

2025 HOUSE TRANSPORTATION

HB 1515

2025 HOUSE STANDING COMMITTEE MINUTES

Transportation Committee Room JW327E, State Capitol

HB 1515
2/6/2025

Relating to motor vehicle warranty work compensation.

2:30 p.m. Vice Chairman Grueneich opened the hearing.

Members Present: Chairman D. Ruby, Vice Chairman Grueneich, Representatives Christianson, Dressler, Finley-DeVill, Frelich, Hendrix, Johnston, Kasper, Koppelman, Maki, Morton, Osowski, Schatz

Discussion Topics:

- Increased wages
- Parts prices
- Average retail rate
- Repair inconsistencies

2:31 p.m. Representative D. Ruby introduced the bill.

2:35 p.m. Mathew Larsgaard, Auto Dealers Association, testified in favor and submitted testimony #36006.

2:56 p.m. Ryan Else, Fixed Operations Director, Eide Automotive Group, testified in favor and submitted testimony #36008.

3:05 p.m. Larry MacDonald, Chrysler Technician, Devils Lake, testified in favor and submitted testimony #36013.

3:13 p.m. Renard Bergstrom, Owner, Devils Lake Ford, Chrysler, Dodge, Jeep, Ram, testified in favor and submitted testimony #36017.

3:19 p.m. Tyler Doll, Technician, Eide Ford, testified in favor and submitted testimony #36019.

3:26 p.m. Steve Zaun, Puklich Chevrolet, testified in favor and submitted testimony #36020.

3:31 p.m. Casey Holte, Schwan GMC Cadillac, testified in favor and submitted testimony #36022.

3:34 p.m. Jon Handy, Chief Operations Officer, Grand Forks Subaru Kia, testified in favor and submitted testimony #36024.

3:37 p.m. Chis Gaddie, Ryan Family Dealership, testified in favor and submitted testimony #36026.

3:43 p.m. Amy Cleary, Director of Public Affairs, GA Group stood to introduce Mr. Fisher.

3:44 p.m. Josh Fisher, Alliance for Automotive Innovation, Senior Director of State Government Affairs, testified in opposition and submitted testimony #35699.

4:07 p.m. Chris Wolf, Volkswagen Group of America, Inc., Warranty Compliance, testified in opposition and submitted testimony #35833 and #35834.

4:15 p.m. Nathan Glazier, Toyota Motor North America, Regional Director of Government Affairs, testified in opposition and submitted testimony #35840.

4:23 p.m. Vice Chairman Grueneich closed the hearing.

Janae Pinks, Committee Clerk



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, appearing to read "Josh Fisher". The signature is fluid and cursive, with the first name "Josh" and last name "Fisher" clearly distinguishable.

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

Volkswagen Group of America, Inc.
Chris Wolf
Manager, Warranty Compliance
3800 Hamlin Rd., Auburn Hills, MI 48326

RE: House Bill 1515 Opposition

Date: 2/6/2025

Committee: House Transportation

Intro

Good Afternoon Mr. Chairman and members of the committee. I thank you for the opportunity to speak in opposition to some of the proposed language in HB 1515

I am Christopher Wolf, Manager of Warranty Compliance with Volkswagen Group of America. I'm currently leading teams which conduct dealer warranty audits and the process dealer reimbursement requests such as parts, labor and now requests related to dealership use of labor time guides. I began my automotive career as a dealership service technician. During that time, I earned my pay under the flat rate system that we speak about today.

I am in strong opposition to certain provisions of HB 1515.

Dealer Compensation

Labor Rate: Established by representative repair order sample. Provides transparency and the ability to validate the rates that are charged by dealership to its customers . In accordance with current statutory provisions, we must reimburse the dealerships for warranty work using this rate.

Parts Markup: Established by representative repair order sample Provides transparency and the ability to validate the rates charged by the dealership. In accordance with current statutory provisions, we must reimburse the dealerships for warranty work using this rate

With regards to labor time, HB 1515 proposes language where the warranty labor time is provided by a third party time guide without any sort of validation permitted by the manufacturer. As an initial matter, the inability for the manufacturer to simply validate that a particular dealership is actually using any such time guide for their customer-pay, non-warranty repairs is troubling. As Mr. Fisher stated earlier, third party labor time guides such as those published by common providers All Data, Mitchell Pro Demand, Snap-On Shop Key and the like do not routinely perform time studies to establish accurate labor time suggestions for a given repair. (By the way, the proposed language here doesn't define what a legitimate third-party time guide might look like or from where may come.) The lack of transparency here is alarming. In one example that I have here, a popular third party time guide provider's document demonstrates that the labor time suggested by their service is substantially higher than their competitors. This FAQ they provide goes on to state that they don't regularly use actual repair time studies to establish their repair times. Rather, they admit that they provide only "estimated repair times" intended to be used "...as a guide only".

Volkswagen Group of America's warranty labor times are fair and reasonable. We provide reimbursement for repairs based on combination of actual time studies and the summing of repair operations in combination of adjacent parts removal and installation. In addition, we reimburse for actual time expended in the necessary diagnosis including the use of an electronic scan tool and for the performance of necessary inspections, measurements and testing. We also allow for actual time claimed in addition to the suggested repair times for extraordinary circumstances such as the repair of a stripped or broken fastener. Further, we provide dealerships the opportunity to provide feedback and request review of warranty labor times. Since the inception of our electronic portal known as ELSA, we have received zero requests from North Dakota dealerships for revision of any

warranty labor time. We also have advisory councils comprised of dealership service managers and shop foreman who meet with us regularly to discuss common issues and work towards resolution. Not long ago, we had a concern with a labor time related to a particular recall. We studied the frequency of a certain additional step that occurred at a higher frequency than originally forecasted. While this additional step wasn't needed in every case, we nevertheless added the additional requested time to 100% of the recall labor operations. We also analyzed the recalls completed prior to this labor time revision and reimbursed that additional time to all previously paid claims.

It's interesting to note that the profitability of Volkswagen dealership service departments in North Dakota is quite healthy. In fact, the gross profit on warranty labor is either equal to or greater than the gross profit on customer-pay labor. Considering that the labor rates are equal and that the warranty labor time is provided by the manufacturer's time guide, one could come to question the basis for this particular provision.

As Mr. Fisher stated earlier, and as I've shown you here in a third party time guide providers own document, these third-party time guides are estimates. Studying these different time guides through the course of my work in the other states, the repair times for identical repairs on identical models will vary wildly on occasion. This further supports our position that the third-party guides are not based on actual repair times.

MN/NY Experience

While these states have similar statutory provisions, we have found that the majority of dealers are in fact not using these third party time guides to calculate labor charges for non-warranty work.

After legislation was enacted in these two states, dealers inquired as to how they could submit for this additional labor. We reasonably requested that they provide repair order samples in a similar fashion to how they would request warranty labor rate or warranty parts markup under their prevailing statutes. Several dealers submitted repair order samples for our review. None utilized the third party time guide purportedly used with any consistency. Some even charged different labor amounts for the identical repair performed on identical vehicles belonging to different customers. This inconsistency is cause for great concern.

Conclusion

Third party time guides are intended as guides, not the basis for warranty reimbursement. There is nothing to regulate the accuracy of these time guides. The times can be established in ways that one could only image. The lack of transparency in the manufacturer's ability to simply validate the use of any guide which impacts literally thousands of financial transactions is unconscionable.

We ask that you find some sensible common ground here that would provide reasonableness and transparency.



SHOPKEY LABOR TIMES

Common Questions and Answers

SHOPKEY LABOR TIMES Q&A

Q: What should a service professional know about ShopKey labor times?

A: The ShopKey “Estimated Labor Times” are given in hours and tenths of an hour (six minutes). The times apply only to standard equipment and production options provided by the vehicle manufacturer. The times generally reflect the needs of an average, trained auto technician using factory recommended tools and repair procedures. ShopKey “Estimated Labor Times” are to be used as a guide only. The actual time taken can be expected to vary to meet individual repair shop and vehicle conditions, equipment used, etc.

Our labor times are for estimating only. We can't anticipate every situation a technician will encounter. We create labor times that reflect how long it should take an average technician, with average experience, equipment, and motivation to complete a repair on an average vehicle, in an average shop, working in average conditions.

Q: What procedures are included in the ShopKey labor times?

A: The following outlines the operations which are included in the labor times. You are encouraged to become familiar with these to be sure you have a thorough understanding of the ShopKey approach to mechanical estimating.

- ▶ Vehicle repair preparation
- ▶ Drain & refill necessary fluids
- ▶ Tighten bolts, fasteners, etc., to manufacturer's recommended torque specifications
- ▶ Normal cleaning of parts associated with the repair operation
- ▶ Personal needs of the technician while performing a repair operation
- ▶ Preventative measures
- ▶ Position, set-up, return tools and equipment
- ▶ Verification of repair



Q: What operations are not included?

A: The following operations are not considered when establishing ShopKey labor times.

- ▶ Writing estimate, booking the job, billing or any special courtesy services
- ▶ Training
- ▶ Reference time on unfamiliar operations
- ▶ Adverse weather conditions
- ▶ Disposal of hazardous materials (unless indicated)
- ▶ Diagnosis (unless indicated)
- ▶ Machine operations
- ▶ Resetting of any electrical components due to battery disconnection
- ▶ Resetting, reprogramming or initialization of Tire Pressure Warning System (unless indicated)
- ▶ Removal of locking lug nuts or wheel covers
- ▶ Time necessary to free up parts frozen by rust or corrosion
- ▶ Broken bolts, studs, etc.
- ▶ Rework parts to fit a particular year or model
- ▶ Excessive grease, tar and undercoating removal or any other materials that could interfere with operation
- ▶ Cleaning areas of the vehicle which may have been contaminated by failure of the component on which the operation is being performed
- ▶ Deactivating and reactivating of any electronic systems (unless indicated)

Q: What makes ShopKey the authority on how much time is needed for a repair operation?

A: Historically, we hire our customers. They have the experience we need, and a genuine commitment to the automotive repair industry. Highly skilled ShopKey labor editors have extensive automotive repair experience. The minimum requirement is eight years of experience, with most having much more. ShopKey labor editors are required to study new automotive technology and to maintain current ASE certifications.

Our labor times are developed at ShopKey. We create them by following a long established methodology, using procedures we can verify and support. Our methods evolve over time, but our goals have not changed. We strive for accuracy, and completeness of coverage.



Q: So how exactly are ShopKey labor times created?

A: Our labor times are based on actual manufacturers' repair procedures. Automobiles are made of components and systems assembled in a specific sequence. This sequence is very important to us. Our individual labor times must reflect the sequential steps of a repair procedure.

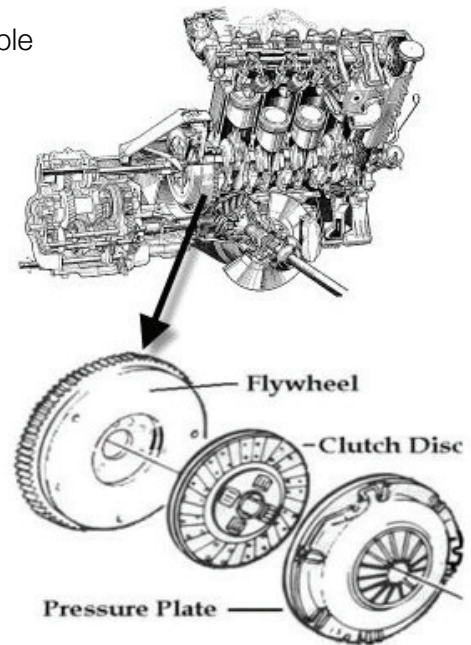
If you have to remove part "A" and part "B" to replace part "C," then part "C" requires more labor time than part "A" or part "B." Working from the outside in, or the inside out, our labor times must reflect the correct sequence of assembly.

Labor editors have to know exactly how to disassemble and reassemble every system on the vehicle. Here is a simple example:

You have to Remove and Install (R&I) the Transmission in order to replace the Clutch Assembly or the Flywheel. We have individual labor operations for the Clutch, the Flywheel, and the Transmission. In our product, the Transmission may be listed separately from the other components. Our labor times must reflect the correct sequence of repair:

Transmission Assembly – R&I	5.0 hours
Clutch Disc & Pressure Plate – R&R	5.3 hours
Flywheel – R&R	5.5 hours

As you can imagine, assigning sequentially correct labor times to individual components can be very complicated on modern automotive systems.



Q: How do ShopKey labor times compare to the OEM warranty times?

A: OEM warranty times are simply what the manufacturer is willing to pay an OEM dealership for a repair. The cost of vehicle warranty repair is factored in to the lifecycle costs of that new vehicle and are part of the cost-of-goods equation.

OEM warranty information is valuable to ShopKey because it provides us with a list of components and repairs that we need to cover on new vehicles. Additionally, fluctuations in OEM warranty time (up or down over time), provide hints to us about what operations we need to pay special attention to. Radically falling warranty times usually mean that there is a problem with a specific repair or component. Remember, the OEM has to maintain the initial repair costs originally applied to the lifecycle of the vehicle. When OEM warranty times go up, it usually means that the dealership technicians are complaining about the time allowed for a repair.

For example: Warranty time for replacing the Steering Column on a 2015 Prius is 2.2 hours. We create our labor times based on the manufacturers' recommended procedures while reflecting the needs of an average, trained auto technician using factory recommended tools. See the example:

2015 Toyota Prius Steering Column – R&R	
Toyota Warranty	2.2 hours
ShopKey	5.3 hours
Competitor	3.0 hours

Q: Does ShopKey perform every operation for every labor time it publishes?

A: We cover approximately 1,000 operations for each model in our database. We cover hundreds of models every year. So we don't have the resources to do this for all labor operations. Instead, our experienced technicians carefully examine the procedures needed to perform an operation — along with technical bulletins, special service bulletins, and input from auto repair shops — to estimate the time it takes to complete that job.

We have performed some on-site time studies where we videotape repair operations in our customer's shops. As an example, we disassembled and reassembled a 2009 Toyota Land Cruiser in our repair shop and recorded the procedures and labor times during this process.

Q: Is it true that ShopKey's labor times are always less than its competitors?

A: If you reference the Toyota Prius example above, you will see that we routinely compare our labor times to our competitors and find that our times are just as likely to be higher as they are to be lower. Our goal is to provide the most accurate labor times we can.

For example: Warranty time to replace the Windshield Washer Pump on a 2006 Honda Element neglects to include the time needed to remove the front bumper assembly to get at the washer pump. This requires additional work. We create our labor times based on actual repair procedures, as shown in the example.

When shop customers tell us that competitive labor times are higher than ours, we ask them for specific examples. We research the procedures, and other available information. In some situations, we may contact other customers for additional input.

2006 Element LX Windshield Washer Pump – R&R	
ShopKey (Includes: R&I Front Bumper)	1.8 hours
Competitor	.8 hours

Q: What do you do when customers tell you that specific ShopKey labor times seem incorrect?

A: When a customer tells us that they cannot do a repair job within the time we allow, we always review the time and procedures, with the customer input, and make warranted adjustments as necessary.



For more information:

Call us: 800-944-3877 | Visit us: <https://www.snapon.com/diagnostics>

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Testimony of Toyota Motor North America
Nathan Glazier, Regional Director, Government Affairs
Thursday, February 6, 2025

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.

House Bill 1515
Testimony before House Transportation Committee
Matthew C. Larsgaard, MBA
Automobile Dealers Association of North Dakota
2:30 p.m., February 6, 2025

2/5/25

Mr. Chairman and members of the committee. My name is Matthew Larsgaard and I am appearing in Support of House Bill 1515 on behalf of the Automobile Dealers Association of North Dakota which represents our state's franchised new car dealerships, the majority of which are North Dakota family-owned, multi-generation small businesses.

In 2023, the total annual retail sales of our 87 automobile dealerships was \$3.3 Billion dollars equating to 12.4% of our state's total retail sales. Our dealerships directly employed almost 3,900 people, with a statewide payroll over \$275 Million dollars.

Background

Motor vehicle dealerships are a vital component of North Dakota's critical transportation infrastructure. These dealerships sell, service, and repair ambulances, firetrucks, motor carriers, police cars, the vehicles we use to get to work and more.

For decades the ND state legislature has regulated motor vehicles dealerships in an effort to protect consumers. An example of this is the state dealer licensing laws. In order to be a dealer, one must be licensed with the state and follow a strict list of rules and regulations that are managed and enforced by the NDDOT.

Likewise, many decades ago, the legislature also recognized the need to protect automobile dealers from manufacturer overreach and unfair business practices. One of the primary reasons for protecting dealers is to help promote competition in the marketplace, which provides a broad societal benefit.

Many years ago, individuals entered into contractual relationships with manufacturers to become dealers. In many cases, those individuals began by investing much of what they owned into purchasing a building, buying inventory, training employees, purchasing equipment, establishing a customer base, building the manufacturers' brand, etc. As time marched on, the manufacturers would often **change the terms of the existing contracts and then require dealers to adhere to the new stipulations**. These new agreements are called "Contracts of Adhesion" which are a take-it or leave-it arrangement under which the dealer has no choice but to sign the contract or not be a dealer. It is important to understand that dealers have no bargaining power or ability to negotiate the terms of these contracts, or anything else with the manufacturers. This is the reason why almost every state, including North Dakota, has comprehensive automobile dealer protection laws. The legislation that is before you today seeks to amend and update a portion of the existing dealer protection laws.

The Issue

Typically, when a motor vehicle breaks down the owner of that vehicle brings it to a dealership to have repair work performed. If the vehicle is under a factory warranty the repair bill is paid by the manufacturer, not the customer. Manufacturers contractually require dealers to perform warranty repair; they can't turn it away...whether they sold that vehicle or not. In addition, the manufacturer requires the dealers to purchase all warranty parts from them.

Prior to 2013, manufacturers had been compensating dealers for warranty work at a rate that was arbitrarily set by the manufacturer. Those rates were much lower than the dealer's labor rate and parts markup rate for retail or non-warranty repair work. As a result, in 2013, at the request of our Association, HB 1192 was introduced and passed which requires the manufacturer to reimburse dealers at their normal retail rate for both warranty labor and parts. The law states that the "*manufacturer....shall fully compensate its motor vehicle dealers...for warranty parts, work, and service... **Failure to fully compensate includes a reduction in the amount due to the dealer.***" 51-07-29 (3)

However, since that time the manufacturers have found several loopholes in the 2013 law and they are not fully compensating dealers at their normal retail, free market rates. They are employing several strategies to effectively shift some of the cost of THEIR warranty repair to dealers and non-warranty customers. The legislation that is before you today is designed to close those loopholes.

Like the 2013 legislation, this bill is about only one thing, requiring manufacturers to reimburse dealers at their free-market rates for the products and services that the manufacturers require the dealers to provide them with. Dealers have absolutely no ability to negotiate a fair rate of payment from the manufacturers.

Problem/Solution #1 – Time Allowance

When a customer brings a vehicle in for repair the dealer must determine the charge for both the parts and labor for that repair. Most dealers across the nation use an industry standard time guide to determine the number of hours to charge a customer for a labor repair. They then take that number and multiply it by their hourly labor rate which results in the total labor bill. However, the manufacturers refuse to pay dealers what they charge the entire free market. Manufacturers discount the time component of the calculation and significantly reduce the dealers' reimbursement, even though it is their actual, competitive retail rate.

Keep in mind, retail customers can go anywhere they want for their repairs whether it be a competing franchise dealer, a used car dealer, an independent repair shop, or other. **This is a highly competitive industry.** Competition serves to drive down the price of a good or service and, at the same time, drive up the quality of that good or service. So, the dealer's non-warranty, retail repair work is truly at a fair rate that is established by the competitive market. **Dealers cannot charge excessive fees for repair, or word would spread and they will be out of business since there is so much competition in the marketplace.**

It's important to understand that technicians also take a pay cut when manufacturers discount time as most technicians are paid a flat-rate based on the allotted hours for the repair.

This legislation requires manufacturers to reimburse dealers for warranty labor at the "average retail rate charged by the dealer...multiplied by the time guide used by the dealer for non-warranty customer-paid service repair orders." page 2, lines 3-7

Third-party time guide legislation has passed in several states including the neighboring states of Montana and Minnesota.

continued...

Problem/Solution #2 – No Cost Parts

Current law requires the manufacturer to compensate dealers for parts based on the dealer's average retail rate for the part. However, in some instances, manufacturers will prevent dealers from ordering certain parts needed for warranty repairs; and instead, mandate that the dealer notify them when they need such a part; then, the manufacturer will ship that part at no-cost to the dealer – so that the dealer cannot obtain reimbursement for that part.

The strategy is that if the part costs \$0, then the dealer's mark-up rate for reimbursement multiplied by \$0 is still \$0 – so, the manufacturer circumvents the law and avoids paying the dealer for a repair that they required them to perform.

Note: The dealer provides the technician; the dealer provides the service bay; the dealer provides the lift; the dealer provides the special tools – all of those are investments the dealer must make well in advance – and then the manufacturer unilaterally creates a process to avoid compensation for the work it requires the dealer to perform.

As it stands today, the manufacturer can unilaterally decide what parts to do this with, and not surprisingly, they are often expensive parts – absent this provision, the dealers and technicians will continue to be significantly underpaid on work they are required to perform; and even worse, there is nothing stopping the manufacturers from doing this across the board for ALL parts.

To illustrate how unfair this is, the manufacturers sell these parts to dealers for non-warranty work, but refuse to sell the part to the dealer for warranty work. There can be only one reason for this – money – and avoiding paying the dealers for warranty work. This type of provision has been adopted in over 20 states.

Problem/Solution #3 – Changing Part #s

This is a different game some manufacturers play to avoid paying for warranty work. Manufacturers, especially in the recall context, will simply change the part number and substantially lower the cost of the part – so that the payment to the dealer for the warranty work is less.

For example, let's say that a power window motor is part # 123 in the normal course of business and costs \$150. Then, the power window motor is the subject of a recall, which means a lot of motors will need to be replaced at the expense of the manufacturer – the manufacturer will then change the part number to 123A and reduce the price to \$15 for purposes of the recall. All to avoid the warranty costs associated with the recall. This provision has been adopted in several states.

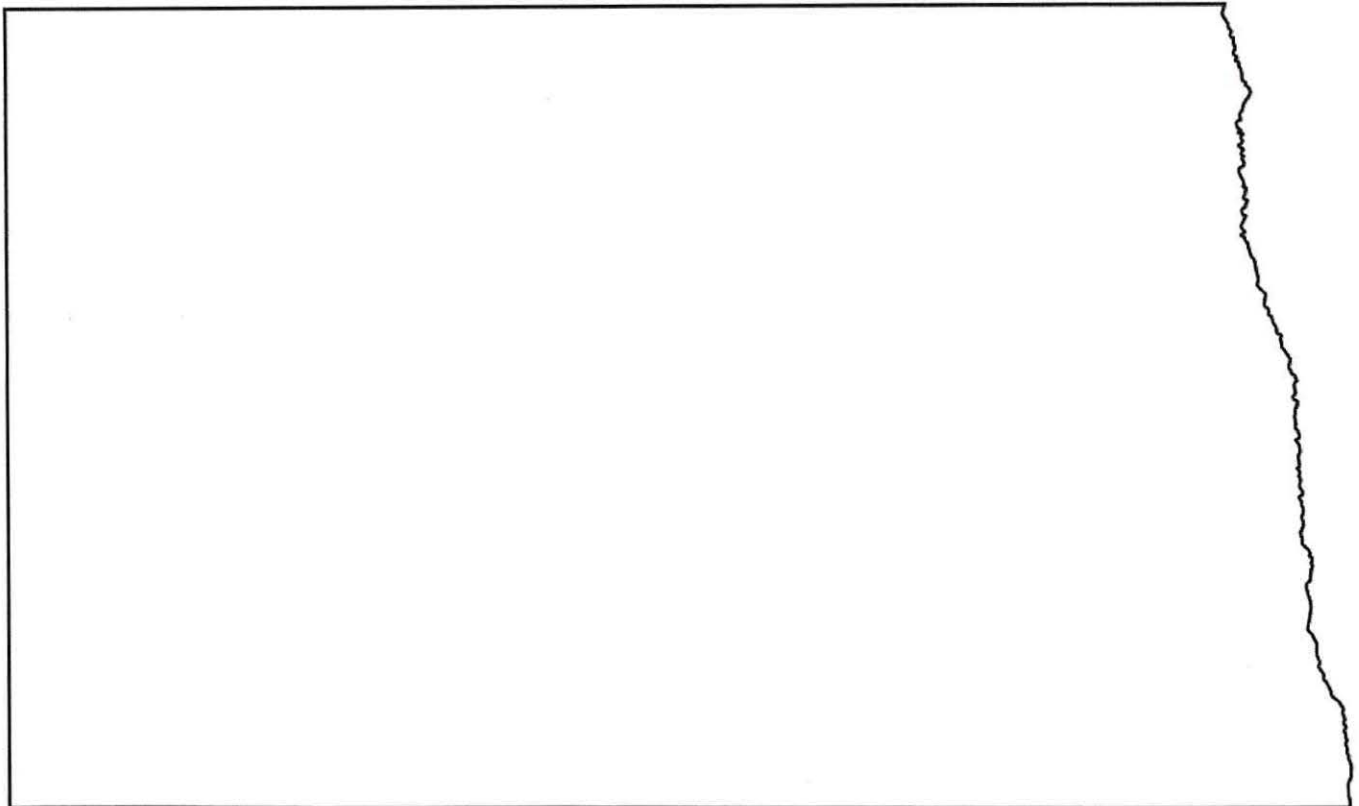
Conclusion

It is important to understand that there are protections in place for the manufacturers as well. Everything in this bill is based on free-market, competitive rates. Furthermore, a manufacturer may contest the legitimacy of any dealer's rate, they may audit the dealer, they may reduce a dealer's rate if they can justify doing so....the law provides for all of this. Our dealers need the protection of state law to ensure that there is a baseline of fairness in their contracts with auto manufacturers.

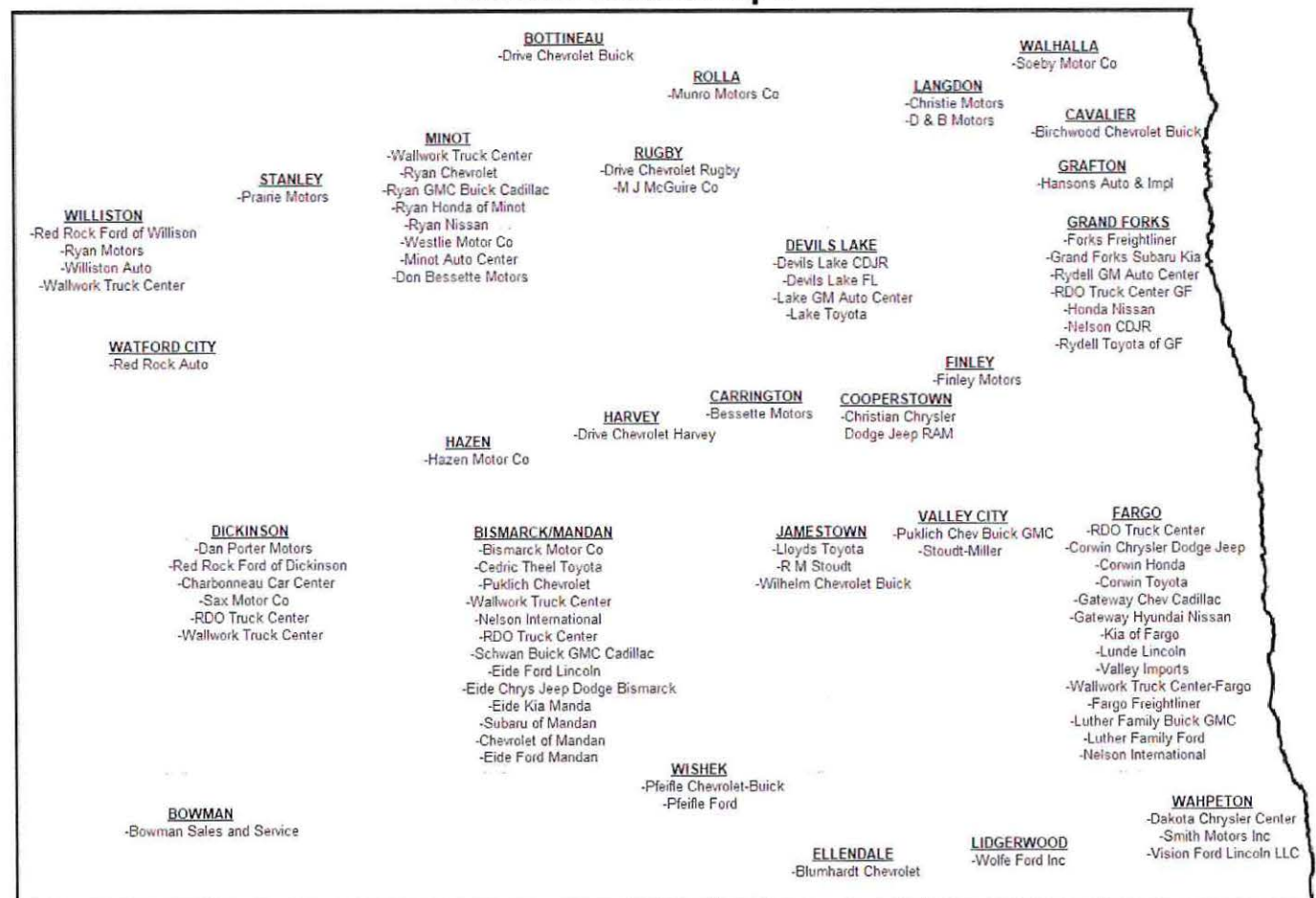
Mr. Chairman, Members of the Committee we respectfully request you pass this legislation.

Matthew C. Larsgaard, MBA
Automobile Dealers Association of North Dakota

Automobile Manufacturers



ADAND Dealerships



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

HB 1515 – Motor Vehicle Warranty Reimbursement
House Transportation Committee – February 6, 2025

Larry MacDonald, Technician

Members of the committee,

My name is Larry MacDonald and I support HB 1515. I am a Triple Master Certified Chrysler Technician at Devils Lake Chrysler Dodge Jeep Ram, in Devils Lake, North Dakota. I graduated in 2017, from the NDSCS with a degree in Automotive Technology.

Like many technicians, I am paid a commission based on a flat rate system. My pay is measured in billable hours based on how long a job is supposed to take, or "book time." The manufacturers dictate the time they allow a technician like me to complete the job. However, they almost always pay less time than it actually takes in our "real world situations."

They establish their book time by performing a labor study. This is done on newer vehicles, not a real world scenario where the vehicle has been driven for a couple of years and has thousands and thousands of miles on it. The manufacturers are not working on vehicles that have bolts that are rusted tight, become seized, and will not come out properly. Their vehicles haven't seen a lot of gravel roads that make me have to spend time digging out every bolt I need to remove. They also don't account for plastic connectors that won't come apart because they have seen many hot and cold cycles and they become so brittle that you must take extra time to avoid breaking them.

The 3rd party time guide that we use is much more accurate for our "real world" situations. It's been my experience that the manufacturer pays us about 66% of our non-warranty customer time. This is frustrating that us technicians literally get paid less to do the same exact retail job, just because it is covered under warranty.

I have many examples of repair jobs that the manufacturers really undercut our pay on. However, I want to be respectful of your time and stop there. With that being said, I have two pages of detailed repair jobs with me that I could read if you wanted, but I know it might be an awful lot for the time we have.

Thank you very much for your time.

Larry MacDonald
Technician

HB 1515 – Warranty Reimbursement

Members of the Committee.

My name is Renard Bergstrom, and I am the owner of Ford, Chrysler Dodge Jeep Ram (CDJR), Toyota, and General Motors (GM) franchises in Devils Lake, North Dakota. We are a family business that has been serving our community for over 100 years, and I have been actively involved in it for 34 of those years, continuing a legacy of dedication to our community and the automotive industry. I'm here to address the significant challenges dealerships face in training and retaining highly skilled service technicians. Passing this bill is crucial to ensuring fairness and sustainability in our industry.

Training service technicians to work on today's vehicles is a costly and time-consuming process. Manufacturers require technicians to complete extensive training programs to become certified to work on their vehicles. For technicians aiming to achieve master certification, this often involves weeks, if not months, of travel to out-of-state training facilities, and many years of practical experience in our shop. These trips incur substantial travel expenses for the dealership, including transportation, lodging, and meals. Additionally, when technicians attend virtual training or travel for off-site programs, we experience a major cost due to both the expenses associated with the training and also a loss of production as they are unable to contribute to the daily operations of the service department.

Adding to the challenge, manufacturer training programs are in high demand, and the training centers nearest to us—primarily located in Minneapolis, are often booked months or even years in advance. This lack of availability frequently forces technicians to travel to major metropolitan areas on the coasts which significantly increases both the time and cost of training. The extended travel time further reduces the technician's ability to contribute to the service departments, amplifying the impact on technician pay and dealership operations.

Currently, warranty work is a key income loss for technicians because manufacturers refuse to pay them fairly. This inequity further complicates our ability to recruit and retain high-quality professionals. Many technicians entering the field are deterred by the reality that a large part of their potential income depends on warranty work, which is most often underpaid. This creates a vicious cycle where it becomes increasingly difficult to attract the next generation of skilled workers to the industry. Our North Dakota motoring public needs qualified technicians to keep these advanced vehicles on the roads. Two of our neighboring states, Montana and Minnesota, have recently passed third party-time guide legislation like this bill will do. If this legislation is not passed we will continue to be at a distinct competitive disadvantage to those neighboring states, specifically with regard to the recruiting and retention of technicians.

These challenges illustrate the broader issue of fairness in how manufacturers treat technicians. These are the same technicians that the manufacturers require to attend and complete their many education and training programs.

The manufacturers will tell you that these technicians are not their employees, and that is true. However, the manufacturers exercise a tremendous amount of control over these technicians with respect to mandated training requirements, the specific way in which they want the technician to repair the vehicle, the time they allow to conduct the repair, the customer satisfaction index (CSI) requirements they place on technicians, and the manufacturers' certification requirements are some examples of this control. That control aspect is similar for dealerships. The manufacturers dictate facility requirements, tool requirements, and the training that our team members must attend. The dealerships have no choice in these matters, and the costs associated with them are the dealers.

The manufacturers will not pay the technicians a fair amount for warranty work. Instead, they expect the dealers to make up the pay difference between their warranty work and our non-warranty customer pay rates. This simply isn't reasonable or fair.

We are not asking for special treatment; we are simply asking for manufacturers to recognize the value of the skilled labor and significant investments required to support their brands and our North Dakota residents.

Moreover, while manufacturers may oppose increasing the time technicians are paid for these repairs, it is ultimately in their long-term interest to do so. Attracting skilled technicians to work on their products is critical to their future success. Without fair compensation for warranty work, manufacturers risk alienating the very professionals they rely on to maintain and repair their vehicles, undermining their ability to deliver quality service to customers and eroding trust in their brands over time.

I respectfully ask this committee to consider the critical role technicians and dealerships play in supporting our state's critical transportation infrastructure and pass this bill. Doing so will ensure that technicians are fairly compensated for warranty work, making it easier to recruit and retain the skilled professionals needed to maintain North Dakotans' motor vehicles.

Thank you for your time and consideration.

Renard Bergstrom

HB 1515 Warranty work bill

My name is Tyler Doll, I am a technician at Eide Ford and I support this bill. My background is deeply rooted in the automotive industry as my father, a mechanic of 25 years, has instilled this passion in me. I am married and have 2 children, a 5 year old boy and a 2 year old girl. I work hard every day to provide for my family in an industry that is becoming more difficult and complex by the day.

In 2010 I was very excited when Eide Ford hired me for an oil changing position. I worked hard and quickly became a trustworthy employee. I moved from oil changes, to used car inspections, to a Master Certified Diesel Technician, and finally, after years of perseverance, I received my Senior Master status from Ford in 2020.

An automotive technician needs to be a skilled electrician, they need to have a solid understanding of fluid dynamics and hydraulic systems, and they need to understand metal work and fabrication. They also need to be experts with computers as programming vehicle software and trouble-shooting advance network systems has become common place in our industry. Long gone are the days of fixing a vehicle with a screwdriver and duct tape. Furthermore, over the course of their career, technicians will need to purchase about \$20,000-\$50,000 worth of tools. The money for this investment doesn't come from the employer or Ford. The technician is the one that pays for their tools.

Our nationwide industry is a little bit unique with respect to how we technicians are paid. I am not paid hourly, nor am I on commission. I am compensated based on a flat rate schedule. Most farm equipment dealerships do the same thing. I make my money when I am working on a vehicle.

For example, we use a system called Pro Demand (PRO) which supplies us with repair times for all the manufacturers and their respective lines of

vehicles. Let's say I need to replace a wheel bearing on an F150. PRO shows 1.5 hours; our shop rate is \$150. So, we run the math and then provide the non-warranty customer with a quote for \$225. If the customer chooses to have us perform the repair, they will pay only \$225 in labor whether it takes me 1 hour or 5 hours to complete this repair. The problem that we technicians have is that Ford does NOT pay the same PRO time. Ford only refers to their own set of rules regarding time for warranty repairs, which is a majority of our incoming work. Remember, this isn't our warranty obligation, it's Ford's. Ford says a technician only deserves .8 hours to replace this wheel bearing, a job that requires the complete disassembly and reassembly of one corner of the truck's suspension! That is crazy. If I need to charge a family in North Dakota the retail rate, why does Ford get my hard work and sweat at a discount? That's not fair.

Another example of this is a 2023 Ford explorer, a notoriously complicated vehicle to work on. Ford will pay a technician 21 hours to replace the 3.0L turbo engine, while PRO pays a full 31 hours for the same job. Ford shorts us almost a day and a half worth of pay.

I have more examples but will stop there. I believe it is not just fair, but extremely important to hold Ford accountable for THEIR warranty by properly compensating us. Currently we technicians are taking a big pay cut, almost on a daily basis, because they refuse to pay for THEIR warranty obligation. If they don't want to pay for warranty work, then I would respectfully suggest that they should build the cars better and don't make us pay for their mistakes.

Please pass this legislation. Thank you very much for your time. You are important people.

Very Respectfully,

Tyler Doll
Technician for Ford

House Bill 1515
Testimony of Steve J Zaun, General Manager
Puklich Chevrolet and Puklich Chevrolet GMC

Mr. Chairman and members of the committee. My name is Steve Zaun, and I am appearing in support of House Bill 1515 on behalf of Puklich Chevrolet in Bismarck and Puklich Chevrolet GMC in Valley City.

Currently, ND law requires the manufacturers to pay us our free-market hourly labor rate and parts mark-up. This is the same exact rate that we charge our non-warranty customers to repair their vehicles. Over the last several years, we have seen the manufacturers employ several tactics to sidestep the law that was passed in 2013. They have figured out a couple of loopholes in that law. Specifically, they discount the number of warranty labor hours and either pay us less or don't pay us at all for the parts we use for their warranty work.

Over the last 3-5 years we have seen manufacturers decrease the labor hours allowed by 30-40% for the same repair on the same vehicle. How can this be? This is not reasonable. I believe they are simply trying to cut costs at the dealers' expense. They claim they perform an accurate time study by going through all of the steps necessary to perform any given repair. However, I have seen first-hand that the way they perform their study really isn't the same as the repairs we perform in the real world.

I participated in a GM Warranty Time Guide demonstration in August of 2024 at GM's plant in Detroit, MI. We watched GM conduct the actual repair to develop their time guide. I openly admit, I was impressed with the process GM used to develop their warranty times. One thing that was very apparent to me during this demonstration is that the repairs were done on brand new or newer vehicles that have never been on the road for more than a couple of hundred miles and don't have rust and wear and tear. However, this really isn't an accurate representation of real-world repairs. Imagine replacing parts underneath a vehicle that is a couple of years old and has spent 20K plus miles on a scoria road or driven on roads kept safe by salt and other chemicals. These vehicles absolutely take more time for our technicians to repair.

Certainly, some vehicles come to us in great shape, while others have been full of mud, rust, and other aging and use challenges. The third-party time guides that are widely used by dealers across the nation account for this and the "real world" challenges I previously mentioned. We know that sometimes we will beat the time allowed and in other cases we will go well over the time allowed. We are only asking for a fair time for all repairs. The manufacturer should not be providing us less time than we use for every other paying customer. We have the same overhead, same cost of technicians, same investments in facilities, whether we are working for paying customers or doing the manufacturers' warranty work.

In addition, the manufacturers will reduce the cost of a particular part needed for a warranty repair, typically a large recall, by as much as 60% or more, thereby reducing the amount of the mark-up they are required to pay us for. They accomplish this by changing the part number needed for the recall which allows them to create a "new" artificial price for this part. This is just another clever way to circumvent the law. A couple of years ago, we had a major hitch recall on Silverado pick-ups. Magically, our cost for the part dropped from over \$268.07 to about \$42.19 overnight. We still had the same hitch at a cost of \$268.07 hitch for sale to the public - but the exact same hitch with a different part number's cost dropped to \$42.19 for the recall warranty part.

Please understand that warranty reimbursement rates are dictated by the manufacturer and are non-negotiable. **We have no ability to require the manufacturers to pay us fairly.**

As previous testimony stated, our technicians are highly trained, skilled people who invest heavily in ensuring the vehicles we all drive are safe and reliable. I will close my testimony with the most concerning thought of all. Just this last summer we had two technicians quit working for us because, as they said, even though they loved working for Puklich Chevrolet, they were tired of fighting GM to get paid a fair time for their talent and the investment they make in their tools and their trade. Many, many dealers will tell you that losing technicians is a very real threat. If we do not close the loopholes in our current law and require these out-of-state manufacturers to pay our technicians fairly, there will come a time when we will not have enough skilled technicians to properly repair vehicles....and this problem is just over the horizon.

Thank you for your consideration of this very important legislation.

Steve J Zaun

HB 1515 – Dealer Warranty Bill

Casey Holte, Technician

2/3/25

Good afternoon Mr. Chairman and Committee members,

My name is Casey Holte and I support HB 1515. I was born and raised in North Dakota, married and have 3 kids in school. I have an associate's degree in automotive technology and am also an ASE certified master technician as well as many GM training categories including Electric Vehicles and more. I currently work at Schwan GMC Cadillac and have been there since 2005...going on 20 years now. Over the years I have seen manufacturer warranty times be considerably less than what the market rate is. Performing the exact same repair on a vehicle under factory warranty versus a vehicle out of warranty can fluctuate greatly; sometimes up to 50% less. In my opinion this doesn't seem fair.

However, I want to zero in on another thought. Some manufacturers make you want to think that when you have a brand new vehicle with low miles in for warranty work that it is clean, neat, and easy. Well, that isn't exactly correct. Every couple of years manufacturers make significant changes to existing vehicle models in order to "freshen" them up and get people to buy the new model. As a result, they create brand new repair procedures that they require us technicians to follow. The technicians now have to figure out what the new procedures are on a job that we have never done before. You usually have to look up every step of the repair procedure and also take time to find every special tool that you will need. This can take a lot of time and you almost always end up beyond the time the manufacturer allows for that repair.

Committee members, I very respectfully ask you to please consider passing this bill. Thank you very much for your time, your service to North Dakota and people like me.

Casey Holte

Technician

HB 1515 – Warranty Compensation

2/5/24

House Transportation Committee Members;

My name is Jon Handy and I am appearing in support of HB 1515. I am the COO of Grand Forks Subaru Kia. As a small North Dakota automobile dealership our service work and service department employees are vital to our success. Today, trying to break even or meet minimum profit levels is very challenging due, in large part, to the way we're being reimbursed by our manufacturers for warranty work.

You have already heard several examples of the discrepancy in the amount of time that the manufacturers provide us. This same issue exists for me, and I can provide examples. However, I would like to focus on just one key point.

Point #1: **Vehicle warranties are provided by the manufacturers, not the dealers.** It is the manufacturer that makes the "warranty" promise to the consumer. The warranty is the manufacturers' obligation; however, they make us pay for their manufacturing mistakes. We have no control regarding how that vehicle was built. If the manufacturers don't design the car correctly or they purchase parts from the least expensive supplier in China, why do they require us to incur the cost for their mistakes or poor business decisions?

I believe that North Dakota's dealers are being taken advantage of by these billion-dollar, global manufacturers. Many of these manufacturers are headquartered in Europe and Asia and they certainly don't do things the way we do them here in North Dakota. I am very glad that they are here, however I also think they need to be held accountable to treat dealerships, technicians and our residents fairly.

I respectfully ask you to please pass this legislation.

Jon Handy
COO
Grand Forks Subaru KIA

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.

continued....

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

2025 HOUSE STANDING COMMITTEE MINUTES

Transportation Committee Room JW327E, State Capitol

HB 1515
2/13/2025

Relating to motor vehicle warranty work compensation.

2:53 p.m. Chairman D. Ruby called the meeting to order.

Members Present: Chairman D. Ruby, Vice Chairman Grueneich, Representatives Christianson, Dressler, Finley-DeVile, Frelich, Johnston, Hendrix, Kasper, Koppelman, Maki, Morton, Osowski, Schatz

Discussion Topics:

- Christmas tree versions
- Third party timing sheets
- Future disputes
- Parts and labor rates

2:53 p.m. Representative Koppelman proposed an amendment, testimony #37664.

3:00 p.m. Representative Koppelman moved to adopt proposed amendment LC #25.0936.02002.

3:00 p.m. Representative Morton seconded the motion.

3:14 p.m. Voice vote - need roll call vote to verify.

3:14 p.m. Representative Koppelman moved to adopt amendment.

3:14 p.m. Representative Kasper seconded the motion.

3:15 p.m. Roll call vote on proposed amendment LC#25.0936.02002.

Representatives	Vote
Representative Dan Ruby	Y
Representative Jim Grueneich	Y
Representative Nels Christianson	Y
Representative Ty Dressler	Y
Representative Lisa Finley-DeVile	Y
Representative Kathy Frelich	Y
Representative Jared Hendrix	Y
Representative Daniel Johnston	Y
Representative Jim Kasper	Y
Representative Ben Koppelman	Y
Representative Roger A. Maki	Y

Representative Desiree Morton	Y
Representative Doug Osowski	Y
Representative Mike Schatz	N

3:15 p.m. Motion to Amend passed 13-1-0.

3:15 p.m. Representative Koppelman moved a Do Pass as Amended.

3:15 p.m. Representative Kasper seconded the motion.

Representatives	Vote
Representative Dan Ruby	Y
Representative Jim Grueneich	Y
Representative Nels Christianson	Y
Representative Ty Dressler	Y
Representative Lisa Finley-DeVille	Y
Representative Kathy Frelich	Y
Representative Jared Hendrix	Y
Representative Daniel Johnston	Y
Representative Jim Kasper	Y
Representative Ben Koppelman	Y
Representative Roger A. Maki	Y
Representative Desiree Morton	Y
Representative Doug Osowski	Y
Representative Mike Schatz	Y

3:16 p.m. Motion passed 14-0-0.

3:16 p.m. Representative Koppelman will carry the bill.

3:16 p.m. Chairman D. Ruby adjourned the meeting.

Janae Pinks, Committee Clerk

February 13, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO

OK
2/13/25
10/8

HOUSE BILL NO. 1515

Introduced by

Representatives D. Ruby, Bosch, Ista, Lefor, Weisz, Vigesaa

Senators Hogan, Hogue, Klein

1 A BILL for an Act to amend and reenact section 51-07-29 of the North Dakota Century Code,
2 relating to motor vehicle warranty work compensation.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Section 51-07-29 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **51-07-29. Warranty work compensation.**

7 1. a. A motor vehicle manufacturer or distributor shall ~~include reasonable~~
8 ~~compensation for diagnostic work, as well as repair service, parts, and labor, in~~
9 ~~warranty work compensation. In addition, a motor vehicle manufacturer shall~~
10 ~~provide adequate time allowances for diagnosis and performance of warranty~~
11 ~~work and service for the work performed. The hourly labor rate paid by a motor~~
12 ~~vehicle manufacturer to the dealer for warranty services may~~reasonably
13 compensate its dealers for labor and parts provided by the dealer in connection
14 with the following manufacturer or distributor sponsored, issued, or required
15 items:

16 (1) Predelivery preparation.

17 (2) Installation of accessories or components required by the manufacturer or
18 distributor to be installed before the sale of a vehicle to a consumer.

19 (3) Diagnostic work.

20 (4) Maintenance programs.

2018

(5) Extended warranty.

(6) Certified preowned warranty.

(7) Service contracts.

(8) Parts exchange programs.

(9) Recall, goodwill, and warranty work performed by the dealer.

b. Reasonable compensation for labor for the services identified in subdivision a may not be less than the average retail rate charged by the dealer for like service to nonwarranty customers for nonwarranty service as provided under subsection 5. A motor vehicle manufacturer may not reimburse a dealer for parts used in the performance of warranty repair at a lower rate multiplied by the time guide used by the dealer for nonwarranty customer-paid service repair orders. To establish a time guide, a dealer shall provide written notice to the manufacturer or distributor with the name of the time guide the dealer uses. The manufacturer or distributor may not require the dealer to provide any other information to establish the time guide the dealer uses. If no time guide exists for a warranty repair, compensation for warranty labor must equal the dealer's average retail rate multiplied by the time spent to complete the repair, and may not be less than the time charged to a retail customer for the same or similar work provided. A dealer shall use time allowances for the diagnosis and performance of work and service which are reasonable and adequate for a qualified technician to perform the work or services. Reasonable compensation for parts for the services identified in subdivision a may not be less than the average retail rate customarily charged by the dealer for these parts as provided under subsection 4.

2. A dealer shall submit a claim for reimbursement for services within ~~one hundred~~ ~~eighty~~ninety days from the completion of the services identified in subdivision a of subsection 1. A motor vehicle manufacturer or distributor shall pay a dealer on a claim made by a dealer under this section within thirty days of the approval of the claim. The manufacturer or distributor shall either approve or disapprove a claim within thirty days after the claim is submitted to the manufacturer or distributor. The manufacturer or distributor may prescribe the manner in which and the forms on which the dealer must present the claim. A claim not specifically disapproved in writing within thirty days after

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1 the manufacturer or distributor receives the claim must be construed to be approved
2 and the manufacturer or distributor shall pay the claim within thirty days. If a
3 manufacturer or distributor disapproves a claim in writing within thirty days, the
4 manufacturer or distributor shall contemporaneously provide the dealer with a detailed
5 written explanation of the reason the claim was disapproved. The dealer has thirty
6 days from the receipt of the disapproval to resubmit a corrected claim.

7 3. A motor vehicle manufacturer, ~~factory branch, or distributor, or distributor branch~~ shall
8 fully compensate its motor vehicle dealers licensed in this state for ~~warranty parts,~~
9 ~~work, and service~~ and labor specified in this section. Failure to fully compensate
10 includes a reduction in the amount due under this section to the dealer or imposing a
11 separate charge, surcharge, or other imposition by which the motor vehicle
12 manufacturer, ~~factory branch, or distributor, or distributor branch~~ seeks to recover the
13 costs of complying with this section from the dealer.

14 4. The retail rate customarily charged by the dealer for parts is established by the dealer
15 submitting to the manufacturer or distributor one hundred sequential nonwarranty
16 customer-paid service repair orders that contain warranty-like parts or ninety
17 consecutive days of nonwarranty customer-paid service repair orders that contain
18 warranty-like parts, whichever is less, covering repairs made no more than one
19 hundred eighty days before the submission and declaring the average percentage
20 markup.

21 5. The retail rate customarily charged by the dealer for labor must be established using
22 the same process as provided under subsection 4 and declaring the average labor
23 rate. The average labor rate must be determined by dividing the amount of the
24 dealer's total labor sales by the number of total hours that generated those sales. If a
25 labor rate and parts markup rate are simultaneously declared by the dealer, the dealer
26 may use the same repair orders to complete each calculation as provided under
27 subsection 4.

28 6. In calculating the retail rate customarily charged by the dealer for parts and labor as
29 provided in subsections 4 and 5, the following work may not be included in the
30 calculation:

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- 1 a. Repairs for manufacturer or distributor special events, specials, or promotional
- 2 discounts for retail customer repairs;
- 3 b. Parts sold at wholesale;
- 4 c. Parts or labor used in manufacturer or distributor sponsored programs that
- 5 restrict the pricing for repairs;
- 6 d. Routine maintenance not covered under any retail customer warranty, including
- 7 fluids, filters, and belts not provided in the course of repairs;
- 8 ~~d.e.~~ Nuts, bolts, fasteners, and similar items that do not have an individual part
- 9 number;
- 10 e. Tires
- 11 f. Replacement or work on tires, including wheel or tire rotations or balancing, or
- 12 replacements of brakes, including brake drums, rotors, shoes, or pads; and
- 13 ~~f.g.~~ Vehicle reconditioning;
- 14 h. Alignments, unless necessary as part of a mechanical repair;
- 15 i. Batteries, other than electric vehicle or hybrid vehicle propulsion batteries;
- 16 j. Repairs of a motor vehicle owned by the dealer or an employee of the dealer;
- 17 k. Installation of accessories;
- 18 l. ~~Repairs of conditions caused by collision, road hazard, the force of the elements,~~
- 19 ~~vandalism, theft, or owner, operator, or third party negligence or deliberate act;~~
- 20 ~~m.~~ Repairs to or with aftermarket parts;
- 21 ~~n.m.~~ Repairs performed on motor vehicles of a line make other than that for which the
- 22 dealer is franchised by the motor vehicle manufacturer.
- 23 7. a. The average of the parts markup rates and labor rate calculated under
- 24 subsections 4 and 6 is presumed to be fair and reasonable and must go into
- 25 effect thirty days following the manufacturer's approval receipt of the submission
- 26 subject to the manufacturer or distributor's ability to contest the rate as provided
- 27 in this subsection. The motor vehicle manufacturer or distributor may not issue
- 28 more than one notice to the dealer contesting any declared labor rate or parts
- 29 markup, and may not add to, expand, supplement, or otherwise modify any
- 30 reason for contesting the declared rate or parts markup. A manufacturer or
- 31 distributor may rebut the presumption by reasonably substantiating that a rate is

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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 declaration of the same line make vehicles, not later than thirty days after submission. If the average parts markup rate or average labor rate is rebutted, or both, the manufacturer or distributor shall propose an adjustment of the average percentage markup based on that rebuttal not later than thirty days after submission. contest the material accuracy of the rate calculated under this section by providing a written objection to the dealer within thirty days after receiving the dealer's submission, and shall:

- (1) Provide the dealer with a copy of all calculations used by the motor vehicle manufacturer or distributor to make the determination of the dealer's labor rate or parts markup, a written explanation of the basis for any inaccuracy alleged by the motor vehicle manufacturer or distributor, and evidence substantiating any written explanation.
- (2) Provide a proposed adjustment of the dealer's labor rate or parts markup based solely upon the information provided by paragraph 1.
- (3) Commence paying the dealer at the proposed adjusted labor rate or parts markup determined by the motor vehicle manufacturer or distributor as provided in this section. This section applies to all proposed adjusted labor rates or parts markups, even if the motor vehicle manufacturer's or distributor's determination of the labor rate or parts markup is different from the labor rate or parts markup provided in the dealer's submission.

b. If a motor vehicle manufacturer or distributor fails to comply with the requirements of subdivision a within thirty days of receipt of submission, ~~any labor rate or parts markup submitted is effective after thirty days~~ the submission is approved.

c. If a dealer agrees with the conclusions of the motor vehicle manufacturer or distributor and any corresponding adjustment to the labor rate or parts markup contained within the written objection, no further action is required. The new adjusted rate is effective thirty days after the dealer's submission is received by the manufacturer or distributor.

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d. If a motor vehicle manufacturer or distributor provides a written objection that complies with the requirements under subdivision a, and the dealer does not agree with the proposed adjusted labor rate or parts markup contained within the written objection, or if the dealer disputes the motor vehicle manufacturer or distributor complied with the provisions of subdivision a, the dealer may bring an action in a court of competent jurisdiction. In such proceeding:

- (1) The motor vehicle manufacturer or distributor has the burden of proof by a preponderance of the evidence, and must show:
 - (a) The manufacturer or distributor complied with subdivision a;
 - (b) The dealer's submitted labor rate or parts markup was materially inaccurate; and
 - (c) The manufacturer's or distributor's proposed adjustment to the dealer's submitted labor rate or parts markup was materially accurate.
- (2) If the dealer prevails in the action, the dealer's labor rate or parts markup is retroactive to the date thirty days following the motor vehicle manufacturer's or distributor's receipt of the submission, and the dealer shall recover all expenses in bringing and maintaining the action, including reasonable attorney fees. If a court finds the motor vehicle manufacturer or distributor willfully violated this section, the dealer is entitled to recover three times the amount of the retroactive labor rate or parts markup.

8. ~~Each manufacturer, in establishing a schedule of compensation for warranty work, shall rely on the vehicle dealer's written schedule of hourly labor rates and parts and may not obligate any vehicle dealer to engage in unduly burdensome or time-consuming documentation of rates or parts, including obligating vehicle dealers to engage in transaction-by-transaction or part-by-part calculations.~~ In establishing a rate under this section, the dealer's labor rate or parts markup must be calculated using the method proscribed in subsections 4 through 6.
9. ~~A dealer or, manufacturer, or distributor~~ A dealer or manufacturer or distributor may demand that the average parts markup or average labor rate be calculated using the process provided under subsections 4 and 5; however, the demand for the average parts markup may not be made within twelve months of the last parts markup declaration and the demand for the average labor rate

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may not be made within twelve months of the last labor rate declaration. If a parts markup or labor rate is demanded by the dealer or manufacturer or distributor, the dealer shall determine the repair orders to be included in the calculation under subsections 4 and 5.

10. a. If a motor vehicle manufacturer or distributor furnishes, or causes to be furnished, a part to a dealer at no cost or at a reduced cost for use in performing the services identified in subdivision a of subsection 1, the motor vehicle manufacturer or distributor shall compensate the dealer in the same manner as parts compensation under this section by paying the dealer for the dealer's cost of the part, if any, plus an amount equal to the dealer's parts markup, multiplied by the wholesale value of the part. The wholesale value of the part must be the greater of:

- (1) The amount the dealer paid for the part or a substantially identical part if already owned by the dealer;
- (2) The cost of the part shown in a current, or prior, motor vehicle manufacturer's, distributor's, or furnishing party's established price schedule; and
- (3) The cost of a substantially identical part shown in a current, or prior, motor vehicle manufacturer's, distributor's, or furnishing party's established price schedule.

b. A motor vehicle manufacturer or distributor may not establish or implement a special part number for any part used in the services identified in subdivision a of subsection 1 if it results in lower compensation to the dealer than as calculated under this section.

11. A motor vehicle manufacturer or distributor may not:

- a. Require or influence or attempt to influence a dealer to implement or change the prices for which it sells parts or labor in retail repairs.
- b. Implement or continue a policy, procedure, or program to any of its dealers in this state for compensation under this section which is inconsistent with this section unless otherwise agreed by the dealer and the manufacturer or distributor.

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- 1 c. Take, or threaten to take, adverse action against a dealer that seeks to obtain
2 compensation under this section, including:
3 (1) Creating or implementing an obstacle or process that is inconsistent with the
4 motor vehicle manufacturer's obligations to the dealer under this chapter;
5 (2) Acting, ~~or failing to act, other than in good faith~~ in bad faith; or
6 (3) Hindering, delaying, or rejecting the proper and timely payment of
7 compensation due to a dealer under this section, provided nothing in this
8 paragraph may restrict or impair audits or chargebacks conducted in
9 accordance with section 51-07-02.4.
10 12. This section applies to all manufacturers and distributors as defined by section
11 51-07-00.1, and any other person that supplies a component or part installed on a new
12 motor vehicle for which the warranty of the component or part is warranted by another
13 person that is not the manufacturer.

**REPORT OF STANDING COMMITTEE
HB 1515**

Transportation Committee (Rep. D. Ruby, Chairman) recommends **AMENDMENTS** ([25.0936.02002](#)) and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT OR EXCUSED AND NOT VOTING). HB 1515 was placed on the Sixth order on the calendar.

HB 1515 Amendments

2/12/25
1428

Page 1, line 17: after the word "required" insert "by the manufacturer or distributor"

Page 2, line 14: after the word "provided." Insert a new sentence "A dealer shall use time allowances for the diagnosis and performance of work and service that are reasonable and adequate for a qualified technician to perform the work or services."

Page 2, line 18: strike "~~one hundred eighty~~" and replace with "ninety"

Page 3, line 2: strike "~~warranty~~" and the comma "," after the word "parts"

Page 3, line 3: strike "~~work, and service~~" and replace with "and labor"

Page 4, delete lines 11 -12: "~~Repairs of conditions caused by collision, road hazard, the force of the elements, vandalism, theft, or owner, operator, or third party negligence or deliberate act;~~"

Page 5, line 17, strike the word "~~any~~"

Page 5, line 18: strike "~~labor rate or parts markup submitted is effective after thirty days~~" and replace with "then the submission shall be deemed approved."

Page 5, line 23: after the word "manufacturer" add "or distributor."

Page 7, lines 21: after the phrase "which is inconsistent with this section" add "unless otherwise agreed by the dealer and the manufacturer or distributor."

Page 7, line 26: strike "~~, or failing to act, other than in good faith~~" and replace with "in bad faith."

Page 7, line 28: after the word "section" add ", provided that nothing in this paragraph shall restrict or impair audits or chargebacks conducted in accordance with section 51-07-02.4"

2025 SENATE TRANSPORTATION

HB 1515

2025 SENATE STANDING COMMITTEE MINUTES

Transportation Committee Fort Totten Room, State Capitol

HB 1515
3/13/2025

A BILL for an Act to amend and reenact section 51-07-29 of the North Dakota Century Code, relating to motor vehicle warranty work compensation.

4:00 p.m. Chairman Clemens opened the hearing.

Members present: Chairman Clemens, Vice Chairwoman Cory, Senator Hogan, Senator Klein, Senator Paulson, Senator Rummel

Discussion Topics:

- Warranty repair process
- Margins for warranty and non-warranty work
- Technician pay structures and bonus programs.

4:01 p.m. Representative D. Ruby, District 38, introduced HB 1515 and testified in favor.

4:10 p.m. Matthew Larsgaard, Automobile Dealers Association of North Dakota, testified in favor and submitted testimony #41414.

4:19 p.m. Ryan Else, Fixed Operations Director, Eide Automotive Group, testified in favor and submitted testimony #41413.

4:31 p.m. Larry MacDonald, Triple Master Certified Chrysler Technician, Devils Lake Chrysler Dodge Jeep Ram, testified in favor and submitted testimony #41412.

4:34 p.m. Renard Bergstrom, Owner, Ford Chrysler Dodge Jeep Ram Toyota GM Devils Lake Franchises, testified in favor and submitted testimony #41411.

4:40 p.m. Tyler Doll, Senior Master Technician, Eide Ford, testified in favor and submitted testimony #41410.

4:42 p.m. Steve Zaun, General Manager, Puklich Chevrolet GMC, testified in favor and submitted testimony #41409.

4:45 p.m. Jeff Perry, Director of Public Policy, General Motors, testified in opposition and submitted testimony #41349.

5:15 p.m. Matt Fennig, GM, testified in opposition.

5:26 p.m. David Bright, Senior Attorney, Alliance for Automotive Innovation, testified in opposition and submitted testimony #41407.

5:32 p.m. Chairman Clemens adjourned the meeting.

Senate Transportation Committee

HB 1515

March 13, 2025

Page 2

Chance Anderson, Committee Clerk

My name is Jeff Perry and I am here today along with my colleague Matt Fennig from our warranty service garage in Clawson ,MI representing General Motors in opposition to House bill 1515.

We've heard that manufacturers should pay the same as dealers charge the retail consumers, but it is also clear that we do not have the same relationship with dealers as a retail consumer. To begin our relationship at its core is based on a legal contract - a meeting of the minds. Under that contract each side has agreed to certain benefits and obligations. Paramount in that agreement, manufacturers provide dealers cars and parts at a discount and the dealer then builds a very profitable business from that. Dealers are guaranteed warranty repair work they do not advertise for and do not compete for with independent shops. They enjoy substantial state protection that smaller independent shops do not. And North Dakota dealers receive millions of dollars each year in bonus support funding from their manufacturers that independent repair shops do not enjoy, and all too often is glossed over in these discussions.

While dealers argue they cannot afford higher wages, financial data submitted by the dealers shows North Dakota dealers averaging a 73% gross profit on warranty labor, similar to the 72% gross profit on customer pay labor. Dealers say this bill is about fair compensation for technicians, but while they want you to mandate what manufacturers pay a dealer, they have not included any similar state mandate directing what a dealer should pay their technician. We are fully committed to paying for work actually performed, but this bill is a money grab, intended only to pay dealers the highest amount of money they can get, regardless of the work actually performed.

GM is committed to fair compensation for warranty repairs, and payment for actual work and time spent repairing the vehicle. We measure repair times meticulously and have processes for dealers to request additional time when needed. In 2024, only about 2% of all repairs requested extra time, with GM approving over 98% of those requests. We are also committed to helping to stabilize and grow dealer technician employment. In 2021, we launched the GM Technician Excellence Program, offering quarterly

bonuses up to \$6,000 per year (or \$12,000 with dealer matching) and funds for new technicians to purchase tools.

We oppose any mandate requiring payment for time not actually spent on repairs, based on estimates from unregulated publishers that admit their times are merely best guesses intended for estimates, not billing. HB 1515 endorses a practice that overcharges North Dakota consumers by billing them based on estimates rather than actual time worked and does nothing to help ensure technicians get a greater share of the money paid to dealers for the work they do.

We urge you to oppose HB 1515.

Jeff Perry
Director, Public Policy
General Motors



March 13, 2025

Chairman David A. Clemens
North Dakota Senate Transportation Committee

Re: Written testimony in opposition to HB 1515

Dear Chairman Clemens:

On behalf of the Alliance for Automotive Innovation,¹ I am writing to record 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 North Dakota and the other 49 states.

When dealers perform work under a manufacturer's warranty, the manufacturer pays the dealer the same labor rate that the dealer charges the public and the dealer is paid for the number of hours that a manufacturer has timed the actual repair to take, which is listed in the manufacturer's warranty time guide. HB 1515 would allow dealers to use aftermarket third-party time guides for work performed under a manufacturer's warranty. Aftermarket guides are intended for general mechanics at independent repair shops that do not specialize in a brand, do not have special tools that a dealer of that brand would have, do not have the training that a mechanic at a dealership would have, and who typically work on older vehicles. Aftermarket time guides are simply intended for a different audience and for a different purpose than warranty work. A senior executive from one of the largest aftermarket guides even confirmed in a sworn affidavit that the time estimates in aftermarket time guides are simply estimates, they are not calculated by actually performing repairs, and are not intended for warranty repairs.

By contrast, manufacturer time guides are intended for warranty work at a dealership. Time allowances in a manufacturer's time guide are not estimates, they are calculations that come from actually doing the repairs and timing how long a qualified technician needed to complete a specific repair. In the event that a dealer needs additional time, there is a process in place for the dealer to request it (and the extra time is typically granted). Manufacturers also allow dealers to request reviews of the time allowance if the dealer believes they need to be restudied.

The difference between a manufacturer's time guide and an aftermarket time guide can be significant. There are also frequently significant differences between the various aftermarket guides for the same repair. These variations are due to the fact the time guide publishers do not perform nor time the actual repair and base the time on estimates. Only automakers actually perform and time the repairs.

The consequences of using inapplicable aftermarket time guides instead of warranty time guides to compensate for warranty work would be significant. In North Dakota alone, we estimate that this bill would cause manufacturers to overpay by roughly \$22 million every year. If every state in the country were to adopt a similar bill, the result would be more than \$5 billion in overpayments every year. That would be a lot of extra cost that would ultimately be passed on to consumers. Notably, only six states have such a law. North Dakota would be an outlier if it passed this bill.

There is no need for this bill. The average dealer in today already earns a gross profit margin of 78% on warranty work. Warranty work is a high margin, high volume, steady stream of business for which the dealer

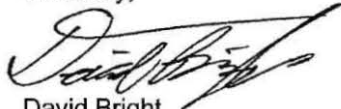
¹ **About Alliance for Automotive Innovation:** From the manufacturers producing most vehicles sold in the U.S. to autonomous vehicle innovators to equipment suppliers, battery producers and semiconductor makers, the Alliance for Automotive Innovation represents the full auto manufacturing industry—a critical sector in America's economy.

does not need to advertise to attract or retain. It is also noteworthy that *nothing* in the bill requires dealers to pay their employees more or share any of the extra payments with them.

The Alliance for Automotive Innovation offered two compromises to ensure that dealers are not underpaid for the number of hours worked: to create a statutory obligation that the manufacturer cannot unreasonably deny a request for extra time; or to allow a dealer to be paid based on actual time worked rather than a flat rate book. Both options were rejected by the Automobile Dealers Association of North Dakota. The bill would still allow dealers to demand to be paid based on aftermarket time guides, which will result in dealers being paid for significantly more hours than were actually worked. That is unreasonable.

The Alliance for Automotive Innovation respectfully asks the committee not to pass HB 1515. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "David Bright", with a stylized flourish at the end.

David Bright
Senior Attorney

25.0936.02000

Sixty-ninth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1515

Introduced by

Representatives D. Ruby, Bosch, Ista, Lefor, Weisz, Vigesaa

Senators Hogan, Hogue, Klein

AFAI: BLUE. New Language highlighted in yellow.

- 1 A BILL for an Act to amend and reenact section 51-07-29 of the North Dakota Century Code,
2 relating to motor vehicle warranty work compensation.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Section 51-07-29 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **51-07-29. Warranty work compensation.**

- 7 1. a. A motor vehicle manufacturer or distributor shall include reasonable
8 compensation for diagnostic work, as well as repair service, parts, and labor, in
9 warranty work compensation. In addition, a motor vehicle manufacturer shall
10 provide adequate time allowances for diagnosis and performance of warranty
11 work and service for the work performed. The hourly labor rate paid by a motor
12 vehicle manufacturer to the dealer for warranty services may reasonably
13 compensate its dealers for labor and parts provided by the dealer in connection
14 with the following manufacturer or distributor sponsored, issued, or required
15 items:
16 (1) Predelivery preparation.
17 (2) Installation of accessories or components required by the manufacturer or
distributor to be installed before the
18 sale of a vehicle to a consumer.
19 (3) Diagnostic work not otherwise compensated.
20 (4) Maintenance programs.
21 (5) Extended warranty.
22 (6) Certified preowned warranty.
23 (7) Service contracts.
24 (8) Parts exchange programs.
1 (9) Recall, goodwill, and warranty work performed by the dealer.
2 b. Reasonable compensation for labor for the services identified in subdivision a

3 ~~recall and warranty~~ may not be less than the average retail rate charged by the
dealer for like service

4 to nonwarranty customers for nonwarranty service as provided under

5 subsection 5, provided such rate is reasonable. A motor vehicle manufacturer may
not reimburse a dealer for parts

6 used in the performance of warranty repair at a lower rate multiplied by the time

7 guide used by the dealer for nonwarranty customer paid service repair orders. To

8 establish a time guide, a dealer shall provide written notice to the manufacturer or

9 distributor with the name of the time guide the dealer uses. The manufacturer or

10 distributor may not require the dealer to provide any other information to establish

11 the time guide the dealer uses. If no time guide exists for a warranty repair,

12 compensation for warranty labor must equal the dealer's average retail rate

13 multiplied by the time spent to complete the repair, and may not be less than the

14 time charged to a retail customer for the same or similar work provided. A

manufacturer or distributor shall use time allowances for the diagnosis and
performance of work and service that are reasonable and adequate for a qualified
technician to perform the work or services.

If a dealer submits a written request for additional time allowance for
either diagnostic or repair work on a specific vehicle and provides all
information or documentation reasonably required by the
manufacturer or distributor to assess the merits of the dealer's
request, then there shall be a rebuttable presumption that the dealer's
request is reasonable, and a manufacturer or distributor may not deny
such request without providing a written explanation for the denial.

15 If a dealer submits a written request for modification of a
manufacturer's uniform time allowance for a specific warranty repair
and provides all information and documentation reasonably required
by the manufacturer or distributor to assess the merits of the dealer's
request, then the manufacturer or distributor may not deny that request
unless the denial is reasonable and includes a written explanation for
the denial.

16 Reasonable compensation for parts for the services identified in subdivision a

16 may not be less than the average retail rate customarily charged by the dealer for

- 17 these parts as provided under subsection 4, provided such rate is reasonable.
- 18 2. A dealer shall submit a claim for reimbursement for services within ~~one hundred eighty~~
19 ~~ninety~~ days from the completion of the services identified in subdivision a of subsection
20 1. A
21 motor vehicle manufacturer or distributor shall pay a dealer on a claim made by a
22 dealer under this section within thirty days of the approval of the claim. The
23 manufacturer or distributor shall either approve or disapprove a claim within thirty days
24 after the claim is submitted to the manufacturer or distributor. The manufacturer or
25 distributor may prescribe the manner in which and the forms on which the dealer must
26 present the claim. A claim not specifically disapproved in writing within thirty days after
27 the manufacturer or distributor receives the claim must be construed to be approved
28 and the manufacturer or distributor shall pay the claim within thirty days. If a
29 manufacturer or distributor disapproves a claim in writing within thirty days, the
30 manufacturer or distributor shall contemporaneously provide the dealer with a detailed
31 written explanation of the reason the claim was disapproved. The dealer has thirty
days from the receipt of the disapproval to resubmit a corrected claim.
- 1 3. ~~A motor vehicle manufacturer, factory branch, or distributor, or distributor branch~~ shall
2 fully compensate its motor vehicle dealers licensed in this state for warranty parts,
3 ~~work, and service~~ specified in this section. Failure to fully compensate includes a
4 reduction in the amount due under this section to the dealer or imposing a separate
5 charge, surcharge, or other imposition by which the motor vehicle manufacturer,
6 ~~factory branch, or distributor, or distributor branch~~ seeks to recover the costs of
7 complying with this section from the dealer.
- 8 4. The retail rate customarily charged by the dealer for parts is established by the dealer
9 submitting to the manufacturer or distributor one hundred sequential nonwarranty
10 customer-paid service repair orders that contain warranty-like parts or ninety
11 consecutive days of nonwarranty customer-paid service repair orders that contain
12 warranty-like parts, whichever is less, covering repairs made no more than one
13 hundred eighty days before the submission and declaring the average percentage
14 markup.
- 15 5. The retail rate customarily charged by the dealer for labor must be established using
16 the same process as provided under subsection 4 and declaring the average labor
17 rate. The average labor rate must be determined by dividing the amount of the

18 dealer's total labor sales by the number of total hours that generated those sales. If a
19 labor rate and parts markup rate are simultaneously declared by the dealer, the dealer
20 may use the same repair orders to complete each calculation as provided under
21 subsection 4.

22 6. In calculating the retail rate customarily charged by the dealer for parts and labor as
23 provided in subsections 4 and 5, the following work may not be included in the
24 calculation:

25 a. Repairs for manufacturer or distributor special events, specials, or promotional
26 discounts for retail customer repairs;

27 b. Parts sold at wholesale;

28 c. Parts or labor used in manufacturer or distributor sponsored programs that
29 restrict the pricing for repairs;

30 d. Routine maintenance not covered under any retail customer warranty, including
31 fluids, filters, and belts not provided in the course of repairs;

1 d.e. Nuts, bolts, fasteners, and similar items that do not have an individual part
2 number;

3 e. Tires

4 f. Replacement or work on tires, including wheel or tire rotations or balancing, or
5 replacements of brakes, including brake drums, rotors, shoes, or pads; and

6 f.g. Vehicle reconditioning;

7 h. Alignments, unless necessary as part of a mechanical repair;

8 i. Batteries, other than electric vehicle or hybrid vehicle propulsion batteries;

9 j. Repairs of a motor vehicle owned by the dealer or an employee of the dealer;

10 k. Installation of accessories;

11 l. Repairs of conditions caused by collision, road hazard, the force of the elements,
12 vandalism, theft, or owner, operator, or third-party negligence or deliberate act;

13 m. Repairs to or with aftermarket parts;

14 n. Repairs performed on motor vehicles of a line make other than that for which the
15 dealer is franchised by the motor vehicle manufacturer.

16 7. a. The average of the parts markup rates and labor rate calculated under
17 subsections 4 and 6 is presumed to be fair and reasonable and must go into
18 effect thirty days following the manufacturer's approval approval receipt of the
submission

- 19 ~~subject to the manufacturer or distributor's ability to contest the rate as provided~~
20 ~~in this subsection.~~ The motor vehicle manufacturer or distributor may not issue
21 more than one notice to the dealer contesting any declared labor rate or parts
22 markup, and may not add to, expand, supplement, or otherwise modify any
23 reason for contesting the declared rate or parts markup. A manufacturer or
24 distributor may rebut the presumption by reasonably substantiating that a rate is
25 unreasonable in light of the practices of all other franchised motor vehicle dealers
26 in an economically similar area of the state offering the dealer's declaration of the
27 same line make vehicles, not later than thirty days after submission. If the
28 average parts markup rate or average labor rate is rebutted, or both, the
29 manufacturer or distributor shall propose an adjustment of the average
30 percentage markup based on that rebuttal not later than thirty days after
31 submission. ~~contest the material accuracy of the rate calculated under this section~~
~~or rebut the presumption that declared rate is reasonable by reasonably~~
~~substantiating that a rate is unreasonable in light of the practices of all other~~
~~similarly situated same line make dealers in the state~~

1 ~~by providing a written objection to the dealer within thirty days after receiving the~~
2 ~~dealer's submission, and shall:~~
3 (1) ~~Provide the dealer with a copy of all calculations used by the motor vehicle~~
4 ~~manufacturer or distributor to make the determination of the dealer's labor~~
5 ~~rate or parts markup, a written explanation of the basis for any inaccuracy~~
6 ~~or unreasonableness alleged by the motor vehicle manufacturer or distributor,~~
7 ~~and evidence~~
8 ~~substantiating any written explanation.~~
9 (2) ~~Provide a proposed adjustment of the dealer's labor rate or parts markup~~
10 ~~based solely upon the information provided by paragraph 1.~~
11 (3) ~~Commence paying the dealer at the proposed adjusted labor rate or parts~~
12 ~~markup determined by the motor vehicle manufacturer or distributor as~~
13 ~~provided in this section. This section applies to all proposed adjusted labor~~
14 ~~rates or parts markups, even if the motor vehicle manufacturer's or~~
15 ~~distributor's determination of the labor rate or parts markup is different from~~
16 ~~the labor rate or parts markup provided in the dealer's submission.~~
17 b. ~~If a motor vehicle manufacturer or distributor fails to comply with the~~
~~requirements of subdivision a approve or deny a submitted rate change within thirty~~

days of receipt of submission, ~~any~~

18 ~~labor rate or parts markup submitted is effective after thirty days then the~~
~~submission shall be deemed approved.~~

19 c. If a dealer agrees with the conclusions of the motor vehicle manufacturer or
20 distributor and any corresponding adjustment to the labor rate or parts markup
21 contained within the written objection, no further action is required. The new
22 adjusted rate is effective thirty days after the dealer's submission is ~~received~~
23 ~~approved~~ by
24 the manufacturer ~~or distributor.~~

24 d. If a motor vehicle manufacturer or distributor provides a written objection that
25 complies with the requirements under subdivision a, and the dealer does not
26 agree with the proposed adjusted labor rate or parts markup contained within the
27 written objection, or if the dealer disputes the motor vehicle manufacturer or
28 distributor complied with the provisions of subdivision a, the dealer may bring an
29 action in a court of competent jurisdiction. In such proceeding:

30 (1) The motor vehicle manufacturer or distributor has the burden of proof by a
31 preponderance of the evidence, and must show:

1 (a) The manufacturer or distributor complied with subdivision a;

2 (b) The dealer's submitted labor rate or parts markup was materially
3 Inaccurate ~~or unreasonable~~; and

4 (c) The manufacturer's or distributor's proposed adjustment to the
5 dealer's submitted labor rate or parts markup was materially accurate ~~or~~
6 ~~unreasonable.~~

6 (2) If the dealer prevails in the action, the dealer's labor rate or parts markup is
7 retroactive to the date thirty days following the motor vehicle manufacturer's
8 or distributor's receipt of the submission., ~~and the dealer shall recover all~~
9 ~~expenses in bringing and maintaining the action, including reasonable~~
10 ~~attorney fees. If a court finds the motor vehicle manufacturer or distributor~~
11 ~~willfully violated this section, the dealer is entitled to recover three times the~~
12 ~~amount of the retroactive labor rate or parts markup.~~

13 8. Each manufacturer, in establishing a schedule of compensation for warranty work,
14 shall rely on the vehicle dealer's written schedule of hourly labor rates and parts and
15 may not obligate any vehicle dealer to engage in unduly burdensome or
16 time-consuming documentation of rates or parts, including obligating vehicle dealers to

17 ~~engage in transaction-by-transaction or part-by-part calculations.~~ In establishing a rate
18 under this section, the dealer's labor rate or parts markup must be calculated using the
19 method proscribed in subsections 4 through 6.

20 9. A dealer ~~or~~ manufacturer, or distributor may demand that the average parts markup or
21 average labor rate be calculated using the process provided under subsections 4 and
22 5; however, the demand for the average parts markup may not be made within twelve
23 months of the last parts markup declaration and the demand for the average labor rate
24 may not be made within twelve months of the last labor rate declaration. If a parts
25 markup or labor rate is demanded by the dealer or manufacturer or distributor, the
26 dealer shall determine the repair orders to be included in the calculation under
27 subsections 4 and 5.

28 10. a. If a motor vehicle manufacturer or distributor furnishes, or causes to be furnished,
29 a part to a dealer at no cost or at a reduced cost for use in performing the
30 services identified in subdivision a of subsection 1, the motor vehicle
31 manufacturer or distributor shall compensate the dealer in the same manner as
1 parts compensation under this section by paying the dealer for the dealer's cost
2 of the part, if any, plus an amount equal to the dealer's parts markup, multiplied
3 by the wholesale value of the part. The wholesale value of the part must be the
4 greater of:

5 (1) The amount the dealer paid for the part or a substantially identical part if
6 already owned by the dealer; or

7 (2) The cost of the part shown in a current, ~~or prior,~~ motor vehicle
8 manufacturer's, distributor's, or furnishing party's established price
9 schedule; and

10 (3) The cost of a substantially identical part shown in a current, or prior, motor
11 vehicle manufacturer's, distributor's, or furnishing party's established price
12 schedule.

13 b. A motor vehicle manufacturer or distributor may not establish or implement a
14 special part number for any part used in the services identified in subdivision a of
15 subsection 1 if it results in lower compensation to the dealer than as calculated
16 under this section.

17 11. A motor vehicle manufacturer or distributor may not:

18 a. Require ~~or influence or attempt to influence~~ a dealer to implement or change the

- 19 prices for which it sells parts or labor in retail repairs.
- 20 b. Implement or continue a policy, procedure, or program to any of its dealers in this
- 21 state for compensation under this section which is inconsistent with this section
unless otherwise agreed by the dealer and the manufacturer or distributor.
- 22 c. Take, or threaten to take, adverse action against a dealer that seeks to obtain
- 23 compensation under this section, including:
- 24 (1) Creating or implementing an obstacle or process that is inconsistent with the
- 25 motor vehicle manufacturer's obligations to the dealer under this chapter;
- 26 (2) Acting, ~~or failing to act, other than in good faith in bad faith~~
- 27 (3) Hindering, delaying, or rejecting the proper and timely payment of
- 28 compensation due to a dealer under this section, provided that nothing in this
paragraph shall restrict or impair audits or chargebacks conducted in
accordance with Section 51-07-02.4.
- 29 12. This section applies to all manufacturers and distributors as defined by section
- 30 51-07-00.1, and any other person that supplies a component or part installed on a new
- 1 motor vehicle for which the warranty of the component or part is warranted by another
- 2 person that is not the manufacturer.

25.0936.02000

Sixty-ninth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1515

Introduced by

Representatives D. Ruby, Bosch, Ista, Lefor, Weisz, Vigesaa

Senators Hogan, Hogue, Klein

AFAI: BLUE. Yellow highlight is language to allow dealers the choice to be paid for actual time worked instead of flat rate pay.

- 1 A BILL for an Act to amend and reenact section 51-07-29 of the North Dakota Century Code,
- 2 relating to motor vehicle warranty work compensation.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

- 4 **SECTION 1. AMENDMENT.** Section 51-07-29 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **51-07-29. Warranty work compensation.**

- 7 1. a. A motor vehicle manufacturer or distributor shall include reasonable
8 compensation for diagnostic work, as well as repair service, parts, and labor, in
9 warranty work compensation. In addition, a motor vehicle manufacturer shall
10 provide adequate time allowances for diagnosis and performance of warranty
11 work and service for the work performed. The hourly labor rate paid by a motor
12 vehicle manufacturer to the dealer for warranty services may reasonably
13 compensate its dealers for labor and parts provided by the dealer in connection
14 with the following manufacturer or distributor sponsored, issued, or required
15 items:
16 (1) Predelivery preparation.
17 (2) Installation of accessories or components required by the manufacturer or
distributor to be installed before the
18 sale of a vehicle to a consumer.
19 (3) Diagnostic work not otherwise compensated.
20 (4) Maintenance programs.
21 (5) Extended warranty.
22 (6) Certified preowned warranty.
23 (7) Service contracts.
24 (8) Parts exchange programs.
1 (9) Recall, goodwill, and warranty work performed by the dealer.
2 b. Reasonable compensation for labor for the services identified in subdivision a

3 recall and warranty may not be less than the average retail rate charged by the
dealer for like service

4 to nonwarranty customers for nonwarranty service as provided under

5 subsection 5, provided such rate is reasonable. A motor vehicle manufacturer may
not reimburse a dealer for parts

6 used in the performance of warranty repair at a lower rate multiplied by the time

7 guide used by the dealer for nonwarranty customer-paid service repair orders. To

8 establish a time guide, a dealer shall provide written notice to the manufacturer or

9 distributor with the name of the time guide the dealer uses. The manufacturer or

10 distributor may not require the dealer to provide any other information to establish

11 the time guide the dealer uses. If no time guide exists for a warranty repair,

12 compensation for warranty labor must equal the dealer's average retail rate

13 multiplied by the time spent to complete the repair, and may not be less than the

14 time charged to a retail customer for the same or similar work provided. A

manufacturer or distributor shall use time allowances for the diagnosis and

performance of work and service that are reasonable and adequate for a qualified

technician to perform the work or services.

15 The compensation for labor shall be the rate charged to retail customers for similar
nonwarranty service work multiplied, at the dealer's option, by either the time
allowances recognized by the manufacturer or distributor to compensate
dealers for warranty work, or the actual time spent performing the repair in
good faith. A dealer may not change its choice to be compensated for labor on
the basis of the manufacturer or distributor's time guide or actual time more
than once in one calendar year, unless otherwise agreed by both the
manufacturer or distributor and the dealer. A manufacturer or distributor may
reasonably require a dealer that elects to be compensated for actual time to
provide documentation and signatures, including but not limited to copies of all
time-stamped job cards for specific technicians. If a manufacturer or distributor
can show that the dealer submitted claims for actual time in bad faith, including
but not limited to overlapping time charged for repairs or assigning technicians
with inadequate training or skill level required to complete the repairs, then the
manufacturer or distributor may require the dealer to be compensated under
the manufacturer or distributor's time guide for a period of two years following
the date of a claim shown to have been submitted in bad faith.

- 16 Reasonable compensation for parts for the services identified in subdivision a
16 may not be less than the average retail rate customarily charged by the dealer for
17 these parts as provided under subsection 4, provided such rate is reasonable.
- 18 2. A dealer shall submit a claim for reimbursement for services within ~~one hundred eighty~~
19 ninety days from the completion of the services identified in subdivision a of subsection
20 1. A
21 motor vehicle manufacturer or distributor shall pay a dealer on a claim made by a
22 dealer under this section within thirty days of the approval of the claim. The
23 manufacturer or distributor shall either approve or disapprove a claim within thirty days
24 after the claim is submitted to the manufacturer or distributor. The manufacturer or
25 distributor may prescribe the manner in which and the forms on which the dealer must
26 present the claim. A claim not specifically disapproved in writing within thirty days after
27 the manufacturer or distributor receives the claim must be construed to be approved
28 and the manufacturer or distributor shall pay the claim within thirty days. If a
29 manufacturer or distributor disapproves a claim in writing within thirty days, the
30 manufacturer or distributor shall contemporaneously provide the dealer with a detailed
31 written explanation of the reason the claim was disapproved. The dealer has thirty
1 days from the receipt of the disapproval to resubmit a corrected claim.
- 2 3. A motor vehicle manufacturer, ~~factory branch,~~ or distributor, ~~or distributor branch~~ shall
3 fully compensate its motor vehicle dealers licensed in this state for warranty parts,
4 ~~work, and service~~ specified in this section. Failure to fully compensate includes a
5 reduction in the amount due under this section to the dealer or imposing a separate
6 charge, surcharge, or other imposition by which the motor vehicle manufacturer,
7 ~~factory branch,~~ or distributor, ~~or distributor branch~~ seeks to recover the costs of
8 complying with this section from the dealer.
- 9 4. The retail rate customarily charged by the dealer for parts is established by the dealer
10 submitting to the manufacturer or distributor one hundred sequential nonwarranty
11 customer-paid service repair orders that contain warranty-like parts or ninety
12 consecutive days of nonwarranty customer-paid service repair orders that contain
13 warranty-like parts, whichever is less, covering repairs made no more than one
14 hundred eighty days before the submission and declaring the average percentage
15 markup.
- 15 5. The retail rate customarily charged by the dealer for labor must be established using

16 the same process as provided under subsection 4 and declaring the average labor
17 rate. The average labor rate must be determined by dividing the amount of the
18 dealer's total labor sales by the number of total hours that generated those sales. If a
19 labor rate and parts markup rate are simultaneously declared by the dealer, the dealer
20 may use the same repair orders to complete each calculation as provided under
21 subsection 4.

22 6. In calculating the retail rate customarily charged by the dealer for parts and labor as
23 provided in subsections 4 and 5, the following work may not be included in the
24 calculation:

- 25 a. Repairs for manufacturer or distributor special events, specials, or promotional
26 discounts for retail customer repairs;
- 27 b. Parts sold at wholesale;
- 28 c. Parts or labor used in manufacturer or distributor sponsored programs that
29 restrict the pricing for repairs;
- 30 d. Routine maintenance not covered under any retail customer warranty, including
31 fluids, filters, and belts not provided in the course of repairs;

1 d.e. Nuts, bolts, fasteners, and similar items that do not have an individual part
2 number;

3 e. Tires

4 f. Replacement or work on tires, including wheel or tire rotations or balancing, or
5 replacements of brakes, including brake drums, rotors, shoes, or pads; and

6 f.g. Vehicle reconditioning;

7 h. Alignments, unless necessary as part of a mechanical repair;

8 i. Batteries, other than electric vehicle or hybrid vehicle propulsion batteries;

9 j. Repairs of a motor vehicle owned by the dealer or an employee of the dealer;

10 k. Installation of accessories;

11 l. Repairs of conditions caused by collision, road hazard, the force of the elements,
12 vandalism, theft, or owner, operator, or third-party negligence or deliberate act;

13 m. Repairs to or with aftermarket parts;

14 n. Repairs performed on motor vehicles of a line make other than that for which the
15 dealer is franchised by the motor vehicle manufacturer.

16 7. a. The average of the parts markup rates and labor rate calculated under

17 subsections 4 and 6 is presumed to be fair and reasonable and must go into
18 effect thirty days following the manufacturer's approval ~~approval receipt of the~~
19 ~~submission~~
20 ~~subject to the manufacturer or distributor's ability to contest the rate as provided~~
21 ~~in this subsection.~~ The motor vehicle manufacturer or distributor may not issue
22 more than one notice to the dealer contesting any declared labor rate or parts
23 markup, and may not add to, expand, supplement, or otherwise modify any
24 reason for contesting the declared rate or parts markup. A manufacturer or
25 distributor may rebut the presumption by reasonably substantiating that a rate is
26 unreasonable in light of the practices of all other franchised motor vehicle dealers
27 in an economically similar area of the state offering the dealer's declaration of the
28 same line make vehicles, not later than thirty days after submission. If the
29 average parts markup rate or average labor rate is rebutted, or both, the
30 manufacturer or distributor shall propose an adjustment of the average
31 percentage markup based on that rebuttal not later than thirty days after
 submission. ~~contest the material accuracy of the rate calculated under this section~~
 ~~or rebut the presumption that declared rate is reasonable by reasonably~~
 ~~substantiating that a rate is unreasonable in light of the practices of all other~~
 ~~similarly situated same line make dealers in the state~~

1 by providing a written objection to the dealer within thirty days after receiving the
2 dealer's submission, and shall:

- 3 (1) Provide the dealer with a copy of all calculations used by the motor vehicle
4 manufacturer or distributor to make the determination of the dealer's labor
5 rate or parts markup, a written explanation of the basis for any inaccuracy
6 ~~or unreasonableness~~ alleged by the motor vehicle manufacturer or distributor,
 and evidence
7 substantiating any written explanation.
8 (2) Provide a proposed adjustment of the dealer's labor rate or parts markup
9 based solely upon the information provided by paragraph 1.
10 ~~(3) Commence paying the dealer at the proposed adjusted labor rate or parts~~
11 ~~markup determined by the motor vehicle manufacturer or distributor as~~
12 ~~provided in this section. This section applies to all proposed adjusted labor~~
13 ~~rates or parts markups, even if the motor vehicle manufacturer's or~~
14 ~~distributor's determination of the labor rate or parts markup is different from~~
15 ~~the labor rate or parts markup provided in the dealer's submission.~~

- 16 b. If a motor vehicle manufacturer or distributor fails to ~~comply with the~~
17 ~~requirements of subdivision a~~ approve or deny a submitted rate change within thirty
days of receipt of submission, ~~any~~
18 ~~labor rate or parts markup submitted is effective after thirty days then the~~
~~submission shall be deemed approved.~~
- 19 c. If a dealer agrees with the conclusions of the motor vehicle manufacturer or
20 distributor and any corresponding adjustment to the labor rate or parts markup
21 contained within the written objection, no further action is required. The new
22 adjusted rate is effective thirty days after the dealer's submission is ~~received~~
approved by
23 the manufacturer or distributor.
- 24 d. If a motor vehicle manufacturer or distributor provides a written objection that
25 complies with the requirements under subdivision a, and the dealer does not
26 agree with the proposed adjusted labor rate or parts markup contained within the
27 written objection, or if the dealer disputes the motor vehicle manufacturer or
28 distributor complied with the provisions of subdivision a, the dealer may bring an
29 action in a court of competent jurisdiction. In such proceeding:
- 30 (1) The motor vehicle manufacturer or distributor has the burden of proof by a
31 preponderance of the evidence, and must show:
- 1 (a) The manufacturer or distributor complied with subdivision a;
2 (b) The dealer's submitted labor rate or parts markup was materially
3 inaccurate or unreasonable; and
4 (c) The manufacturer's or distributor's proposed adjustment to the
5 dealer's submitted labor rate or parts markup was materially accurate or
unreasonable.
- 6 (2) If the dealer prevails in the action, the dealer's labor rate or parts markup is
7 retroactive to the date thirty days following the motor vehicle manufacturer's
8 or distributor's receipt of the submission, ~~and the dealer shall recover all~~
9 ~~expenses in bringing and maintaining the action, including reasonable~~
10 ~~attorney fees. If a court finds the motor vehicle manufacturer or distributor~~
11 ~~willfully violated this section, the dealer is entitled to recover three times the~~
12 ~~amount of the retroactive labor rate or parts markup.~~
- 13 8. Each manufacturer, in establishing a schedule of compensation for warranty work,
14 shall rely on the vehicle dealer's written schedule of hourly labor rates and parts and

15 may not obligate any vehicle dealer to engage in unduly burdensome or
16 time-consuming documentation of rates or parts, including obligating vehicle dealers to
17 engage in transaction-by-transaction or part-by-part calculations. In establishing a rate
18 under this section, the dealer's labor rate or parts markup must be calculated using the
19 method proscribed in subsections 4 through 6.

20 9. A dealer ~~or, manufacturer, or distributor~~ may demand that the average parts markup or
21 average labor rate be calculated using the process provided under subsections 4 and
22 5; however, the demand for the average parts markup may not be made within twelve
23 months of the last parts markup declaration and the demand for the average labor rate
24 may not be made within twelve months of the last labor rate declaration. If a parts
25 markup or labor rate is demanded by the dealer or manufacturer or distributor, the
26 dealer shall determine the repair orders to be included in the calculation under
27 subsections 4 and 5.

28 10. a. If a motor vehicle manufacturer or distributor furnishes, or causes to be furnished,
29 a part to a dealer at no cost or at a reduced cost for use in performing the
30 services identified in subdivision a of subsection 1, the motor vehicle
31 manufacturer or distributor shall compensate the dealer in the same manner as
1 parts compensation under this section by paying the dealer for the dealer's cost
2 of the part, if any, plus an amount equal to the dealer's parts markup, multiplied
3 by the wholesale value of the part. The wholesale value of the part must be the
4 greater of:

- 5 (1) The amount the dealer paid for the part or a substantially identical part if
6 already owned by the dealer; or
7 (2) The cost of the part shown in a current, ~~or prior,~~ motor vehicle
8 manufacturer's, distributor's, or furnishing party's established price
9 schedule; and
10 (3) The cost of a substantially identical part shown in a current, ~~or prior,~~ motor
11 vehicle manufacturer's, distributor's, or furnishing party's established price
12 schedule.

13 b. A motor vehicle manufacturer or distributor may not establish or implement a
14 special part number for any part used in the services identified in subdivision a of
15 subsection 1 if it results in lower compensation to the dealer than as calculated
16 under this section.

- 17 11. A motor vehicle manufacturer or distributor may not:
- 18 a. Require ~~or influence or attempt to influence~~ a dealer to implement or change the
- 19 prices for which it sells parts or labor in retail repairs.
- 20 b. Implement or continue a policy, procedure, or program to any of its dealers in this
- 21 state for compensation under this section which is inconsistent with this section
 unless otherwise agreed by the dealer and the manufacturer or distributor.
- 22 c. Take, or threaten to take, adverse action against a dealer that seeks to obtain
- 23 compensation under this section, including:
- 24 (1) Creating or implementing an obstacle or process that is inconsistent with the
- 25 motor vehicle manufacturer's obligations to the dealer under this chapter;
- 26 (2) Acting, ~~or failing to act, other than in good faith in bad faith~~
- 27 (3) Hindering, delaying, or rejecting the proper and timely payment of
- 28 compensation due to a dealer under this section, provided that nothing in this
 paragraph shall restrict or impair audits or chargebacks conducted in
 accordance with Section 51-07-02.4.
- 29 12. This section applies to all manufacturers and distributors as defined by section
- 30 51-07-00.1, and any other person that supplies a component or part installed on a new
- 1 motor vehicle for which the warranty of the component or part is warranted by another
- 2 person that is not the manufacturer.

COMMONWEALTH OF VIRGINIA
DEPARTMENT OF MOTOR VEHICLES

BERGLUND CHEVROLET, INC. d/b/a
BERGLUND CHEVROLET BUICK

Petitioner

v.

GENERAL MOTORS LLC

Respondent

File No. 2017-003

AFFIDAVIT OF KEVIN CARR

Kevin Carr, having been duly sworn, hereby states under oath as follows:

1. I am over the age of 18 and am competent to make this Affidavit. I have actual knowledge of the matters set forth herein.

2. I am the Executive Chairman of MOTOR Information Systems ("MOTOR"), a division of Hearst Business Publishing, Inc. MOTOR maintains an office in Troy, Michigan. I have served as an executive of MOTOR for over twenty-five years.

3. MOTOR is a provider of various types of automotive data. Among other things, MOTOR creates and publishes Estimated Work Times ("EWTs") that estimate the amount of time it should take the average mechanic in an independent repair shop to perform various motor vehicle repairs. MOTOR's EWTs are designed to enable independent repair facilities to provide time and cost estimates to their customers.

4. In order to generate an EWT, a MOTOR staff member often evaluates the steps required to complete a labor operation on a particular vehicle based on the repair procedures issued by motor vehicle Original Equipment Manufacturers ("OEMs"). Staff members use their judgment and experience to estimate how long they think it will take an independent repair shop

mechanic to perform the repair. The staff members do not typically perform the repair steps on an actual vehicle or measure the actual time necessary to complete the repair.

5. MOTOR licenses EWT data to repair facilities, quick service facilities, collision repair facilities, and motor vehicle dealerships, among others. MOTOR also licenses its EWT data to ALLDATA. ALLDATA is a company that has developed information systems that provide parts, repair, and EWT information. As part of MOTOR's own publications and the information it provides to ALLDATA, MOTOR separately includes a number of the warranty labor time guides that it obtains from a number of OEMs, including General Motors LLC ("GM").

6. MOTOR EWTs are not intended as a substitute for GM's warranty labor time guides. MOTOR EWTs are designed for the typical independent repair shop mechanic, who has not been specially-trained by an OEM, does not necessarily have all of the factory approved tools and diagnostic equipment, and typically works on a broad range of post-warranty vehicles from multiple brands (as compared to warranty repairs on a repetitive basis on relatively newer, lower-mileage vehicles produced by a single OEM).

I declare under penalty of perjury that the foregoing is true and correct.

4/23/18
Date

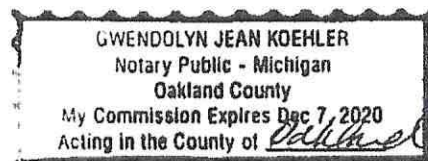
[Signature]
Kevin Carr

TROY, MICHIGAN)
) ss.:
)

Sworn to and subscribed before me this 23rd day of April, 2018.

[Signature]
Notary Public

My commission expires: 12/7/20



House Bill 1515
Testimony of Steve J Zaun, General Manager
Puklich Chevrolet and Puklich Chevrolet GMC

3/8/25

Mr. Chairman and members of the committee. My name is Steve Zaun, and I am appearing in support of House Bill 1515 on behalf of Puklich Chevrolet in Bismarck and Puklich Chevrolet GMC in Valley City.

Over the last 3-5 years we have seen manufacturers decrease the labor hours allowed by 30-40% for the same repair on the same vehicle. How can this be? This is not reasonable. I believe they are simply trying to cut costs at the dealers' expense. They claim they perform an accurate time study by going through all of the steps necessary to perform any given repair. However, I have seen first-hand that the way they perform their study really isn't the same as the repairs we perform in the real world.

I participated in a GM Warranty Time Guide demonstration in August of 2024 at GM's plant in Detroit, MI. We watched GM conduct the actual repair to develop their time guide. I openly admit, I was impressed with the process GM used to develop their warranty times. One thing that was very apparent to me during this demonstration is that the repairs were done on brand new or newer vehicles that have never been on the road for more than a couple of hundred miles and don't have rust and wear and tear. However, this really isn't an accurate representation of real-world repairs. Imagine replacing parts underneath a vehicle that is a couple of years old and has spent 20K plus miles on a scoria road or driven on roads kept safe by salt and other chemicals. These vehicles absolutely take more time for our technicians to repair.

Certainly, some vehicles come to us in great shape, while others have been full of mud, rust, and other aging and use challenges. The third-party time guides that are widely used by dealers across the nation account for this and the "real world" challenges I previously mentioned. We know that sometimes we will beat the time allowed and in other cases we will go well over the time allowed. We are only asking for a fair time for all repairs. The manufacturer should not be providing us less time than we use for every other paying customer. We have the same overhead, same cost of technicians, same investments in facilities, whether we are working for non-warranty, paying customers or doing the manufacturers' warranty work.

Please understand that warranty reimbursement rates are dictated by the manufacturer and are non-negotiable. **We have no ability to require the manufacturers to pay us fairly.**

continued...

As previous testimony stated, our technicians are highly trained, skilled people who invest heavily in ensuring the vehicles we all drive are safe and reliable. I will close my testimony with the most concerning thought of all. Just this last summer we had two technicians quit working for us because, as they said, even though they loved working for Puklich Chevrolet, they were tired of fighting GM to get paid a fair time for their talent and the investment they make in their tools and their trade. Many, many dealers will tell you that losing technicians is a very real threat. If we do not close the loopholes in our current law and require these out-of-state manufacturers to pay our technicians fairly, there will come a time when we will not have enough skilled technicians to properly repair vehicles....and this problem is just over the horizon.

Thank you for your consideration of this very important legislation.

Steve J Zaun

HB 1515 Warranty work bill

3/4/25

My name is Tyler Doll, I am a technician at Eide Ford and I support this bill. I received my Senior Master status from Ford in 2020.

An automotive technician needs to be a skilled electrician, they need to have a solid understanding of fluid dynamics and hydraulic systems, and they need to understand metal work and fabrication. They also need to be experts with computers as programming vehicle software and trouble-shooting advance network systems has become common-place in our industry. Long gone are the days of fixing a vehicle with a screwdriver and duct tape. Furthermore, over the course of their career, technicians will need to purchase about \$20,000-\$50,000 worth of tools. The money for this investment doesn't come from the employer or Ford. The technician is the one that pays for their tools.

We use a system called Pro Demand (PRO) which supplies us with repair times for all the manufacturers and their respective lines of vehicles. Let's say I need to replace a wheel bearing on an F150. PRO shows 1.5 hours; our shop rate is \$150. So, we run the math and then provide the non-warranty customer with a quote for \$225. If the customer chooses to have us perform the repair, they will pay only \$225 in labor whether it takes me 1 hour or 5 hours to complete this repair. The problem that we technicians have is that Ford does NOT pay the same PRO time. Ford only refers to their own set of rules regarding time for warranty repairs, which is a majority of our incoming work. Remember, this isn't our warranty obligation, it's Ford's. Ford says a technician only deserves 0.8 hours to replace this wheel bearing, a job that requires the complete disassembly and reassembly of one corner of the truck's suspension! That is crazy.

Another example of this is a 2023 Ford explorer, a notoriously complicated vehicle to work on. Ford will pay a technician 21 hours to replace the 3.0L turbo engine, while PRO pays a full 31 hours for the same job. Ford shorts us almost a day and a half worth of pay.

I have more examples but will stop there. I believe it is not just fair, but extremely important to hold Ford accountable for THEIR warranty by properly compensating us.

Please pass this legislation. Thank you very much for your time. You are important people.

Very Respectfully,
Tyler Doll, Technician for Ford

HB 1515 – Warranty Reimbursement

3/5/25

Members of the Committee.

My name is Renard Bergstrom, and I am the owner of Ford, Chrysler Dodge Jeep Ram (CDJR), Toyota, and General Motors (GM) franchises in Devils Lake, North Dakota. We are a family business that has been serving our community for over 100 years, and I have been actively involved in it for 34 of those years. I'm here to address the significant challenges dealerships face in training and retaining highly skilled service technicians. Passing this bill is crucial to ensuring fairness and sustainability in our industry.

Training service technicians to work on today's vehicles is a costly and time-consuming process. Manufacturers require technicians to complete extensive training programs to become certified to work on their vehicles. For technicians aiming to achieve Master certification, this often involves weeks, if not months, of travel to out-of-state training facilities, and many years of practical experience in our shop. These trips incur substantial travel expenses for the dealership, including transportation, lodging, and meals. Additionally, when technicians attend virtual training or travel for off-site programs, we experience a major cost due to both the expenses associated with the training and also a loss of production as they are unable to contribute to the daily operations of the service department.

Adding to the challenge, manufacturer training programs are in high demand, and the training centers nearest to us—primarily located in Minneapolis, are often booked months or even years in advance. This lack of availability frequently forces technicians to travel to major metropolitan areas on the coasts which significantly increases both the time and cost of training. The extended travel time further reduces the technician's ability to contribute to the service departments, amplifying the impact on technician pay and dealership operations.

Currently, warranty work is a key income loss for technicians because manufacturers refuse to pay them fairly. This inequity further complicates our ability to recruit and retain high-quality professionals. Many technicians entering the field are deterred by the reality that a large part of their potential income depends on warranty work, which is most often underpaid. This creates a vicious cycle where it becomes increasingly difficult to attract the next generation of skilled workers to the industry. Our North Dakota motoring public needs qualified technicians to keep these advanced vehicles on the roads. Two of our neighboring states, Montana and Minnesota, have recently passed third party-time guide legislation like this bill will do. If this legislation is not passed we will continue to be at a distinct competitive disadvantage to those neighboring states, specifically with regard to the recruiting and retention of technicians.

The manufacturers will tell you that these technicians are not their employees, and that is true. However, the manufacturers exercise a tremendous amount of control over these technicians with respect to mandated training requirements, the specific way in which they want the technician to repair the vehicle, the time they allow to conduct the repair, the customer satisfaction index (CSI) requirements they place on technicians, and the manufacturers' certification requirements are some examples of this control. That control aspect is similar for dealerships. The manufacturers dictate facility requirements, tool requirements, and the training that our team members must attend. The dealerships have no choice in these matters, and the costs associated with them are the dealers.

The manufacturers will not pay the technicians a fair amount for warranty work. Instead, they expect the dealers to make up the pay difference between their warranty work and our non-warranty customer pay rates. This simply isn't reasonable or fair.

We are not asking for special treatment; we are simply asking for manufacturers to recognize the value of the skilled labor and significant investments required to support their brands and our North Dakota residents.

I respectfully ask this committee to consider the critical role technicians and dealerships play in supporting our state's critical transportation infrastructure and pass this bill.

Thank you for your time and consideration.

Renard Bergstrom

HB 1515 – Motor Vehicle Warranty Reimbursement
House Transportation Committee – March 13, 2025

Larry MacDonald, Technician

Members of the committee,

My name is Larry MacDonald and I support HB 1515. I am a Triple Master Certified Chrysler Technician at Devils Lake Chrysler Dodge Jeep Ram, in Devils Lake, North Dakota. I graduated in 2017, from the NDSCS with a degree in Automotive Technology.

Like many technicians, I am paid a commission based on a flat rate system. My pay is measured in billable hours based on how long a job is supposed to take, or “book time.” The manufacturers dictate the time they allow a technician like me to complete the job. However, they almost always pay less time than it actually takes in our “real world situations.”

They establish their book time by performing a labor study. This is done on newer vehicles, not a real world scenario where the vehicle has been driven for a couple of years and has thousands and thousands of miles on it. The manufacturers are not working on vehicles that have bolts that are rusted tight, become seized, and will not come out properly. Their vehicles haven’t seen a lot of gravel roads that make me have to spend time digging out every bolt I need to remove. They also don’t account for plastic connectors that won’t come apart because they have seen many hot and cold cycles and they become so brittle that you must take extra time to avoid breaking them.

The 3rd party time guide that we use is much more accurate for our “real world” situations. It’s been my experience that the manufacturer pays us about 66% of our non-warranty customer time. This is frustrating that us technicians literally get paid less to do the same exact retail job, just because it is covered under warranty.

I have many examples of repair jobs that the manufacturers really undercut our pay on. However, I want to be respectful of your time and stop there. With that being said, I have two pages of detailed repair jobs with me that I could read if you wanted, but I know it might be an awful lot for the time we have.

Thank you very much for your time.

Larry MacDonald
Technician

Fair Warranty Reimbursement Legislation – HB 1515

3/7/25

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 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.**

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 parts. 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 suddenly 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 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.

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

Ryan Else

House Bill 1515
Testimony before Senate Transportation Committee
Matthew C. Larsgaard, MBA
Automobile Dealers Association of North Dakota
4:00 p.m., March 13, 2025

3/12/25

Mr. Chairman and members of the committee. My name is Matthew Larsgaard and I am appearing in Support of House Bill 1515 on behalf of the Automobile Dealers Association of North Dakota which represents our state's franchised new car dealerships, the majority of which are North Dakota family-owned, multi-generation small businesses.

In 2023, the total annual retail sales of our 87 automobile dealerships was \$3.3 Billion dollars equating to 12.4% of our state's total retail sales. Our dealerships directly employed almost 3,900 people, with a statewide payroll over \$275 Million dollars.

Background

Motor vehicle dealerships are a vital component of North Dakota's critical transportation infrastructure. These dealerships sell, service, and repair ambulances, police cars, the vehicles we use to get to work and more.

For decades the ND state legislature has regulated motor vehicles dealerships in an effort to protect consumers. An example of this is the state dealer licensing laws. In order to be a dealer, one must be licensed with the state and follow a strict list of rules and regulations that are managed and enforced by the NDDOT.

Likewise, many decades ago, the legislature also recognized the need to protect automobile dealers from manufacturer overreach and unfair business practices. One of the primary reasons for protecting dealers is to help promote competition in the marketplace, which provides a broad societal benefit.

Many years ago, individuals entered into contractual relationships with manufacturers to become dealers. In many cases, those individuals began by investing much of what they owned into purchasing a building, buying inventory, training employees, building the manufacturers' brand, etc. As time marched on, the manufacturers would often **change the terms of the existing contracts and then require dealers to adhere to the new stipulations**. These new agreements are called "Contracts of Adhesion" which are a take-it or leave-it arrangement under which the dealer has no choice but to sign the contract or not be a dealer. It is important to understand that dealers have no bargaining power or ability to negotiate the terms of these contracts, or anything else with the manufacturers. This is the reason why almost every state, including North Dakota, has comprehensive automobile dealer protection laws.

The Issue

When a motor vehicle breaks down the owner of that vehicle may bring it to a dealership to have it repaired. If the vehicle is under a factory warranty the repair bill is paid by the manufacturer, not the customer. Manufacturers contractually require dealers to perform warranty repair; they can't turn it away...whether they sold that vehicle or not. In addition, the manufacturer requires the dealers to purchase all warranty parts from them.

Prior to 2013, manufacturers had been compensating dealers for warranty work at a rate that was arbitrarily set by the manufacturer. Those rates were much lower than the dealer's rates for retail or non-warranty repair work. As a result, in 2013, HB 1192 was introduced and passed which requires the manufacturer to reimburse dealers at their normal retail rate for both warranty labor and parts. The law states that the "*manufacturer...shall fully compensate its motor vehicle dealers...for warranty parts, work, and service...* **Failure to fully compensate includes a reduction in the amount due to the dealer.**" 51-07-29 (3)

However, since that time the manufacturers have found several loopholes in the 2013 law. They are now employing several strategies to effectively shift some of the cost of THEIR warranty repair to dealers and non-warranty customers. The legislation that is before you today is designed to close those loopholes.

Problem/Solution #1 – Time Allowance

When a customer brings a vehicle in for repair the dealer must determine the charge for both the parts and labor for that repair. Most dealers across the nation use an industry standard time guide to determine the number of hours to charge a customer for a labor repair. They then take that number and multiply it by their hourly labor rate which results in the total labor bill. However, the manufacturers refuse to pay dealers what they charge the entire free market. Manufacturers discount the time component of the calculation and significantly reduce the dealers' reimbursement, even though it is their actual, competitive retail rate.

Keep in mind, retail customers can go anywhere they want for their repairs whether it be a competing franchise dealer, a used car dealer, an independent repair shop, or other. **This is a highly competitive industry.** Competition serves to drive down the price of a good or service and, at the same time, drive up the quality of that good or service. So, the dealer's non-warranty, retail repair work is truly at a fair rate that is established by the market. **Dealers cannot charge excessive fees for repair, or word would spread and they would be out of business since there is so much competition in the marketplace.**

It's important to understand that technicians also take a pay cut when manufacturers discount time as most technicians are paid a flat-rate based on the allotted hours for the repair.

This legislation requires manufacturers to reimburse dealers for warranty labor at the "average retail rate charged by the dealer...multiplied by the time guide used by the dealer for non-warranty customer-paid service repair orders." page 2, lines 5-9

Third-party time guide legislation has passed in several states including the neighboring states of Montana and Minnesota.

Problem/Solution #2 – No Cost Parts

Current law requires the manufacturer to compensate dealers for parts based on the dealer's average retail rate for the part. However, in some instances, manufacturers will prevent dealers from ordering certain parts needed for warranty repairs; and instead, mandate that the dealer notify them when they need such a part; then, the manufacturer will ship that part at no-cost to the dealer – so that the dealer cannot obtain reimbursement for that part.

continued...

The strategy is that if the part costs \$0, then the dealer's mark-up rate for reimbursement multiplied by \$0 is still \$0 – so, the manufacturer circumvents the law and avoids paying the dealer for a repair that they required them to perform and even worse, there is nothing stopping the manufacturers from doing this across the board for ALL parts.

To illustrate how unfair this is, the manufacturers sell these parts to dealers for non-warranty work, but refuse to sell the part to the dealer for warranty work. There can be only one reason for this – money – and avoiding paying the dealers for warranty work. The provision in HB1515 that addresses this issue has been adopted in over 20 states.

Problem/Solution #3 – Changing Part #s

This is a different game some manufacturers play to avoid paying for warranty work. Manufacturers, especially in the recall context, will simply change the part number and substantially lower the cost of the part – so that the payment to the dealer for the warranty work is less.

For example, let's say that a power window motor is part #123 in the normal course of business and costs \$150. Then, the power window motor is the subject of a recall, which means a lot of motors will need to be replaced at the expense of the manufacturer – the manufacturer will then change the part number to 123A and reduce the price to \$15 for purposes of the recall. All to avoid the warranty costs associated with the recall. The provision in HB1515 that addresses this issue has been adopted in several states.

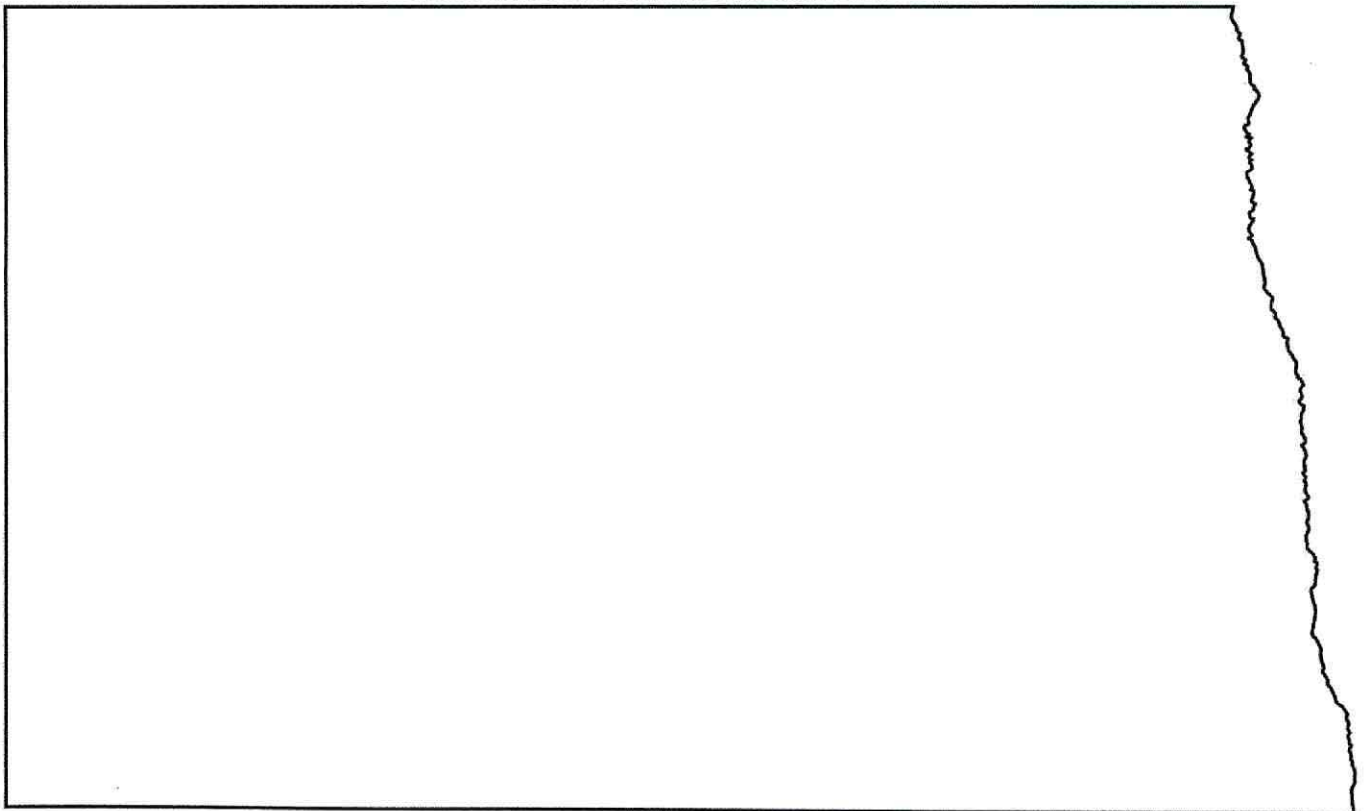
Conclusion

It is important to understand that there are protections in place for the manufacturers as well. Everything in this bill is based on free-market, competitive rates. Furthermore, a manufacturer may 1) contest the legitimacy of any dealer's rate, 2) they may audit the dealer, 3) they may reduce a dealer's rate if they can justify doing so....the law provides for all of this. Our dealers need the protection of state law to ensure that there is a baseline of fairness in their contracts with auto manufacturers.

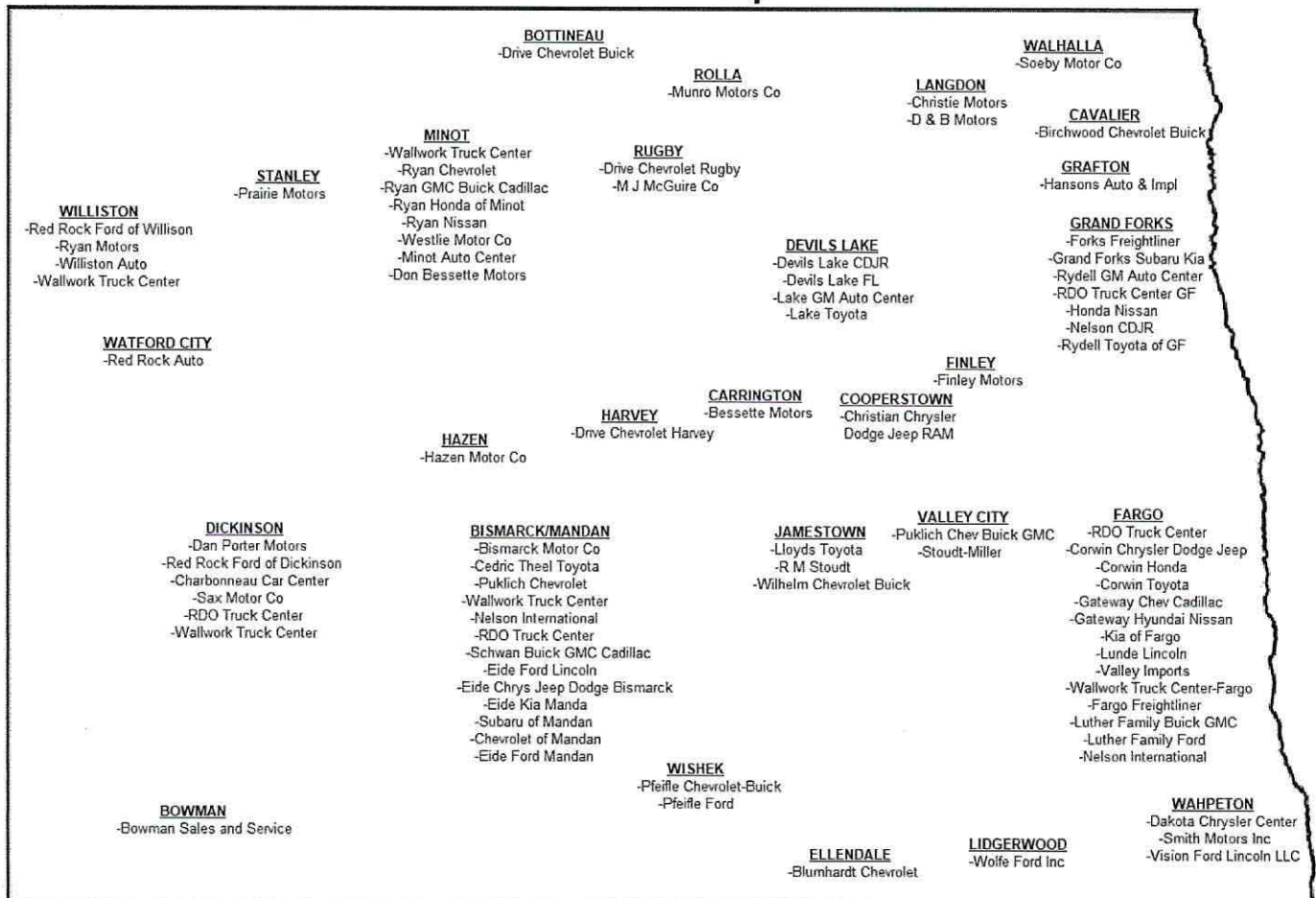
Mr. Chairman, Members of the Committee we respectfully request you pass this legislation.

Matthew C. Larsgaard, MBA
Automobile Dealers Association of North Dakota

Automobile Manufacturers



ADAND Dealerships



2025 SENATE STANDING COMMITTEE MINUTES

Transportation Committee Fort Totten Room, State Capitol

HB 1515
3/21/2025

A BILL for an Act to amend and reenact section 51-07-29 of the North Dakota Century Code, relating to motor vehicle warranty work compensation.

9:33 a.m. Chairman Clemens opened the hearing.

Members present: Chairman Clemens, Vice Chairwoman Cory, Senator Hogan, Senator Klein, Senator Paulson, Senator Rummel

Discussion Topics:

- Technician compensation structure
- Time guides

9:34 a.m. Levi Andrist, Lobbyist, GA Group, proposed amendments LC#25.0936.03002 and LC#25.0936.03003 and submitted testimony in favor #43425, #43426.

9:56 a.m. Matthew Larsgaard, President/CEO, Automobile Dealers Association of North Dakota, testified in favor.

10:32 a.m. Vice Chairwoman Cory moved a Do Pass.

10:33 a.m. Senator Klein seconded the motion.

Senators	Vote
Senator David A. Clemens	N
Senator Claire Cory	Y
Senator Kathy Hogan	Y
Senator Jerry Klein	Y
Senator Bob Paulson	Y
Senator Dean Rummel	N

Motion passed 4-2-0.

Senator Klein will carry the bill.

10:33 a.m. Chairman Clemens closed the hearing.

Chance Anderson, Committee Clerk

**REPORT OF STANDING COMMITTEE
ENGROSSED HB 1515 ([25.0936.03000](#))**

Transportation Committee (Sen. Clemens, Chairman) recommends **DO PASS** (4 YEAS, 2 NAYS, 0 ABSENT OR EXCUSED AND NOT VOTING). HB 1515 was placed on the Fourteenth order on the calendar. This bill does not affect workforce development.

25.0936.03002
Title.

Prepared by the Legislative Council
staff for Senator Rummel
March 20, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO FIRST ENGROSSMENT

ENGROSSED HOUSE BILL NO. 1515

Introduced by

Representatives D. Ruby, Bosch, Ista, Lefor, Weisz, Vigesaa

Senators Hogan, Hogue, Klein

1 A BILL for an Act to amend and reenact section 51-07-29 of the North Dakota Century Code,
2 relating to motor vehicle warranty work compensation.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Section 51-07-29 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **51-07-29. Warranty work compensation.**

7 1. a. A motor vehicle manufacturer or distributor shall ~~include reasonable~~
8 ~~compensation for diagnostic work, as well as repair service, parts, and labor, in~~
9 ~~warranty work compensation. In addition, a motor vehicle manufacturer shall~~
10 ~~provide adequate time allowances for diagnosis and performance of warranty~~
11 ~~work and service for the work performed. The hourly labor rate paid by a motor~~
12 ~~vehicle manufacturer to the dealer for warranty services may~~reasonably
13 compensate its dealers for labor and parts provided by the dealer in connection
14 with the following manufacturer or distributor sponsored, issued, or required
15 items:

16 (1) Predelivery preparation.

17 (2) Installation of accessories or components required by the manufacturer or
18 distributor to be installed before the sale of a vehicle to a consumer.

19 (3) Diagnostic work **not otherwise compensated.**

20 (4) Maintenance programs.

(5) Extended warranty.

(6) Certified preowned warranty.

(7) Service contracts.

(8) Parts exchange programs.

(9) Recall, ~~goodwill~~, and warranty work performed by the dealer.

b. Reasonable compensation for labor for ~~the services identified in-~~
~~subdivision a~~recall and warranty may not be less than the average retail rate
charged by the dealer for like service to nonwarranty customers for nonwarranty-
service as provided under subsection 5. ~~A motor vehicle manufacturer may not~~
~~reimburse a dealer for parts used in the performance of warranty repair at a lower~~
~~rate multiplied by the time guide used by the dealer for nonwarranty customer-~~
~~paid service repair orders. To establish a time guide, a dealer shall provide-~~
~~written notice to the manufacturer or distributor with the name of the time guide-~~
~~the dealer uses. The manufacturer or distributor may not require the dealer to-~~
~~provide any other information to establish the time guide the dealer uses. If no-~~
~~time guide exists for a warranty repair, compensation for warranty labor must~~
~~equal the dealer's average retail rate multiplied by the time spent to complete the-~~
~~repair, and may not be less than the time charged to a retail customer for the-~~
~~same or similar work provided, provided the rate is reasonable.~~ A
dealer~~manufacturer or distributor~~ shall use time allowances for the diagnosis and
performance of work and service which are reasonable and adequate for a
qualified technician to perform the work or services. If a dealer submits a written
request for additional time allowance for either diagnostic or repair work on a
specific vehicle and provides all information or documentation reasonably
required by the manufacturer or distributor to assess the merits of the dealer's
request, then there is a rebuttable presumption that the dealer's request is
reasonable, and a manufacturer or distributor may not deny the request without
providing a written explanation for the denial. If a dealer submits a written request
for modification of a manufacturer's uniform time allowance for a specific
warranty repair and provides all information and documentation reasonably
required by the manufacturer or distributor to assess the merits of the dealer's

request, then the manufacturer or distributor may not deny that request unless the denial is reasonable and includes a written explanation for the denial.

Reasonable compensation for parts for the services identified in subdivision a may not be less than the average retail rate customarily charged by the dealer for these parts as provided under subsection 4, provided the rate is reasonable.

2. A dealer shall submit a claim for reimbursement for services within ninety days from the completion of the services identified in subdivision a of subsection 1. A motor vehicle manufacturer or distributor shall pay a dealer on a claim made by a dealer under this section within thirty days of the approval of the claim. The manufacturer or distributor shall either approve or disapprove a claim within thirty days after the claim is submitted to the manufacturer or distributor. The manufacturer or distributor may prescribe the manner in which and the forms on which the dealer must present the claim. A claim not specifically disapproved in writing within thirty days after the manufacturer or distributor receives the claim must be construed to be approved and the manufacturer or distributor shall pay the claim within thirty days. If a manufacturer or distributor disapproves a claim in writing within thirty days, the manufacturer or distributor shall contemporaneously provide the dealer with a detailed written explanation of the reason the claim was disapproved. The dealer has thirty days from the receipt of the disapproval to resubmit a corrected claim.

3. ~~A motor vehicle manufacturer, factory branch, or distributor, or distributor branch shall fully compensate its motor vehicle dealers licensed in this state for warranty parts, work, and service and labor specified in this section. Failure to fully compensate includes a reduction in the amount due under this section to the dealer or imposing a separate charge, surcharge, or other imposition by which the motor vehicle manufacturer, factory branch, or distributor, or distributor branch seeks to recover the costs of complying with this section from the dealer.~~

4. The retail rate customarily charged by the dealer for parts is established by the dealer submitting to the manufacturer or distributor one hundred sequential nonwarranty customer-paid service repair orders that contain warranty-like parts or ninety consecutive days of nonwarranty customer-paid service repair orders that contain warranty-like parts, whichever is less, covering repairs made no more than one

1 hundred eighty days before the submission and declaring the average percentage
2 markup.

3 5. The retail rate customarily charged by the dealer for labor must be established using
4 the same process as provided under subsection 4 and declaring the average labor
5 rate. The average labor rate must be determined by dividing the amount of the
6 dealer's total labor sales by the number of total hours that generated those sales. If a
7 labor rate and parts markup rate are simultaneously declared by the dealer, the dealer
8 may use the same repair orders to complete each calculation as provided under
9 subsection 4.

10 6. In calculating the retail rate customarily charged by the dealer for parts and labor as
11 provided in subsections 4 and 5, the following work may not be included in the
12 calculation:

13 a. Repairs for manufacturer or distributor special events, specials, or promotional
14 discounts for retail customer repairs;

15 b. Parts sold at wholesale;

16 c. Parts or labor used in manufacturer or distributor sponsored programs that
17 restrict the pricing for repairs;

18 d. Routine maintenance not covered under any retail customer warranty, including
19 fluids, filters, and belts not provided in the course of repairs;

20 d.e. Nuts, bolts, fasteners, and similar items that do not have an individual part
21 number;

22 e. Tires

23 f. Replacement or work on tires, including wheel or tire rotations or balancing, or
24 replacements of brakes, including brake drums, rotors, shoes, or pads; and

25 f.g. Vehicle reconditioning;

26 h. Alignments, unless necessary as part of a mechanical repair;

27 i. Batteries, other than electric vehicle or hybrid vehicle propulsion batteries;

28 j. Repairs of a motor vehicle owned by the dealer or an employee of the dealer;

29 k. Installation of accessories;

30 l. Repairs to or with aftermarket parts; and

m. Repairs performed on motor vehicles of a line make other than that for which the dealer is franchised by the motor vehicle manufacturer.

7. a. ~~The~~ There is a rebuttable presumption that the average of the parts markup rates and labor rate calculated under subsections 4 and through 6 is presumed to be fair and reasonable, and must go into effect thirty days following the manufacturer's approval ~~receipt of the submission subject to the manufacturer or distributor's ability to contest the rate as provided in this subsection.~~ The motor vehicle manufacturer or distributor may not issue more than one notice to the dealer contesting any declared labor rate or parts markup, and may not add to, expand, supplement, or otherwise modify any reason for contesting the declared rate or parts markup. A manufacturer or distributor may contest the material accuracy of the rate calculated under subsection 4 through 6 or rebut the presumption in this subsection by reasonably 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 declaration of the same line make vehicles, not later than thirty days after submission. If the average parts markup rate or average labor rate is rebutted, or both, the manufacturer or distributor shall propose an adjustment of the average percentage markup based on that rebuttal not later than thirty days after submission. ~~contest the material accuracy of the rate calculated under this section~~ similarly suited same line make dealers in the state by providing a written objection to the dealer within thirty days after receiving the dealer's submission, and shall:

- (1) Provide the dealer with a copy of all calculations used by the motor vehicle manufacturer or distributor to make the determination of the dealer's labor rate or parts markup, a written explanation of the basis for any inaccuracy or unreasonableness alleged by the motor vehicle manufacturer or distributor, and evidence substantiating any written explanation.
- (2) Provide a proposed adjustment of the dealer's labor rate or parts markup based solely upon the information provided by paragraph 1.

~~(3) Commence paying the dealer at the proposed adjusted labor rate or parts markup determined by the motor vehicle manufacturer or distributor as provided in this section. This section applies to all proposed adjusted labor rates or parts markups, even if the motor vehicle manufacturer's or distributor's determination of the labor rate or parts markup is different from the labor rate or parts markup provided in the dealer's submission.~~

- b. ~~If a motor vehicle manufacturer or distributor fails to comply with the requirements of subdivision a~~ approve or deny a submitted rate change within thirty days of receipt of submission, the submission is approved.
- c. If a dealer agrees with the conclusions of the motor vehicle manufacturer or distributor and any corresponding adjustment to the labor rate or parts markup contained within the written objection, no further action is required. The new adjusted rate is effective thirty days after the dealer's submission is received approved by the manufacturer or distributor.
- d. If a motor vehicle manufacturer or distributor provides a written objection that complies with the requirements under subdivision a, and the dealer does not agree with the proposed adjusted labor rate or parts markup contained within the written objection, or if the dealer disputes the motor vehicle manufacturer or distributor complied with the provisions of subdivision a, the dealer may bring an action in a court of competent jurisdiction. In such proceeding:
- (1) The motor vehicle manufacturer or distributor has the burden of proof by a preponderance of the evidence, and must show:
- (a) The manufacturer or distributor complied with subdivision a;
- (b) The dealer's submitted labor rate or parts markup was materially inaccurate or unreasonable; and
- (c) The manufacturer's or distributor's proposed adjustment to the dealer's submitted labor rate or parts markup was materially accurate or unreasonable.
- (2) If the dealer prevails in the action, the dealer's labor rate or parts markup is retroactive to the date thirty days following the motor vehicle manufacturer's or distributor's receipt of the submission, ~~and the dealer shall recover all~~

~~expenses in bringing and maintaining the action, including reasonable attorney fees. If a court finds the motor vehicle manufacturer or distributor willfully violated this section, the dealer is entitled to recover three times the amount of the retroactive labor rate or parts markup.~~

8. ~~Each manufacturer, in establishing a schedule of compensation for warranty work, shall rely on the vehicle dealer's written schedule of hourly labor rates and parts and may not obligate any vehicle dealer to engage in unduly burdensome or time-consuming documentation of rates or parts, including obligating vehicle dealers to engage in transaction-by-transaction or part-by-part calculations.~~ In establishing a rate under this section, the dealer's labor rate or parts markup must be calculated using the method ~~proscribed~~ prescribed in subsections 4 through 6.

9. ~~A dealer or, manufacturer, or distributor~~ may demand that the average parts markup or average labor rate be calculated using the process provided under subsections 4 and 5; however, the demand for the average parts markup may not be made within twelve months of the last parts markup declaration and the demand for the average labor rate may not be made within twelve months of the last labor rate declaration. If a parts markup or labor rate is demanded by the dealer ~~or, manufacturer, or distributor~~, the dealer shall determine the repair orders to be included in the calculation under subsections 4 and 5.

10. ~~a.~~ If a motor vehicle manufacturer or distributor furnishes, or causes to be furnished, a part to a dealer at no cost or at a reduced cost for use in performing the services identified in subdivision a of subsection 1, the motor vehicle manufacturer or distributor shall compensate the dealer in the same manner as parts compensation under this section by paying the dealer for the dealer's cost of the part, if any, plus an amount equal to the dealer's parts markup, multiplied by the wholesale value of the part. The wholesale value of the part must be the greater of:

~~(1)~~ a. The amount the dealer paid for the part or a substantially identical part if already owned by the dealer; or

~~(2)~~ b. The cost of the part shown in a current, or prior, motor vehicle manufacturer's, distributor's, or furnishing party's established price schedule; and

~~(3) The cost of a substantially identical part shown in a current, or prior, motor vehicle manufacturer's, distributor's, or furnishing party's established price schedule.~~

~~b. A motor vehicle manufacturer or distributor may not establish or implement a special part number for any part used in the services identified in subdivision a of subsection 1 if it results in lower compensation to the dealer than as calculated under this section.~~

11. A motor vehicle manufacturer or distributor may not:

- a. ~~Require or influence or attempt to influence~~ a dealer to implement or change the prices for which it sells parts or labor in retail repairs.
- b. Implement or continue a policy, procedure, or program to any of its dealers in this state for compensation under this section which is inconsistent with this section unless otherwise agreed by the dealer and the manufacturer or distributor.
- c. Take, or threaten to take, adverse action against a dealer that seeks to obtain compensation under this section, including:
 - (1) Creating or implementing an obstacle or process that is inconsistent with the motor vehicle manufacturer's obligations to the dealer under this chapter;
 - (2) Acting in bad faith; or
 - (3) Hindering, delaying, or rejecting the proper and timely payment of compensation due to a dealer under this section, provided nothing in this paragraph may restrict or impair audits or chargebacks conducted in accordance with section 51-07-02.4.

12. This section applies to all manufacturers and distributors as defined by section 51-07-00.1, and any other person that supplies a component or part installed on a new motor vehicle for which the warranty of the component or part is ~~warranted~~warrantied by another person that is not the manufacturer.

25.0936.03003
Title.

Prepared by the Legislative Council
staff for Senator Rummel
March 20, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO FIRST ENGROSSMENT

ENGROSSED HOUSE BILL NO. 1515

Introduced by

Representatives D. Ruby, Bosch, Ista, Lefor, Weisz, Vigesaa

Senators Hogan, Hogue, Klein

1 A BILL for an Act to amend and reenact section 51-07-29 of the North Dakota Century Code,
2 relating to motor vehicle warranty work compensation.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. AMENDMENT.** Section 51-07-29 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **51-07-29. Warranty work compensation.**

7 1. a. A motor vehicle manufacturer or distributor shall ~~include reasonable~~
8 ~~compensation for diagnostic work, as well as repair service, parts, and labor, in~~
9 ~~warranty work compensation. In addition, a motor vehicle manufacturer shall~~
10 ~~provide adequate time allowances for diagnosis and performance of warranty~~
11 ~~work and service for the work performed. The hourly labor rate paid by a motor~~
12 ~~vehicle manufacturer to the dealer for warranty services may reasonably~~
13 compensate its dealers for labor and parts provided by the dealer in connection
14 with the following manufacturer or distributor sponsored, issued, or required
15 items:

16 (1) Predelivery preparation.

17 (2) Installation of accessories or components required by the manufacturer or
18 distributor to be installed before the sale of a vehicle to a consumer.

19 (3) Diagnostic work **not otherwise compensated.**

20 (4) Maintenance programs.

1 (5) Extended warranty.

2 (6) Certified preowned warranty.

3 (7) Service contracts.

4 (8) Parts exchange programs.

5 (9) Recall, ~~goodwill~~, and warranty work performed by the dealer.

6 b. Reasonable compensation for labor for ~~the services identified in-~~

7 ~~subdivision a~~recall and warranty may not be less than the average retail rate

8 charged by the dealer for like service to nonwarranty customers for nonwarranty-

9 service as provided under subsection 5. ~~A motor vehicle manufacturer may not~~

10 reimburse a dealer for parts used in the performance of warranty repair at a lower-

11 rate ~~multiplied by the time guide used by the dealer for nonwarranty customer-~~

12 ~~paid service repair orders. To establish a time guide, a dealer shall provide-~~

13 ~~written notice to the manufacturer or distributor with the name of the time guide-~~

14 ~~the dealer uses. The manufacturer or distributor may not require the dealer to-~~

15 ~~provide any other information to establish the time guide the dealer uses. If no-~~

16 ~~time guide exists for a warranty repair, compensation for warranty labor must~~

17 ~~equal the dealer's average retail rate multiplied by the time spent to complete the-~~

18 ~~repair, and may not be less than the time charged to a retail customer for the-~~

19 ~~same or similar work provided, provided the rate is reasonable.~~ A

20 ~~dealer~~manufacturer or distributor shall use time allowances for the diagnosis and

21 performance of work and service which are reasonable and adequate for a

22 qualified technician to perform the work or services. The compensation for labor

23 must be the rate charged to retail customers for similar nonwarranty service work

24 multiplied, at the dealer's option, by either the time allowances recognized by the

25 manufacturer or distributor to compensate dealers for warranty work, or the

26 actual time spent performing the repair in good faith. A dealer my not change its

27 choice to be compensated for labor on the basis of the manufacturer's or

28 distributor's time guide or actual time more than once in one calendar year,

29 unless otherwise agreed by both the manufacturer or distributor and the dealer. A

30 manufacturer or distributor may reasonably require a dealer that elects to be

31 compensated for actual time to provide documentation and signatures, including

copies of all time-stamped job cards for specific technicians. If a manufacturer or distributor can show the dealer submitted claims for actual time in bad faith, including overlapping time charged for repairs or assigning technicians with inadequate training or skill level required to complete the repairs, then the manufacturer or distributor may require the dealer to be compensated under the manufacturer's or distributor's time guide for a period of two years following the date of a claim shown to have been submitted in bad faith. Reasonable compensation for parts for the services identified in subdivision a may not be less than the average retail rate customarily charged by the dealer for these parts as provided under subsection 4, provided the rate is reasonable.

2. A dealer shall submit a claim for reimbursement for services within ninety days from the completion of the services identified in subdivision a of subsection 1. A motor vehicle manufacturer or distributor shall pay a dealer on a claim made by a dealer under this section within thirty days of the approval of the claim. The manufacturer or distributor shall either approve or disapprove a claim within thirty days after the claim is submitted to the manufacturer or distributor. The manufacturer or distributor may prescribe the manner in which and the forms on which the dealer must present the claim. A claim not specifically disapproved in writing within thirty days after the manufacturer or distributor receives the claim must be construed to be approved and the manufacturer or distributor shall pay the claim within thirty days. If a manufacturer or distributor disapproves a claim in writing within thirty days, the manufacturer or distributor shall contemporaneously provide the dealer with a detailed written explanation of the reason the claim was disapproved. The dealer has thirty days from the receipt of the disapproval to resubmit a corrected claim.

3. A motor vehicle manufacturer, ~~factory branch, or~~ distributor, ~~or distributor branch~~ shall fully compensate its motor vehicle dealers licensed in this state for ~~warranty parts, work, and service~~ **warranty parts, and labor** specified in this section. Failure to fully compensate includes a reduction in the amount due under this section to the dealer or imposing a separate charge, surcharge, or other imposition by which the motor vehicle manufacturer, ~~factory branch, or~~ distributor, ~~or distributor branch~~ seeks to recover the costs of complying with this section from the dealer.

- 1 4. The retail rate customarily charged by the dealer for parts is established by the dealer
2 submitting to the manufacturer or distributor one hundred sequential nonwarranty
3 customer-paid service repair orders that contain warranty-like parts or ninety
4 consecutive days of nonwarranty customer-paid service repair orders that contain
5 warranty-like parts, whichever is less, covering repairs made no more than one
6 hundred eighty days before the submission and declaring the average percentage
7 markup.
- 8 5. The retail rate customarily charged by the dealer for labor must be established using
9 the same process as provided under subsection 4 and declaring the average labor
10 rate. The average labor rate must be determined by dividing the amount of the
11 dealer's total labor sales by the number of total hours that generated those sales. If a
12 labor rate and parts markup rate are simultaneously declared by the dealer, the dealer
13 may use the same repair orders to complete each calculation as provided under
14 subsection 4.
- 15 6. In calculating the retail rate customarily charged by the dealer for parts and labor as
16 provided in subsections 4 and 5, the following work may not be included in the
17 calculation:
 - 18 a. Repairs for manufacturer or distributor special events, specials, or promotional
19 discounts for retail customer repairs;
 - 20 b. Parts sold at wholesale;
 - 21 c. Parts or labor used in manufacturer or distributor sponsored programs that
22 restrict the pricing for repairs;
 - 23 d. Routine maintenance not covered under any retail customer warranty, including
24 fluids, filters, and belts not provided in the course of repairs;
 - 25 d.e. Nuts, bolts, fasteners, and similar items that do not have an individual part
26 number;
 - 27 e. Tires
 - 28 f. Replacement or work on tires, including wheel or tire rotations or balancing, or
29 replacements of brakes, including brake drums, rotors, shoes, or pads; and
 - 30 f.g. Vehicle reconditioning-;
 - 31 h. Alignments, unless necessary as part of a mechanical repair;

- i. Batteries, other than electric vehicle or hybrid vehicle propulsion batteries;
- j. Repairs of a motor vehicle owned by the dealer or an employee of the dealer;
- k. Installation of accessories;
- l. Repairs to or with aftermarket parts; and
- m. Repairs performed on motor vehicles of a line make other than that for which the dealer is franchised by the motor vehicle manufacturer.

7. a. ~~The~~ There is a rebuttable presumption that the average of the parts markup rates and labor rate calculated under subsections 4 and through 6 is ~~presumed to be~~ fair and reasonable, and must go into effect thirty days following the manufacturer's ~~approval~~ receipt of the submission subject to the manufacturer or distributor's ability to contest the rate as provided in this subsection. The motor vehicle manufacturer or distributor may not issue more than one notice to the dealer contesting any declared labor rate or parts markup, and may not add to, expand, supplement, or otherwise modify any reason for contesting the declared rate or parts markup. A manufacturer or distributor may contest the material accuracy of the rate calculated under subsection 4 through 6 or rebut the presumption in this subsection by ~~reasonably 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 declaration of the same line make vehicles, not later than thirty days after submission. If the average parts markup rate or average labor rate is rebutted, or both, the manufacturer or distributor shall propose an adjustment of the average percentage markup based on that rebuttal not later than thirty days after submission. ~~contest the material accuracy of the rate calculated under this~~ sectionsimilarly suited same line make dealers in the state by providing a written objection to the dealer within thirty days after receiving the dealer's submission, and shall:
- (1) Provide the dealer with a copy of all calculations used by the motor vehicle manufacturer or distributor to make the determination of the dealer's labor rate or parts markup, a written explanation of the basis for any inaccuracy or

unreasonableness alleged by the motor vehicle manufacturer or distributor,
and evidence substantiating any written explanation.

(2) Provide a proposed adjustment of the dealer's labor rate or parts markup
based solely upon the information provided by paragraph 1.

~~(3) Commence paying the dealer at the proposed adjusted labor rate or parts
markup determined by the motor vehicle manufacturer or distributor as
provided in this section. This section applies to all proposed adjusted labor
rates or parts markups, even if the motor vehicle manufacturer's or
distributor's determination of the labor rate or parts markup is different from
the labor rate or parts markup provided in the dealer's submission.~~

b. If a motor vehicle manufacturer or distributor fails to ~~comply with the~~
~~requirements of subdivision a~~ approve or deny a submitted rate change within
thirty days of receipt of submission, the submission is approved.

c. If a dealer agrees with the conclusions of the motor vehicle manufacturer or
distributor and any corresponding adjustment to the labor rate or parts markup
contained within the written objection, no further action is required. The new
adjusted rate is effective thirty days after the dealer's submission is
~~received~~ approved by the manufacturer or distributor.

d. If a motor vehicle manufacturer or distributor provides a written objection that
complies with the requirements under subdivision a, and the dealer does not
agree with the proposed adjusted labor rate or parts markup contained within the
written objection, or if the dealer disputes the motor vehicle manufacturer or
distributor complied with the provisions of subdivision a, the dealer may bring an
action in a court of competent jurisdiction. In such proceeding:

(1) The motor vehicle manufacturer or distributor has the burden of proof by a
preponderance of the evidence, and must show:

(a) The manufacturer or distributor complied with subdivision a;

(b) The dealer's submitted labor rate or parts markup was materially
inaccurate or unreasonable; and

1 (c) The manufacturer's or distributor's proposed adjustment to the
2 dealer's submitted labor rate or parts markup was materially accurate
3 or unreasonable.

4 (2) If the dealer prevails in the action, the dealer's labor rate or parts markup is
5 retroactive to the date thirty days following the motor vehicle manufacturer's
6 or distributor's receipt of the submission, ~~and the dealer shall recover all~~
7 ~~expenses in bringing and maintaining the action, including reasonable~~
8 ~~attorney fees. If a court finds the motor vehicle manufacturer or distributor~~
9 ~~willfully violated this section, the dealer is entitled to recover three times the~~
10 ~~amount of the retroactive labor rate or parts markup.~~

11 8. ~~Each manufacturer, in establishing a schedule of compensation for warranty work,~~
12 ~~shall rely on the vehicle dealer's written schedule of hourly labor rates and parts and~~
13 ~~may not obligate any vehicle dealer to engage in unduly burdensome or~~
14 ~~time-consuming documentation of rates or parts, including obligating vehicle dealers to~~
15 ~~engage in transaction by transaction or part by part calculations~~In establishing a rate
16 under this section, the dealer's labor rate or parts markup must be calculated using the
17 method ~~proscribed~~prescribed in subsections 4 through 6.

18 9. ~~A dealer or, manufacturer, or distributor~~ may demand that the average parts markup or
19 average labor rate be calculated using the process provided under subsections 4 and
20 5; however, the demand for the average parts markup may not be made within twelve
21 months of the last parts markup declaration and the demand for the average labor rate
22 may not be made within twelve months of the last labor rate declaration. If a parts
23 markup or labor rate is demanded by the dealer ~~or, manufacturer, or distributor,~~ the
24 dealer shall determine the repair orders to be included in the calculation under
25 subsection 4 and 5.

26 10. ~~a.~~ If a motor vehicle manufacturer or distributor furnishes, or causes to be
27 furnished, a part to a dealer at no cost or at a reduced cost for use in performing the
28 services identified in subdivision a of subsection 1, the motor vehicle manufacturer or
29 distributor shall compensate the dealer in the same manner as parts compensation
30 under this section by paying the dealer for the dealer's cost of the part, if any, plus an

amount equal to the dealer's parts markup, multiplied by the wholesale value of the part. The wholesale value of the part must be the greater of:

~~(1)~~a. The amount the dealer paid for the part or a substantially identical part if already owned by the dealer; or

~~(2)~~b. The cost of the part shown in a current, ~~or prior,~~ motor vehicle manufacturer's, distributor's, or furnishing party's established price schedule; ~~and~~

~~(3) The cost of a substantially identical part shown in a current, or prior, motor vehicle manufacturer's, distributor's, or furnishing party's established price schedule.~~

~~b. A motor vehicle manufacturer or distributor may not establish or implement a special part number for any part used in the services identified in subdivision a of subsection 1 if it results in lower compensation to the dealer than as calculated under this section.~~

11. A motor vehicle manufacturer or distributor may not:

a. Require ~~or influence or attempt to influence~~ a dealer to implement or change the prices for which it sells parts or labor in retail repairs.

b. Implement or continue a policy, procedure, or program to any of its dealers in this state for compensation under this section which is inconsistent with this section unless otherwise agreed by the dealer and the manufacturer or distributor.

c. Take, or threaten to take, adverse action against a dealer that seeks to obtain compensation under this section, including:

(1) Creating or implementing an obstacle or process that is inconsistent with the motor vehicle manufacturer's obligations to the dealer under this chapter;

(2) Acting in bad faith; or

(3) Hindering, delaying, or rejecting the proper and timely payment of compensation due to a dealer under this section, provided nothing in this paragraph may restrict or impair audits or chargebacks conducted in accordance with section 51-07-02.4.

12. This section applies to all manufacturers and distributors as defined by section 51-07-00.1, and any other person that supplies a component or part installed on a new

- 1 | motor vehicle for which the warranty of the component or part is ~~warranted~~warranted
- 2 | by another person that is not the manufacturer.