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Dealers, factories battle over Fla. warranty law

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A closely watched battle over warranty repair rates in Florida is moving from the statehouse to the courthouse.

The Alliance of Automobile Manufacturers is suing in a Florida court to challenge a dealer-backed law that took effect last May. The new state law requires automakers to pay dealerships the same rates for warranty parts and labor that the stores charge retail customers.

The alliance represents the Detroit 3, Toyota, Volkswagen and six other automakers. Alliance executives complain the law has increased manufacturers' cost of doing business in Florida. They fear dealers in other states will seek similar laws.

In its suit, the alliance contends the new law's provisions "have already generated an onslaught of requests from Florida dealers for additional reimbursement."

Automakers, not dealers, should set wholesale prices for vehicles and parts, the alliance asserts. The suit contends that the law enables dealers to charge inflated prices for warranty work. That could harm consumers, the suit says, because the cost of warranty reimbursement is factored into new-vehicle prices.

In addition to setting price parity for warranty and customer-pay work, the Florida law sets a formula for calculating dealers' retail parts markup and labor rates. It prohibits automakers from retaliating against dealers who seek retail rates with such tactics as surcharges on new vehicles and warranty audits.

Alex Kurkin, a dealer lawyer in Miami who helped draft the Florida law, says he expects other states to follow suit.

"Most manufacturers, with the exception of a couple of smaller imports, are paying the manufacturer's suggested retail price for parts," Kurkin told *Automotive News*.

Factories typically pay a warranty markup that dealers contend is less than the markup they charge consumers for repairs, Kurkin says.

Jim Moors, franchise lawyer for the National Automobile Dealers Association, says laws in New York, New Jersey, and Maine require dealers to be reimbursed for warranty work at retail rates. Those states have formulas that help dealers calculate their warranty reimbursements, Moors says.

Maine, North Carolina and Virginia prohibit automakers from imposing surcharges on new vehicles to offset the cost of paying retail rates for warranty work, Moors adds.

Kurkin says Florida dealers "are fighting a battle for dealers in other states. There is a great deal at stake."



Lawyer Alex Kurkin: Florida dealers "are fighting a battle for dealers in other states."

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