



March 5, 2025

New Jersey State Legislature
State Capitol
125 W State Street
Trenton, NJ 08625

RE: S3309 / A4380

Dear Members of the New Jersey State Legislature:

The American Consumer Institute (ACI) is a nonprofit 501(c)(3) education and research organization whose mission is to identify, analyze, and protect the interests of consumers in legislative and rulemaking proceedings in a range of policy matters.

ACI's analysis shows that S3309/A4380 contains provisions that would harm consumers.

The bill allows for Original Equipment Manufacturers (OEMs) to be unfairly overcharged, in some cases at a rate of 1.5 times, for warranty compensation. The conflated rates are not supported by any data, nor is there any empirical evidence to indicate that OEM-measured times are either inaccurate or unreasonable.

Overcharging OEMs ultimately hurts consumers because manufacturers will likely pass these expenses on to them through higher automobile prices. Essentially, based on no supporting data, this provision allows a transfer of income from consumers to car dealerships.

ACI published a study that examined the consequences of various state laws like S3309/A4380, specifically written to benefit car dealer franchises.¹ It found that American consumers collectively pay almost \$48 billion more per year on new automobile purchases due to similar state laws already on the books. S3309/A4380 would merely transfer even more money from consumers to dealers' pockets; many of these dealers already reap considerable profits. The ACI study cites a Federal Trade Commission economic study that concurs, finding these dealership protectionist bills have raised new car prices by approximately 7.8 percent.

The bill would also allow auto dealers to sell cars with known defects and/or recalls to customers as long as the information is disclosed; however, such information could be buried in the

¹ Steve Pociask, "Corporate Welfare: How Automobile Dealership Franchise Regulations Cost Consumers an Additional \$48 Billion Annually," American Consumer Institute, March, 2018, <https://www.theamericanconsumer.org/wp-content/uploads/2018/03/ConsumerGram-2018-FINAL-1.pdf>.

paperwork after the sale's completion, in a language not primarily spoken by the buyer, or through some other unscrupulous manner.

Such deception not only relieves dealers of the responsibility of fixing faulty vehicles, but it lets them off the hook for allowing people to drive off the lot in a ticking time bomb that could maim or kill the driver, its passengers, and/or anyone else on the road.

Thousands of unknowing motorists have been seriously injured or lost their lives from buying a used car with a recall.² A 35-year-old male was killed instantly by metal shrapnel that lodged into his throat when his airbags were deployed from a collision with another vehicle. He was unaware that his Honda Civic had been recalled three years prior. A 27-year-old law student died in a fiery crash caused by a faulty ignition switch. Her Saturn also had a recall.

Backed by auto dealers to avoid any legal liability, this legislation is similar to other measures attempted in other states. Most of them have been defeated because lawmakers are seeing this for what it is: creating a loophole for dealers to sell hazardous, used vehicles to unsuspecting consumers.

S3309/A4380 would harm consumers in multiple ways, particularly when it comes to their safety and wallets.

Thank you for your consideration.

Respectfully submitted,

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² Rui Kaneya and Pratheek Rebala, "Used Car Dealers Didn't Want to Fix Deadly Defects, So They Wrote a Law to Avoid it," *USA Today*, October 12, 2020, <https://www.usatoday.com/in-depth/news/investigations/2019/04/03/takata-airbag-gm-ignition-switch-recalls-used-car-dealers-sue-deaths-crashes-honda/3162202002/>.