

Testimony of Toyota Motor North America
Nathan Glazier, Regional Director, Government Affairs
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RE: House Bill 1515 Opposition
Committee: House Transportation

Good afternoon Mr. Chairman and members of the committee. I am Nathan Glazier, Regional Director of Government Affairs for Toyota. Thank you for the opportunity to briefly share Toyota's thoughts on this important bill.

As quick background, it is a priority for us that Toyota and Lexus dealers are properly reimbursed for the important warranty and recall work they perform. We are concerned, however, that House Bill 1515 casts too wide a net, would impose dramatically increased costs and risks increasing rates and costs for North Dakota consumers.

In coordination with the Alliance for Automotive Innovation and other vehicle manufacturers, we have offered several compromise amendments that have been, so far, rejected. I ask the sponsors and the committee to encourage the proponents of the bill to find reasonable amendments before moving it forward.

The crux of this legislation is Time Guides, so I'll provide brief background on them.

- To make sure that Toyota and Lexus dealers are reimbursed properly, we – like other manufacturers – prepare flat-rate labor time guides for the expected repairs that dealers perform. The time guides are based on time studies, where the repair is prepared for and performed using basic hand tools to determine how long it would take a typical, qualified technician to perform the repair.
- Toyota recognizes that there may be occasions when a particular repair takes more time than provided in our guides or even that we may have been wrong about the time a repair might take. To address those occasions, Toyota has procedures in place for dealers to seek relief. A dealer can request additional time for a particular repair or submit a request that a time allowance be reconsidered. We have an excellent relationship with our dealer partners through this process.
- The approach currently suggested in the bill would ignore Toyota's efforts to properly reimburse its dealers for warranty and recall work. Instead, it would force Toyota to use *third-party time guides*, which are not intended for use by Toyota-trained technicians doing warranty work on newer vehicles.
- The time guides will impose dramatic increases in warranty costs to Toyota and the other vehicle manufacturers. It also would result in higher repair costs for retail customers because the bill only makes manufacturers pay higher time allowances if the dealer is first using those higher time guides to charge their customers for non-warranty work.

- We view this as unnecessary. North Dakota law already requires manufacturers to provide “adequate time allowances.” I respectfully request that the committee and sponsors allow time for an additional amendment or compromise which makes it clear that dealers can hold specific companies accountable and challenge time allowances. And that it be done in a fair, targeted way which does not impose dramatic increases in warranty costs for the entire industry or risk harm to North Dakota consumers.

Reasonable Rate Increases

- I talked about time guides and the time allowances they contain. The other part of the warranty reimbursement equation is the labor rate paid for each hour of a technician’s time. How is that calculated? You take the time allowance and multiply it by the rate charged for the technician’s labor.
- North Dakota law requires that a manufacturer reimburse dealers at the same labor rate the dealer uses for non-warranty repairs, or “customer pay” repairs. However, under existing law there is an important limitation. A manufacturer may challenge a rate that is “unreasonable in the light of the practices of all other franchised motor vehicle dealers in an economically similar area of the state.” N.D. Century Code § 51-07-29(7). This provides an important check on unreasonable rate increases. One that protects not just manufacturers, but also customers. Remember, the only way a dealer can charge a manufacturer a higher rate is if they are charging more to customers who are paying for their own repairs (or “non-warranty” repairs).
 - And I emphasize this is not just about manufacturers. Given that North Dakota warranty regulations link warranty rates to customer-pay rates, it makes sense to have a check on unreasonable rate increases, as they not only affect manufacturers but also can impact what consumers pay for vehicle repairs and service.
 - The bill also goes on to prohibit a manufacturer from even “attempting to influence” a dealer’s rate, even if they are overcharging consumers.
 - Because the proposed bill eliminates any reasonable check on rate increases, Toyota opposes this portion of the bill and believes a reasonable compromise is the path forward.

To conclude, we look forward to continued collaboration with the bill sponsors to reach a resolution that is acceptable and appropriate for all parties. And thank you, again, for the opportunity to address the committee.