

DANA M. STEIN  
Legislative District 11  
Baltimore County

Vice Chair  
Environment and Transportation  
Committee

Subcommittees  
Chair, Environment  
Natural Resources,  
Agriculture and Open Space



The Maryland House of Delegates  
6 Bladen Street, Room 251  
Annapolis, Maryland 21401  
410-841-3527 · 301-858-3527  
800-492-7122 Ext. 3527  
Fax 410-841-3509 · 301-858-3509  
Dana.Stein@house.state.md.us

## The Maryland House of Delegates

ANNAPOLIS, MARYLAND 21401

### DELEGATE DANA STEIN TESTIMONY IN SUPPORT OF

### HB 1208 - VEHICLE LAWS – MANUFACTURERS – DEALER COMPENSATION

Chairman C.T Wilson and Members of the House Economic Matters Committee,

House Bill 1208 is a follow-up bill to legislation that unanimously passed the General Assembly in 2014. I was a co-sponsor on that effort.

In 2014, the legislature required vehicle manufacturers to reimburse franchised dealers for warranty and recall repairs at the same rate the dealers were charging to retail customers. The law expressly required vehicle manufacturers to pay:

- (1) For labor, an hourly rate equivalent to the average hourly rate the dealer charged its retail customers; and
- (2) For parts, the dealer's cost for parts plus the current retail mark-up percentage charged to retail customers.

For nearly 10 years, the law passed in 2014 worked well with no negative consequences to the auto sales market. Now, however, I've become aware that vehicle manufacturers are reducing the time allowance for warranty and recall repairs to amounts that are below industry standard. The net effect of these changes is that manufacturers are no longer paying retail rates for certain warranty and recall repairs.

I view this as a direct challenge to the intent of the law passed by the General Assembly in 2014.

Here is an example of what is now occurring:

Type of Warranty/Recall Repair	National Retail* Hourly Allowance	Manufacturer's Hourly Allowance	% Drop in Reimbursement
Engine Replacement	26.6	15.9	40%
Camshaft Timing Replacement	7.0	3.9	44%
Water Pump Replacement	3.4	1.1	68%

\*National Retail Hourly Allowance used by dealer for retail repairs and published in national guidebook.

House Bill 1208 simply requires the vehicle manufacturer to use the same hourly allowances used by the dealer for the dealer's retail repairs. This change is entirely consistent with the 2014 law and closes a loophole the vehicle manufacturers are now trying to exploit.

Please give HB 1208 a favorable report.