

## SUPPORT HB1683 (SEWELL)

# FAIR REIMBURSEMENT TO BUSINESSES FOR WARRANTY & RECALL WORK

When a vehicle needs a part or technology fixed that is under an auto maker's warranty or a recall, the customer pays nothing and the dealership is reimbursed by the manufacturer.

**That's where problems start for small businesses.**

**MANUFACTURERS MANIPULATE AMOUNTS PAID FOR WARRANTY AND RECALL REPAIRS. THEY:**



Don't pay the same labor rate as retail



Artificially reduce the amount they claim is required for labor



Control part prices and alter them to reduce costs

### HOW DOES THIS IMPACT DEALERS?

They are forced to pay their technicians less for warranty/recall repairs, or supplement their pay and allow the manufacturer to shift the costs of their product quality issues to the dealer.

### HOW DOES THIS IMPACT CONSUMERS?

**Higher prices when paying retail.**

## HERE'S HOW VIRGINIA FIXES THE PROBLEM.

VADA's legislation brings Virginia in line with other states, adjusting the law to **rely on a statutory calculation to determine a retail amount** that manufacturers reimburse dealers.

The bill also **addresses pricing parts manipulation**, prohibiting auto makers from reducing the price parts used in a recall repair. The part will be pegged to its highest price in the last 12 months.

Auto technicians should be **paid for increased time spent communicating with manufacturers on increasingly complicated repairs**. Dealers should also be **quickly compensated when required by the manufacturer to provide a rental vehicle** to customers during warranty/recall repairs.

Our bill has **no impact on consumers**, and in fact **ensures costs are not passed on to Virginians**.

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**Reach out to your VADA representatives today to learn how you can support these changes!**

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### DETERMINATION OF RETAIL COMPENSATION

In 2022, Virginia Code changed to address the determination of retail compensation to dealers for warranty and recall repairs. VADA originally proposed removing the term “reasonable” as a qualifier for the retail amounts.

We compromised and amended the language of that legislation related to the reasonableness of repairs. It still allows a manufacturer to challenge a dealer’s requested amounts, while establishing a presumption that the manufacturer must overcome that the dealer amount, as calculated according to statute, is reasonable. We did not include that it must be overcome by clear and convincing evidence, as originally drafted.

However, manufacturers now routinely deny dealers their full retail amounts by simply stating that another facility charges less. This is all manufacturers offer to overcome the presumption.

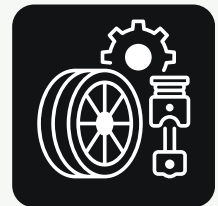
**What the bill does:** Bringing Virginia in line with other states, the bill removes the “reasonable” qualifier and relies on the statutory calculation to determine a retail amount.

### PARTS PRICING MANIPULATION

Dealers are compensated for both labor and parts. Manufacturers routinely slash the price of parts to pay dealers less. Price manipulation unfairly shifts the cost of auto maker quality issues to dealers.

Additionally, manufacturers often prohibit a dealer from returning parts that the dealer does not use. This leaves the dealer with obsolete inventory. They are then forced to limit parts on hand to quickly fix their customer’s vehicles or risk losing money on parts they can never return.

**What the bill does:** Stops manufacturers from arbitrarily reducing the price of a part that will be used in a recall (or recall-like) repair. The bill establishes the price of the part as the highest price in the last 12 months. Dealers would also be allowed to return unused parts.



### FULL PAYMENT FOR DIAGNOSTIC TIME

Vehicle technology has changed. Dealers have seen an uptick in the time dealership techs spend troubleshooting repairs with manufacturers. An automotive technician cannot work on another vehicle while waiting on the phone for an answer to a problem.

**What the bill does:** Guarantees techs are compensated for time spent waiting and communicating with a manufacturer for assistance related to a warranty or recall repair.

### PAYMENT TIME OF RENTAL REIMBURSEMENT

Manufacturers sometimes require dealers to provide a rental for customers to use during a repair. In 2022, the General Assembly passed legislation requiring full reimbursement to dealers for the rental cost. While some manufacturer policies still do not provide full reimbursement, we are not addressing that issue for now.

However, a related problem has arisen. Given the unusually long delays in parts availability, which prevent dealers from making necessary repairs for weeks, months, and even years. Dealers are not reimbursed for the rental expenses until the repair is complete and the warranty claim is filed. When a customer drives a rental for an extended time before a warranty repair can be completed, the dealer carries a large expense.

**What the bill does:** Allows a dealer to request reimbursement for rental expenses incurred within 30 days of paying for a customer’s rental.

