



February 6, 2025

The Honorable Dan Ruby
Chairman, House Transportation Committee
State Capitol
Bismarck, ND 58505

RE: HB 1515 - Relating to motor vehicle warranty work compensation
Position: Oppose

Chairman Ruby:

On behalf of the Alliance for Automotive Innovation (Auto Innovators)¹, I am writing to express our opposition to HB 1515, which would unfairly and unreasonably allow automobile dealers to demand to be paid for more hours of labor than were actually worked. The bill would increase costs and ultimately harm consumers in Alaska.

Manufacturers like their dealers and we want a strong franchise system for vehicle distribution. Our view is that automobile manufacturers and dealers depend upon each other for their mutual success. The manufacturer-dealer partnership has been successful for generations. Dealers are strong and very profitable today, and we applaud them for that. However, policies like those in HB 1515 threaten the long-term success of both dealers and manufacturers.

As you may know, when a consumer has a problem with their vehicle that is under warranty, dealers perform the repair and then bill the manufacturer. Existing law spells out the process for that including how to calculate the parts markup rate and labor rate at which the manufacturer must pay.

The bill would require manufacturers to purchase more labor hours from dealers than they are actually performing on our vehicles when they do warranty work. Under the current law, we pay the dealers the same hourly rate at which they charge the public for labor. We know exactly how many hours of labor we need to purchase because we have timed every single repair that is covered by a warranty, and we put those into a time guide. We multiply the dealer's hourly rate by the number of hours that we know we need to purchase.

This bill would require us to buy more hours than were spent working on our cars. Likely 50% more. It does that by allowing dealers to demand compensation under what we call third party time guides. Those are labor time guides intended for independent repair shops to estimate how long a

¹ From the manufacturers producing most vehicles sold in the U.S. to autonomous vehicle innovators to equipment suppliers, battery producers and semiconductor makers – Auto Innovators represents the full auto industry, a sector supporting 10 million American jobs and five percent of the economy. <https://www.autosinnovate.org/>

repair will take. Those guides do not actually time how long repairs take. They are estimates. Importantly, those independent repair shops are staffed by mechanics who do not specialize in a brand, do not have the benefit of special tools for a brand (which speeds repairs), and work on older, higher mileage cars that may take longer to repair.

To be clear, we have no interest in undercompensating dealers for warranty. Indeed, every manufacturer has mechanisms in place today for dealers to request more time when a particular customer's vehicle is taking longer, and we have mechanisms in place for dealers to ask for a review of our labor entries if the dealer thinks our guide is wrong. This is where the best solution for the bill is—to look at how to avoid any instances of under compensation rather than overpay in every instance.

The current system works well. We hired a firm to do a blinded study of dealer financial statements and found that the average dealer in the country makes a 78% gross profit margin on warranty labor work. Which makes sense, this is a guaranteed source of business that pays the retail rate but does not have any advertising or business development costs.

It is also important to note: We do not pay technicians. We pay dealers, we have no control over how they compensate their employees.

Importantly, this bill is not reflective of the norm in the country. Only six states have a similar law.

Manufacturers do not support HB 1515, and we respectfully urge you not to pass it from committee in its current form.

Thank you in advance for your consideration of our views. For more information, please contact me at jfisher@autosinnovate.org.

Respectfully submitted,

A handwritten signature in black ink that reads "Josh Fisher". The signature is written in a cursive, slightly slanted style.

Josh Fisher
Senior Director, State Government Affairs
Alliance for Automotive Innovation

Analysis of Gross Profitability of Warranty Labor

June 26, 2023

Dealers submit financial statements to manufacturers, and included in those financials is a calculation made by the dealer that shows the dealer's gross profit on warranty labor. At the request of the Alliance for Automotive Innovation (Auto Innovators), Nelson Mullins Riley & Scarborough LLP analyzed automobile dealer gross profit margins for labor performed under a manufacturer's warranty and paid for by the manufacturer. The study involved nine manufacturers that confidentially provided composite dealer financial statement information to the firm, which collected and blinded the identities of the participating manufacturers and the information that they provided.

The results of the study show that an average dealer earns a gross profit margin of 78.8% on warranty labor work. That is based on dealers' own calculations.

The study looked at financial composites provided by manufacturers (rather than individual dealer statements) on both a nationwide basis as well as on a state-specific basis for sampling of ten states with data for 2022. The results also show that the gross profit margins did not substantially vary either from state to state or from manufacturer to manufacturer.

The specific states that are analyzed are all states which do not require the use of third-party time guides as the basis of the time allowance for which manufacturers compensate dealers. Those states sampled (like almost every state in the country) are based on manufacturers paying dealers the dealers' retail hourly labor rates multiplied by the number of hours in the manufacturers' time guides to perform the warranty repairs.

Six manufacturers provided composite dealer financials for all dealers across the United States. The results show little variation across manufacturer:

	OEM 1	OEM 2	OEM 3	OEM 5	OEM 8	OEM 9	Average
National Avg.	78%	79%	81%	77%	78%	80%	78.8%

Nine manufacturers provided composite dealer financials for some or all of the following states. The results show little variation among states that are in a variety of regions:

	OEM 1	OEM 2	OEM 3	OEM 4	OEM 5	OEM 6	OEM 7	OEM 8	OEM 9	Avg.
Alaska	73%	76%	68%		75%	74%			75%	74%
California	80%	80%	81%	78%	79%	78%	83%	79%	79%	80%
Colorado	78%	80%	80%	74%	77%	76%	81%	80%	80%	78%
Idaho	70%	77%	78%	72%	74%	74%		77%	81%	75%
Maryland	76%	80%	79%	75%	79%	78%	82%	75%	79%	78%
Missouri	78%			77%	77%	78%		75%	79%	77%
Minnesota	80%	77%	81%	75%	76%	77%	80%	78%	79%	78%
New York	79%	79%	79%	75%	76%	77%	82%	77%	80%	78%
North Carolina	79%	79%	80%		76%	77%	82%	76%	83%	79%
West Virginia	79%	75%	76%	75%	75%	79%		77%	74%	76%

The data collected shows that warranty labor work is highly profitable for dealers at a national and state level across brands using the manufacturers' time guides.

WARRANTY LABOR TIME GUIDE REVIEWS

Automakers establish the time allowances in their warranty labor time guides through scientific testing. Automakers have processes in place for dealers to request reviews of specific time allowances in those time guides in the event that a dealer disagrees with the time allowance. This chart shows where to begin the review process at specific manufacturers. Auto Innovators compiled this information in October 2024.

MANUFACTURER	WHERE TO BEGIN
BMW	Access https://bmwtechservice.wufoo.com/forms/bmw-fru-challenge
Ferrari	Complete the “Updating of Technical Publication Form” in Modis
Ford Motor Company	Access the dealer portal > SLTS tab > “Report a Problem”
General Motors	Open the General Electronic Service Information (SI) application > “Send us Your Feedback/Report a Problem” *The feedback link can also be found in the labor time guide.
Honda	Access the Service Information System > Flat Rate Labor Time > Flat Rate Comments/Feedback > Complete the “Request for Review” form
Hyundai	Access: www.hyundaidealer.com > Service > Document Library > “Hyundai--Request for Labor Time Review.pdf”
Jaguar Land Rover	Access TOPIX > TOPIX Feedback
Kia	Access www.kdealer.com > Service > Resources > Warranty > LTS
Mazda	Access https://www.onemazdausa.com/globalassets/mnao-scm--tech-services/warranty-recalls/03_warranty-references-tab/repair_time_review_form2.pdf
Mercedes-Benz	Access Xentry Operation Time then click the Support icon
Mitsubishi	There are three options: <ul style="list-style-type: none"> • Online: Access Warranty Central: MEL > Parts & Service > Warranty Central > 6) Labor Operation Time (LOTS) Manual > Full e-LOTS Manual • Email: warrantywebhotline@mmsa.com • Phone: Warranty Hotline at 800-380-2324
Nissan	Resources > Other Resources > General Information > Operation Code Time Review Request
Porsche	Go to https://ppn.porsche.com/ ; access PCSS; Click the “C” icon.
Stellantis	Access DealerConnect > Service > Request for Labor Time Study
Subaru	Complete and submit the “Request for Review” form which can be found on Subarunet
Toyota	Any Toyota or Lexus dealer may request a review of any labor time allowance if the dealer considers the allowance to be insufficient under normal conditions. To request such a review, the dealer fills out the provided form with the requested information. The dealer then submits the completed form via email. The dealer should consult Warranty Policy 10.5 for more information. Toyota reviews and evaluates all submissions.
Volkswagen Group of America	Click “Elsa Feedback Button.” See VWGoA Warranty Manual 2.4.2.1.1 for additional details.
Volvo	Access Service Product Journal (#124041) at tie.volvocars.biz