

April 23, 2024

Via Email

Representative Kevin McCabe
State Capitol Room 102
Juneau, AK 99801
Representative.kevin.McCabe@akleg.gov

RE: SB 144/HB 233

Dear Representative McCabe:

Legislation has been introduced in the Alaska State House of Representatives that relates to time and rate allowances for motor vehicle warranty work. North American Subaru, Inc. ("NASI"), on behalf of Subaru of America, Inc. ("SOA") appreciates the opportunity to share concerns over the bills, SB 144/HB 233, Rates and Time Allowances for Motor Vehicle Warranty Work.

SB 144/HB 233 seeks to change the rates and time allowances that motor vehicle dealers may use in completing warranty repair on motor vehicles. These bills contain provisions that are harmful to consumers as well as automobile manufacturers and distributors like SOA¹. Ten other states considered and rejected proposals for third party time guides in 2023 and one has rejected a similar proposal in 2024.

To understand the burden that these bills would place on both consumers and automobile manufacturers and distributors, a brief explanation of how motor vehicle dealers are compensated for warranty repairs is helpful. When a vehicle needs to be repaired under an automobile dealer's warranty, the manufacturer pays the dealer for the dealer's labor used in effectuating the warranty repair at the same rate at which the dealer charges customers for non-warranty repairs (also referred to as "customer pay" repairs). The dealer then multiplies this pay rate by the time allowance set by the automobile manufacturer for the repair which produces the rate that will be paid for the warranty repair.

The time allowances set by automobile manufacturers (including SOA), are based on objective methods used to determine how much time is needed to effectuate repairs by dealers. Further, automobile manufacturers expend enormous amounts of time and money training dealer service technicians how to efficiently and effectively repair their vehicles. Automobile manufacturers also spend time testing and performing repairs on their vehicles, so they know how long it takes dealers to perform repairs.

SB 144/HB 233 will gut this established method of warranty reimbursement by allowing dealers to use third party time guides which are not written by automobile manufacturers. Rather, third-party time guides are created by parties who do not have the same level of knowledge regarding vehicle repairs that the automobile manufacturers possess. Third party time guides are meant for independent repair shops that work on older, out-of-warranty vehicles by technicians who do not have the benefit of being trained by the automobile manufacturers. In fact, the CEO of a third-party time guide developer stated in a court affidavit that third party time guide developers do not conduct repairs to determine the time needed to

¹ The terms "manufacturer" and "distributor" will be used interchangeably in this letter.

conduct a repair, nor do they measure the actual time needed for a repair. Notably, nothing in the bills requires dealers to increase the pay to their service technicians so the only ones who will benefit from the passing of these bills are the dealers (to the detriment of consumers, automobile manufacturers, and possibly service technicians).

If SB 144/HB 233 is approved, the harm to consumers will also be seen in the form of an incentive for dealers to increase repair rates for customer pay repairs. This is because hourly rates for warranty repairs by dealers are based off the rates dealers charge to customers for customer pay repairs. SB 144/HB 233 contain an anti-consumer incentive for dealers to increase customer pay repair rates and prices to inflate compensation on warranty work paid for by automobile manufacturers.

Thank you for your consideration of our views in opposition to SB 144/HB 233.

Sincerely,

DocuSigned by:

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Matthew Forman
Director – Government and Regulatory Affairs
North American Subaru, Inc.

cc: Representative Sarah Vance
Representative Tom McKay
Representative Craig Johnson
Representative Jesse Sumner
Representative Louise Stutes
Representative Genevieve Mina
Committee Staff