

Alaska Auto Dealers Association

SENATE BILL 144
Relating to Time Allowances
for Warranty Work

SENATE LABOR AND COMMERCE COMMITTEE

February 19, 2024

Alaska Auto Dealers Association

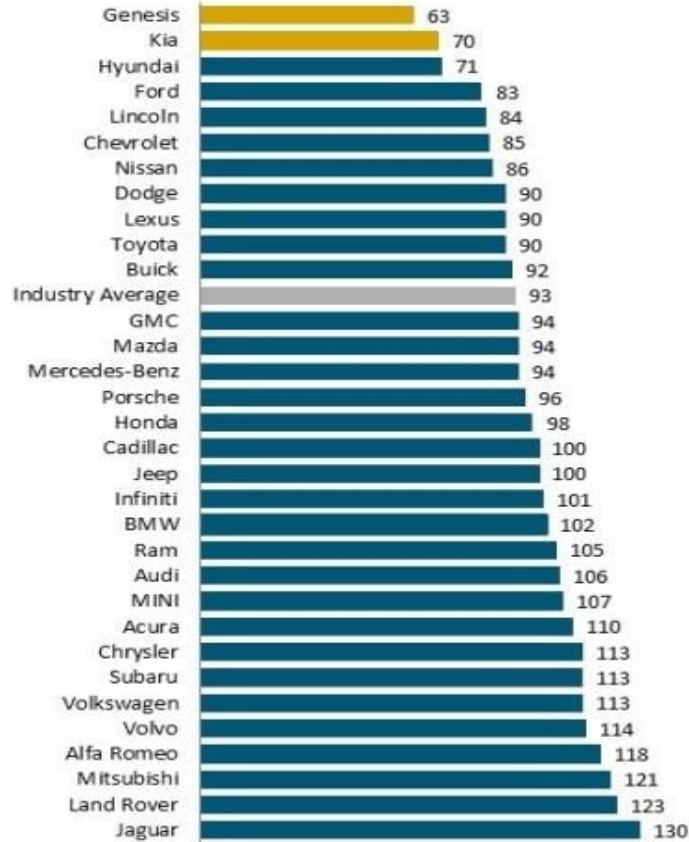
- The AADA is a statewide association of auto dealers, both franchise new car dealers and independent used car dealers. We represent our State's auto dealers by promoting best practices, providing communication on the state of the automotive industry in Alaska, and representing dealers' concerns to our elected officials.

The Problem

- Manufacturers help themselves to a massive self-decided discount on the time they will pay dealers and our employees for their warranty repairs.
- **Automotive News February 27, 2023**
 - 'Mr. White – previously worked as a field service manager for Ford and stated that manufacturers aggressively discount labor time estimates.'
- Technicians are avoiding working for dealerships because they are paid for more hours for the same work when they work for an independent repair facility.
- Their discounts shift the expense of warranty repairs from the manufacturer, directly to Alaskan consumers, employees, and businesses.

J.D. Power 2019 U.S. Initial Quality StudySM (IQS)

2019 Brand Ranking Problems per 100 Vehicles (PP100)



Note: Included in the study, but not ranked due to small sample size, is Fiat. Not included in the ranking due to unrepresentative sample size is Tesla.

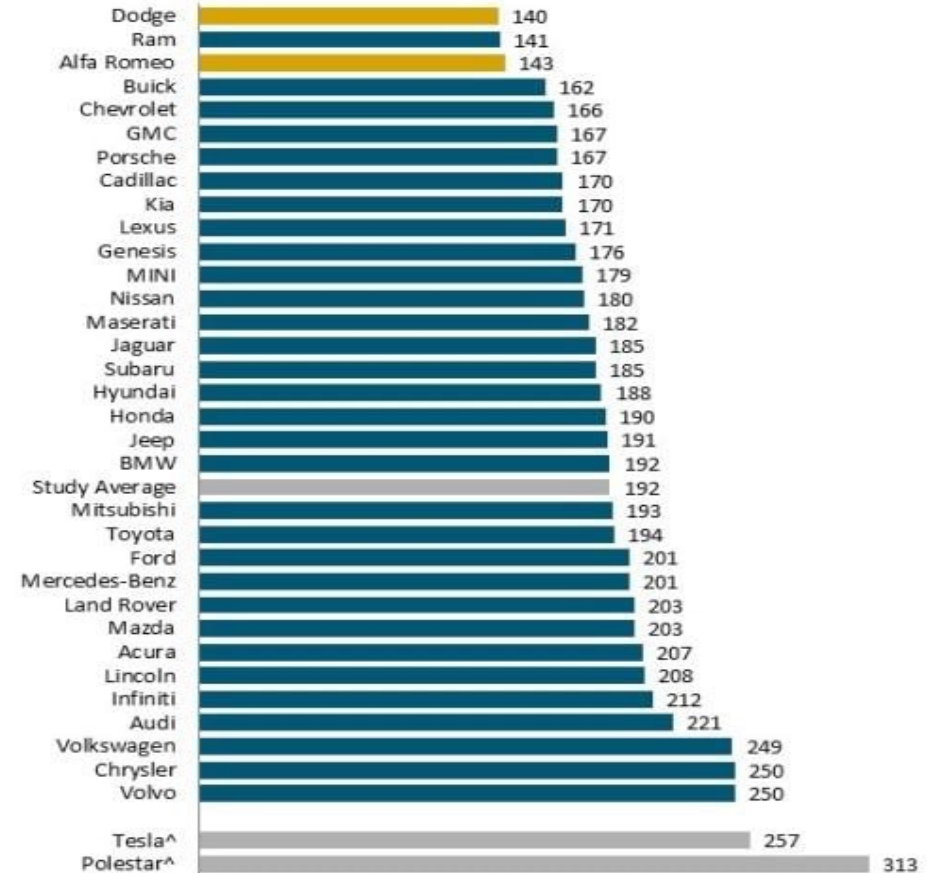
Source: J.D. Power 2019 U.S. Initial Quality StudySM (IQS)

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J.D. Power 2023 U.S. Initial Quality StudySM

Brand Ranking

Problems per 100 Vehicles (PP100)



Dodge ranks highest Overall and among Mass Market brands, and is noted by a gold bar.

Alfa Romeo ranks highest among Premium brands, and is noted by a gold bar.

Note: ^Brand is not rank eligible because it does not meet study award criteria.

Source: J.D. Power 2023 U.S. Initial Quality StudySM

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Who Is Affected

Automobile Manufacturers take these discounts out of the hands of Alaskan employees, Alaskan businesses, and the Alaskan economy to unfairly pad their bottom line.

- **Alaskan Employees** – technicians are unable to bill full hours for their work, resulting in lower pay for them and their support staff, including service writers and service managers.
- **Alaskan Businesses** – **Fairbanks** lost Buick, Cadillac, Daewoo, Hyundai, Kia (twice), Mazda, Mercedes, and VW. **Juneau** lost Chevy(once) Ford, Mazda, VW. **Ketchikan** lost Subaru, Ford, and Chevrolet. **Kenai** lost Chevrolet, **Kodiak** lost Ford. **Anchorage** lost Mitsubishi.
- **Alaskan Consumers** – The burden of manufactures' discounts directly raise prices on the Alaskan consumer.

The Solution

- This bill would require manufacturers to **pay the same number of hours for a repair** that a customer would be charged for non-warranty work **by using an industry-wide time guide** rather than their discounted time guide.
- This bill would provide protection to Alaskans by requiring manufacturers to pay **equal compensation** to technicians for doing warranty work versus non-warranty customer work.
- This bill would create **a level playing field for the Alaskan consumer** by preventing the manufacturer from inflating the cost of repairs on consumers by discounting time from dealers and our service employees.

Important Points

- Manufacturers believe they deserve a discount for volume work.
 - They have very sophisticated methods to extract discounts
 - They are not our biggest customers, the Alaskan consumers are.
- They claim this is a “money grab” by Dealers when we try and level the playing field, but not so when they are taking money from Alaskan workers, businesses, and consumers.
- Manufacturers know that the contracts they offer are contracts of adhesion – where the parties are of such disproportionate bargaining power that the party of weaker bargaining power could not have negotiated for variation in the terms of the contract.
- Manufacturers know their contracts have to be addressed by State Legislatures in order to be compliant with federal anti-trust laws.
- They know these protections can only be provided by state law.