



April 23, 2024

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

Nissan North America, Inc. is writing to express our opposition to HB 233, which contains major provisions that will have detrimental effects on both consumers and new vehicle automobile manufacturers.

This bill includes an anti-consumer incentive for franchised car dealers to increase consumer retail repair rates and prices as a method to inflate compensation on warranty work for which automobile manufacturers reimburse. These rates are beyond what is reasonable or justifiable. The bill accomplishes this by allowing dealers to use "time allowance," which means the maximum number of hours of labor that may be billed for a particular job. Ensuring fair compensation for dealers is important; however, this amendment does not consider the broader implications for consumers. By setting a minimum benchmark based on retail prices, there is a risk of artificially inflating labor costs, ultimately burdening consumers with higher out of warranty service expenses and new vehicle purchases. Also, there is not a reference to private third-party time guides for warranty work that inflate the number of hours actually needed to do a repair rather than the manufacturer time guides that current law requires them to use. Thus, no framework for what constitutes an acceptable time guide is created, though it is presumed that dealers will utilize third-party time guides to satisfy this provision.

Third-party time guides are meant for independent repair shops that work on older, out of warranty vehicles without the benefit of the tools or training that a dealership technician has. If this goes into law, this will create an artificial, dramatically high amount that manufacturers must pay dealers by using compensation derived from billing inaccurate representative hours (even if work wasn't performed for the hours billed).

Our current manufacturer time guides are determined based on time studies performed at an average technicians pace, or 80% effort. When a consumer's vehicle needs to be repaired under a manufacturer's warranty, we pay the dealer for labor at the same rate at which the dealer charges retail purchasers. We then multiply that rate by its time allowance for the repair, which produces the compensation for labor on a warranty repair.

Unlike third-party time guides, manufacturer time allowances are objective and verifiable. Our time guide even includes time for retrieving the vehicle, preparing it, and diagnostics. Plus to make it even more fair – we do not use power tools in the studied repair. If a technician can complete a repair in less time than the manufacturer's time guide, dealers are still paid in full time allowance, collecting the 'extra' money from that repair. If a particular repair takes more time than the manufacturer's time guide, dealers are able to request additional payment for that additional time. We ensure that our dealers are compensated fairly and appropriately for the work they provide consumers.

We oppose HB 233 because it increases cost with no justification, as nothing in the bill would require a dealer to increase their technician pay. Put simply, these unnecessary costs lead to higher prices disproportionately benefiting dealers and ultimately burdening the consumer.

Thank you for your consideration.

Respectfully,



Elizabeth McKay
Government Affairs
Nissan North America, Inc.



March 12, 2024

Representative Jesse Sumner, Chair

House Labor and Commerce Committee State Capitol, Room 421

Juneau, AK 99801

RE: HB233 - Relating to rates and time allowances for required motor vehicle work

I am writing in support of HB233.

My name is Ben Schauble, I moved to Fairbanks in 2011 and I am a professor at UAF CTC along with owner/operator of High Tech Automotive. I have been teaching the automotive technician program for 8 years. Before joining UAF CTC, I was a master automotive technician at multiple dealerships for over a decade including in the Fairbanks area.

In the beginning, 4 years of school, followed by specific advanced level training from multiple manufacturers. This allowed me to excel in my career. Without this training my success would have been greatly hindered. I prided myself on achieving the highest grades and as many certifications as possible. As my career progressed, I learned having a plethora of certifications has its drawbacks in this industry. I chose to stay with the manufacturer/dealership lifestyle for the first half of my career. Working at the dealerships provided the highest level of training and tools and specialty equipment that allowed the highest quality repairs to be performed. While having a long list of certifications in my resume, it aids me in employment eligibility and potential pay scale increases, it also increases the amount of warranty work I will be performing. Dealership technicians have long been plagued by a dual rate pay scale where the manufacturer pays substantially less hours than the customer would to do the exact same job. In the dealership world, you MUST be certified in that area of repair by that manufacturer to be eligible to receive pay for the repair in that system. This is a good requirement as this shows you are trained properly to work safely on that system and perform a competent repair. This same level of training is NOT required if the customer is paying out of pocket, though it should be. Since the number of hours paid by the manufacturer is lower than the amount paid by the customer, the more certified you are the more lower paying warranty work you will be doing. This difference entices technicians to not want further training, leaving them in a situation where they only work on customer paying vehicles with less knowledge than what is desirable. Throughout my career I was typically one of the highest certified, most capable, and knowledgeable technicians in the shop. However, my high level of certifications led to me doing more of the "low paying" warranty work. While my hourly pay was generally higher than my colleagues, my gross pay was substantially lower due to the manufacturer not paying the full hours. This left under-educated technicians doing sub-par work for way more money. This is what eventually pushed me out of the dealership world.

The last few years of my dealership life, I was in charge of mentoring and teaching new technicians the proper way things were supposed to be repaired, this led to my new career of teaching. As a professor of the Automotive Technology Program at UAF CTC my role is to train entry level technicians coming into the field. Vehicles of today are highly complex and sophisticated and require a high level of ongoing training and knowledge. Our program is career and workforce development oriented which means we help assist with placing students in local technician jobs at both dealership and independent repair facilities throughout our community. Students are encouraged to seek employment at local dealerships as they provide the highest level of ongoing training. However, it is increasingly difficult to incentivize students to pursue work at dealerships in fear of lower pay. With passing this bill, mentors and teachers will no longer have hesitation encouraging their students to seek dealership employment to better their skills and knowledge knowing the pay is the same and high level of training and certification is valued equally.

As a small business owner of a local independent repair shop, I would prefer to employ someone with technical training and dealership experience and many certifications showing they have the knowledge and skills to perform their job to the highest level possible. It has never made sense to me as a high valued, knowledgeable technician, why I was getting paid less than my not as knowledgeable technicians to perform the same repairs in the same shop. It is expensive for dealerships to train these technicians, once they get them trained and certified it does not offset the high operating costs involved as effectively as it should with lower pay rates. This directly effects the livelihood of the local technician and in turn our local communities. Equal pay rates for equal jobs, is what this bill seeks to address.

Thank you for your time.

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Why does Alaska and 49 other states have Auto Dealer Franchise Laws?

In 1978, the United States Supreme Court recognized the need for motor vehicle dealer franchise laws:

“Dealers are, with few exceptions, completely dependent on the manufacturer for their supply of cars. When the dealer has invested to the extent required to secure a franchise, he becomes, in a real sense, the economic captive of his manufacturer. The substantial investment of his own personal funds by the dealer in the business, the inability to convert easily the facilities to other uses, the dependence upon a single manufacturer for supply of automobiles, and the difficulty of obtaining a franchise from another manufacturer all contribute toward making the dealer an easy prey for domination by the factory. On the other hand, from the standpoint of the automobile manufacturer, any single dealer is expendable. The faults of the factory-dealer system are directly attributable to the superior market position of the manufacturer.”

The National Automobile Dealers Association also explained the compelling need for state franchise laws in its recent comments to the FTC:

“the simple fact is that auto manufacturers retain to this day a massive economic power advantage over their franchised dealers, resulting from market structure, manufacturer behavior, and intrusion in the market by the federal antitrust statutes. And manufacturers often use this excess power to overreach and act opportunistically in their relationships with their dealers, to the detriment of dealers and ultimately consumers. The state franchise laws that have been enacted operate to counteract these anomalies and to afford the dealers a reasonable opportunity to negotiate their economic relationships.”