



**Auto Consumer Alliance**  
13900 Laurel Lakes Avenue, Suite 100  
Laurel, MD 20707

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**Testimony to the House Economic Matters Committee  
HB 1208 – Vehicle Laws – Manufacturers – Dealer Compensation --  
Position: Favorable**

The Honorable C.T. Wilson  
House Economic Matters Committee  
251 Lowe House Office Building  
Annapolis, MD 21401  
cc: Members, House Economic Matters Committee

March 8, 2023

**Honorable Chair Wilson and Members of the Committee:**

I'm a consumer advocate and Executive Director of Consumer Auto, a non-profit group that works to foster safety, transparency, and fair treatment for Maryland drivers and car buyers,

We support **HB 1208** because it will require manufacturers to more fairly compensate dealers for the repair work consumers rely on them to do -- and prevent manufacturers from imposing extra fees or surcharges on dealers for performing that work. These changes will not only protect dealers but help drivers get access to the repairs they need.

Under current rules, some manufacturers use unrealistic labor-time calculations that understate the time it takes to do many of the repair jobs dealers regularly perform when they calculate the compensation dealers get for that work. That can mean that the reimbursement dealers get for doing the work isn't adequate to meet their costs or to employ the in-demand technicians they need to do the work. When manufacturers impose additional fees or surcharges on dealers to recover the cost of that warranty work only adds to that shortfall.

A great many consumers rely, of course, on car dealers for warranty work, recall repairs and other maintenance on their cars. But experience shows us that some dealers aren't eager to do the warranty work they need – in part because they fear that compensation from the manufacturers won't be adequate or won't come close to matching the revenue they would earn on non-warranty work.

As Ray Magliozzi noted on the "Car Talk" blog in a Jan. 2021 discussion: "a lot of dealers are not eager to fix problems under warranty. Generally speaking, the manufacturer pays a lower labor rate to the dealer for warranty work. And, since the parts come from the manufacturer, the dealership can't earn its usual markup on the cost of parts, either."<sup>1</sup> Or as one auto dealer told Automotive News in February, "We're seeing more and more of them [repair technicians] just not wanting to do the warranty work because of the pay rate and book time."<sup>2</sup>

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<sup>1</sup> <https://www.cartalk.com/cars-content/dealerships-so-reluctant-to-do-warranty-repairs>

<sup>2</sup> <https://www.autonews.com/dealers/warranty-reimbursement-rates-car-dealers-battle-automakers>



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Requiring manufacturers to use the more accurate labor-time estimates published in an impartial labor guide (rather than those mandated by the manufacturers) and prohibiting manufacturers from imposing additional fees on dealers for doing warranty or recall work would make compensation more fairly reflect the cost of the work. That will improve access to repairs by making some dealers less reluctant to do the work consumers need.

We support **HB 1208** and ask you to give it a FAVORABLE report.

Sincerely,

Franz Schneiderman  
Consumer Auto