

AUTO EMISSIONS WARRANTIES THE BIGGEST SCAM

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Ever since automobiles have been a part of American life, its industry has been subjected to severe criticism. The first major governmental criticism — a 1935 FTC report — blamed the auto manufacturers for their domination of dealers. The FTC found the car companies, then numbering over 11 manufacturers, forced their dealers to do warranty work. It also found that dealers were compelled to buy only the manufacturers' original equipment parts.

A Chronicle of Public Dissatisfaction

From 1967 to 1969, the U.S. Senate Subcommittee on Antitrust and Monopoly held investigative hearings. It amassed data that showed the 1939 practices were substantially unchanged in 1969.

In 1970, the FTC found that car companies paid lower compensation on warranty work than dealers charged their regular cash customers. As a result, dealers were reluctant to do warranty work. The then chairman of the FTC proposed severe remedies to cope with the problem, but the Commission failed to act or propose legislation.

In 1980, the University of Wisconsin sponsored the "Conference on Approaches to Making Auto Repair Credible." It published the National Science Foundation Study on Warranty Protection in the Automotive Industry which stated dealers received a lower hourly rate and earned less profit on warranty work and that new car purchasers receive unsatisfactory warranty repairs. The report found, "There is an extremely inconsistent pattern of warranty protection,

creating public distrust in the automobile industry." The public's frustration varies even among dealers of the same manufacturer.

I do not recite these critical findings simply to air the automotive industry's dirty linen. I point this out so that you independent auto repair shop owners can turn to state and federal officials who contemplate or are actually proposing regulations or laws. I assert that the motoring public's dissatisfaction with this industry starts at the doorsteps of the auto manufac-

*Such an
arrangement will
give (automobile)
dealers the
exclusive right to
sell car company
parts and sell labor
under terms the
car companies
specify.*

turers and their franchised new car dealers! Sure, the independents have some problems. But the real blame lies with the new car dealers and their failure to satisfy warranty complaints.

To enact regulations that force motorists to return to the new car dealers for service under mandatory warranties is ridiculous.

Forcing motorists to pay several hundred dollars for a federally mandated warranty on the emission system — in the face of this prolonged history of poor performance or nonperformance by the dealers — will be a travesty on millions of American motorists.

To compel almost ten million new car dealers annually to buy a federally mandated warranty — which in fact is simply a compulsory service contract — is economic nonsense. Moreover, it

invites the car companies and their franchised dealers to extract monopoly prices.

Forty Years' Poor Service

The forty-year documented record of poor warranty service alone would seem enough to dissuade proponents of this mandatory warranty. But if not, the flood of consumer complaints against the new car dealers' general automotive service performance during the past ten years should be a convincing argument against the mandatory warranty. Consumer complaints about dealer service constitute the largest volume of consumer complaints about auto repairs. Top GM and Ford management have acknowledged that over 25 percent of their customers are dissatisfied with repair service.

An Unthinkable Act

How would any governmental official find any rational basis to force new car purchasers to buy — and pay for at the time of purchase — a mandatory service contract (warranty)? Why would any official force new car buyers to return exclusively to car companies' franchised dealers for the inevitable repairs to their emission systems?

During the past ten years alone, manufacturers have recalled more than 90 million new cars for safety and emission defects, or needed corrections. That is, every occasion where our government has examined it officially over the past fourteen years.

Despite this prolonged agony, American motorists are about to be compelled, by the very political people who profess to be consumer protectionists, to pay several hundred dollars for mandatory federally required service contracts. Then, by federal and State of California regulation, to have to obtain satisfactory service only from franchised new car dealers. Outrageous! When the public realizes the true costs, they will rebel.

Such an arrangement will give
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