



Testimony of Benjamin E. Ford
LD 1296, An Act to Amend the Law Governing Watercraft Franchisor Warranty
Reimbursements
Before the Joint Standing Committee on Housing and Economic Development
May 2, 2025, at 9:00 A.M.

Senator Curry, Representative Gere, and honorable members of this Joint Standing Committee on Housing and Economic Development, My name is Ben Ford, I am an attorney from the firm Archipelago. I have been an advocate for Maine's Blue Economy for 15 years. Today I am here to speak in support of LD 1296 "An Act to Amend the Law Governing Watercraft Franchisor Warranty Reimbursements."

Rather than restate how this bill rebalances the relationship between Maine marine dealers and their manufacturers, I thought I would share with you a concrete example of how warranty reimbursement was intended to work and how it actually works in reality.

This is a water pump repair kit. This is what pumps the water from the ocean or lake that circulates and cools the engine. Let's say you have a brand new 200 hp Yamaha that over heats so you take it back to the dealer. Here is what the dealer does to fix your motor:

1. Move the boat from the parking lot to the shop.
2. Clear away canvas, fenders, cushions, anything that prevents access to the motor.
3. Remove the cowling
4. Plug the motor into the diagnostic computer
5. Run the motor to get a reading
6. Diagnose the overheating problem
7. Log that diagnosis into the manufacturer's computer system
8. Provide pictures and other information requested by the manufacturer
9. Advocate for the customer
10. Unbolt the lower unit
11. Replace the pump
12. Bolt the lower unit back together again
13. Put the cowling back on
14. Test the engine
15. Move it back out of the shop.

All of that takes about 4 hours. If you were a retail customer, and this job was not covered under warranty, would pay about \$680 for the labor. This part retails for \$105.55. so, your total cost would be \$785.55.

Any layperson reading the current version of the statute would assume this is also what the manufacturer is supposed to be paying the dealer. It says reimburse at full retail for the part provided by the dealer and reimburse at the usual labor rate.

But, here is what happens when the part is covered under warranty:

The manufacturer reimburses the dealer by job code, not by how long the job actually takes. In this case, a water pump job code for a 200hp Mercury outboard reimburses for 1.5 hours, or \$255. And, rather than have the dealer provide the part and pay them the markup, the manufacturer ships the part directly to the dealer.

Here is what the manufacturer is supposed to pay compared to what they actually pay:

	Intent of the law	Reality
Cost to Produce Part	\$10.00	\$10.00
Cost Paid by Dealer	\$63.35	\$0.00
Amount Reimbursed to Dealer	\$105.59	\$0.00
Net Cost of Part	\$52.24	\$10.00
Cost of Labor	\$680.00	\$255.00
Total Cost	\$732.24	\$265.00
Total Saving		\$467.24

Here what the dealer is supposed to make compared to what they actually make:

	Intent of the law	Reality
Cost to Buy Part	\$63.35	\$0.00
Amount Reimbursed by Manufacturer	\$105.59	\$0.00
Gross Profit on Part	\$42.24	\$0.00
Labor Reimbursement	\$680.00	\$255.00
Labor Cost (\$39/hr)	\$156.00	\$156.00
Gross Profit on Labor	\$524.00	\$99.00
Total Gross Profit	\$566.24	\$99.00
Total Loss		\$467.24

From that gross profit, the dealer pays for insurance, benefits, taxes, rent, marketing fees, heat, etc. Once those costs are factored in, the dealer ends up losing a significant amount of money on the repair and by default, ends up subsidizing the warranties offered by the manufacturer.

There are certain situations where the markup on the part might be excessive or unfair to charge the manufacturer. So this bill sets a cap on the amount of markup the manufacturer must pay for parts they provide to the repair. That cap is 100% of the labor costs. In other words, if the manufacturer supplies the entire powerhead, the amount of markup on the part for which the dealer is to be reimbursed, cannot exceed the amount of labor the dealer puts into the repair.

Here is how that might look without the cap:

	Full Retail Price	Cost to Dealer	Profit to Dealer
Labor (26.5 hrs)	\$4,505.00	\$1,033.50	\$3,471.50
Parts	\$20,000.00	\$15,000.00	\$5,000.00
Total Profit to Dealer			\$8,471.50

Here is how it would look with the cap:

	Full Retail Price	Cost to Dealer	Profit to Dealer
Labor (26.5 hrs)	\$4,505.00	\$1,033.50	\$3,471.50
Parts	\$20,000.00	\$15,000.00	\$4,505.00
Total Profit to Dealer			\$7,976.5

The cap becomes very relevant in situations where an entire motor must be replaced.

To reiterate, the intent behind the bill is not to carve out special protections for marine engine dealers on contrast to other franchisees. The intent is to recognize and respond to the consolidation within the marketplace for engine manufacturers by closing a loophole that has been exploited for far too long at the expense of Maine small businesses.