



March 25, 2025

Hon. Joseph J. Solomon, Jr., Chairman
House Committee on Corporations
Rhode Island State House
82 Smith Street
Providence, RI 02903

RE: Oppose – House Bill 5590

Dear Chairman Solomon, Vice-Chair O'Brien, and Members of the Committee:

On behalf of the Alliance for Automotive Innovation¹, thank you for the opportunity to provide testimony in opposition to House Bill 5590, legislation that seeks to further regulate the relationship between automakers and their dealer body.

QUICK SUMMARY

1. HB 5590 would increase costs and harm consumers in Rhode Island, by unfairly and unreasonably allowing automobile dealers to demand to be paid for more hours of labor than were **actually worked** by their employees.
2. HB 5590 attempts to blame automakers for the convoluted pay structure that dealers have constructed for their employees, where technicians are paid by job completed, not hourly or salary. The level of technician pay is solely the responsibility of their employers—dealerships.
3. HB 5590 includes no language that would ensure technicians see an increase in pay from this bill, and that these added profits are not simply taken as additional profit by the dealer.

UNDERSTANDING TIME GUIDES

Under Rhode Island law, automobile manufacturers are required to send all warranty repairs to their dealer body. 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. This legislation would allow dealers to use an aftermarket, third-party time guide for work performed under a manufacturer's warranty. These non-automaker 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. These older vehicles are inherently more time-consuming to repair and often have rusted and worn parts. **Aftermarket time guides are simply intended for a different audience and for a different purpose than warranty work.** A senior executive from a company that publishes 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 for just these reasons.

¹ From the manufacturers producing most vehicles sold in the U.S. to autonomous vehicle innovators to equipment suppliers, battery producers and semiconductor makers – Alliance for Automotive Innovation represents the full auto industry, a sector supporting 10 million American jobs and five percent of the economy. Active in Washington, D.C. and all 50 states, the association is committed to a cleaner, safer and smarter personal transportation future.
www.autosinnovate.org.

By contrast, manufacturer time guides are intended for warranty work at a dealership. Time allowances in a manufacturer's time guide are not an estimate; they are calculations that come from actually doing the repairs in a shop and timing how long a qualified technician needed to complete a specific repair. The difference between a manufacturer's time guide and an aftermarket time guide can be considerable. Frequently, there are also significant differences between the various aftermarket guides published by different companies for the same repair. These variations are due to the fact the time guide publishers do not perform, nor actually time, each repair, and instead base the time on estimates alone. Only automakers actually perform and time the repairs.

WHAT IF TIME GUIDES DON'T ALLOW ENOUGH TIME?

We have heard some suggestions that the need for this bill comes down to automaker time guides providing insufficient time for the work required. While automakers do time out every repair to establish the appropriate time in the guide, in the event that a repairer needs additional time, every automaker has a process in place for the dealer to request it (and the extra time is typically granted). And if the situation appears to be a problem with the time guide itself – instead of an acute issue with one vehicle – manufacturers also allow dealers to request reviews of the time allowance in the guide if the dealer believes they need to be restudied.

IMPACT ON AUTOMAKERS AND VEHICLE OWNERS

The consequences of using inapplicable aftermarket time guides instead of an automaker's warranty time guide to compensate for warranty work would be significant. **We estimate that this bill would increase a manufacturer's warranty costs today by 50%.** 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.**

THIS ISSUE IS NOT DEALERS BEING UNDERPAID BY AUTOMAKERS

Any assertions that the only way a dealer could pay their technicians more is if automakers dramatically increase their rate of compensation for warranty repairs are false. Based on a blinded survey of financial data dealers are required to submit annually to their automaker, the average dealer in Rhode Island today already earns a gross profit margin of roughly 78% on warranty work. Gross profits of that magnitude are self-evidently sufficient to pay market clearing wages.

Warranty work is a high margin, high volume, steady stream of business for which the dealer does not need to advertise to attract or retain. **There is no need or justification for this bill, other than for dealers to unjustly increase their revenue.**

NOTHING ENSURES TECHNICIANS SEE PAY INCREASE

Even if committee members had an interest in supporting this bill to see technician pay increase, there is no text in this bill to require such an increase. Proponents of the bill have framed the purpose of the bill is to benefit the dealers' employees. **Yet not a single word in this bill would require dealers to pass along any of the additional money to employees or raise compensation.** Every bit of additional profit gained from the passage of this bill could be taken by dealers, without any benefit to their workers.

CONSUMERS WILL PAY THIS LEGISLATION

Automakers are in the business of selling automobiles. They largely have only one source to generate revenue, and that is from vehicle sales. Any assertions that consumers would not see additional costs due to this bill are devoid of a basic understanding of the marketplace. This cake-and-eat-it-too mentality is as fanciful as it is wrong. **Understand that increasing automakers' warranty costs by 50% in Rhode Island will ultimately be paid for by your constituents.** This is simply an unfair and unreasonable way for dealers to increase their bottom line at the expense of automakers and consumers.

THANK YOU AND REQUEST FOR MORE DISCUSSION

Thank you again for the opportunity to present before the Committee on this topic. As drafted, consumers in Rhode Island will ultimately be forced to pay these increased costs, all for the benefit of increased dealer profits. It is for these reasons that we respectfully ask for your opposition to this legislation.

If I can answer any questions or provide any further information, please do not hesitate to contact me at 202-326-5550 or wweikel@autosinnovate.org.

Respectfully submitted,



Wayne Weikel
Senior Director, State Government Affairs

cc: Members, House Committee on Corporations

