



# AB 473






PROTECTING THE FRANCHISE SYSTEM







## AB 473 (Aguiar-Curry) REIMBURSES DEALERS FOR WARRANTY WORK AT THE DEALER'S RETAIL RATE

- Automakers have a financial incentive to shortchange dealers and their service technicians by manipulating the amount of time the technician spends on each job.
- AB 473 proposes an objective standard to determine time, so the dealership and its technicians are fairly compensated for warranty and recall work.






### HOW IS A DEALER REIMBURSED FOR ITS LABOR COSTS? Customer Pay (Retail Rate)

<p><b>1</b></p>  <p>Jane Tech repairs a customer's vehicle for \$100. Jane's rate is \$100/hour. The dealer uses a third-party time guide that says the time for the job is 1 hour.</p>	<p><b>2</b></p>  <p>The dealership bills the customer \$100 for the labor (\$100/hour x 1 hour).</p>	<p><b>3</b></p>  <p>The customer pays \$100 for the labor.</p>	<p><b>4</b></p>  <p>Jane and the dealer split the \$100.</p> 
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### PROBLEM – CURRENT WARRANTY AND RECALL REIMBURSEMENT

<p><b>1</b></p>  <p>Jane Tech performs the same job from above for a warranty repair. Jane's rate is \$100/hour. The customer pay labor cost is \$100 (\$100/hour x 1 hour).</p>	<p><b>2</b></p>  <p>The dealership requests \$100 in reimbursement from the automaker.</p>	<p><b>3</b></p> <p><del>1 HOUR</del></p> <p>The automaker unilaterally changes Jane's time from 1 hour to 0.5 hours. The automaker pays \$50 for labor (\$100/hour x 0.5 hours).</p>	<p><b>4</b></p>  <p>Jane and the dealer are paid 50¢ on the dollar because the automaker manipulated time to cut the reimbursement cost.</p> 
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### AB 473 – WARRANTY REIMBURSEMENT FIXED

<p><b>1</b></p>  <p>Jane Tech performs the same job from above for warranty repair. Jane's rate is \$100/hour. The customer pay labor cost is \$100 (\$100/hour x 1 hour).</p>	<p><b>2</b></p>  <p>The dealership requests \$100 in reimbursement from the automaker using the same time guide customer-pay work.</p>	<p><b>3</b></p>  <p>The automaker pays the dealer the full \$100.</p>	<p><b>4</b></p>  <p>Jane and the dealer are paid in full because AB 473 requires a manufacturer to honor a dealer's request to pay based on its customer-pay time guide.</p> 
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