



February 6, 2023

Chair Zack Stephenson
Commerce, Finance, and Policy Committee
Minnesota House of Representatives
Re: HF 797 – Oppose

Dear Chair Stephenson:

On behalf of the Alliance for Automotive Innovation (Auto Innovators), thank you for the opportunity to voice our opposition to HF 797, which seeks to dramatically change Minnesota’s law for compensating automobile dealers for warranty work performed for an automaker. Auto Innovators is the trade association that represents automobile manufacturers that produce nearly 98 percent of cars and light trucks sold in the United States. Members include U.S. operations of international motor vehicle manufacturers, original equipment suppliers, technology, and other automotive-related companies and trade associations.

HF 797 would force automakers to pay Minnesota automobile dealers tens of millions of dollars in unnecessary fees every year. The bill is unnecessary, unfair, and creates substantial costs that will ultimately harm consumers.

When a consumer’s vehicle needs to be repaired under a manufacturer’s warranty, the manufacturer relies on its network of franchise dealers to perform that work for which the manufacturer then compensates the dealer. The manufacturer pays the dealer for labor at the same rate at which the dealer charges retail purchasers. The manufacturer then multiplies that rate by its time allowance for the repair, which produces the compensation for labor on a warranty repair. The 90th Legislature enacted a detailed process for this in 2018 after bringing stakeholders together to reach a compromise.¹

HF 797 would eviscerate that compromise because it forces manufacturers to pay dealers based on guides that dealers use for retail repairs instead of the manufacturer time guide. Manufacturers pay dealers at their retail hourly rate for labor. And a manufacturer purchases the number of hours of labor that it knows is required to do the repairs for which it is paying. The manufacturer knows that because it has performed every repair in the book as part of an objective time study. Manufacturers have no desire to undercompensate dealers for their work, which is why they make processes available for dealers to request additional time or to request a review of an operation in the manufacturer time guide.

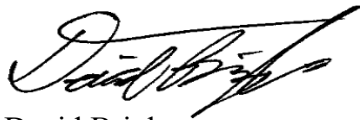
Manufacturers also do not want to pay for more time than was spent working on their warranty repairs, which is unfortunately what HF 797 would require. The bill would allow dealers to demand to be compensated for the number of hours listed in a third-party time guide instead of the manufacturer’s time guide. Third-party time guides are not precise measurements but rather estimates intended for independent repair shops. Those mechanics work on a variety of vehicles rather than specializing in a

¹ Minnesota Session Law, Chapter 203, HF 740 (2018).

brand. They do not have the special tools that a dealer would have. They do not have training from the manufacturer. They work on vehicles that are older and have issues such as wear, rust, and damage which can be expected to increase the amount of time for repairs. Warranty repairs in a dealership are fundamentally different than the retail repairs at an independent repair shop. That is why third-party time guides are not a substitute for manufacturer time guides.

HF 797 is an unnecessary and unreasonable attempt to force manufacturers to overpay dealers for warranty service. It has no public benefit and will ultimately harm consumers as well as manufacturers. The Alliance for Automotive Innovation respectfully asks the members of this committee to vote against HF 797. Thank you for your time and consideration.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "David Bright".

David Bright
Senior Attorney

