

## Fair Warranty Reimbursement Legislation – HB 1515

My name is Ryan Else and I am the Fixed Operations Director for the Eide Automotive Group. I support HB 1515. I have worked in the automotive industry for over 20 years. I started as a technician in 2002 with Eide Ford in Bismarck. I have held many positions in the parts and service departments over the years. Currently I manage the parts and service departments for our stores. We have several manufacturers at our dealerships including Ford, Chrysler, Dodge, Jeep, Ram, Chevrolet, Kia, and Subaru.

Over the years I have seen first-hand the widespread abuse of manufacturer reimbursement rates and the negative effect on our working North Dakotans. Many employees are negatively affected, however the technicians are hurt the most as the vast majority of technicians are paid a flat rate for their work. For example, if a vehicle repair calls for 3 hours and it takes the technician 4 hours, they are paid for only 3 hours times their hourly rate. On the other hand, if the technician completes the repair in 2 hours, they are still paid 3 hours times their hourly rate. Manufacturers have continued to cut labor reimbursement times so much over the years that currently they are paying 40% less or more than the average retail rate as determined by 3rd party labor time guides which is what most dealers use.

Currently every one of our manufacturers is reimbursing us according to their own labor time estimation. This allows them to completely control the total amount of labor reimbursement they provide us with. They exercise this control by cutting the reimbursement times. For example, a water pump replacement being done under retail pay shows labor time of 4.8 hours according to our labor time guide. This is the free-market rate that we charge all of our non-warranty customers. However, the manufacturers will reimburse us for only 2.9 hours. This results in the technician taking a 1.9 hour hit to their paycheck. It is also very frustrating to know that our technicians can quit our dealership and simply cross the border into Montana or Minnesota and be paid a fair time because of the stronger laws in those states.

Please understand that technicians are just blue-collar workers trying to make a living and raise a family. Many live paycheck to paycheck. If a majority of their workload is warranty work in any given pay period, they may experience a huge reduction in pay and have a harder time paying their bills. Unfortunately, I believe they are being taken advantage of by these billion dollar, global manufacturers. In addition to technicians, most service advisors and managers are paid on commission as well, so they are also taking a pay cut along with the technician. Lastly, the dealership also makes less money even though they are completing the same exact repair as non-warranty customer work.

Manufacturers also require dealerships to purchase both their parts and special tools from them in order to be able to be reimbursed for any warranty work at all. Technicians are also required to complete training to be certified through the manufacturer which costs the dealership and technician to complete.

All of these challenges have resulted in technicians who hate being required to complete warranty repairs or even work in this industry any longer. This problem further complicates our current labor shortage and it also extends the time a vehicle must sit for repairs.

Dealerships are also pushing warranty work to the back of the line as they make less money on these repairs. This causes a backlog in transportation options for everyone. I feel it is only fair that the manufacturers be required to pay the same as everybody else and not be allowed to take advantage of dealerships. Please know that we have absolutely no ability to negotiate with the manufacturers or place any demands on them...we are truly and completely at their mercy.

Another issue that I have witnessed is automotive manufacturers sending exchange parts instead of allowing dealerships to purchase parts and mark them up for warranty repairs. An example of this would be radio assemblies. If a radio is diagnosed as needing replacement under a warranty, the manufacturer will just send the dealer a new radio. This eliminates the dealership's parts department's ability to make any profit for that repair. We need the parts department to make money as it is part of the overall business model, and that dept. is also managing all of the parts logistics. In addition, we don't allow non-warranty customers to order their parts on Amazon and bring them in, the manufacturers shouldn't be allowed to either.

During some economic cycles our sales of new and used vehicles may not make much money at all. The dealers' business model is absolutely dependent upon the ability of both the parts and service department to make money. In 2013 this legislature passed a law that requires the manufacturers to reimburse dealers for parts at the same average markup as parts sold to retail customers. Manufacturers found a loophole in that law by sending dealers the exchange units. This bill will fix that loophole.

The final issue that I would like to discuss is related to changing part numbers. This is especially prevalent in the context of recalls. Once again, in an attempt to circumvent North Dakota's current state warranty reimbursement law, the manufacturer will create a brand-new part number for an existing part that we have already purchased from them; the part is literally sitting on our shelf. They will then drastically reduce the price of the "new" part number and then require us to use that new part number for their warranty work. For example, the same part that cost the dealer \$85 on Monday will all of sudden cost the dealer only \$7 on Tuesday. They will then reimburse us only \$7 plus markup even though we paid \$85 for the part! We literally just lost \$78 on that part. This is actually a super clever strategy to get around our current law.

Please understand that we have absolutely no ability to negotiate with manufacturers. Our current warranty reimbursement law needs to be updated to protect dealerships from being fleeced by manufacturers. We simply want to be treated fairly and not taken advantage of.

I respectfully ask you to please pass HB 1515. Thank you.

Ryan Else