Cal/OSHA and DLSE, on working conditions for carwash workers.

In 2014, the new Los Angeles City Attorney and the California Labor Commissioner reached out to L.A. City carwash employers and invited them to a meeting in City Hall. The purpose of the meeting was to educate employers about the new Carwash Worker Law and how the City Attorney and Labor Commissioner will work closely together to eliminate labor violations that continue to plague the industry. This unique meeting brought members from many sides of the issue to the table to seek fair, just and reasonable solutions to upgrading the carwash industry in a way that benefits everyone involved.

The second means to enforcing the laws in existence is through legal action. In the seven years since the CLEAN Carwash Campaign began, it has been instrumental in initiating many wage and hour legal actions against low road Los Angeles carwashes. Moreover, many

other actions have been initiated by carwash workers independently. Cases have been litigated by the Los Angeles City Attorney, the California Attorney General, the California Labor Commissioner, the Santa Monica City Attorney, Bet Tzedek Legal Services, Mexican American Legal Defense and Educational Fund (MALDEF), the Wage Justice Center and labor law firms. In addition, criminal actions have been initiated by both the Los Angeles and Santa Monica City Attorney's offices.

The first major lawsuit took place in 2008 when labor law firm Bush Gottlieb and Bet Tzedek Legal Services filed a class action lawsuit against carwash owners and brothers Benny and Nisan Pirian for alleged state labor law violations. More than two hundred current and former employees of their car washes were covered by the lawsuit. The car washes implicated in this case were the Vermont Hand Wash, the Celebrity Car Wash, the Hollywood Car Wash, and the Five Star Car Wash.

The Pirian-owned carwashes were accused of failing to pay the minimum wage, failure to provide proper overtime pay, and failure to allow workers to take adequate meal and rest breaks, among other alleged violations. Over the several years prior to the lawsuit, they were given multiple notifications of the alleged violations at these carwashes. They were apparently notified and urged to comply with the California labor code. Despite several warnings as well as the alleged history of citations by state agencies, the owners resisted modifying their business practices to comply with labor law. They also had a long history of violating occupational health and safety standards as well as environmental regulations.

The Los Angeles City Attorney filed its own complaint against the owners of these carwashes. The complaint charged them with 172 counts of worker abuse and failing to pay \$450,000 in wages over five years. They faced more than 80 years in jail and \$136,000 in fines. Nearly 40 workers, listed as John and Jane Does in the criminal complaint, said they were paid a flat rate of \$35 to \$40 for working more than eight hours a day with as little as 15 minutes a day for lunch. They did not receive medical care for lacerations and acid burns caused by the machinery and chemicals they used, and the only free drinking water available to them was from a spout used to clean dirty rags. In retaliation for the workers filing the class-action lawsuit, a manager at Vermont Hand Wash in Los Feliz, Manuel Reyes, brandished a machete and held rounds of ammunition in his hand "to scare employees into silence," prosecutors said.⁴⁴

44. Watt, Brian. February 10, 2009. "LA City Attorney Files Criminal Complaint Against Four Carwash Owners." A production of KPCC, 89.3.

PART 2: Pre-Soak

Luz Elena Oseguera received a U Visa for the terrible working conditions she faced at one Southland carwash. “I would like to tell workers who are in a situation where something unfair happens to them at work that they should not stay quiet. If I would have not done anything, I might be in the same bad work situation right now. Thanks to obtaining a U Visa I have found it easier to find work, I was able to obtain my driver’s license. I feel like doors have really opened up for me. The sexual harassment I encountered at work was something that I didn’t want to happen to me but being able to apply for a U Visa as a result has really changed my life. It has taught me that I should always speak up for myself and that is something I carry with me always.”

In 2010, the City Attorney secured an award of \$1.25 million in restitution for carwash workers of the Pirian-owned carwashes, along with other significant remedies. The owners were each sentenced to a year in jail and are expected to have to pay hundreds of thousands of dollars in unpaid wages after pleading no contest to half a dozen criminal counts. Five workers received U Visas, which are available to victims of serious crimes, after they suffered attempted intimidation, including threats with a weapon, and attempts at violent injury and sexual battery by management representatives.⁴⁵

In 2010, the CLEAN Carwash Campaign again uncovered rampant violations of workers’ rights in a large, multi-carwash operation. Workers from two Los Angeles area carwashes, which were part of a statewide network of 12 locations, reported dangerous working conditions, being forced to skip breaks and work off the clock, and receiving paychecks that bounced. The campaign representatives reported these violations to the California Attorney General’s office, which filed a \$6.6 million lawsuit against eight of the carwashes and their owners. The lawsuit eventually was settled in 2012 for more than \$1.2 million.

In legal actions that have settled or been litigated to judgment, carwash workers have been awarded more than \$12 million—a staggering figure that nonetheless represents only a small fraction of the total amount of wages stolen from employees in this low-wage industry. None of these legal actions have ended in dismissal or judgment in favor of the carwash employer.



45. Blankstein, Andrew. August 16, 2010. “Two Los Angeles Carwash Owners Sentenced to Jail for Labor Law Violations.” Los Angeles Times.





PART 3:

Wash & Rinse

Research Study Method and Sample

In the summer of 2013, our team sent surveys to 466 carwashes across four Southern California Counties, asking the owners to participate in our carwash industry study (figure 7 shows a map of all registered carwashes in the area). We defined our survey universe as registered carwashes in the counties of Los Angeles, San Bernardino, Riverside, and Orange. (As part of the California Carwash Worker Law, carwashes are required to register with the state's Department of Labor Standards and Enforcement.) Our research team obtained a copy of the registry and selected carwashes in our study area. A group of undergraduate student interns verified this list and removed duplicate and defunct carwashes. In spite of our research beforehand, 24 of the 466 surveys were returned undeliverable by the post office (often because the site had no postbox and used an off-site business address).

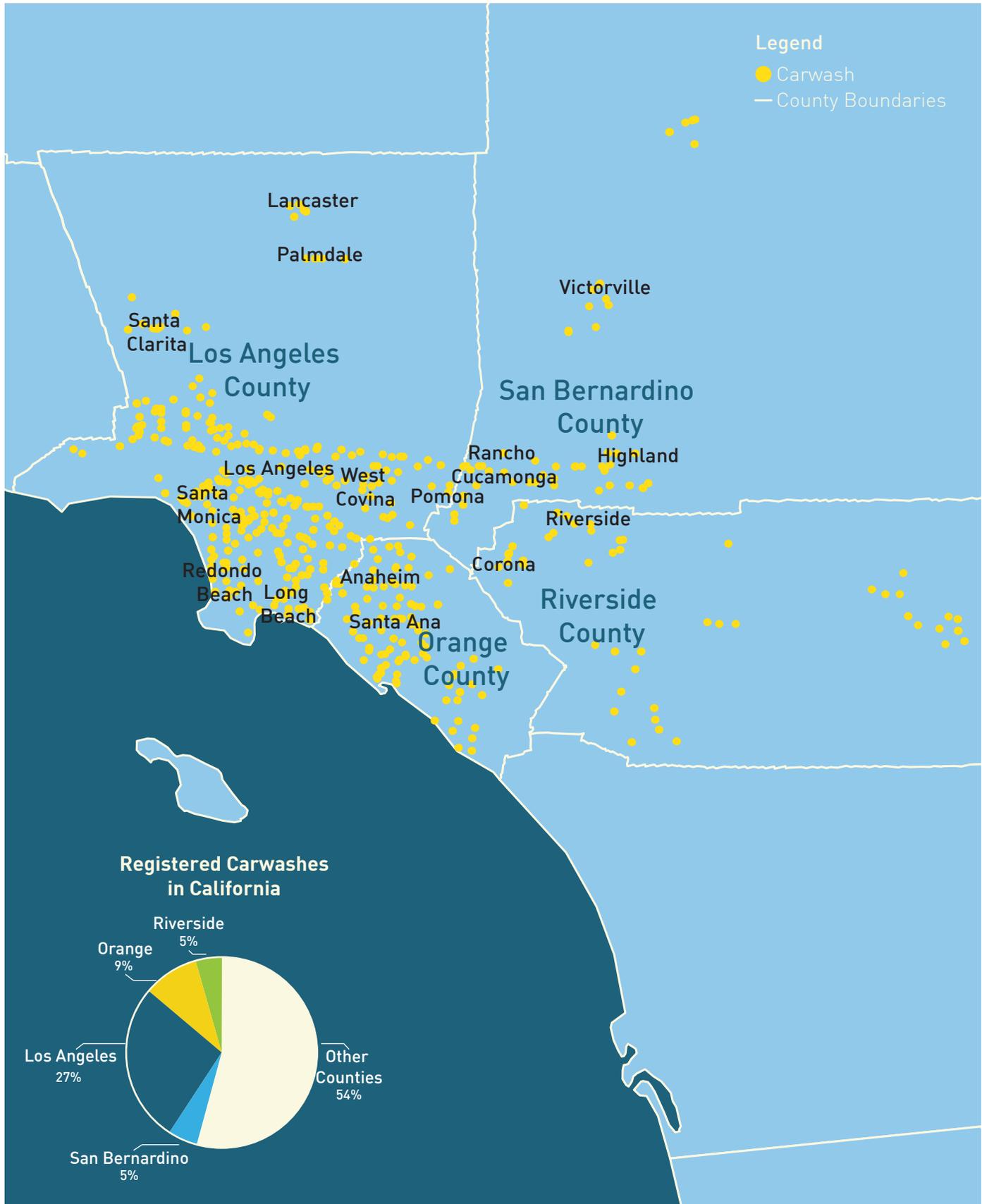
A survey packet, addressed to each owner by name, was sent in late August and again in mid-September. Survey packets included a cover letter explaining the project, a small flyer inviting respondents to take the survey online, and a paper survey, which included return postage and could be sealed and sent back to the research team. The survey, while available in print only in English, could be taken online in Korean. A website was created to route respondents to the SurveyMonkey site to take the survey in either English or Korean.⁴⁶

While we identified 466 registered carwashes in the four county survey area, there are an estimated 500 carwashes in the City of Los Angeles alone. There are multiple reasons for not registering a carwash — many of which are illegal. If a carwash employs people in the act of washing, not just collecting money at an automatic wash, they are required to register and abide by the Carwash

⁴⁶ From discussions with members of the CLEAN carwash campaign, we learned that a significant number of operators in Los Angeles are Korean and a number of them do not speak English at a fluency level that would make survey-taking feasible without providing a Korean translation.

PART 3: Wash & Rinse

Figure 7: Map of Registered Carwashes in Four Counties



Worker Law. Through discussions with industry insiders, we believe that — even accounting for the carwashes that do not have to register — there are still significant numbers of law-breaking operators who do not register, as required. These low road operators are not reflected in our survey unless they allowed their registration to lapse since data was collected. Given that our universe of respondents come from registered carwashes, it is reasonable to assume that the results reflect a higher tendency towards compliance with regulations and laws.

Over the course of five months, we collected a total of 54 completed responses. Of these, 32 were paper submissions and 22 were submitted online (one online submission used the Korean language survey). This reflects a response rate of 12.2 percent. Responses were entered into a database and later verified. We then input the database into SPSS for statistical analysis.

Nearly half of our survey responses come from Los Angeles County carwash owners (46.2 percent). Orange and San Bernardino each account for roughly twenty percent, and the remaining surveys come from Riverside County (two surveys were completed without indicating their location). The response rates by county vary from a low of 8.6 in Los Angeles to a high of 21.7 in San Bernardino, although the sheer size of the Los Angeles carwash industry means that even a small response rate is enough to more than double the number of respondents from San Bernardino. The image below is an overview of the mail survey's numbers.

In addition to the mail survey, our research team undertook ethnographic research at trade shows, spoke with industry insiders, collected data from industry experts, and undertook spatial and statistical analysis of publicly available data. In particular, members of our team went through public records to create an estimated profit margin for this industry.

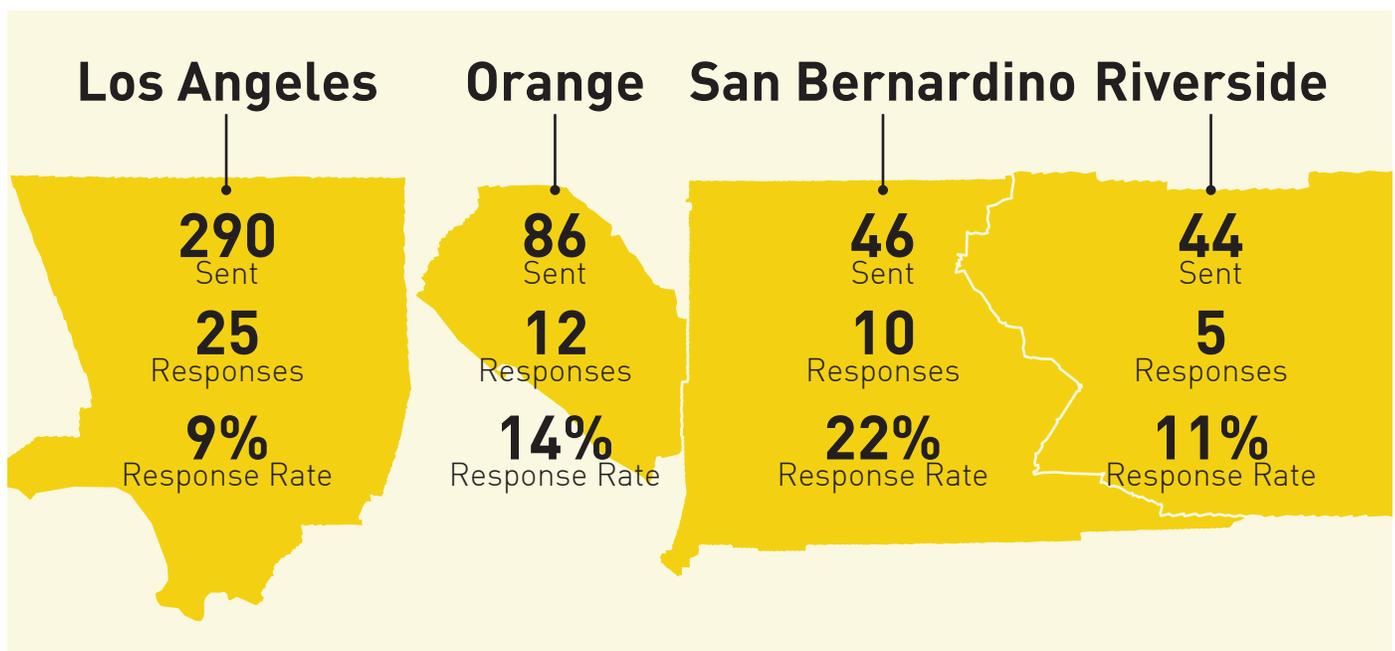
Although we asked our respondents about the profitability of their businesses, we did not directly ask about profit margins. Instead, we used public data to create an average net profit margin for the industry. Out of all of the respondents, we had both net profit and revenue data for 34 carwashes. As a result, we calculated 34 individual net profit margins by dividing each carwash's net profit by its revenue. For more information on our methodology on the profit margin, see the appendix.

Owner Profiles

The carwash owner profiles portrayed in this section are based on 54 responses to our mail survey. The reach of this study is wider, however, as one-third of our respondents own multiple carwashes, meaning survey represents ownership profiles for 92 carwashes across Southern California.

Many of our respondents have called the carwash industry home for years. More than 1-in-4 have owned a carwash for more than 20 years, while approximately half have owned a carwash for more than 10 years (the graph below shows the tenure of ownership among respondents). The

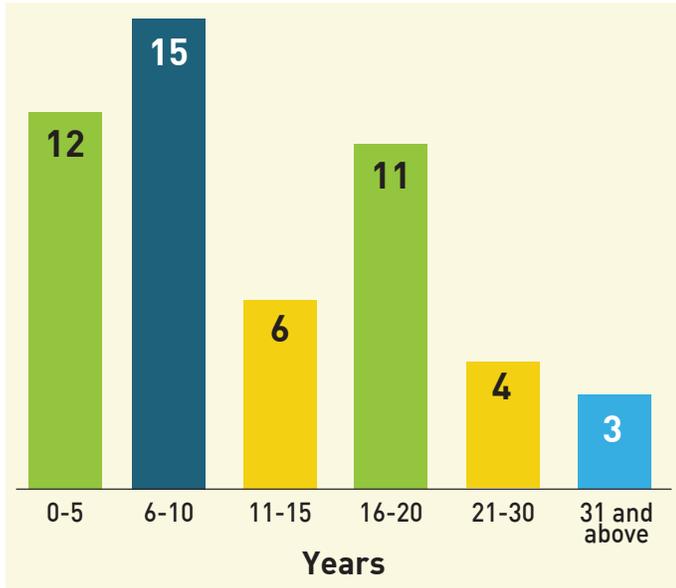
Figure 8: Survey Respondents by County



PART 3: Wash & Rinse

longevity of industry owners indicates a lower turnover rate for this labor-intensive service industry, especially when contrasted with the closure rate of restaurants, a similarly configured industry.

Figure 9: Length of Ownership



The long tenure of many owners is also reflected in the average age of our respondents: 53 years old. The industry is overwhelmingly comprised of male owners; 94 percent of respondents are male.

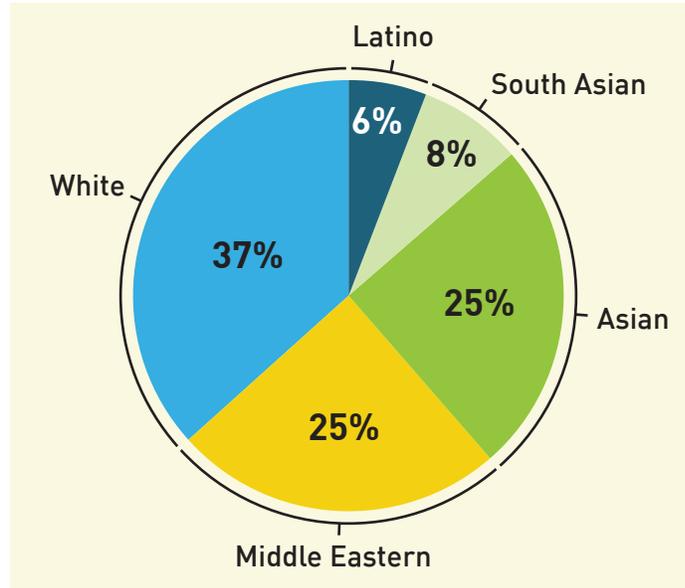
Carwash owners in our sample are a well-educated group overall; 90 percent of respondents have at least some college education and one-third have received postgraduate education.

Business owners in the carwash industry reflect the rich diversity of the Southern California region. More than half (56 percent) of the respondents are immigrants. Among our respondents Middle Eastern Americans, Asian Americans, and Latinos account for 64 percent of owners, while 36 percent are white.

Though the demographic indicators seem to show a fairly uniform group of owners, when we look at the race/ethnicity and nativity of owners we begin to see a striking level of diversity.⁴⁷ About 37 percent of the respondents in the study identify as white, and Asian Americans account for 33 percent of our respondents. Middle Eastern owners comprise one fourth of the number of respondents. Only a small fraction (about 6%) of our respondents are Latino. Interestingly, Latino owners are only found in small

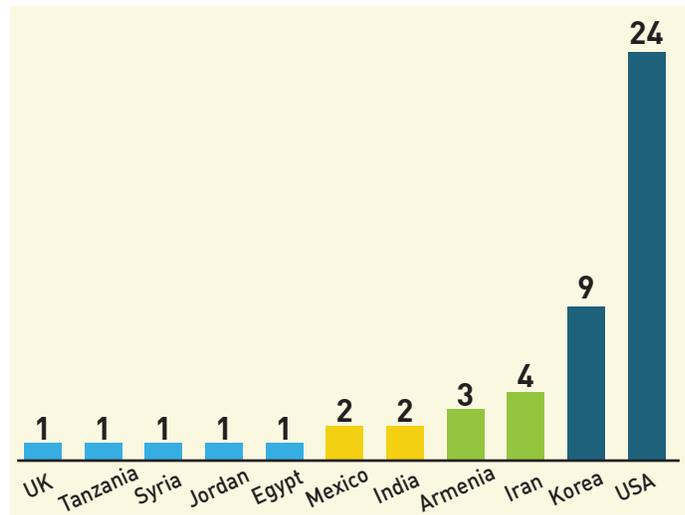
carwash businesses, while whites are dramatically more likely to own larger carwashes. Middle Eastern and Asian American owners occupy a significant industry presence across all categories of scale.

Figure 10: Owner Ethnicity



In addition to the ethnic diversity of our respondents, there is significant diversity in owners' place of birth and immigration status. Less than half of our respondents were born in the United States (13 were born in California, 11 elsewhere in the United States). The most prevalent regions of owners' birth are Asia and the Middle East (with 22 percent and 20 percent, respectively). The remaining regions of origin are Latin America (4 percent), Europe (2 percent), and Africa (2 percent).

Figure 11: Owner Place of Birth



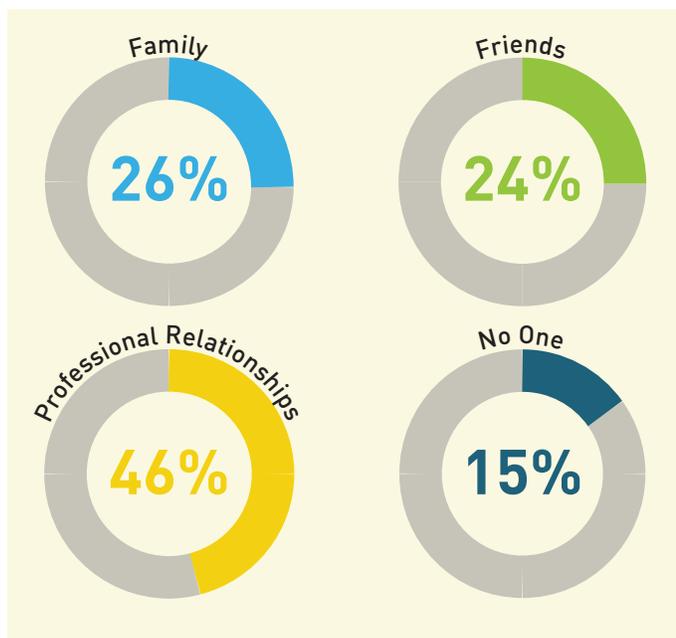
⁴⁷ See the appendix for a map of the region that has the racial diversity of the region overlaid with the registered carwashes.

Despite the diversity in place of birth, most have called Southern California home for decades. Among those not born in Southern California, 85 percent of respondents have lived in the region for more than 20 years (and another 7 percent have lived in Southern California for over 10 years).

Although a large portion of owners are not native to the region, they have called Southern California home for many years. Owners tend to maintain a long tenure in the industry, averaging 14 years. More than 1-in-4 have owned a carwash for over 20 years, and about half have been in the industry for at least a decade.

In addition to understanding the demographic profiles of Southland carwash owners, this study sought to understand how owners are connected to the broader carwash and business community. Although we expected most owners to have close ties with other carwash owners, our results on this count are mixed. One-in-four owners have a family member in the carwash industry, and one-in-four have a close friend. But nearly half (46 percent) have only professional relationships with those in the industry and 15 percent do not know anyone else in the industry (these numbers do not add up to 100 as the categories are not exclusive).

Figure 12: Owner Industry Networks

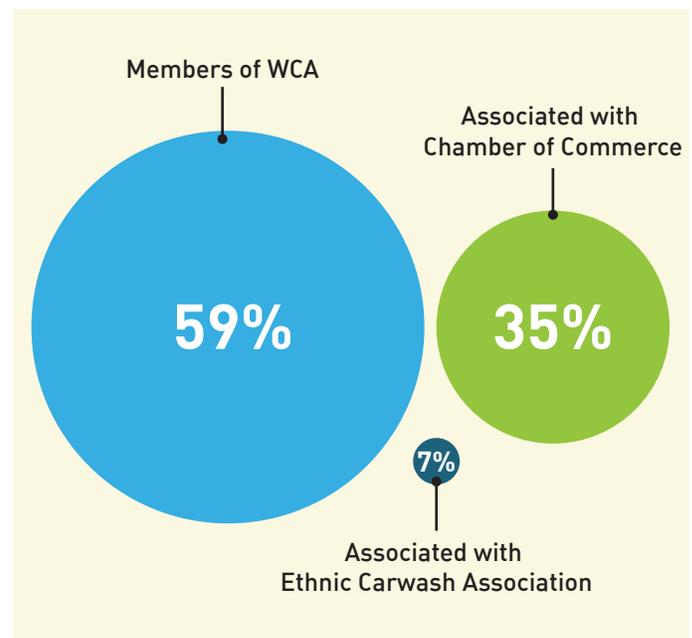


A total of 59 percent of the carwash owners surveyed here were members of the Western Carwash Association (WCA). When asked why they belonged to the group, over half indicated they looked for advice, the sharing of best practices and for the lobbying and advocacy done by such groups.

We also found that 35 percent of carwash owners surveyed are associated with their local Chamber of Commerce. The reasons respondents indicated their participation in groups when they also indicated their membership in the Chamber of Commerce is more diverse than that of WCA membership; while half seek both advice and lobbying, half also seek a social connection. This may be explained by the geographic scope of the trade association as opposed to a local chamber of commerce and the opportunities associated with membership in each group.

Affiliation with an ethnic carwash association⁴⁸ included only 7 percent of the respondents, but the fact that such organizations exist is a point that heightens our portrait of the Southern California carwash owner. Nearly one in five respondents are not affiliated with the Western Carwash Association, a local Chamber of commerce, or any other professional society.

Figure 13: Industry Memberships



⁴⁸ We define an ethnic carwash association as as formal member-based group of carwash owners who are affiliated based on their ethnic identity and networks with the goal of sharing and mobilizing resources to support their businesses interests.

PART 3: Wash & Rinse

While half of respondents know others in the industry and are active in trade and business groups, another half are considerably less involved outside their business. A final means to gauge connectivity asked how owners became involved with the carwash industry. The most common response, 54 percent, was investment potential. Although we expected there to be extensive family ties within the industry, just one in five respondents entered into car washing because they had family already in the industry (while another 13 percent had friends in the industry). However, when we asked how respondents learned about the business, over one-third indicated they had previous experience in it. Moreover, 37 percent stated that they had learned from, or were trained by, a family member or friend. Only 11 percent of our study group hired an external consultant to learn how to run a carwash, and 17 percent took specialized classes to develop their knowledge of this industry. We conclude, then, that while this carwash owner cohort's motivation to open a business is primarily based on investment interests, their specific business knowledge and experience generally derive from prior industry exposure and familial relationships. Scholars have documented how social and family networks have been found to be particularly important to ethnic minority enterprise development and sustainability.⁴⁹ These networks enable immigrant entrepreneurs to draw on unique cultural resources or social capital such as family labor, pooled savings and connection to trusted networks which facilitate access to knowledge.

The final areas of study of the carwash owner are their involvement at the carwash and their investment portfolio. For most respondents, owning and operating a carwash is a major commitment and where they spend a majority of their time. Two-thirds of owners stated that they personally and exclusively manage their business, and about half have a partner involved. Very few owners in this study have employees controlling the management side of their businesses and instead undertake daily management responsibilities themselves. Owners spend on average 4.8 days-per-week at the carwash, and nearly a quarter said they spend seven days a week at their carwash.

Many operators own multiple carwashes, yet few have what could be considered a large fleet. One-third of our respondents own more than one carwash, but the average size of their fleet is just 3.24. The industry is highly

fragmented, complicating enforcement of existing and potential laws.

While all of our respondents owned a carwash, not all owned the land. Roughly three-quarters owned the land their wash operates on and 22 percent rent the land on which their business operates. When we compared land ownership with profit we found a negative relationship between renting and profits ($r=-0.27$). Renting rather than owning the property a carwash operates on likely has a negative impact on profits: the correlation between renting and profits is -0.28 , again not a huge r value, but indicative of a trend. 70 percent of respondents not only owned their carwash property, they also owned residential property, and 30 percent owned other commercial property.

In spite of the amount of time spent at their carwashes, nearly half (49 percent) of respondents own other businesses. Of those respondents, half own real estate and/or financial services businesses and a third own businesses related to the automotive industry (such as gas stations, auto body, etc.). Perhaps surprisingly, owning multiple carwashes is not a very strong predictor of owning other businesses ($r=0.23$), however there is a positive correlation between the two variables.

As this section has highlighted, there is great diversity among carwash owners, not only of ethnicity and demographic background, but also within business portfolios and social networks.



49. See, for example: Light, Ivan and Parminder Bhachu (Eds.). (1993) *Immigration and Entrepreneurship: Culture, Capital, and Ethnic Networks*. New Jersey: Transaction Publishers.

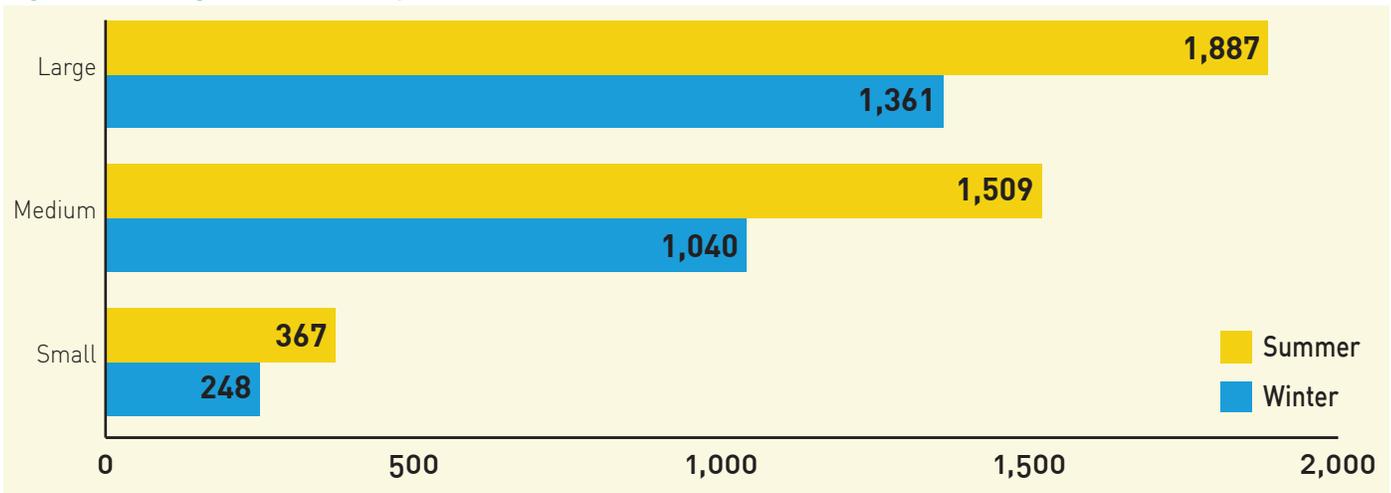
Waldinger, Roger (1995) "The Other Side of Embeddedness: A Case Study of the Interplay of Economics and Ethnicity," *Ethnic and Racial Studies* 18(3).

Business Profiles

Carwashes in Southern California’s dry and dusty climate stay fairly busy year round. However, at all carwashes in our sample there is a fairly uniform decline in washes from summer to winter. When asked about their average number of completed washes per week, the average carwash experienced a 29 percent drop in washes during the winter. The total number of washes based on carwash size is displayed in the figure below.

Among all respondents, the average number of workers (non-management) employed was 20.8. In total, our respondents employed 128 managers and 978 laborers. These figures indicate that Los Angeles area carwashes employ more workers than other carwashes across the country. A recent 2013 Auto Laundry News conveyor survey found an average of 17.5 workers per carwash nationally. The majority of the workforce employed by the

Figure 14: Average Cars Washes by Season



The carwash business sizes in our study are categorized as small, medium and large according to the number of workers each employs (6 did not respond to this question). Forty percent of our respondents operate a large car wash (they employed at least 20 workers). Large carwash owners in this sample have, on average, been in the business for 18 years with medium and small businesses operating for 9 to 11 years respectively. Large business owners also tend to be older, with an average age of 56 while owners of smaller carwashes have an average age of 46. Not surprisingly, larger carwashes require not only more employees, but more managers as well. On average our respondents employed one manager at small operations and three at large ones.

respondents are male (91%) and Latino (84%), followed by white employees at a rate of 16 percent. Carwash owners stated that they recruit their workforce largely through their workers’ referrals and social networks (81%) or through employment advertising (26%).

Carwash owners are major employers within the region’s service industry. Respondents employ an average of 20 workers that scrub cars clean. One-third of respondents own multiple carwashes — the average fleet is 3 carwashes.

Figure 15: Carwash Size by Number of Employees

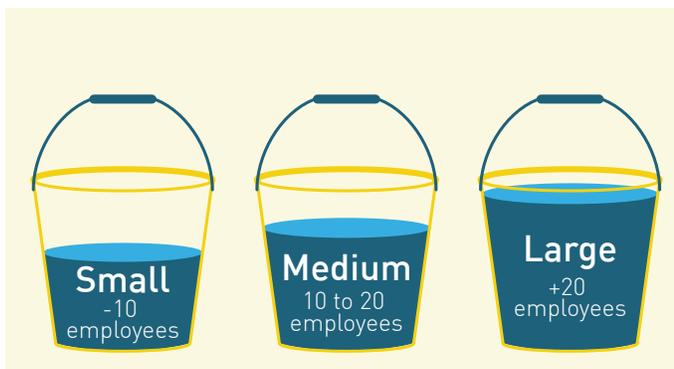
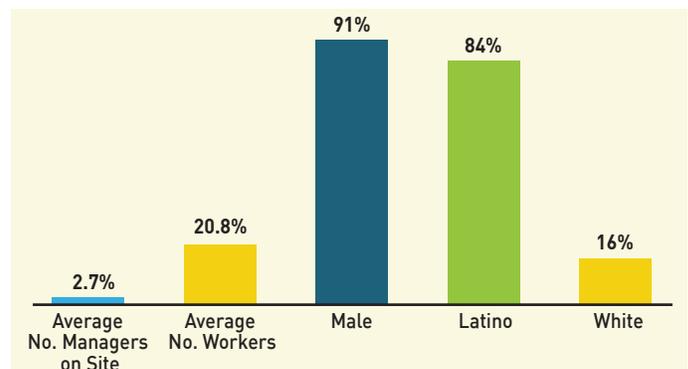


Figure 16: Workforce Composition



PART 3: Wash & Rinse

Though long cited as a central tenet of the low wage labor market, turnover is surprisingly low in this industry. According to the owner responses, 50 percent of their workforce has been employed with their business for over five years. Even when we contrast small and large shops, there is only a small, but significant, difference in worker tenure from 3-5 years average to five and above for large carwashes, but all carwashes have low rates of staff turnover.

Examining the finances of the carwashes in our sample, we see a fair amount of diversity. Despite more than half of respondents indicating that investment possibilities motivated their entry into the industry, profits were low for many. About 40 percent of respondents earn less than \$50,000 per year – one respondent noted that their carwash operated at a loss. However, at the other end of the spectrum, thirty-two percent of owners earn more than \$100,000 (the graph below shows the number of washes earning at each range). When we asked about bankruptcy, we anticipated a hesitancy to admit to it, but 2 percent of respondents reported filing for bankruptcy and another 8 percent have considered it. One respondent reported taking over a bankrupt carwash after his tenants could no longer make payments.

Carwashes not only have high profit potential, but many owners have a diverse investment portfolio. The profit margin reported by our respondents averages 16 percent, which is high for a service-based industry. Moreover, half of the study respondents stated that they own other businesses. Property ownership is also high among respondents: 70 percent owned residential property and 30 percent owned commercial property.

To supplement our survey data on carwash profits, we used public data to estimate a net profit margin among our respondents. Our net profit margin indicates that the carwash industry in Los Angeles has the potential to be extremely profitable, although many are not. Our calculations provided a net profit margin range from 1.2 percent to 75.3 percent among respondents – a very large range reflective of the uneven and disparate nature of the region’s carwash industry. This is demonstrated in the chart below that shows the profit margin range beginning at 1-5 percent and topping off at 71-75 percent. We can see that there are many more carwashes that are operating at a profit margin below 20 percent than are operating above it. When we average out all 34 profit margins, we have an average profit margin of 16.5 percent for the Los Angeles region carwashes.

Figure 17: Carwash Profits

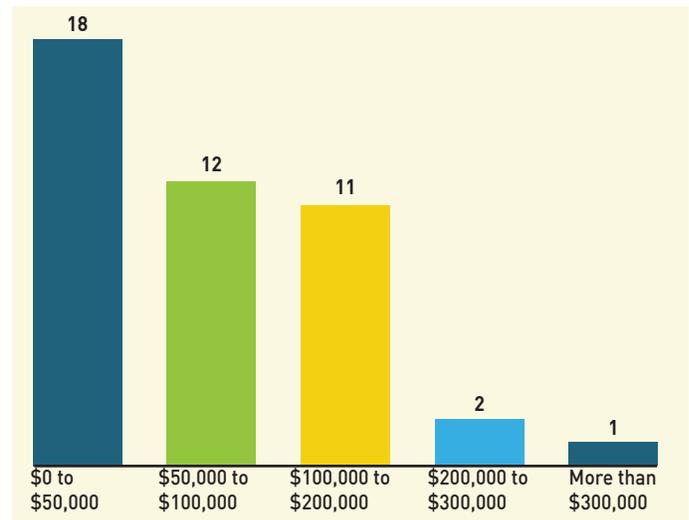
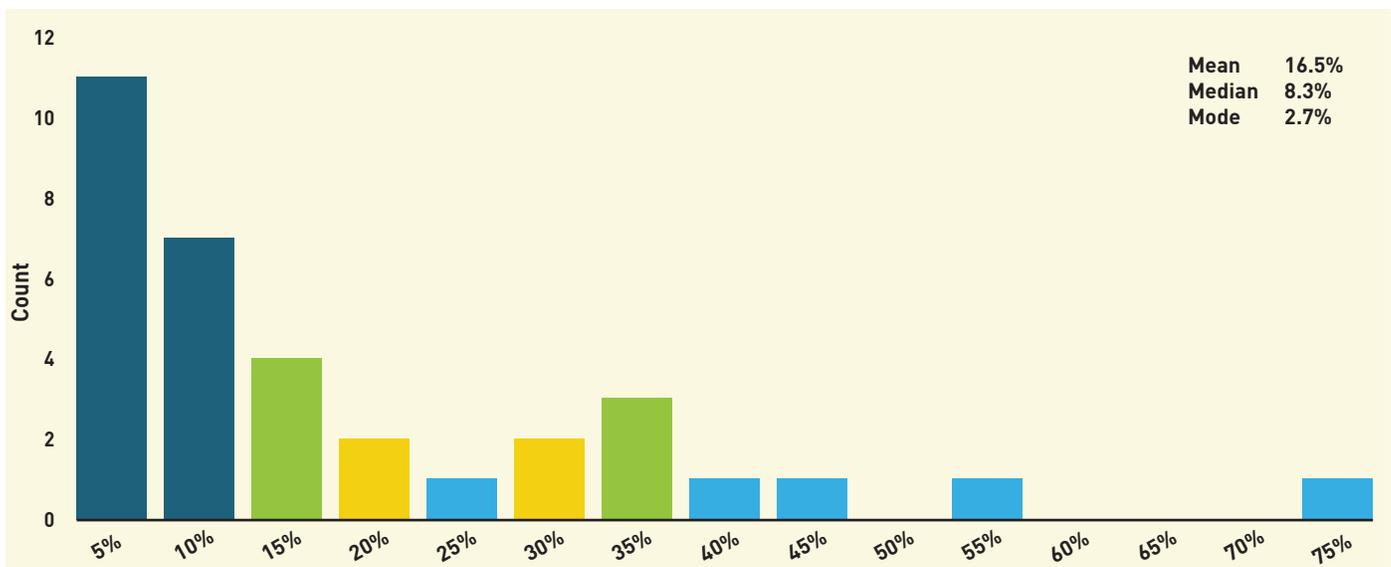


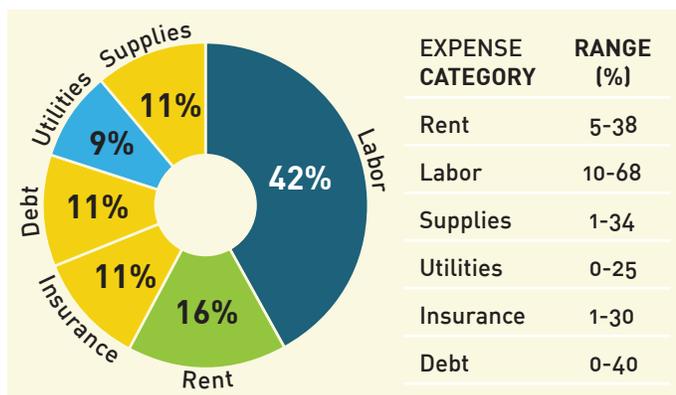
Figure 18: Profit Margins



According to Forbes, the sixth most profitable U.S. industries by net profit margin in 2012-2013 were real estate and dental offices with a net profit margin of 16.5 percent, roughly equal to our estimate for carwashes.⁵⁰ In 2002, the International Carwash Association reported profit margins up to 65 percent for in-bay automatic carwashes, 33 percent for conveyor carwashes, and 22 percent for self-service carwashes.⁵¹ Similarly, recent industry surveys report profit margins of 38 percent for in-bay automatic carwashes, 26 to 29 percent for conveyor washes, and 43 for self-service establishments.⁵²

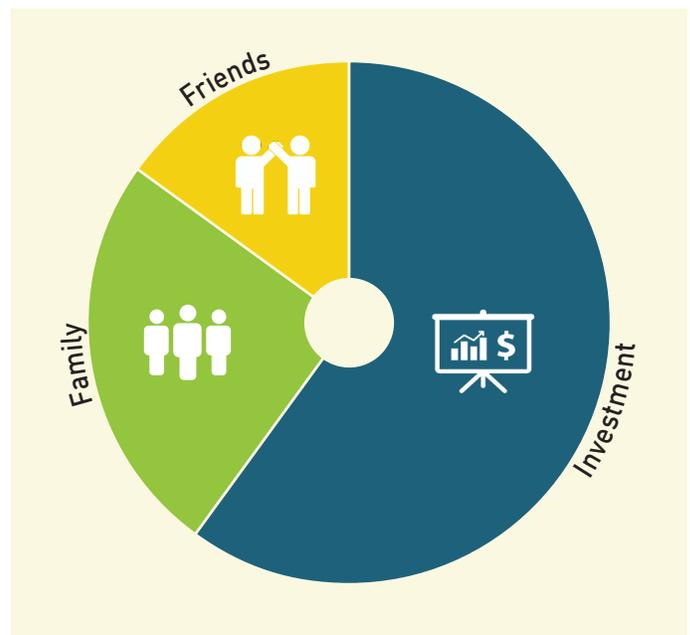
Another critical aspect of average expenses and profitability for a carwash is debt, though there is much variety within the industry. While some owners indicated that they had no debt or loan payments, for others debt payments accounted for forty percent of their expenses. (Debt, along with other expenses is laid out in the figure below.) Labor is far and away the largest portion of expenses at every carwash we surveyed. Although one respondent reported spending only ten percent of his total expenditures on labor, his debt accounted for 40 percent. After this respondent, the low end of average labor expenses are about 25 percent and the high end reaches up to the sixties. Two figures below share more information about expenses. The pie chart shows the average division of expenses among respondents. The table demonstrates the range of responses for each category of expense showing the highest and lowest answer we received. Although we compared average expenses by business size, we did not find a significant level of variation.

Figure 19: Business Expenses



The potential profitability of carwashes is the primary motivation for entering the industry. In our survey, we asked why the respondent chose to open a carwash business. Nearly two-thirds indicated they selected it for the investment potential, another quarter invested because they had family already in the industry, and fifteen percent entered because they had friends already in it. However, for the forty percent of our respondents earning less than \$50,000 annually, this investment has yet to be realized.

Figure 20: Reasons for Entering the Carwash Industry



The recession has negatively impacted the profit potential of many carwashes in our sample. When asked how the recession affected their business, 78 percent indicated that they experienced a loss of customers. Almost half of respondents experienced increased competition during this time and over a quarter had to lower their prices. An important and reliable source of income vanished when 39 percent of respondents lost fleet contracts (a formal relationship with taxis, car services, dealerships, etc). Over half of respondents indicated that the recession led to increased labor costs. As revenues decline, the portion of the pie dedicated to labor costs grows. This is despite the downturn in overall employment in the industry illustrated previously in this report.

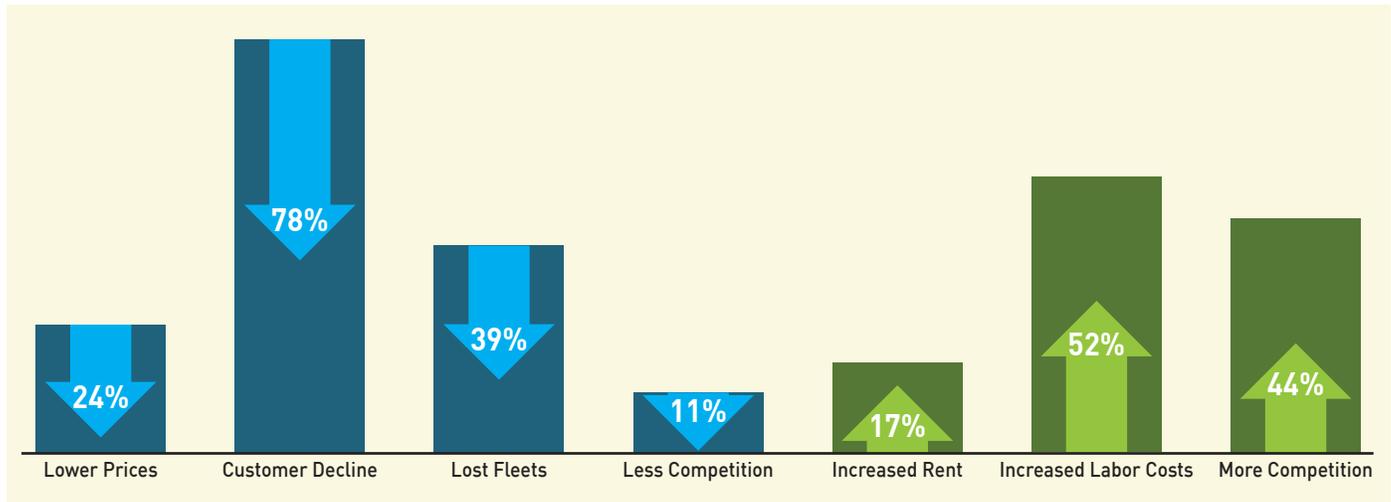
50. Biery, Mary Ellen (2013) "The Most Profitable Businesses to Start." Forbes. Apr. 28, 2013. Available online at: <http://www.forbes.com/sites/sageworks/2013/04/28/the-most-profitable-businesses-to-start/>

51. International Carwash Association (2004). 2002 Cost of Doing Business Report. Available online at <http://www.kingcarwash.org/marketstudy.pdf>

52. Results from the 2014 Auto Laundry News In-Bay Automatic Survey. Available online at http://www.carwashmag.com/fileadmin/pdfs/2014_in_bay_automatic_survey.pdf; Results from the 2014 Auto Laundry News Exterior Conveyor Survey. Available online at http://aln.gcnpublishing.com/fileadmin/pdfs/Exterior_Conveyor_Survey.pdf; Results from the 2014 Auto Laundry News Self-Service Survey. Available online at http://www.carwashmag.com/fileadmin/pdfs/Self_Service_Survey_2014.pdf; Results from the 2014 Auto Laundry News Full/Flex Survey. Available online at http://www.carwashmag.com/fileadmin/pdfs/aln_2014_Full_flex_survey.pdf.

PART 3: Wash & Rinse

Figure 21: Impacts of Recession on Carwashes



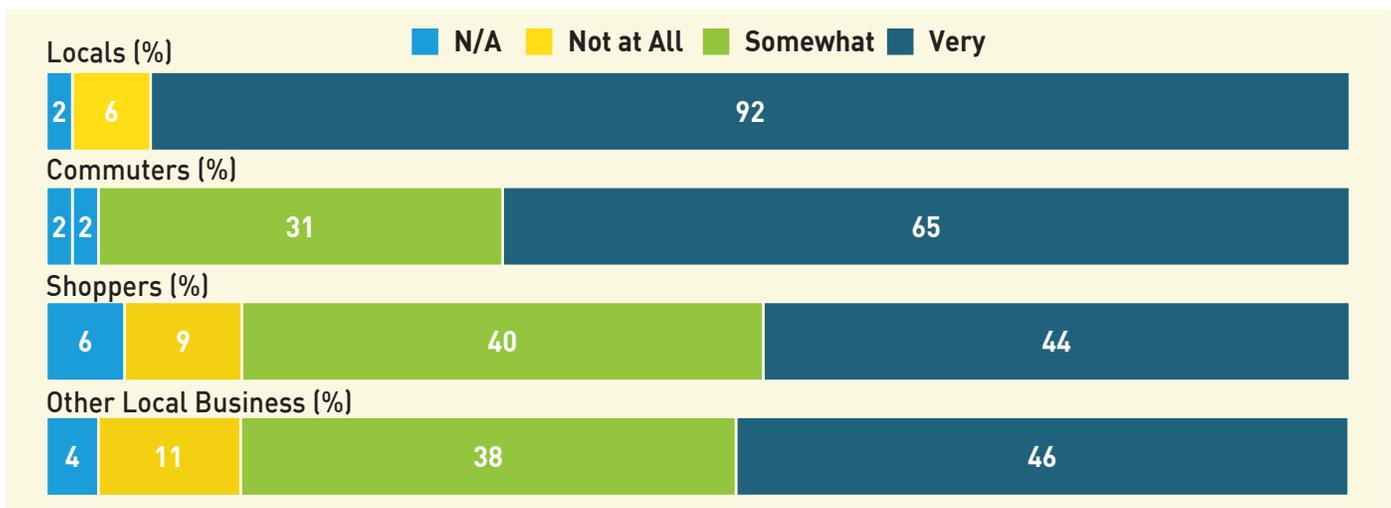
A carwash business is, above all, a customer service industry, and when we asked our respondents where their customers are from, 90 percent said that local residents were very important to their business. The next nearest was commuters who worked nearby, which 65 percent of respondents indicated are very important. The remainder of responses are outlined below.

Carwash owners in this study were very concerned about their customer base and about promoting their carwash within their community. One of this study's researchers was invited to attend the Western Carwash Association (WCA) annual meeting in August 2013, and was impressed by the importance that business owners placed on community relationships and goodwill. For instance, at the WCA awards ceremony, Bixby Knolls Carwash in Long Beach, CA., a business run by the Grossman family for 35 years, won the annual community service award.

The Grossmans were recognized for their community design and beautification efforts, their involvement in the Rotary Club, and their donations to local schools and UC Irvine's Alzheimer's research. Mr. Sheldon Grossman commented that "What goes out, comes back... You owe it to the community to give back to the community." Mrs. Grossman also remarked, "We are a people business; a car doesn't come in by itself, someone drives it in." Public engagement and community ties are significant parts of business ownership for owners like the Grossmans.

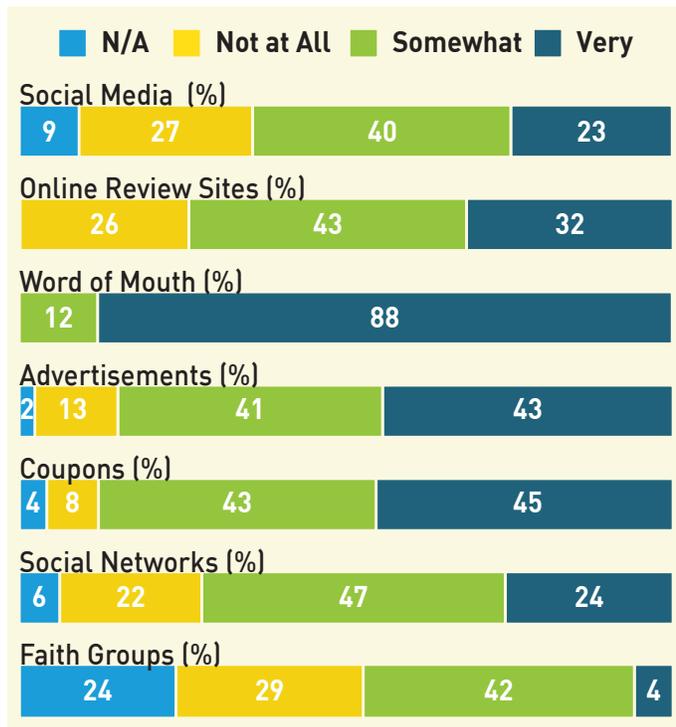
Much of the plenary discussions at the annual trade show focused on outreach to new and existing customers through social media and on worker interaction with clients. When our survey asked about the importance of business promotion methods, customer relationships were perceived as integral. 88 percent of survey respondents said that word of mouth is very important in

Figure 22: Customer Base



their promotional models. However, when asked about the importance of digital word of mouth, the numbers dropped significantly. Online review sites (like Yelp) and social media ranked rather low with 32 and 23 percent responding that these were very important, respectively.

Figure 23: Marketing and Business Promotion

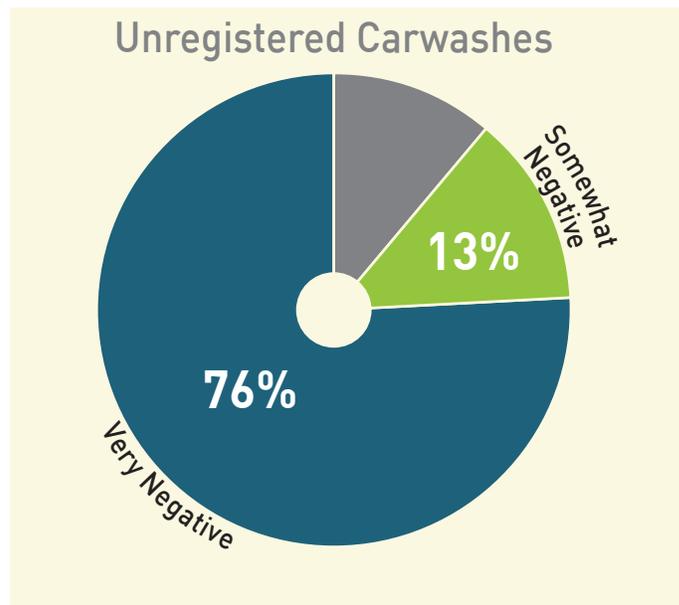


The last section of our survey, and this overview of findings, asked respondents how they viewed major industry trends. Trends related to changes in environmental practices and among consumers are reviewed in the following section, but here we explore trends related to competition and labor regulations.

Low road – or rogue – carwash operators are hurting the industry. Nearly 90 percent of our respondents viewed the presence of unregistered, low road carwashes as “very” or “somewhat” negatively affecting their business.

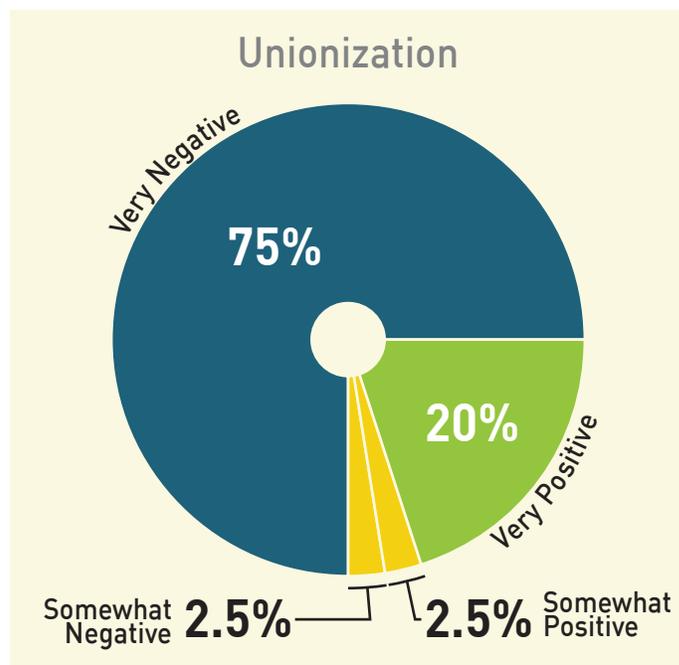
Almost 90 percent of respondents viewed the presence of unregistered carwashes as “very” or “somewhat” negatively affecting their business, which is unsurprising given the unfair advantage it gives to low road operators. In the context of tight competition within this market, about half of respondents viewed the rise of parking lot and express carwashes as having a “very” or “somewhat” negative impact on the industry.

Figure 24: Attitudes Towards Unregistered Operators



In terms of industry changes related to labor laws, we received polarized responses. Three quarters of respondents view the unionization of workers as a very negative industry trend. Surprisingly, however, nearly twenty percent viewed it as a positive industry trend. This polarization is further reflected in opinions on the Affordable Care Act’s effect on the industry, as well as on the potential for a minimum wage increase.

Figure 25: Owners Views on Unionization



PART 3: Wash & Rinse

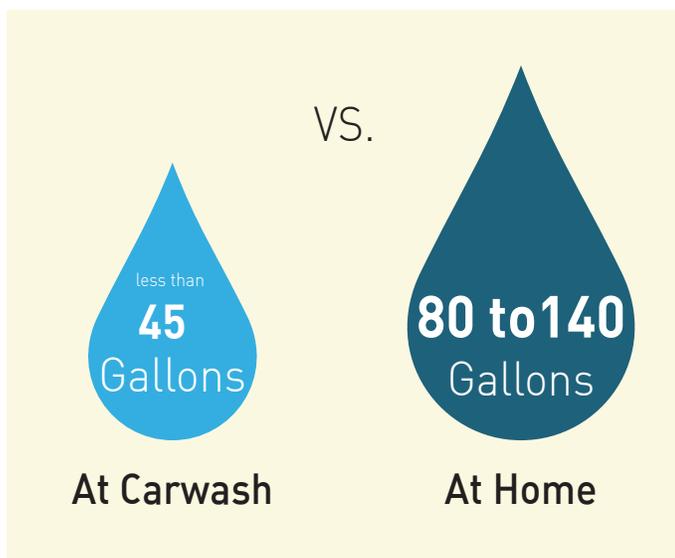
This section has presented the findings from our survey of carwash owners across the greater Los Angeles region. We found an incredibly diverse group of owners, businesses and practices with divergent views on industry trends. In the following section, we look at our sample's positive view on the potential for growth through a greening of the industry and consumers.

Green Growth

"Green" is now an economic buzzword; businesses are seeing the advantage of going green in terms of jobs, policies, and practices. Consumers who are looking to have their cars washed at businesses that support green carwash systems and solutions is on the rise.⁵³ The billion dollar national carwash industry is also looking toward green carwash systems as a growth industry by engaging in sustainable business practices that will conserve resources, improve the image of carwash businesses, and produce profits. In drought-ridden areas of California, policies banning or limiting home car washing have furthered the conversation.

The International Carwash Association (ICA), an industry group representing commercial car wash companies, reports that automatic car washes use less than half the water of even the most careful home car washer. According to national carwash studies, washing a car at home typically uses between 80 and 140 gallons of water, while a commercial car wash averages less than 45 gallons per car.

Figure 26: Water Usage of a Carwash and a Home Wash



While most people don't realize that washing their cars in the driveway is environmentally harmful, many consumers are coming to view it as a wasteful practice. In addition to water waste, run-off from home car washing directly enters storm drains, which in turn flows into local rivers, streams, creeks and wetlands. Professional carwashes that conserve water through techniques that reclaim and re-purify can market this practice to attract new clients. States like Washington have banned home driveway car washing that leads to street run-off. In response to a severe drought, the California has banned home car washing that does not use a hose with an automatic shut-off nozzle.

Water experts have demonstrated that carwash water reclamation systems are capable of recycling up to 100 percent of water. Through a series of tubes, filters and pumps, used water is cleaned so it can be stored and used to wash another car. This is one of the most efficient ways to conserve water, while reducing waste water and the toxic contaminants within it.⁵⁴ As carwash industry owners and managers become more motivated to conserve water and other resources, environmental advocates for water conservation and water reclamation are finding common ground. The sludge produced from the dirt, grease and grime washed off of a car is also collected and disposed of by professionals at many carwashes, providing an additional layer of sustainability to the industry. There is a complex web of regulations surrounding this area of the industry; state, county, water district, and city agencies all have their own set of policies related to wastewater discharge and sludge removal. Interpreting this web is outside the purview of the report.

From the perspective of green carwash owners, a proper water-recycling system can easily save 50 percent to 60 percent or more on water and sewer discharge bills. With increasing usage fees assessed for water in most municipalities today, a carwash with a reasonably decent volume will be able to save thousands of dollars per year in water costs by employing a water-recycling program. Many contemporary carwash water reclamation systems can recycle 100 percent of the water that is able to be recaptured.

Waterless carwashes have gathered attention over the past few years and numerous companies on the east coast and southwest are advocating for expansion of this model. Still, many carwash owners and managers believe that the time and chemicals it takes to clean a car without

53. Speer, Matthew. 2013. iSustainable Earth. <http://www.isustainableearth.com/water-conservation/green-car-wash-systems>.

54. Speer, Matthew (2011) "The Calm after the Storm - Stormwater Management Tips" in iSustainable Earth. Available online at: <http://www.isustainableearth.com/water-conservation/the-calm-after-the-storm-%E2%80%93-stormwater-runoff-management-tips>

water, along with the higher risk of damage to the car's finish, make this a less attractive option or investment. A New York Times article highlighting the pros and cons of waterless carwashes reports that most traditional carwash operators are not interested in waterless business proposals due to increased carwash times that incur higher labor costs.⁵⁵

Eco-friendly best practices therefore may include water reclamation or water recycling, wastewater management, high-pressure nozzles, environmentally-friendly chemicals, recycled building materials and energy conservation, such as the use of efficient lighting, used-oil heaters and burners, solar energy, wind power and variable frequency drives. There are a plethora of opportunities available on the market now for carwash owner to save energy and water, but generally there are questions of flexible and timely adaptation processes, business costs involved, and customer satisfaction at the core of this debate.

There is potential for industry growth through green practices that attract environmentally conscious consumers. The study found that 66 percent of surveyed carwash owners viewed the rise in green consumers as positively impacting their businesses. Many carwashes already employ green tactics – most notably water recycling. The average home carwash uses 140 gallons of water, while a professional wash that recycles water uses just 45 gallons.

The UCLA Carwash Owner study found that 66% of surveyed carwash owners viewed the rise in green consumers as positively impacting their businesses. This suggests an opportunity for environmentalists and business owners to find common ground and for carwashes to build community goodwill and develop public education campaigns in their neighborhoods. It also points to the possibility of other carwashes exploring and developing inroads into green carwashes as an opportunity for expansion. City governments are also providing incentives to carwashes who lower their water consumption and use part of these cost-saving margins to reinvest in community projects or improve labor conditions on their sites.

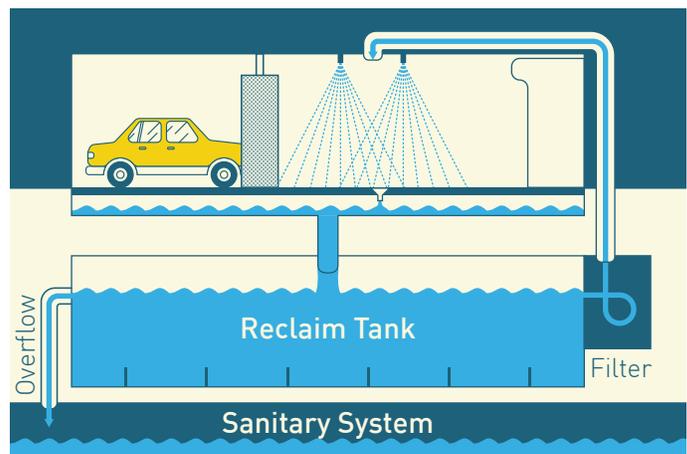
Our study also found, however, that 26% of carwash owners were very concerned with wastewater discharge

Figure 27: Owners Views on Green Industry Trends



regulations and 22% were very concerned with regional air quality control. Of our survey participants, only 21% were very concerned with ground contamination regulations. One interpretation of the low level of concern with regulatory standards is that the lack of effective mechanisms in laws like AB 1633 for more widespread and effective enforcement fail to compel compliance. Other reasons may include weak environmental support systems currently in place that could offer carwash businesses cost-efficient and straightforward strategies to bring their franchises up to local, state and federal standards.

Figure 28: Sample Water Reclamation System



55. Gailbraith, Kate (2009) "Pros and Cons of the Waterless Car Wash" The New York Times. September 17, 2009. Available online at <http://green.blogs.nytimes.com/2009/09/17/the-pros-and-cons-of-waterless-car-washes/>

56. Barry, Kevin, Marcy Koukhan and Chloe Osmer (2009). Regulating the Carwash Industry: An Analysis of California's Carwash Worker Law. An unpublished manuscript.

PART 3: Wash & Rinse

The International Carwash Association's "WaterSavers" program recognizes and promotes carwash businesses that abide by specific water savings techniques. Their publications focus heavily on the promotion of WaterSavers businesses through the use of decals and certificates and also provide assistance in advertising and public relations. The program helps carwashes increase consumer knowledge of the water conservation benefits of using a professional carwash rather than washing cars at home. Other businesses are emerging to help diminish the environmental footprint of carwashes beyond the basic water conservation that they can perform.

Hero Carwash Systems' use of carbon water, for example, has been supported by the International Carwash Association as an alternative to the chemical-based soaps and detergents in traditional carwashes. Hero's carbon and oxygenated water systems claim to reduce the need for detergent up to 80 percent. The carbonation process provides all the cleaning power necessary to wash a car. Sales representatives from Hero reported to us that water can be cleaned and reused multiple times with very little additives to remove the sludge and grime.

At the Western Carwash Association's annual meeting in 2013, an award was given to the husband and wife owners of Pinky's Klassy Wash for their work in caring and advocating for the Sacramento Delta. In addition to having applied a number of environmental upgrades to their wash system, the couple also sponsor youth sports, clubs and school carwashes at their business. They reached out to these groups to discourage the traditional parking-lot carwash fundraisers that end up with soap and grime entering into the storm drains without being treated. For the owners, it is both an environmental protection policy and a method of business promotion.

Our findings point to carwash owners' interest in promoting policies that support both the environment and business. The Western Carwash Association consistently publishes policy updates, conservation tips and best practices on their website to encourage owners to become stewards of water savings during the drought crisis.





WASH

HOLLYWOOD STARS
CAR WASH
DETAIL CENTER

FREE
VACUUMS



PART 4: Drying Off

Incubating Success: Policy Solutions to Protect Law Abiders & Encourage High Roaders

This report highlights the complexity and diversity within the carwash industry. To support the law abiding carwash businesses and provide opportunities for them to further upgrade into high road operators, we provide the following recommendations to incubate success within this industry.

1. Create initiatives that would recognize and promote law abiding and high road carwash owners.

Consumers, local government officials and policy makers have a vested interest in promoting law abiding and high road carwash businesses to ensure that they thrive, contribute to the regional economy and are recognized as valued community stakeholders. A series of local initiatives to promote these employers would help foster a lawful business climate in the carwash industry.

- + Create a seal of approval or certification process that promotes law abiding and high road employers.
- + Create a centralized online clearinghouse of

information where consumers and businesses can learn about law abiding and high road carwashes in the region.

- + Create a database of high road carwashes for purposes of contracts with municipalities for services of fleet vehicles.

2. Develop opportunities and incentives for consumers and business owners to find common ground to build community goodwill and public education campaigns focused on green carwashes and their expansion.

From our survey, we learned that many carwash owners are engaged in efforts to address high impact environmental issues such as water drought and hazardous waste. The majority of respondents expressed the willingness to work towards a “green” industry.

- + Create a Clean and Green program with a regionally

recognized certification component to increase environmentally sustainable practices and decrease the exposure of toxic chemicals to workers and consumers.

- + Develop a Clean and Green placard or emblem so consumers can easily recognize law abiding, high road and environmentally conscious carwashes.
- + Create a Clean and Green website recognizing and highlighting the carwashes in the region that are environmentally and socially conscious businesses. This site could potentially offer a consumer review system and consumer incentives such as coupons for carwash services or refreshments while you wait.

3. Strengthen local enforcement of employment and labor laws against low road employers that undermine and compete unfairly with employers that are in compliance.

Government enforcement of labor standards must be the cornerstone of any viable response to workplace violations, but as the need for worker protections has in recent decades become more acute, enforcement efforts at both the federal and state level have weakened. Local governments should prioritize carwash industry enforcement as part of its citywide plan to enforce local laws against wage theft. An innovative enforcement strategy, including working with law abiding and high road carwash owners, can make the playing field more evenly competitive.

Almost ninety percent of respondents in the survey say that unregistered carwashes hurt their business and their ability to be competitive. Local governments should prioritize carwash industry enforcement as part of the citywide plan to level the playing field for law abiding and high road employers and to enforce local laws against wage theft.

- + **Move toward proactive, “investigation-driven” enforcement in the carwash industry, rather than simply reacting to complaints.** This entails identifying areas in which violations in carwashes are systemic, conducting strategic, repeated and well-publicized workplace audits, and cracking down on employers who are repeat offenders as well as those who misclassify their workers.
- + **Increase the reach and effectiveness of enforcement by partnering with carwash owners/employers, unions, community organizations, social service providers, and legal advocates.** Community partnerships can provide vital “ears on the ground” to learn where workplace violations are especially

prevalent. The partnership should include responsible carwash employers who can provide local government officials with data and information about employers who intentionally engage in unlawful practices to create unfair business competition.

4. Establish partnerships with carwash owners who are in compliance with labor and employment laws and local government to eliminate unlawful business practices and ensure better industry conditions.

With an average profit margin of sixteen percent based on the survey responses, carwashes stand out among service-based industries. A formal local government partnership with law abiding employers could significantly improve working conditions, as well as create a climate for fair competition within the carwash industry. These employers will be able to work with local government officials to ensure an environment of compliance with the law and a climate for fair business competition. Creating these formal partnerships would not only celebrate high road operators, but collaborate with them in expanding their model into other area carwashes.

- + Work with local government and agencies officials to create a task force of employer and worker representatives of the carwash industry and government officials.

A joint task force of local government officials, agency officials, and carwash employers can work together to create a business environment that will promote healthy competition between employers who are in compliance with labor and employment laws. This task force will study trends in the industry and issue recommendations to local policymakers on how carwash owners can sustain healthy businesses while eliminating unlawful practices.

- + Create incentives for responsible carwash employers to be able to further thrive as legitimate businesses and participate in the growth and development of the industry and the community.

Local governments should work with task force and community partners to create incentives for responsible carwash employers to continue functioning as legitimate businesses that promote good working conditions. This policy should also include the creation of a local government-sponsored industry program for those employers who want engage in a process of becoming responsible, legitimate businesses. Models of incentives range from consumer reports analogous to Yelp and/or seals of approval by local municipalities. The overarching goal would be to support high road employers locally.

PART 4: Drying Off

Conclusion

This report has presented new findings on Southern California's large, diverse, and iconic carwash industry. This first-of-its-kind carwash owner study conveys owner experiences and provides three key insights. It highlights an industry engaged in an internal debate, struggling to penalize rogue operators while supporting those who are law abiding and high road. The region's carwash industry is an important part of the area economy, car culture, and community. These businesses create thousands of jobs, offer footholds to the American dream for new arrivals, inspire engagement between business and community, and ensure sparkling cars on crowded Southland freeways. The region's diversity is reflected in the owners within this sample. Owners are overwhelmingly people of color. While employers who abuse workers and ignore labor and environmental laws give the industry a bad reputation and create an unfair marketplace, there are many inside of it who are above-board and are supported by those outside of the industry who encourage high road employment strategies to reduce unfair competition by rogue employers. Low road employers not only cheat their workers out of safe and fair workplaces, but cheat their competitors by offering unfairly low prices to the customer. Unsuspecting consumers who choose a carwash based on price may not know how these prices are achieved, and may unwittingly contribute to unfair competition that sacrifices respect for the law for the sake of low costs.

The environmental impact of carwashes and the changing policy and public interest in green consumption provide potential avenues for further upgrades to the industry. Over half of surveyed carwash owners viewed the rise in green consumers as positively impacting their businesses. Many carwashes already employ green tactics - most notably water recycling. The average home carwash can use 140 gallons of water, while a professional wash using recycled water uses just 45 gallons.

These key findings are framed by an incredible diversity within the industry — in terms of ownership, establishment type, and profitability. This report also contributes a contextualization of the industry's unique labor and regulatory environment in Southern California, and a reasonable interpretation of employment practices by introducing the category of law abiding operators who fall between the high and low road. The creation of law abiding as a classification acknowledges the difficulty of going high road in an industry with such steep competition and widespread low road employers.

As we consider the future of Southern California's carwash industry, we see room for improvement. In this report we present four broad policy initiatives.

1. Create initiatives that would recognize and promote law abiding and high road carwash owners.
2. Develop opportunities and incentives for consumers and business owners to find common ground to build community goodwill and public education campaigns focused on green carwashes and their expansion.
3. Strengthen local enforcement of employment and labor laws against low road employers that undermine, and compete unfairly, with employers that are in compliance.
4. Establish partnerships with carwash owners who are in compliance with labor and employment laws and local government to eliminate unlawful business practices and ensure better industry conditions.

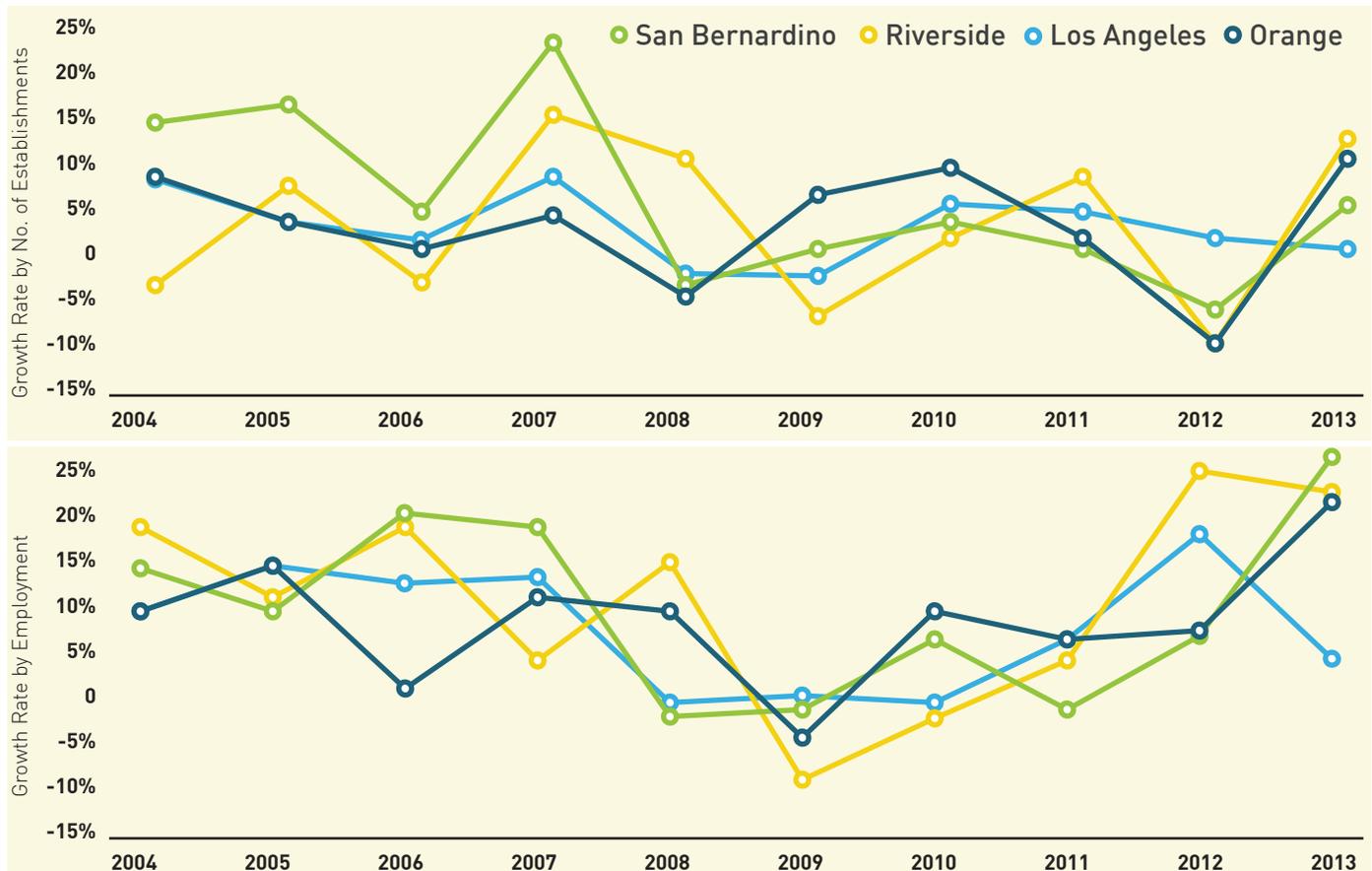
These initiatives are designed to provide support to law abiding carwash operators and provide space for them to become high road businesses in the industry.



APPENDIX

Growth of Establishments & Employment Since 2004

The following charts show the growth rates of the number of establishments and the number of workers employed in the industry in each of the four counties. The last decade has been a tumultuous one for the carwash industry in all four counties.



Profit Margin, In Detail

We utilize both our own data and public records to create an estimate for net profit margin of Los Angeles car washes. This process is detailed below. Our net profit margin estimate is derived from conservative estimates of the necessary variables, thus counterbalancing any limitations that exist in our methodology.

A business' net profit margin is the percentage of revenue remaining after all operating expenses have been deducted from the business' total revenue. In other words, as its net profit margin increases, the more revenue a business is able to keep after paying for its expenses. Therefore, the net profit margin is a prime indicator of a business' profitability. In fact, an average industry-wide net profit margin is often calculated to inform potential investors on the profitability of certain types of businesses.

In order to calculate a net profit margin, two variables must be ascertained: net profit and revenue. Net profit is determined by subtracting the cost of expenses from revenue. Revenue is the monetary amount of a business' sales before taking expenses into account. Once net profit and revenue are determined, the net profit margin is calculated by dividing net profit by revenue. Finally, multiply the result by 100 to obtain a percentage.

$$\text{Net Profit Margin} = \frac{\text{Net Profit}^*}{\text{Revenue}}$$

*Where, Net Profit = Revenue - Expenses

In terms of financial information, our survey only asked participants to disclose their net profit in an average year by selecting from various monetary ranges (listed below); all but eleven participants provided a response to this question.

\$0 - 50,000
\$50,000 - 100,000
\$100,000 - 200,000
\$200,000 - 300,000
\$300,000 or greater

Due to an inability to apply ranges to the net profit margin formula, we determined a single, precise amount to correspond with each range. In order to mitigate the over-and-under estimation of each amount, we selected the midpoint of each range as the most neutral estimate.

For example, if a respondent selected the \$0-50,000 range, we assumed the net profit to be the range's midpoint, \$25,000, for our net profit margin calculation. Similarly, an answer of \$50,000-100,000 was converted to \$75,000; \$100,000-200,000 was converted to \$150,000; and \$200,000-300,000 was converted to \$250,000. For respondents who answered more than \$300,000, we opted to use \$300,000 as a conservative estimate to avoid overly inflating our eventual net profit margin estimate.

With precise estimates for each respondent's net profit, we still needed to ascertain their revenue to determine a net profit margin. Our survey did not ask respondents about their revenue, so revenue data was gathered on Lexis Advance. Lexis Advance provides company financial information through its "Company and Financial" database. Under this database, we searched in a subcategory labeled "News, Business & Reference Materials." In this database, our search terms included the carwash name and/or address. Results were fairly recent ranging from the last two years and originated from the following sources: Dun's, Zoom, Worldbase, Experian, and PIERS Trade Profiles. We were able to find revenue information for all but seven carwashes.

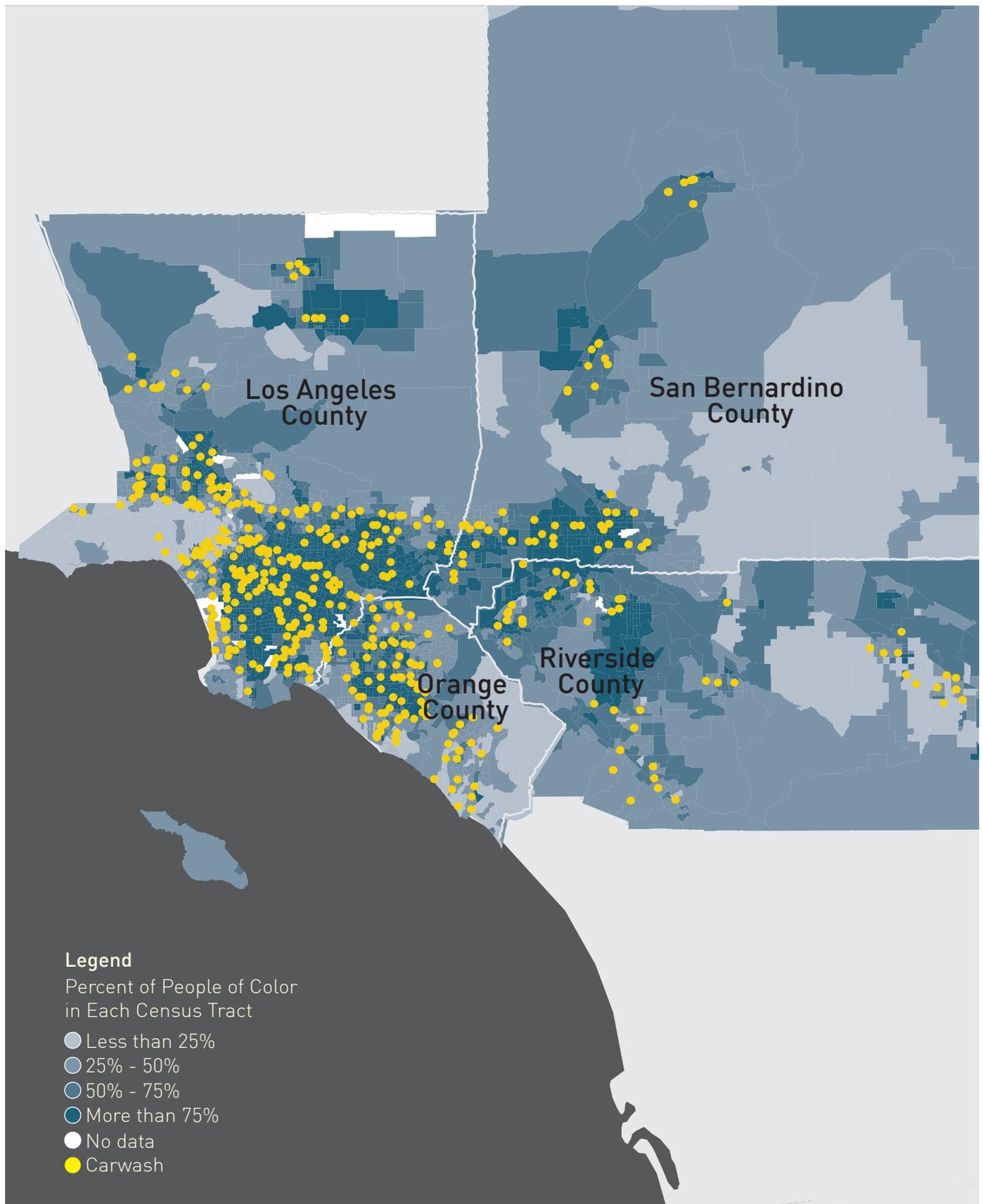
Once we compiled the revenue data for all of the available carwashes, we proceeded to calculate the net profit margin of each carwash individually. Out of all of the respondents, we had both net profit and revenue data for 34 carwashes. As a result, we calculated 34 individual net profit margins by dividing each carwash's net profit by its revenue. Our calculations demonstrated a wide net profit margin range from 1.1% to 75.3%.

In order to find the overall net profit margin estimate for carwashes in our study, we calculated the average of these 34 net profit margins. By adding each individual net profit margin to each other and dividing the result by 34, we found the overall net profit margin estimate to be 16.5%.

The obvious limitation in our methodology is the lack of a more precise net profit estimate for each carwash. However, we mitigate this limitation by applying the midpoint of each range provided. Moreover, carwashes that make more than \$300,000 annually were limited to \$300,000 in our calculations. This shows that our net profit margin estimate of 16.5% is likely higher than we represent.

Appendix

Map of Registered Carwashes & Demographic Diversity



Conveying Carwash Owners' Stories:

Competition, Diversity and Growth in the
Southern California Carwash Industry.



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