

**Testimony to the Senate Judicial Proceedings Committee
SB 813 -- Vehicle Laws – Manufacturers and Dealers
Franchise Transfer & Warranty Reimbursement
Position: Favorable**

February 27, 2020

The Honorable Will Smith
Judicial Proceedings Committee
2 East, Miller Senate Building
Annapolis, MD 21401
cc: Members, Judicial Proceedings Committee

Dear Chairman Smith and Committee Members,

I write in support of SB813 as the head of an auto dealership group based in Maryland with more than 1,200 employees in the state, 1,500 total.

We strongly support SB 178 because it will save jobs in Maryland by approving a transfer of a franchise within a reasonable time frame, and it will help consumers by reimbursing dealerships for warranty work performed on their vehicles, so dealers want to perform warranty work, and don't put it off.

In January 2019 we offered to purchase a dealership in Hagerstown Maryland that had been struggling. The widowed owner was in poor health and a series of challenges besieged them, limiting their access to capital. Customers were still coming to the dealership for service, even though sales had slowed and their inventory dwindled. The owner wanted to help her people stay employed and take care of her customers. Even though we were already an approved dealer in St. Mary's County Maryland for one brand, and Anne Arundel County and Frederick County for the other two, the manufacturers took more than six months to approve the sale of the franchise. The real estate was settled, but the franchise approval took so long some employees started to leave out of fear. Seven months to approve the transfer is unreasonable. For the employees, for the customers, and for the parties involved.

Dealerships are owned by individuals. The dealer owns the vehicles (they're not on consignment), the land, the buildings, the equipment and the parts in inventory. Dealers have a greater investment in the state of Maryland than any multinational franchise. Consumers and employees in Maryland deserve more certainty and sixty days is a reasonable time frame.

The other remaining pieces of SB813 clarify current law, closing loop holes some manufactureres have used to delay or avoid reimbursing dealers for warranty work done on behalf of consumers. Current law sets forth rules for manufacturer reimbursement of warranty repair work conducted by auto dealers passed by this committee in 2015.

Unfortunately, there are auto manufacturers that are defying the law and not properly reimbursing dealers for manufacturer warranty work service. SB 813 does four things to address this problem:

1. First (p. 3, line 33 to p. 4, line 6), the bill clarifies that the manufacturer would pay an hourly rate and time allowance for warranty work that the particular dealer charges to retail customers for the same work.
2. Second (p. 4, lines 9-12), the bill expressly states that repair orders submitted by a dealer shall be qualifying with certain exceptions. This clarifies the existing intent of the statute to exclude repairs for insurance, internal (the dealer's own vehicles), and non-warranty maintenance.
3. Third (p. 4, lines 20-23), the bill clarifies the exclusion of manufacturer's warranty or scheduled maintenance plans which are reimbursed at discounted rates below retail. Manufacturers now provide for such things and this language clarifies that dealers would be appropriately compensated by the manufacturer if offered by the manufacturer.
4. Fourth (p. 5, lines 14-16), the bill requires the manufacturer to provide (as part of its rebuttal to a request for warranty reimbursement by a dealer) the rate of payment that the manufacturer believes is the correct amount. Oftentimes, a manufacturer will reject a request for warranty reimbursement without providing information to the dealer with respect to what amount the manufacturer believes is the correct warranty reimbursement amount.

We strongly support SB813 and urge the committee to give it a FAVORABLE report.

Sincerely,

Rob Smith
Fitzgerald Auto Mall