

March 23, 2023

Senator Matt Klein
Chairman Senate Commerce Committee

To date, Toyota and Lexus and its partners are responsible for a total investment of \$544 Million in Minnesota and have created over 1,700 direct and indirect jobs for Minnesotans. I am writing to express our strong opposition to House File No. 797 and to explain how this bill not only is harmful to the automotive industry but also will raise the amounts everyday Minnesotans pay to have their vehicles repaired and serviced.

Third-Party Time Guides are an inappropriate and inaccurate replacement for an OEM time guide. Motor vehicle dealers charge their customers for vehicle repairs based on a flat-rate labor time that is intended to approximate the actual time it should take for a particular repair. Toyota, like other motor vehicle manufacturers, prepares these flat-rate labor time guides for the expected repairs that dealers perform on its vehicles. The time guides are based on time studies, where the repair is prepared for and performed using basic hand tools to determine how long it would take a typical, qualified technician to perform the repair. This is a generous approach, as dealer technicians are often able to complete these repairs more quickly than the time allotted, particularly considering their experience, knowledge of the product, and access to time-saving tools and equipment not used in the time studies.

House File No. 797 would set aside these carefully prepared time guides and require that reimbursement times instead be based on whichever third-party time guide the dealer chooses. Importantly, these third-party guides are not prepared using actual time studies. Instead, these guides typically take a manufacturer guide as a starting point and add time to it. This may make sense for how these guides are intended to be used; for repairs done by independent repair shops working on older, out of warranty vehicles. It does not make sense to use these guides for repairs done by factory trained technicians specializing in a particular line make and working on a recently manufactured vehicle still covered by the original warranty. Further, the bill's substitution of third-party guides is unnecessary. Toyota, like other manufacturers, provides dealers with procedures to challenge the time allotted by a guide and to obtain additional reimbursement if a particular repair takes longer than provided.

If a dealer seeks to have a manufacturer pay a higher rate for warranty work, the dealer must also charge its customers a higher rate. This bill would exacerbate that link and could encourage dealers to charge customers even more for vehicle repairs and service by requiring that warranty reimbursement be based on any third-party time guide of a dealer's choice. Dealers are independently owned entities separate from manufacturers, and service technicians are employed and paid by the dealerships. While this draft bill imposes dramatic increases on manufacturer warranty payments to dealers, nothing in it requires that any portion of that increase be passed along to the technicians who do the work.

In conclusion, we oppose House File 797 because it is bad for the automobile industry and bad for consumers.

Sincerely,



Scott Neiheisel
Lexus Central
General Manager