

# House Bill 2739

Sponsored by Representative ESQUIVEL

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Modifies motor vehicle inventory for which dealer may be allowed fair and reasonable compensation upon termination, cancellation, nonrenewal or discontinuance of franchise.

Increases amount of damage to new motor vehicle requiring disclosure to prospective purchaser.

## A BILL FOR AN ACT

1  
2 Relating to motor vehicle dealerships; creating new provisions; and amending ORS 650.145 and  
3 650.155.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 650.145 is amended to read:

6 650.145. (1) As used in subsection (2) of this section, "fair and reasonable compensation" means  
7 the amount originally paid by the dealer minus any incentive payments, model close-out allowances  
8 or any other programs applicable to the vehicles.

9 (2) Upon the termination, cancellation, nonrenewal or discontinuance of any franchise, the  
10 dealer shall be allowed fair and reasonable compensation by the manufacturer, distributor or  
11 importer for the following:

12 (a) All new current model year motor vehicle inventory [*with a gross vehicle weight rating of less*  
13 *than 8,500 pounds*] purchased from the manufacturer, distributor or importer that has not been  
14 materially altered, substantially damaged or driven for more than 300 miles;

15 (b) All new motor vehicle inventory that has not been materially altered or substantially dam-  
16 aged, provided that the vehicles:

17 (A) If motor vehicles with a gross vehicle weight rating of less than 8,500 pounds, were not  
18 driven for more than 300 miles, were purchased directly from the manufacturer, distributor or  
19 importer within 120 days of the effective date of the termination, cancellation, nonrenewal or dis-  
20 continuance and were either paid for or drafted on the dealer's financing source; or

21 (B) If motor vehicles with a gross vehicle weight rating of 8,500 pounds or more, were not driven  
22 more than 4,000 miles, were purchased directly from the manufacturer, distributor or importer  
23 within one year of the effective date of the termination, cancellation, nonrenewal or discontinuance  
24 and were either paid for or drafted on the dealer's financing source;

25 (c) Supplies and parts inventory purchased from the manufacturer, distributor or importer and  
26 listed in the manufacturer's, distributor's or importer's current parts catalog;

27 (d) Equipment, furnishings and signs purchased from the manufacturer, distributor or importer  
28 and required by the manufacturer, distributor or importer that have not been materially altered, or  
29 substantially damaged or depreciated over 50 percent of the original value; and

30 (e) Special tools purchased from the manufacturer, distributor or importer within three years  
31 of the date of termination, cancellation, nonrenewal or discontinuance and required by the man-

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.  
New sections are in **boldfaced** type.

1 manufacturer that have not been materially altered, or substantially damaged or depreciated over 50  
 2 percent of the original value.

3 (3) Nothing in this section is intended to modify the manufacturer's, distributor's or importer's  
 4 contractual right of setoff.

5 (4) Upon the termination, cancellation, nonrenewal or discontinuance of a franchise, the man-  
 6 ufacturer, distributor or importer shall also pay to the dealer a sum equal to the current, fair rental  
 7 value of the dealer's established place of business for a period of one year from the effective date  
 8 of termination, cancellation, nonrenewal or discontinuance or the remaining period of any lease,  
 9 whichever is less.

10 (5) Subsection (4) of this section shall apply only to the extent that the dealer's established place  
 11 of business is used for performance of sales and service obligations under the manufacturer's, dis-  
 12 tributor's or importer's franchise agreement.

13 (6) In the event that termination is by the dealer, the payment required by subsection (4) of this  
 14 section is not required.

15 (7) This section shall not relieve a new motor vehicle dealer, lessor or other owner of an es-  
 16 tablished place of business from the obligation of mitigating damages.

17 **SECTION 2.** ORS 650.155 is amended to read:

18 650.155. (1) Notwithstanding the terms of any franchise, the manufacturer is liable for any and  
 19 all damage to new motor vehicles before delivery to a carrier or transporter.

20 (2) Whenever a new motor vehicle is damaged in transit, the dealer shall:

21 (a) Notify the manufacturer of the damage within three business days from the date of delivery  
 22 to the dealer or within any additional time as specified in the franchise; and

23 (b) Request from the manufacturer authorization to replace the components, parts and accesso-  
 24 ries damaged or to otherwise repair the damage.

25 (3) If the manufacturer refuses or fails to authorize repair of any damage within 10 days after  
 26 receipt of notification under subsection (2) of this section, or within any additional time as specified  
 27 in the franchise, ownership of the new motor vehicle shall revert to the manufacturer, and the new  
 28 motor vehicle dealer shall have no obligation, financial or otherwise, with respect to the motor ve-  
 29 hicle.

30 (4) A manufacturer shall disclose in writing to a dealer, at the time of delivery of a new motor  
 31 vehicle, the nature and extent of any and all damage and post-manufacturing repairs.

32 (5) If the total value of repairs to a new motor vehicle by the manufacturer's authorized agent  
 33 and a dealer equals or exceeds the amount specified under subsection (6) of this section, the man-  
 34 ufacturer may either repurchase the motor vehicle from the dealer, or provide reasonable and ade-  
 35 quate compensation to the dealer to assist in sale or disposition of the new motor vehicle, as long  
 36 as the dealer has complied with all other contractual agreements with regard to damaged vehicles.  
 37 If the manufacturer repurchases the motor vehicle, the dealer shall have no obligation, financial or  
 38 otherwise, with respect to the motor vehicle.

39 (6) A dealer shall disclose, in writing, to a purchaser of the new motor vehicle prior to entering  
 40 into a sales contract that the new motor vehicle has been damaged and repaired if the damage to  
 41 the new motor vehicle exceeds [~~\$500~~] **\$1,000**, as calculated at the rate of the dealer's authorized  
 42 warranty rate for labor and parts. Replacement of glass, tires, bumpers or any comparable  
 43 nonwelded component is not considered damage and repair for purposes of this section. For purposes  
 44 of this subsection, "comparable nonwelded component" does not include a fender, hood, trunk lid  
 45 or door.

1        **SECTION 3.** The amendments to ORS 650.145 and 650.155 by sections 1 and 2 of this 2009  
2 Act apply to motor vehicle transactions occurring on or after the effective date of this 2009  
3 Act.  
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