



March 6, 2023

The Honorable C. T. Wilson
Chair, House Economic Matters Committee
House Office Building
Annapolis, Maryland 21401

HB 1208: Vehicle Laws - Manufacturers – Dealer Compensation
Position: Unfavorable

Dear Chair Wilson:

On behalf of the Alliance for Automotive Innovation¹, I am writing to express our **opposition to HB 1208**, which represents yet another attempt by auto dealer special interests to create a new profit center for their members via the General Assembly. **The Alliance for Automotive Innovation estimates that HB 1208 could create between \$50 million to \$84 million in extra costs in Maryland per year.** HB 1208 serves no purpose other than to provide a financial windfall to dealers which will ultimately be paid for by consumers.

HB 1208 would dramatically increase the amount of money automakers pay dealers for warranty repairs through the use of overly generous 3rd party time guides that are not intended for dealer technicians. HB 1208 would require manufacturers to pay dealers for more labor hours than were actually spent working on warranty repairs.

When a manufacturer compensates a dealer for the labor spent to do a repair under warranty, the manufacturer pays the dealer the same retail labor rate that it charges the public, and multiplies that by the number of hours in the manufacturer's time guide which indicates how long every repair takes. The manufacturers' time guides are rigorously developed time studies created under conditions favorable to dealers, with mechanisms to receive additional time when necessary. By contrast, HB 1208 allows dealers to demand to be paid using third party time guides.

Third party time guides are intended for non-warranty work at independent repair shops. In other words: for work performed by mechanics that do not have specific training or special tools to use on a specific make of vehicle, and who work on older vehicles with factors such as rust, dirt, and stripped fasteners that make repairs more difficult. Those third-party time guides

¹ From the manufacturers producing most vehicles sold in the U.S. to autonomous vehicle innovators to equipment suppliers, battery producers and semiconductor makers – Alliance for Automotive Innovation represents the full auto industry, a sector supporting 10 million American jobs and five percent of the economy.

are not based on time studies but instead opinions and estimates of how long an independent repair shop would need for a non-warranty repair. The result is that HB 1208 would require manufacturers to dramatically overpay dealers for warranty repairs.

Importantly, similar legislation was rejected by the General Assembly in 2020 (stricken from HB 1208 of 2020). Then, as now, there is no evidence presented to the General Assembly that dealers are not being compensated properly by automakers for warranty repairs. Worse yet, this legislation also prohibits any type of surcharge or cost recovery from a dealer to account for the unusual and state-specific cost it would create.

It is also important to explain that auto technicians are employees of the dealer and not the automaker. Manufacturers do not control how dealers compensate their technicians. And there is not a single word in HB 1208 that would require dealers to increase their technicians' compensation.

It is not in consumers' best interest for the state to add tens of millions in unnecessary cost to the automobile industry, because ultimately that cost will impact consumers. Doing so would exacerbate the problems in the State's current warranty reimbursement law that is already harmful and costly for consumers.²

HB 1208 is costly, unfair, and unnecessary. It would needlessly harm manufacturers and consumers. The Alliance for Automotive Innovation respectfully asks that the Committee reject it. For more information, please contact our local representative, Bill Kress, at (410) 375-8548.

Sincerely,



Josh Fisher
Senior Director, State Affairs
Alliance for Automotive Innovation

² "Of course, provisions requiring payments at the level of consumer charges for warranty work not only increase the cost of doing business for the manufacturers, they give incentives to dealers to increase their "list" prices for repairs." *Journal of Economic Perspectives—Volume 24, Number 3—Summer 2010—p240 Markets State Franchise Laws, Dealer Terminations, and the Auto Crisis.*