



Alaska State Legislature

Senator Matt Claman

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Senate Bill 144

Sponsor Statement – Version A

“An Act relating to rates and time allowances for motor vehicle warranty work.”

Senate Bill 144 makes a key change to the auto warranty statute by adding time allowances to the schedule of compensation for warranty work. Thousands of Alaskans benefit from warranty work every year as part of their agreement with auto manufacturers from whom they've purchased their car. By agreeing to sell cars on behalf of certain manufacturers, auto dealers assume the responsibility of coordinating the time and labor spent performing warranty repair work on their cars.

Warranty work differs from regular auto work in that the manufacturer compensates the dealer directly. Additionally, qualified dealers do not have the ability to refuse the work. Auto manufacturers compensate dealers for warranty work using rates and time allowances that dictate the maximum amount of time that the dealer may bill for different repairs. The rates and time allowances that manufacturers use to reimburse dealers for warranty work are often much lower than the rates and time allowances that dealers and independent mechanics bill customers for non-warranty work. As a result, dealers are often forced to pay their mechanics more than they are compensated by the manufacturer or risk losing their mechanics to independent auto shops.

Across the nation, states have taken varied approaches to addressing how to ensure fair payment for dealers by manufacturers. Senate Bill 144 takes an approach used by states like Colorado, Montana, and Illinois by requiring that manufacturers compensate dealers for warranty work at the same rates and time allowances that the dealer charges retail customers for similar, non-warranty work.