

HB 2127 A -A3 STAFF MEASURE SUMMARY

Senate Committee On Labor and Business

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Meeting Dates: 4/15, 4/17

WHAT THE MEASURE DOES:

The measure changes the laws that govern franchise agreements between car dealers and manufacturers, distributors, and importers and amends the actions a manufacturer, distributor, or importer can take within the business relationship. It requires manufactures, distributors, and importers to use objective criteria, including customer dealer selection, as part of any system used to allocate motor vehicles. It restricts what can be charged for or subscribed to except for communication based subscriptions. It prohibits coercion or other forms of pressure to force a dealer to install an electric charging station for public use or accept a new plan or system to govern the interactions between dealer and manufacturer, distributor, or importer that is not fair, reasonable, and equitable in respect to other dealers of that manufacturer, distributor, or importer. It gives a manufacturer, distributor, or importer 20 days to respond to a dealer's request to purchase goods or services from another source for constructing or remodeling a dealer facility and puts the burden on the manufacturer, distributor, or importer to show that the decision was reasonable in a dispute. It makes changes to the requirements for a written schedule of compensation for diagnostic work, repair service, parts, and labor that adequately and fairly compensates a dealer for the work, service, parts, and labor. It declares under what circumstances a franchisor indemnifies a franchisee or former franchisee. The measure applies to franchises where the franchisor and the franchisee enter into an agreement or renew an agreement on or after January 1, 2026.

REVENUE: No revenue impact

FISCAL: Has minimal fiscal impact

ISSUES DISCUSSED:

- Similar law in California
- Direct sales versus sales through franchise dealer
- Sales process in California
- Provisions for maintenance and service

EFFECT OF AMENDMENT:

-A3 Removes provision permitting a manufacturer, distributor, or importer to contest a dealer's proposal on the basis that the dealer's proposal does not reasonably conform with the estimated time for labor relating to the process for creating a schedule of compensation a manufacturer, distributor, or importer will pay a dealer for diagnostic work, repair service, parts and labor in connection with predelivery preparation and warranty service.

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 the 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 A 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 and 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. Lastly, it declares when a franchisor must indemnify a franchisee or former franchisee.

PRELIMINARY