

**Before the
NEW JERSEY ASSEMBLY
CONSUMER AFFAIRS COMMITTEE
Trenton, NJ**

May 5, 2008

**COMMENTS OF THE
CONSUMER ELECTRONICS ASSOCIATION
ON
A.1002**

Thank you Chairwoman Cruz-Perez for the opportunity to testify before your Committee today. The Consumer Electronics Association (CEA) represents more than 2,200 companies, including more than 100 in New Jersey. These companies are involved in the design, development, manufacturing, distribution and integration of audio, video, in-vehicle electronics, wireless and landline communications, information technology, home networking, multimedia and accessory products, as well as related services that are sold through consumer channels. Last year alone, the U.S. consumer electronics industry brought in \$161 billion in revenue.

CEA strongly opposes the Consumer Electronics Warranty Lemon Law that is before the Committee today. CEA's member companies strive to provide the highest quality products and services that consumers demand. A.1002 hinders these efforts by adding onerous rules to a manufacturer's warranty program. In the spirit of free enterprise, decisions regarding warranty programs must be left to individual companies to manage, for several reasons.

The consumer electronics industry produces a diverse range of products from televisions and computers to wireless phones. The very nature of our industry means that warranty terms, conditions, service locations and other aspects differ by product category, market niche, sales channel and other factors. The legislation seeks to impose a "one size fits all model" for an extremely broad product category and does not take the above factors into consideration. For

example, the legislation would contradict established industry practice for wireless phones as it relates to the use of “like new refurbished phones” for warranty replacements. This could force manufacturers to reduce the warranty period in New Jersey and lead to greater inconvenience for the consumer. The bottom-line is that various product categories have differing and evolving warrantee needs.

In addition, the legislation could require a manufacturer to refund the purchase price of a replacement product even if the manufacturer was not the one to originally sell the product to the consumer. The lack of privity means the manufacturer has no way of controlling or tracing the original price paid for the product.

As currently written, the legislation would require in-home service be deployed within 72 hours. While such a requirement aims to improve response time, it would have the effect of increasing consumer costs and/or decreasing the quality of service provided by manufacturers. Regarding this provision, CEA has several concerns. First, when repairing a complex product such as a television, a technician must have the explicit ability to remove the product from the home if additional evaluation or repair is needed. The legislation does not take this scenario into account.

Second, as written, the “72 hour” response time does not consider such practical factors as weekends or holidays. If a company maintains standard Monday through Friday business hours, a service call received on Thursday afternoon would require in-home service by Sunday. Under this scenario, such a company would need to expand its service to include weekends. More likely, these companies would be forced to create a provision in their warranty contract that exempts New Jersey residents.

Additionally, the legislation does not make allowance for periods of high warrantee service. The consumer electronics industry, like all other industries, is constantly balancing overhead costs with customer service needs. With a 72 hour requirement, companies would be required to have excess repair capacity on-hand throughout the year, so as to ensure compliance during times of extraordinary demand. This excess capacity would come at a high cost.

CEA also has concerns with the provision that would require a retail representative to certify the condition of the product prior to being shipped for repair or replacement. This is a laudable goal, but does not consider several important factors. First, it creates additional burden on the consumer who must locate a facility that can certify the condition prior to the consumer relinquishing control of the product. Second, the legislation does not consider those products purchased through an online retailer, which is a significant distribution channel. In these cases, a retail representative would not be available to certify the product. These issues are not addressed by the legislation.

Finally, in addition to imposing onerous requirements that could raise costs and hurt consumers, A.1002 could hinder future innovation by shifting valuable resources towards meeting such individual state-based requirements. Decisions regarding a warranty program must be left to the warrantors. If enacted, this legislation could have the effect of undermining and eliminating all warrantees for consumer electronics in New Jersey.

Thank you again for the opportunity to present our members' concerns. On behalf of CEA, I respectfully request that the Committee oppose A.1002.