

## **HB 2127 -1 STAFF MEASURE SUMMARY**

### **House Committee On Commerce and Consumer Protection**

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**Meeting Dates:** 2/4, 3/27

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#### **WHAT THE MEASURE DOES:**

The measure changes the laws that govern franchise agreements for car dealers and manufacturers, distributors, and importers. Takes effect on 91st day following adjournment sine die.

#### Detailed Summary:

##### **Section 1**

Expands the definition of distributor and manufacturer under ORS 650.120

##### **Section 2**

Removes a clause prohibiting an audit to determine the validity of paid claims for dealer compensation. Requires manufactures, distributors, and importers to use specific criteria and describe rules and requirements for any system that would sell or lease directly to a retail customer. Restricts what can be charged for or subscribed to except for communication based subscriptions.

##### **Section 3**

Prohibits coercion or other forms of pressure to force a dealer to install an electric charging station or accept a new plan or system to govern the interactions between dealer and manufacturer, distributor, or importer that is not fair in respect to other dealers of that manufacturer, distributor, or importer.

##### **Section 4**

A manufacturer, distributor, or importer is given 20 days to respond to a dealers request to purchase goods or services from another source and the burden is on the manufacturer, distributor, or importer to show that the decision was reasonable in a dispute.

##### **Section 5**

Sets expectations for how diagnostic work, repair service, and parts and labor will be compensated and for pre delivery and warranty work.

##### **Section 6**

Amends 650.161 to apply to motor vehicles instead of used vehicles

##### **Section 7**

Declares a manufacturer, distributor, or importer won't use a right of first refusal in bad faith

##### **Section 8**

Makes section 9 part of ORS 650.120 to ORS 650.170

##### **Section 9**

Declares under what circumstances a franchisor would indemnify a franchisee or former franchisee.

##### **Section 10**

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*This summary has not been adopted or officially endorsed by action of the committee.*

Sections 1 to 7 apply to franchises where the franchisor and the franchisee enter into an agreement or renew an agreement after the Bill's effective date.

**ISSUES DISCUSSED:**

- Provisions of the measure

**EFFECT OF AMENDMENT:**

-1 The amendment adds customer dealer selection to the criteria a manufacturer, distributor or importer can use to allocate motor vehicles. The amendment prohibits the manufacturer, distributor, or importer from charging a fee unless arranging or providing emergency roadside service or offering a free trial of a subscription. The amendment requires a manufacturer, distributor, or importer to allow for time allowances that are reasonable and adequate for a qualified technician to make a diagnosis and perform the work or service. The amendment removes the requirement that the dealer be reimbursed for parts used to satisfy a warranty the prevailing retail price. The amendment removes the requirement that a manufacturer, distributor, or importer not restrict by limiting or reducing payments on a dealer's claim. It also requires that when a manufacturer, distributor, or importer is reimbursing for a dealer using a part the reimbursement will be the price from the manufacturers current price catalog.

Fiscal impact: Minimal Fiscal Impact

Revenue impact: No Revenue Impact

**BACKGROUND:**

Motor vehicle franchisees and manufacturer, distributor, and importer franchisors enter into agreements to work together to sell and service motor vehicles locally to the retail customer. The cost of parts and time needed to make a repair or replacement can be a point of disagreement between the parties. other points of disagreement can be about the amenities required by a franchisor to be offered by a franchisee.

HB 2127 changes the laws the govern franchise agreements between car dealers and manufacturers, distributors, and importers. the measure amends what actions a manufacturer, distributor, or importer can take within the business relationship. prohibits coercion to install electronic charging stations or changing business plans or systems unfairly. the measure also creates requirements for Pre delivery and warranty work, compensation, and reimbursement. Declares when a franchisor must indemnify a franchisee or former franchisee.