



April 24, 2024

Via Email

Representative Kevin McCabe
Chair, House Transportation Committee
State Capitol Room 102
Juneau, AK 99801

Re: OPPOSE HB 233 Rates & Time Allowances for Motor Vehicle Warranty Work

Dear Representative McCabe:

On behalf of the Alliance for Automotive Innovation,¹ I am writing to express our opposition to HB 233, which would unfairly and unreasonably allow automobile dealers to demand to be paid for more hours of labor than were actually worked. The bill would increase costs and ultimately harm consumers in Alaska.

When dealers perform work under a manufacturer's warranty, they are paid the same labor rate that they charge the public and paid for the number of hours that a manufacturer knows that a repair takes, which is listed in the manufacturer's warranty time guide. HB 233 would allow dealers to use aftermarket third-party time guides for work performed under a manufacturer's warranty. Those guides are intended for general mechanics at independent repair shops that do not specialize in a brand, do not have special tools that a dealer of that brand would have, do not have the training that a mechanic at a dealership would have, and who typically work on older vehicles. Those aftermarket time guides are simply intended for a different audience and for a different purpose than warranty work, and an executive from one such guide even confirmed that in an affidavit. Additionally, the time estimates in those aftermarket time guides are simply estimates, they are not calculated by actually performing repairs.

By contrast, manufacturer time guides are intended for warranty work at a dealership. Every time allowance in the time guide is not an estimate, it is a calculation that comes from actually doing the repairs and timing how long a qualified technician should need to do the repair. In the event that dealers need additional time, there is a process in place for the dealer to request it (and the extra time is typically granted). Manufacturers also allow dealers to request reviews of the time allowance if the dealer believes they need to be restudied.

¹ Formed in 2020, the Alliance for Automotive Innovation is the singular, authoritative and respected voice of the automotive industry. Focused on creating a safe and transformative path for sustainable industry growth, the Alliance for Automotive Innovation represents the manufacturers producing nearly 99 percent of cars and light trucks sold in the U.S. The newly established organization, a combination of Global Automakers and Alliance of Automobile Manufacturers, will be directly involved in regulatory and policy matters impacting the light-duty vehicle market across the country. Members include motor vehicle manufacturers, original equipment suppliers, technology and other automotive-related companies and trade associations. The Alliance for Automotive Innovation is headquartered in Washington, DC, with offices in Detroit, MI and Sacramento, CA. For more information, please visit our website <http://www.autosinnovate.org>.

The difference between a manufacturer's time guide and an aftermarket time guide can be significant. There are also frequently significant differences between the various aftermarket guides for the same repair. Both of those should be expected because the *only entity that actually times how long a repair takes is the manufacturer*.

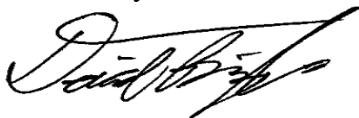
The consequences of using inapplicable aftermarket time guides instead of warranty time guides to compensate for warranty work would be significant. In Alaska alone, we estimate that this bill would cause manufacturers to overpay by \$8 million per year. If every state in the country were to adopt a similar bill, the result would be more than \$5 billion in overpayments every year. That would be a lot of extra cost that would ultimately be passed on to consumers. Notably, most states do not have such a law. Indeed 10 states considered and rejected similar bills in 2023, and another bill has already failed in 2024.

There is no need for this bill. The average dealer in Alaska today already earns a gross profit margin of 74% on warranty work. Warranty work is a high margin, high volume, steady stream of business for which the dealer does not need to advertise to attract or retain.

Proponents of the bill have said that the purpose of the bill is to benefit the dealers' employees. Yet not a single word in this bill would require dealers to pass any of the additional money to employees or raise compensation. The Alliance for Automotive Innovation offered two compromises to assure that dealers do not get underpaid for the number of hours worked: to create a statutory obligation that the manufacturer cannot unreasonably deny a request for extra time; or to allow a dealer to be paid based on timecards rather than a flat rate book. Both options were rejected. The bill would still allow dealers to demand to be paid based on aftermarket guides, which will result in dealers being paid for significantly more hours than were actually worked. That is unreasonable.

The Alliance for Automotive Innovation respectfully asks the Committee to not move HB 233. Thank you for your time and consideration.

Sincerely,



David E. Bright
Senior Attorney

cc: Rep. Sarah Vance
Rep. Tom McKay
Rep. Craig Johnson
Rep. Jesse Sumner
Rep. Louise Stutes
Rep. Genevieve Mina
House Transportation Committee Staff