

## **HB 1515 – Motor Vehicle Warranty Reimbursement**

**House Transportation Committee – February 6, 2025**

Kathleen Gaddie

Honorable Committee Members,

My name is Chris Gaddie and I am appearing on behalf of my Mother, Kathleen Gaddie, who is the owner of Ryan Family Dealerships in Minot. She regrets that she is not able to deliver this testimony in person. Her testimony follows: "Thank you for the opportunity to address you on this important issue. My absence should not undermine the importance of the matter at hand.

You have heard many examples here today regarding the disparity between manufacturer warranty reimbursement rates and our retail, non-warranty rates. Our dealerships also deal with these same significant disparities. However, I would like to focus on one provision within state law that is being grossly abused by some of the manufacturers. They found a loophole in the current law and are taking full advantage of it.

In 2013, the ND legislature passed an automobile dealer protection law that requires manufacturers to reimburse dealers fairly for both parts and labor. Within the original bill we included a "fairness" provision for the manufacturers because we truly wanted a fair and equitable bill. The provision provided the manufacturers the opportunity to contest a dealer's retail labor or parts rate by *"substantiating that a rate is unreasonable in light of the practices of all other franchised motor vehicle dealers in an economically similar area of the state offering the dealer's...same line-make vehicles."*

At the time we did not realize that some manufacturers would take our good faith provision and turn it against us. Here is an example of how their strategy works: let's say a dealer in Minot is paid \$100 per hour by the manufacturer for warranty labor. However, the dealer's non-warranty, retail labor rate is \$125 per hour. The dealer then requests the manufacturer to pay them for warranty work at their normal retail rate of \$125, which the law provides for. The 2013 law protects the manufacturer by requiring the dealer to prove that its rate is \$125 per hour by providing the manufacturer with 100 sequential non-warranty, retail repair orders that clearly identify the actual repair conducted and the rates.

However, even though the dealer proves to the manufacturer that their hourly labor rate is \$125, the manufacturer literally points to the *"economically similar area"* provision and states that they are paying the other dealers in Bismarck and Fargo only \$100 per hour. The manufacturer then promptly denies the dealer's request.

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Shortly thereafter the dealer in Bismarck, who is being reimbursed for warranty at \$100 per hour, follows the same process and proves that their non-warranty rate is \$125. The manufacturer once again points to the "*economically similar area*" provision and states that they are paying the dealers in Minot and Fargo only \$100 per hour. The manufacturer then promptly denies the dealer's request.

Shortly thereafter the dealer in Fargo, who is being reimbursed for warranty at \$100 per hour, follows the same process and proves that their non-warranty rate is \$125. The manufacturer once again points to the "*economically similar area*" provision and states that they are paying the dealers in Minot and Bismarck only \$100 per hour. The manufacturer then promptly denies the dealer's request.

Under this manufacturer strategy, it is literally impossible for a dealer to ever adjust for inflation and have their warranty labor rate increased again. This is just one example of several that manufacturers use to avoid complying with the law and treating dealers fairly.

The well-intentioned, good faith provision in the existing Century Code has provided manufacturers with the ability to deny a fair, free-market rate. The legislation before you addresses this abuse by deleting the "*economically similar area*" language and replaces it with a more definitive process that is solely intended to protect manufacturers by allowing them to contest the accuracy of the dealer's proposed labor rate.

Our car dealerships are not asking for special treatment. We are only asking for what is fair. Warranty rates should be paid the same as what the average North Dakota consumer pays.

I appreciate the opportunity to address you today.

Most Respectfully,  
Kathleen Gaddie