Driving up costs: Unpacking the economic toll of NY's auto dealer-friendly legislation

3-minute read

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Special to the USA TODAY Network

In most of New York State, owning a car is a necessity, not a luxury. Outside of New York City, it can be next to impossible to keep a job, get to college classes or access healthcare without a car. Yet, the cost of car ownership in America has soared to unprecedented levels, with recent data revealing that car insurance premiums rose 26% over the last year. Add in repairs, parking, highway tolls and other unavoidable costs associated with owning a car and that percentage climbs even higher. For many, these rising costs are making car ownership prohibitively expensive.

Against this backdrop, pending legislation in New York threatens to exacerbate our growing affordability crisis, pushing car prices even higher and favoring the profit margins of already rich auto dealers at the expense of everyday consumers.

Buying a new car comes with the assurance of an auto manufacturer's warranty, covering certain types of repairs for a specified period. Currently, when warranty repairs are necessary, dealers are reimbursed by automakers and car owners pay nothing. However, a disproportionate share of this reimbursement — 78% as profit — goes to dealers, with a mere $22 of every $100 reaching the technicians who perform the repairs.

The proposed legislation aims to increase the reimbursement rate for warranty repairs by 50%, funneling an additional $274 million annually to New York auto dealers. This not only inflates expenses for automakers, but it makes cars less affordable for consumers. And the legislation does nothing to require dealers to pay their technicians a penny more.

A previous analysis conducted by the American Consumer Institute examining similar laws enacted in other states, specifically those resembling Senate Bill 5085-C and Assembly Bill 4066-B, reveals a concerning trend: these laws drive up vehicle prices, costing consumers approximately $50 billion more annually.

This is a stark illustration of how policies, under the guise of fairness, instead benefit wealthy and well-connected auto dealerships. Auto dealers will try to pass themselves off as small business owners, yet the industry spends millions each year on lobbyists and political contributions to get favorable legislation passed, consumer be damned.

Proponents argue these laws support the “little guy” and ensure competitive practices. Yet, the reality is that these regulations often fail to differentiate between large and small dealerships, enabling already record profits to grow at the consumers’ expense. It's worth noting that ownership for some of these dealerships extends to individuals wealthy enough to own professional sports teams. The bill is not only unjustifiable but also fundamentally flawed, providing state-sponsored welfare for the rich.

Regrettably, this issue extends beyond New York. Studies indicate that all 50 states have enacted dealer-friendly regulations. It’s disconcerting that state legislatures, expected to represent public interest, are permitting dealers to exploit the system to the detriment of consumers.

It’s imperative that legislators recognize the adverse effects of these policies on the affordability of vehicles and the broader auto market. By prioritizing consumer interests and market competitiveness, policymakers can ensure a fair, balanced automotive industry that serves the needs of all stakeholders. It’s time to oppose such dealer-centric laws that put consumers at risk.

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