

Denny Kahler  
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STATEMENT  
OF  
MR. DENNY KAHLER  
PAST CHAIRMAN  
AUTOMOTIVE SERVICE ASSOCIATION  
BEFORE THE  
CALIFORNIA AIR RESOURCES BOARD  
DECEMBER 7, 2006

Mr. Chairman and Members of the Board, my name is Denny Kahler. I have been a California mechanical shop owner for over thirty years. I have served as Chairman of the Board of the Automotive Service Association (ASA) which is the largest independent automotive repair association in the United States. I currently serve on ASA's Executive Committee in the role of Past Chairman. I am here today representing ASA.

Independent repair facilities maintain approximately 75% of all vehicles out of warranty. As warranties are extended or expanded, these repairs are removed from independent repair facilities. Our members are very concerned that this regulatory proposal will increase the number of repairs removed from independent shops and sent to new car dealerships.

The California Air Resources Board (ARB) staff report identified three specific aspects that needed to be improved in the existing Warranty Information Reporting and Recall Regulations and Emission Test Procedures:

- The proof required to demonstrate violations of ARB's emissions standards or test procedures;
- The corrective actions available to ARB to address the violations;
- The way emissions warranty information is reported to ARB.

I would like to reference the "Corrective Action" in the staff report. ARB staff state, "Depending on the type of defective emission-control component and whether or not OBD is able to detect the problem, corrective action would be either the recall of all affected vehicles or the extension of the emission warranty for that specific component."

As you are aware, ASA opposed previous warranty extensions, including those in the Low Emission Vehicle II program that extended emissions warranties from 3

years/50,000 miles to 15 years/150,000 miles. While ASA supports clean car programs, we believe they can exist and prosper in states without expanding or extending warranties at the expense of independent repair facilities. Clean car programs have followed in Oregon, Washington, Maine, Vermont, Massachusetts, Rhode Island, Connecticut, New York and New Jersey. ASA anticipates that Pennsylvania will finalize similar regulations prior to the holidays.

Despite the importance of the corrective action proposal, ASA is concerned about the staff evaluation of the Potential Impacts on Other Businesses. The staff report states, "relatively new vehicles and engines that are still within their certified useful life period."

ASA believes that any extension or expansion of the vehicle warranty status negatively impacts the independent repairer in the State of California. Customers in independent shops, generally will not repair one or more items at the independent shop and take the vehicle to a new car dealer for the warranty item only. With this expanded warranty staff proposal, independent repairers could potentially lose a large number of customers, having significant impact on our small businesses.

Was a formal "Economic Analysis" as to the economic impact this proposed regulatory change will have on independent repairers conducted by ARB? I was unable to determine from the public staff report whether a specific economic analysis was available for review.

During the Washington State debate over clean car legislation, policymakers considered requiring that independent repairers might also be allowed to qualify for

warranty repairs. Eventually, the super warranty provisions were disposed of in the final deliberations. If ARB moves forward with this major policy change, ASA requests that independent repairers be allowed to perform these warranty repairs. Otherwise, the State of California will clearly have instigated a process that will remove customers from independent repair shop bays to those of new car dealerships.

Please do not take this particular policy debate lightly. Your decision whether to move forward with an expansion of vehicle warranties will impact a large number of California small businesses. It is also quite likely, if previous clean car warranty changes are an indicator, that other states across the nation will follow suit.

We ask you to reject any warranty changes that expand or extend current California warranty policy. If the ARB decides to move forward with the staff recommendations, we ask that independent repair shops be allowed to conduct the warranty repairs.

Thank you.