



HB3940 -- Fair Labor and Consumer Protection Amendment

The Warranty Work Reimbursement Bill would amend the Motor Vehicle Franchise Act (815 ILCS 710/), to define and expand upon how motor vehicle manufacturers are required to “adequately and fairly” compensate each of its motor vehicle dealerships for labor and parts associated with warranty work.

- It will ensure that dealerships and technicians alike receive genuinely fair and adequate compensation for all warranty work completed. To this end, it will require that the time allowances for the diagnosis and performance of warranty work be no less than those charged to retail customers for the same work, that manufacturers pay dealerships the same effective labor rate as the dealership receives for customer-pay repairs, and that manufacturers reimburse dealerships for any parts provided in satisfaction of a warranty at the prevailing retail price charged by the dealership when sold to retail customers. The bill will further prevent manufacturers from imposing any type of cost recovery fee or surcharge against a dealership for payments made under this law.
- Under the current Motor Vehicle Franchise Act, manufacturers are merely required to provide “reasonable” compensation to dealerships for performing warranty work. Manufacturers have traditionally established time guides to determine the amount of compensation. For each individual job covered by the warranty, the manufacturer has calculated a time allowance which dictates the compensation to the dealership. These time allowances tend to drastically underestimate the amount of time actually needed to complete the jobs. This means that **dealerships are not receiving compensation reflecting the amount of time spent on warranty work**, and subsequently, **technicians are being underpaid for their labor**. Legislative change is necessary to ensure that neither dealerships nor technicians are losing time and money on warranty work.
- This bill will require that manufacturers compensate dealerships for warranty work in the same manner that retail customers compensate dealerships for retail work, in terms of time allowances, labor rates, and part prices. This will ensure much needed consistency and predictability in how dealerships are able to run their businesses, and how technicians are able to support themselves and their families.
- In creating an equitable compensation scheme for warranty work, this bill will level the playing field between motor vehicle manufacturers and dealerships. The bill will protect dealerships by preventing manufacturers from imposing cost recovery fees or surcharges against dealerships requesting compensation under this bill. It will protect manufacturers by preserving the manufacturer’s right to approve or disapprove dealership claims, and ensures a mechanism for manufacturers to charge back any false or unsubstantiated claims they may have paid.
- Ultimately, this bill will provide much needed changes to the laws surrounding warranty agreements between motor vehicle manufacturers and dealerships in Illinois. Similar changes have been made recently in California, and policy with similar intent has been law in Wisconsin for more than a decade. Illinois will join California and Wisconsin as a leader in ensuring equity in warranty agreements. All labor deserves fair compensation, and this bill will go a long way towards ensuring that the labor of automobile technicians is compensated appropriately.

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