

TOYOTA
TOYOTA MOTOR NORTH AMERICA, INC.

March 12, 2024

Representative Jesse Sumner
Chair, House Labor and Commerce Committee
State Capitol, Room 421
Juneau, Alaska 99801

Sent via email to Representative.Jesse.Sumner@akleg.gov

RE: House Bill 233 (Tomaszewski) Warranty Time – Toyota Concerns

Dear Chair Sumner:

Thank you for the opportunity to raise concerns regarding House Bill (HB) 233, which is scheduled for a hearing in the House Labor and Commerce Committee on Friday, March 15, 2024. Because we view our Toyota and Lexus dealers as partners, it is important to us that they are properly compensated for the warranty work they perform – we recognize this is an important service they perform that helps ensure driver safety and build trust in the Toyota and Lexus brands. Unfortunately, HB 233 incentivizes dealers to charge customers the highest amount possible in time and labor to increase warranty payments from manufacturers. This would result in customers paying more when they get their car or truck serviced regardless of how much time the repair actually takes, and it would leave auto manufacturers to reimburse dealers at this same inflated repair cost.

Toyota Pays Dealers Well. It is in our best interest to ensure that Toyota and Lexus dealers are properly compensated for the important warranty and recall work they do on our vehicles, and that is exactly what we already do. This bill is a solution in search of a problem and would impose dramatically increased costs on Toyota and others in the auto industry, while also increasing rates and prices for all Alaska drivers when they repair and service their vehicles.

Unique Experience and Accommodations for the State of Alaska. Toyota requires annual training to help maintain proficiency, with programs available both in person and through video modules. Alaska technicians can attend in person trainings in Portland, Oregon or Seattle, Washington. Given Alaska's unique position, Toyota groups up to three courses in one week to help technicians complete as much as possible during a single trip to one of the Regional Offices for training, and to reduce travel time and costs to dealers.

Additionally, Field Technician Specialists (FTS) and District Service Parts Managers (DSPM), who are based in the Portland Regional Office, visit dealers in Alaska on average nine times each year. Our FTS and DSPM are the liaison between Toyota and dealership technicians and service management, and they support dealers by addressing any issues with repair times or other matters, including providing the appropriate documentation to ensure they are reimbursed swiftly for warranty repairs.

Toyota is Confident that its Time Guides are Accurate. Toyota's time allowances are based on Toyota's expertise as the designer and manufacturer of its vehicles, global information and feedback on repairs and times obtained from the experience of Toyota's distributors and dealers, and actual time studies.

Toyota's allowances include prep and diagnostic time, the time to conduct all steps of the repair, and up to a 20% additional amount is added to account for interruptions, corrosion, aging parts, etc. This approach is good for dealers, as experienced dealer technicians can typically complete repairs more quickly than the time allotted, based on their experience, knowledge of the product, and access to time-saving tools and equipment not used in the time studies.

We also recognize that there may be occasions when a particular repair takes more time than provided in our guides or even that we may have gotten it wrong about the time a particular repair takes generally. To address those occasions, there are procedures in place for dealers to seek relief. A dealer can electronically request additional time for a particular repair, which is typically granted. A dealer can also submit a request that a time allowance generally be reconsidered, and we would then analyze whether the time allotted to a particular repair needs to be increased across-the-board.

This Bill Ignores the Time It Actually Takes to Repair Vehicles. HB 233 creates a strong incentive for dealers to charge customers as much repair time as possible, regardless of how much actual time was spent servicing the customer's car or truck. By contrast, Toyota's time allowances are meant to approximate the actual amount of time a repair should take. This bill abandons that approach and would completely ignore the actual time a repair takes in determining dealer compensation.

A recent data sample analysis of repair orders we performed revealed that the total amount of time dealer technicians clocked work on the repairs was up to double the amount actually spent on the repairs. That helps exemplify the disparity that already exists between time actually spent on a repair and time billed to the customer. HB 233 would only exacerbate this disparity.

This Bill Will Result in Higher Prices on Alaska Drivers. Requiring reimbursement based on the highest amount of time a dealer can charge a customer will encourage dealers to impose higher repair costs on their Alaska drivers. In this bill, there is an incentive to charge the highest possible time rather than the most accurate time, because a dealer can then charge the same high time allowances to the manufacturer.

This Bill is Unnecessary. Toyota and other OEM's already offer ways for dealers to request additional time on particular repairs or to adjust the OEM time guide itself. As explained, we frequently grant dealer requests for additional time on a particular repair and also provide dealers the opportunity to request review of a repair time they believe to be inadequate. This helps ensure that dealers are appropriately compensated for the time spent on warranty repairs.

Warranty Reimbursement is not the Same as Technician Compensation. We are sympathetic to dealer comments regarding workforce challenges. However, this bill does nothing to help address that issue. Technician compensation is determined by dealers and is a human resources decision, not an OEM decision. Toyota compensates a dealer request for warranty work at whatever rate the dealer bills customers, which is already far higher than the rate at which the dealer compensates its technicians. Increasing the warranty reimbursement from manufacturers to dealers would not directly result in any change in the rate at which dealers pay technicians.

As stakeholders work together in good faith to find solutions, Toyota is committed to supporting our dealer partners and putting customers first. We would support changes to the bill that says a manufacturer may not unreasonably deny requests for additional labor hours or modification of the time guide; or provide dealers the option to be compensated for warranty labor hours under the manufacturer's labor time guide or be compensated for the actual number of hours worked.

Please contact Nicolina Hernandez, Regional Director of State Government Affairs, with any questions at nicolina.hernandez@toyota.com or (916) 834-5917.

Sincerely,



Nicolina Hernandez
Regional Director, State Government Affairs
Toyota Motors North America

cc: House Labor and Commerce Committee
Representative Justin Ruffridge
Representative Mike Prax
Representative Dan Saddler
Representative Stanley Wright
Representative Ashley Carrick
Representative Zack Fields