

## CONSUMER PROBLEMS WITH SERVICE INDUSTRIES

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I would like to give you the government's point of view of the repairing of consumer goods, and why the government needs to create greater fairness in this area of the marketplace.

I think the need for regulation and for government to step into this problem stems from a number of stimuli. Some of these are the basic incapacities of the consumer to judge the quality or the competency and integrity of the services that are being offered resulting, therefore, in his inability to attest to the quality and safety of the services until the goods break down or fail to perform adequately as represented; the ever increasing amounts that are being spent for repair services in the State of California and throughout the nation; and increasing concern from consumers and legislators and groups such as yours have indicated the need to crack down on fraudulent practices and the incompetency that is becoming an ever increasing problem for consumers.

As a result of our concern and of these basic needs, our office commissioned an attorney, Mr. Thomas Snyder, to do legal research into the various approaches that government might take in solving this problem. A unique way to deal with this problem of fraud in a repair service industry was found. It was advanced originally by Prof. Robert Gilmore at Columbia Law School.

### THE OPEN AND FREE REGISTRATION PRINCIPLE

I would like to outline for you some of the general concepts of this principle. We like to call it the open and free registration principle; that is, the open and free registration of name and business address by a repair dealer versus the old-fashioned idea of licensing an occupation. This open and free registration concept of the service dealers for honest repairs and practices requires those who wish compensation to register their name and business address with the state, plus the payment of a small annual fee in order to pay for the enforcement of this act.

This proposal has another basic tenet. It prevents the state from regulating entry into the repair field. It does not require a written test to be taken. It does not say that everyone who is in the business now is automatically guaranteed entry by a "grandfather clause" into this business, and given insulation. It does not permit the establishment of an advisory board made up completely of

industry members. It does not permit the industry to stifle and eliminate competition by preventing others from coming into their business.

The concept does not require the occupational licensing technique of passing a written test in order to be declared as competent and honest repairmen; you and I know there are many honest repairmen that do not speak English, but are extremely proficient at their work.

This concept of open registration, which has been instituted with the electronic repair bureau formation, and the advancement which we are seeking now for owner repair dealer registration, which is now in the State Assembly of California, will preclude the familiar use of the occupational licensing laws to stifle or eliminate competition among dealers; it actually promotes free and open competition among dealers.

### MUST IMPROVE THEIR COMPETENCY

It does outlaw specific practices which I will outline later. It permits owners and employees to voluntarily take manipulative tests to prove their efficiency. These would help obviate the aspects of fraudulent practices. The dealers and mechanics have to improve their competency and efficiency as well. The consumer of course, also will benefit from this upgrading of quality. This concept requires a minimum of state regulation and would benefit the honest dealer by protecting him from unfair and unjust competition that he must face from the dishonest dealer.

In certain cases the state would be permitted to suspend and revoke a repair dealer's right to do business. All of these things would be a violation of the law, and criminal prosecution could ensue. Practices such as false and misleading advertising, false promises, fraudulent and deceptive dealings would call for legal penalties to be enforced.

Another important principle of open registration is that the advisory board that is set up is not industry dominated. It must have a majority of public members. In the case of the electronic repair bureaus there are five board members, three must be from the public sector and two from the industry.

This keeps the day to day advice that is given to the chief and director of the department away from constant emphasis on what is best for the industry and keeps the public point of view clearly evident at all times.