

TOYOTA TESTIMONY: RHODE ISLAND HOUSE BILL 5590 (Third-Party Time Guides)

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Washington DC
March 25, 2025

- **Introduction.** Toyota joins others in the automotive industry who have significant concerns regarding Rhode Island House Bill 5590 – specifically with its attempts to mandate the usage of third-party time guides. This bill will result in significantly increased warranty costs and higher prices for consumers while putting existing manufacturers at a competitive disadvantage to new market entrants.
- **Toyota Pays Dealers Well.** Toyota values its dealer partners, and it is in our best interest to ensure that Toyota and Lexus dealers are properly compensated for the important warranty and recall work they do on our vehicles, and that is exactly what we already do. Toyota’s guides are based on its expertise as the designer and manufacturer of its vehicles, including the use of 3-D/CAD images, global information from repair data, and actual time studies, with a 20% buffer added to account for interruptions, corrosion or aging parts.
- **The existing Process Provides Dealers with Relief.** If a particular repair takes longer than the time allotted in the guide for some reason, Toyota, like other OEMs, already allows the dealers the ability to be reimbursed for that extra time. So, dealers are reimbursed for the *higher of* Toyota’s time guide or the actual time spent on a repair.
- **Third-Party Time Guides are Not Intended for Warranty Repairs.** Third-party time guides are not based on time studies. They are calculated by simply taking the OEM guides and adding more time to them. This makes sense for their intended purposes, which is for repairs on old, out-of-warranty vehicles by independent technicians who are not trained on a particular line-make and don’t have the special tools that the dealer has for the repairs. It does not make sense to apply these same guides to warranty repairs.
- **Higher Prices for Consumers.** The higher warranty costs this would impose will inevitably result in consumers paying more for new vehicles. By tying warranty reimbursement directly to the time a dealer charges for non-warranty repairs, this bill also would encourage dealers to charge customers more for those repairs, resulting in higher service costs for consumers.

- **No Direct Impact on Technician Pay** – Technician pay is determined by dealers, not manufacturers. This bill would increase warranty costs paid from manufacturers to dealers, but that will do nothing to increase technician pay, which is determined solely by the dealers and market forces.
- **Competitive Disadvantage** – Requiring manufacturers like Toyota that embrace the dealer model and sell vehicles through dealers to pay more for warranty repairs undermines the entire dealer model by providing cost savings and a competitive advantage to Tesla, Rivian and others who sell and repair directly.
- **Summary** – Thank you for permitting me to address the committee today. We would encourage the members to oppose this bill.