



SENT VIA EMAIL: Representative.Mike.Hawker@akleg.gov

February 25, 2015

Representative Mike Hawker
State Capitol Room 502
Juneau AK, 99801

Re: Opposition To HB 67 - “An Act relating to product warranties and required updates to products; and relating to dealers, distributors and manufacturers”



Dear Representative Hawker:

On behalf of CNH Industrial America LLC (CNHI) I’m writing in opposition of HB67 - “An Act relating to product warranties and required updates to products; and relating to dealers, distributors and manufacturers.”

CNH Industrial is a global manufacturer of CaseIH and New Holland brands of agricultural equipment, Case and New Holland brands of construction equipment and the FPT brand of engines and powertrains. Our brands have dealers and customers in all fifty states and over 160 countries around the globe.

We submit that there are several issues within HB-67 which are harmful to the dealer / manufacturer relationship, are potentially harmful to the dealer and ultimately harmful and costly to end-use customers.

Further, legislative solutions serve to remove flexibility from process innovation of market driven service level improvements and they stymie the benefits of technology improvement opportunities in the warranty fulfillment process. We believe capturing and capitalizing on improvement opportunities are best left to the working relationship between dealers and manufacturers, in a free market driven environment, as opposed to a legislative solutions.

One of the cornerstones of our warranty reimbursement and administration program is incentivizing dealers to make vital, customer driven, product support investments:

- Ensure that technicians are factory certified and the dealer possesses the special tools required to repair machines in a timely and efficient manner;
- Manage the balance between a dealer holding a stock of service parts inventory, and relying on our inventory, in a way that provides optimum levels of service parts availability to consumers;

- Manage timely execution and compliance with safety and product upgrade programs as they occur;

Under our system, dealers that make the critical investments needed to assure customer satisfaction are rewarded with warranty reimbursement rates (labor rate and parts cost accelerators) above the dealer's standard labor rates and parts cost. Those dealers not well prepared to service the customer, do not receive the accelerators.

Regarding the issue of costs related to transport of a machine to a dealership, of the customers choosing, to perform warranty repairs. While we have no issue with customer's selecting the dealer of his choosing to perform warranty work, we do, however, believe charging the manufacturer for the transport will simply lead to higher machinery costs for Alaska dealers and removal free-market mechanisms for addressing warranty related freight costs.

Below are examples of issues within the current bill:

- Incentives are reduced for dealers to order and stock adequate inventory for the machine population that they have sold in their trade area; typically manufacturers offer dealers incentives to order on a weekly or even daily basis, the bill has the potential to interfere with that free-market solution.
- Payment of administration time for update programs. A dealer's retail labor rate should include all direct and in-direct costs. Asking a manufacturer to pay the retail labor rate plus administrative time for update programs is duplicative and will lead to un-necessary costs that will drive-up consumer costs in the long run.
- Section 45.45.77. It's unclear to us what problem the bill is trying to solve for in this section.
- Section 45.45.778. By singling out only the certified technician, this section neuters the ability of the manufacturer to require and/or incent the dealer to hold special tooling, to hold adequate service vehicles, to perform to high levels of customer satisfaction standards and to use competitive free-market principals to drive customer service innovation. Likewise, the requirement for payment of administration time is excessive in the scenario where the dealer is paid the published retail labor rate. The dealer's retail labor rate should include the dealer's direct and indirect costs for warranty administration.
- Section 45.45.782. An imbalance exists in this section. This section could undermine a dealer's incentive to repair a machine under warranty in a timely fashion. The dealer profited from the sale of the original machine, then profited



from the sale of a likely trade-in taken on the original sale, was reimbursed at retail rates for attempts to repair the original machine, yet the manufacturer is compelled to replace or refund the entire purchase price of the machine to the customer. The dealer's market driven incentive to satisfy the customer has been removed and the manufacturer bears the full responsibility.

- Section 345.45.783 ad Section 45.45.784. These sections may be appropriate for application to the automobile sector but are unreasonable when applied to the commercial application of off-road, heavy-duty equipment. The term "abuse" is a highly subjective term when applied to off-road, heavy-duty equipment. This section has the potential to eliminate the cooperative, solution oriented, relationship between consumers, dealers and manufacturers that exists today.

We very much appreciate your consideration.

Please feel free to call upon us if you require any additional input.

Sincerely,

George Whitaker

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