



Nikki Ayers

06-11-5

1301 CHAPALA ST., SANTA BARBARA, CA 93101 805/962-7316

December 6, 2006

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, Ca. 95814

Re: 06-11-5: Public Hearing to Consider Amendments to California's Emission Warranty Information Reporting and Recall Regulations and Emission Test Procedures

To Whom It May Concern:

My name is Nikki Ayers. My husband Robert Ayers and I are owners of Ayers Automotive Repairs in Santa Barbara, California. We have owned and operated an independent general automotive repair facility for over 27 years. Our facility is 10 bays and we employ 12 individuals including five ASE master technicians, two ASE certified technicians, two ASE certified Service Advisors and three backup staff members. We are also a smog check station in the basic area. Our shop services and repairs approximately 300 vehicles per month with 65% of our workload performing maintenance services, 25% drivability issues and the balance major breakdowns. Of those vehicles we see, 13% are older than 15 years, 69.5% are 5 - 14 years old and 17.5% are 4.9 years or newer. Our annual revenues are approximately 1.5 million per year.

First, I want to make it clear I am not here asking you to change the standards for emissions of a PEZV. What I do want you to understand is that my shop has invested heavily in tools, equipment and training of my employees in order to stay current with new car technology. AND I expect that will be the case for the remainder of our lives in this industry. We have worked with the manufacturers to have access for emissions related repairs and keep our technical support subscriptions current in order to properly repair and diagnose vehicles. The first nine months of this year alone, my facility has spent over \$150,000 in tools, equipment and employee training. What I need to know is will I have a business in another 10 years? If the proposed super warranty on emission failures goes to 15 years/150,000 miles the likelihood of my business servicing this fleet is extremely limited in scope and will give the new car dealerships an unfair AND an unearned business advantage.

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I am extremely concerned with several aspects of the proposed rule changes to the California Emission Warranty Information Reporting and Recall Regulations and Emission Test Procedures.

Of the existing regulations that need to be improved upon, your staff identified three specific aspects;

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

As part of the "Corrective Action", ARB staff state, "Depending on the type of the 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."

However, in the staff evaluation of the Potential Impacts on Other Businesses, the report states *"The proposed amendments should have minimal impact on the independent service and repair industry and aftermarket parts manufacturers since the proposal deals with relatively new vehicles and engines that are still within their certified useful life period."* Is this a suggestion that the independent repair shops only work on vehicles which are past their useful life?

According to a report issued by the Rand Corporation entitled *"The Impact of Extended Warranties on California's Independent Repair Shops"* which was prepared for the California Air Resource Board, states and I quote from the text, *"Extended warranties have no effect on independent repair shop revenue in California between 2003 and 2005 because warranties for the first three years or 50,000 miles of a PZEV's life remain the same as those on vehicles with standard emission warranties. However under the Extended 15 Year/150,000 mile warranty, revenue at independent repair shops is predicted to be 0.8 percent lower (\$120 million of \$15.4 billion) in the maximum-PZEV scenario than it otherwise would be in 2010 and 4.1 percent lower (\$730 million of \$17.9 billion) in 2020. The result is that the predicted decline in independent repair shop revenue in 2020 ranges from 2.2 to 6.9 percent (\$375 million to \$1.3 billion) in the maximum-PZEV scenario."* Based upon this study, at the request of CARB, I do not really understand how you can state this proposal will not have a major effect on the independent repair shops in California, as is being presented today.

The shift in business to the new car dealer extends beyond the scope of the extended warranty itself. First, car owners may assume that the part causing the emissions failure and other parts are also covered by the extended warranty and, if they find out this is not true, simply decide to have parts repaired/replaced by the dealer because the vehicle is already there. Car owners also

may be fearful of jeopardizing the emissions warranty, and therefore return to the new car dealer for all repairs even though other parts may not be covered. Both of these effects significantly benefit new car dealers over the independent vehicle repair shops where car owners would normally obtain their repairs. In fact, most studies indicate that car owners patronize independent shops 70 to 80 percent of the time once their warranty has expired. However, where an extended warranty exists, as discussed above, while they are at the dealership, not only do car owners obtain the emissions repairs, they also will obtain any other service and maintenance that they might need to have done or which might be recommended when the vehicle is inspected.

Today's motorist does not have time to move from one repair shop to another for different repairs and will attempt to minimize trips. The RAND study found in its household study that 60 percent of respondents, if they were aware that their warranty had been extended, would first go to the dealer if either the vehicle failed smog check or their check-engine light came on. Absent an extended warranty, the study found that 37 percent of car owners return to dealers for vehicles between three and 11 years old and 10 percent use dealers for vehicles between 12 and 16 years old.

While not addressing the current proposal, CARB's own RAND study appears to contradict the statement made in the October 20, 2006 Staff Report that "staff feels the amount of work redirected from independent facilities will be minimal" as a result of this new proposal. In fact, based on this study, this proposal will shift substantial revenue from our industry to the new car dealers.

Any expansion of the vehicle warranty status will negatively impact my business and other independent repairers in the State of California. I believe this is a major change in the vehicle warranty and a major rulemaking initiative. And while I am only representing my automotive repair facility today, I believe you need to recognize the financial impacts the independent automotive repair after market has on the California economy as there are over 35,000 ARDs with approximately 3 employees each and average annual gross revenues of \$500,000.00. I implore the ARB to conduct a thorough economic analysis of this proposal's impact on the California independent repair industry. This proposal will have a negative impact on small businesses, the economy of our state and should be rejected. There are alternatives that must be considered such as: 1) a program which allows consumers a choice of where to have their vehicle repaired from BAR approved repair facilities and not just new car dealerships, 2) annual smog inspections – which will dramatically reduce the "temporary repair" mindset of most consumers and is common in other states, 3) greater education requirements for repair shop owners and technicians who work in the emission related fields and 4) more availability of longer life and more efficient catalytic converters.

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segment of California's small business owners.

Please do not allow the 15 year/150,000 mile super warranty to destroy my business and my future.

Sincerely,



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