

CONNECTICUT AUTOMOTIVE RETAILERS ASSOCIATION

36 TRUMBULL STREET
HARTFORD, CONNECTICUT 06103

James T. Fleming
President

Telephone: (860) 293-2500
Facsimile: (860) 527-2582

Testimony of Tamara Jackson of Middletown, Connecticut
Tuesday March 11, 2014
Joint Standing Committee on General Law

Raised Bill 375 AN ACT CONCERNING CONSUMER RENTAL CAR COST REIMBURSEMENT AND USED MOTOR VEHICLE WARRANTIES.

Good evening Senator Doyle, Representative Baram and members of the Committee. My name is Tamara Jackson; I am here to testify in opposition to Raised Bill 375 AN ACT CONCERNING CONSUMER RENTAL CAR COST REIMBURSEMENT AND USED MOTOR VEHICLE WARRANTIES. CARA is opposed to this legislation. I am the President of Jackson Chevrolet of Middletown, Connecticut a three generation family owned business started in 1936 and we have 53 dedicated team members who work with me every day to serve our customers and the Middletown community.

I am also a member of the Connecticut Automotive Retailers Association (CARA) a not for profit trade association that represents the interests of the 250 licensed franchised auto dealers and their 12,000 employees in our state. Last year the members of CARA contributed over 9 billion dollars in sales to the state's economy and represent 15% percent of all the retail sales in our state. We are just coming out of the worst recession in history where we lost over 30% of the new car dealers in our state and 300 jobs.

This bill at first blush seems like it might help consumers; however, on closer examination it is clearly not a good idea and will hurt used car consumers in our state. Furthermore it is contrary to numerous state and federal laws designed to assure transparency and choice in auto retail pricing and sales. The bill requires that the used car warranty mandated in law include coverage for the cost of a rental car. That means any used vehicle sold by a dealer in this state must provide coverage for the cost of a rental car, during times when the vehicle "might" be in the shop for warranty work. In essence this will force all used car consumers to pay for the cost of a rental car in the price of a used car. MOST CONSUMERS DON'T WANT TOPAY FOR THS TYPE OF OPTION. We believe this is anti consumer. It is an expensive hidden option and as I said violates the spirit, if not the letter, of state and federal laws that mandate transparency and the consumer right to choose options as part of the car buying process.

Additionally, as the owner of a small business this bill will hurt the states fragile economy and cause job losses in many small used car stores. Dealers are under an increasing amount of pressure to comply with administratively costly laws and guidelines, but we do it every day to ensure that our customers are protected and that we remain good corporate citizens. Please know

that even without these laws, dealers look out for their customers and we work hard to retain their business. That is why dealerships like Jackson have been in business since 1936. This bill however seems to cross a line which allows the market to determine what a seller will sell and what a buyer will buy.

Many small used car dealers will be unable to stay in business with this type of mandate because many of their customers are not looking for this type of expensive option when they buy a used car. Keep in mind also that few if any New Car Manufacturer warranties cover a provision for a rental car during warranty service. We estimate the cost to Connecticut consumers, mostly lower income consumers, for this bill will be \$8 million dollars annually.

In addition please consider that auto dealers are pressured by slim margins and fierce competition. Legislating additional requirements that drive costs up are inherently anti-consumer; it will reduce sales and cost jobs in our stores. I for one offer loaner vehicles to my customers – new or pre-owned – **based on availability** when they are in for any kind of service or even maintenance. This is a voluntary customer benefit and it is expensive for us to do. We advertise this and for additional reasons pertaining to some manufacturer programs, we maintain our own fleet to draw upon for this service. But this is an expensive proposition, we pay for extra dealer plates, it increases local property taxes and also means that we run a risk and must assume increases in our insurance cost. This bill to require a car in every instance will have prohibitive costs for us; it is not something that can be absorbed into the bottom line and we will need to pass this along to our customers. If you mandate this for each and every warranty repair it will drive-up the cost of all used vehicles and the cost of doing business in this state.

Many smaller dealers, especially those who operate within 20 minutes of the state line, will lose business and I fear that this legislation could very easily force them to go out of business or to refrain from selling some of the lower priced used vehicles because the costs associated with this bill will eat up any margin on the vehicle. Certain consumers looking to purchase based solely on price, but buy from a dealer because Connecticut has a 30 to 60 day warranty will buy out of state. So please consider that if the state mandates these additional costs in a warranty, ultimately the consumer will have to pay for it as part of the price.

Loaner vehicles are nice but let this be a market driven thing. Dealers offer all sorts of ancillary packages and products, such as two detail services per year, loaner vehicle or pickup drop off service when you're in for service, tires for life etc. – let the customer choose. Don't force all used car buyers to pay for something they may not want or use.

In summary, I ask that you reject this legislation for several reasons:

- Raising the price of a car with warranty mandates will **push these sales into the unregulated private sale market** where unlike licensed dealer sales the vehicle will not have a safety inspection.

- Pushing vehicles into private sales means that **consumers will have absolutely no warranty coverage** because private sales are not subject to the Connecticut Used Car Warranty Law.
- Pushing vehicles into private sales will have a **negative fiscal impact on DMV** which is struggling every day to reduce long lines at DMV office. Right now dealers register 40% of all vehicles at the dealership. Private sales on the other hand will need to be done at the DMV branches.
- This bill will also reduce the price that dealers are willing to give for a trade-in which **will hurt many consumers** who need to use a trade-in as a down payment or to qualify for a low loan rate
- **Dealerships with close proximity to the state border will lose sales** and be at a distinct price disadvantage because New York, Massachusetts and Rhode Island have no such mandate and thus the same car in Connecticut will always cost more.
- **Connecticut's local auction houses where dealers find vehicles for consumers will lose business and jobs.** The bill will eliminate the availability of many lower end used vehicles from the auction because dealers will not take them in trade, reducing consumer choice and ultimately costing jobs at our instate auctions.

In a nutshell this bill will hurt not help consumers by eliminating consumer choice, driving up the price of used vehicles and increase vehicle financing to mostly low income consumers.

Thank you for the opportunity to address you this evening and I'm happy to answer any questions you might have.