



STATE OF MICHIGAN
EXECUTIVE OFFICE
LANSING

RICK SNYDER
GOVERNOR

BRIAN CALLEY
LT. GOVERNOR

June 16, 2016

Michigan House of Representatives
Michigan Senate
State Capitol Building
Lansing, Michigan 48913

Ladies and Gentlemen:

Today I am returning Enrolled House Bill 4344 to you without signature. HB 4344 amends the Michigan Motor Vehicle Service and Repair Act (the "Act") to make a number of updates modernizing the Act that I support. However, it also includes revisions relating to the use of certain aftermarket parts used for automotive repairs. As Michigan continues its comeback and continues to be a leader in promoting new technology in the automotive industry, it is imperative that we ensure all components of that industry can remain strong, including Michigan's robust aftermarket parts industry. I am concerned about HB 4344's effect on market competition for replacement parts on motor vehicles.

Specifically, HB 4344 amends the Act to provide that, for the first five years of a vehicle's original manufacturer's warranty, automotive repair facilities must make repairs on certain parts with only new or recertified original equipment manufacturer ("OEM") parts, or parts that have been tested and verified as meeting or exceeding OEM quality by a nationally recognized independent testing agency, unless the vehicle's owner directs in writing to install an aftermarket part.

On its face, this policy seems to be intended to protect consumers and ensure vehicles are safely repaired. That is a laudable goal. The Insurance Institute for Highway Safety indicates that some structural parts, such as bumpers, do impact a consumer's safety. However, the Institute also points out that some parts, such as fenders, grilles, door skins, bumper covers, etc. are primarily cosmetic and "are irrelevant to crash safety." This bill doesn't sufficiently delineate between the two types of parts, thereby limiting the use of safe, high quality aftermarket parts designed specifically for particular vehicles.

Michigan's aftermarket auto parts industry is strong because of its competition with OEMs. Indeed, by ensuring robust and open competition between OEM parts and aftermarket parts, consumers see the benefits of safety improvements stemming from that competition. Enacting a law to prohibit mechanics from providing high quality and safe alternatives for customers is an inappropriate impediment on the competition that has resulted in both high quality OEM and aftermarket parts for Michigan drivers to enjoy.

That a customer may sign a waiver permitting a mechanic to install aftermarket parts does not cure this deficiency. In fact, the waiver may stigmatize certain aftermarket parts. What is a customer to think when a mechanic requires a signed waiver in order to install a part—even one directly out of a box from a large reputable Michigan manufacturer? Requiring a signed waiver for these parts is akin to requiring pharmacists to obtain a waiver from patients to provide generic prescription drugs in lieu of more expensive name-brand medication.

Finally, I am concerned that this provision of HB 4344 may negatively affect auto insurance prices in Michigan—prices that are already too high. Requiring OEM parts when a perfectly suitable and safe aftermarket part is available at a lower price will result in higher costs to insurers; higher costs which will be passed on to consumers in the form of increased premiums, deductibles, or both. Those increased costs would be directly attributable to artificially limiting competition by requiring OEM parts when less expensive aftermarket parts are available.

I support much of the modernization of the Act that HB 4344 includes, as well as limiting structural parts that are proven to impact safety. However, I am unable to sign this bill because it overreaches in the limitation of aftermarket parts negatively impacting consumers and creating the potential for negative consequences for Michigan's automotive industry. Accordingly, I am returning HB 4344 to you without signature.

Sincerely,

A handwritten signature in dark ink, appearing to read "Rick Snyder", written over a horizontal line.

Rick Snyder
Governor