

The Honorable Cindi Duchow
Chair, Assembly Committee on Consumer Protection
Wisconsin State Legislature
Madison Wisconsin 53707

SUBJECT: ASSEMBLY BILL 635 - RELATING TO: REASONABLE COMPENSATION OF A MOTOR VEHICLE DEALER BY A MOTOR VEHICLE MANUFACTURER, IMPORTER, OR DISTRIBUTOR FOR CERTAIN MOTOR VEHICLE SERVICE WORK - OPPOSE

Dear Representative Duchow,

The Association of Global Automakers represents the U.S. operations of international motor vehicle manufacturers, original equipment suppliers, and other automotive-related trade associations. We work with industry leaders, legislators, regulators, and other stakeholders in the United States to create public policies that improve motor vehicle safety, encourage technological innovation and addresses environmental needs. Our goal is to foster an open and competitive automotive marketplace that encourages investment, job growth, and development of vehicles that can enhance Americans' quality of life. For more information, visit www.globalautomakers.org.

Our Position

On behalf of our members, Global Automakers opposes certain provisions contained in Assembly Bill 635, a bill that seeks to amend Wis. Stat. § 218.0125 relating to warranty reimbursement for motor vehicle dealers.

Sections 1 and 2 of the bill seek to amend the definition of “Qualifying nonwarranty repairs,” which term is used to calculate the reimbursement rate for warranty parts and labor. There is no need to amend the current definition, which states:

“Qualifying nonwarranty repairs” means nonwarranty repairs that would be covered by a warranty of a manufacturer, importer or distributor if the vehicle being repaired by the warranty. The term does not include routine maintenance.”

Wis. Stat. § 218.0125(1)(b). The proposed amendment adds numerous exceptions for work performed by dealers that would not be included in the reimbursement calculation for parts and labor. It is very likely that the exclusion of these additional repairs will result in higher warranty labor and parts reimbursement rates because their exclusion will increase the retail rate calculation for repairs done under warranty. The increased retail costs will be borne by your constituents. Such a provision only serves to benefit the automobile dealers at the expense of Wisconsin consumers.

Section 4 of the bill adds a provision that would prevent manufacturers from charging back a dealer based on a dealer's failure to comply with procedures for submitting warranty reimbursement claims if the dealer provides "reasonable proof" that the work was actually performed and subject to compensation under the statute. This amendment, as a whole, is vague and ambiguous, and the term "reasonable proof" is overly broad and undefined. Manufacturers pay dealers substantial amounts each year for performing warranty repairs without requiring the submission of any supporting documentation. Instead, manufacturers rely on a dealer's representation that the repairs have been performed properly and in accordance with the applicable policies and procedures. Because this amendment prohibits manufacturers from enforcing their policies regarding the submission of warranty reimbursement claims, it should be stricken from the bill.

Lastly, Section 5 of the bill would prohibit manufacturers from recovering their compliance costs. This section should also be stricken as manufacturers should have the right to recover their compliance costs by increasing vehicle and parts prices. Otherwise, the economics of offering warranty coverage become threatened to the detriment of Wisconsin consumers.

We are happy to provide you with additional information or answer any questions you may have on this important issue.

Sincerely,

A handwritten signature in black ink that reads "Josh Fisher". The signature is written in a cursive, slightly slanted style.

Josh Fisher
Manager
State Government Affairs