A-Engrossed House Bill 3347

Ordered by the House April 24 Including House Amendments dated April 24

Sponsored by Representative HOYLE

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.

Prohibits motor vehicle manufacturer, distributor or importer from [coercing or] requiring dealer to construct new dealer facility or materially alter or remodel existing dealer facility within [10] seven years after date on which dealer previously constructed, materially altered or remodeled existing dealer facility if existing dealer facility complies with manufacturer's, distributor's or importer's approved brand image standards or plans that existed at time dealer [facility was] constructed, materially altered or remodeled dealer facility or if manufacturer, distributor or importer makes certain demonstrations or provides certain incentives.

Prohibits manufacturer, distributor or importer from requiring dealer to enter into agreement or incentive program to lease or purchase certain goods or services from manufacturer, distributor or importer or from vendor that manufacturer, distributor or importer designates. Specifies that prohibition does not allow dealer to infringe upon manufacturer's, distributor's or importer's intellectual property or to erect signs that do not conform with manufacturer's, distributor's or importer's intellectual property usage guidelines.

Specifies method for determining compensation to dealer for warranty service and parts. Prohibits manufacturer, distributor or importer from increasing price of motor vehicle or imposing surcharge to recover costs of paying dealer's claims for labor or parts under terms of warranty service agreement.

A BILL FOR AN ACT

2 Relating to agreements with motor vehicle dealerships; creating new provisions; and amending ORS 650.130 and 650.158.

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

- **SECTION 1.** ORS 650.130 is amended to read:
- 650.130. Notwithstanding the terms of any franchise or other agreement, a manufacturer, distributor or importer may not:
- (1) Require or attempt to require a dealer to accept delivery of any motor vehicle, part, accessory or any other commodity [not voluntarily ordered by] that the dealer did not voluntarily order. This subsection does not apply to recall safety and emissions campaign parts [not voluntarily ordered by] that the dealer did not voluntarily order or any vehicle features, parts, accessories or other components mandated by federal, state or local law.
- (2) Coerce or attempt to coerce a dealer to enter **into** any agreement or sales promotion program by threatening to cancel the [franchise of the dealer] **dealer's franchise**.
- (3) Refuse or fail to deliver, within a reasonable time and in a reasonable quantity, any new motor vehicle, part or accessory covered by the franchise if the **manufacturer**, **importer or distributor advertises the** vehicle, part or accessory [is advertised as being] as available for delivery or [is being delivered] delivers the vehicle, part or accessory to another dealer. This subsection does not apply if the failure to deliver is the result of a cause beyond the control of the manufac-

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turer, distributor or importer.

- (4) Prevent or attempt to prevent a dealer from making reasonable changes in the capital structure of a dealership or the means by which the dealership is financed, provided that the dealer meets any reasonable capital requirement of the manufacturer, distributor or importer.
- (5) Unreasonably refuse to compensate the dealer for work or services **the dealer** performed and expenses **the dealer** incurred in accordance with the dealer's delivery, preparation and warranty obligations under the terms of a franchise or agreement.
- (6) Coerce or attempt to coerce a dealer to participate monetarily in any advertising campaign or contest, or purchase any promotional materials, display devices or display decorations or materials at the **dealer's** expense [of the dealer].
- (7) Establish a maximum price a dealer may charge for motor vehicles with a gross vehicle weight rating of less than 8,500 pounds.
- (8) Initiate an audit to determine the validity of paid claims for dealer compensation or any charge-backs for warranty parts or service compensation more than one year [following] after the date of payment unless the manufacturer, distributor or importer has reasonable grounds to believe that the dealer submitted a fraudulent claim. If a manufacturer, distributor or importer initiates an audit more than one year [following] after the date of payment, the manufacturer, distributor or importer may charge back to the dealer only the amount of a claim that the manufacturer, distributor or importer proves was fraudulent. Parties shall cooperate to ensure that permitted audits are concluded within 60 days [of] after initiation.
- (9) Initiate an audit to determine the validity of paid claims for dealer compensation or any charge-backs for consumer or dealer incentives more than one year [following] after the date of payment unless the manufacturer, distributor or importer has reasonable grounds to believe that the dealer submitted a fraudulent claim. If a manufacturer, distributor or importer initiates an audit more than one year [following] after the date of payment, the manufacturer, distributor or importer may charge back to the dealer only the amount of a claim that the manufacturer, distributor or importer proves was fraudulent. Parties shall cooperate to ensure that permitted audits are concluded within 60 days [of] after initiation.
- (10) Unfairly compete with a dealer in any matters governed by the franchise including, but not limited to, the sale or allocation of vehicles or other franchisor products, or the execution of dealer programs or benefits. This subsection applies if the manufacturer, distributor or importer has an ownership interest in, operates or controls, directly or indirectly, a business that is a dealer in [this state] **Oregon**.
- (11) Have an ownership interest in, operate or control, directly or indirectly, a business that sells or leases a motor vehicle to a person in Oregon except to a franchisee of the manufacturer, distributor or importer. [It is not a violation of] A manufacturer, distributor or importer does not violate this subsection if:
 - (a) A manufacturer, distributor or importer:
- (A) Has an ownership interest in, operates or controls, directly or indirectly, a business that is a dealership in [this state] **Oregon** and is a business that:
- (i) A franchisee owned, operated or controlled before the manufacturer, distributor or importer acquired the ownership interest in or began to operate or control the business;
- (ii) The manufacturer, distributor or importer maintains an ownership interest in, operates or controls for no more than two years; and
 - (iii) While the manufacturer, distributor or importer maintains an ownership interest in, oper-

- ates or controls the business, the manufacturer, distributor or importer offers the business for sale to any qualified independent person at a fair and reasonable price.
 - (B) Has a part ownership interest in, operates or controls, directly or indirectly, a business that is a dealership in [this state] **Oregon** and another person:
 - (i) Manages the day-to-day operations and business of the dealership;
 - (ii) Has made, or is obligated to make within 12 months, a significant capital investment in the dealership that is subject to loss;
 - (iii) Has an ownership interest in the dealership; and

- (iv) Operates the dealership under a franchise through which the person will within 15 years acquire full ownership of the dealership under reasonable terms and conditions.
- (C) As of January 1, 2000, had an ownership interest in, operated or controlled, directly or indirectly, a business that is a dealership in [this state] **Oregon** that sells motor vehicles with a gross vehicle weight rating of 8,500 pounds or more.
- (D) Has an ownership interest in, operates or controls, directly or indirectly, a business that primarily leases or rents motor vehicles for a period of 12 months or less and the only motor vehicles that the business sells are motor vehicles that have been:
 - (i) Owned by the business for 180 days or more; or
 - (ii) Driven more than 10,000 miles while owned by the business.
- (E)(i) Has an ownership interest in, operates or controls, directly or indirectly, a business that finances the sale or lease of motor vehicles; and
 - (ii) Is a business that sells or leases motor vehicles to retail lessees in Oregon.
- (F) Has an ownership interest in, operates or controls, directly or indirectly, a business that makes a sale or lease of a motor vehicle that is not a violation of subsection (12) of this section.
- (b) A manufacturer has a part ownership interest in, operates or controls, directly or indirectly, a business that is a dealership in [this state] **Oregon** that buys, sells, leases, trades, stores, takes on consignment or in any other manner deals exclusively in a single line-make of the manufacturer and:
- (A) The manufacturer has, directly or indirectly, no more than 45 percent of the ownership interest in the dealership;
- (B) [When the manufacturer acquires an ownership interest in the dealership,] The distance from the manufacturer's dealership to the dealership of a dealer that buys, sells, leases, trades, stores, takes on consignment or in any other manner deals in the single line-make of the manufacturer and in which the manufacturer has no ownership interest is not less than 15 miles at the time the manufacturer acquires an ownership interest in the dealership;
 - (C) The manufacturer complies with the area restrictions in ORS 650.120 and 650.150;
- (D) The manufacturer's franchises authorize a dealer of the **manufacturer's** single line-make [of the manufacturer] to operate as many dealerships within a defined geographic area as the dealer and manufacturer agree on; and
 - (E) On January 1, 2000:
- (i) [There were no] Not more than four dealers [in the state] of the manufacturer's single line-make existed in Oregon; and
- (ii) Of the dealers [in this state] of the manufacturer's single line-make that existed in Oregon, at least one was a franchisee that owned and operated at least two dealerships within the geographic area authorized by franchises with the manufacturer.
- (12) Sell or lease a motor vehicle to a person in [this state] Oregon other than to a business

- described in subsection (11) of this section or to a franchisee of the manufacturer, distributor or importer. [It is not a violation of] A manufacturer, distributor or importer does not violate this subsection if:
 - (a) The manufacturer, distributor or importer sells or leases a motor vehicle to:
 - (A) An employee, retired employee or family member of an employee or retired employee of the manufacturer, distributor or importer;
 - (B) A driver training program;
- 8 (C) A nonprofit corporation;
- 9 (D) A qualified vendor;
- 10 (E) A public agency as defined in ORS 537.515;
- 11 (F) A current retail lessee;
- 12 (G) A fleet owner;

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- (H) A business acting as a vehicle dealer under ORS chapter 822 that sells motor vehicles only to other vehicle dealers; or
 - (I) The customers of a business acting as a vehicle dealer under ORS chapter 822 that sells motor vehicles only to other vehicle dealers.
 - (b) The sale or lease is by a business in [this state] **Oregon** that primarily leases or rents motor vehicles for a period of 12 months or less and the only motor vehicles that the business sells are motor vehicles that have been:
 - (A) Owned by the business for 180 days or more; or
 - (B) Driven more than 10,000 miles while owned by the business.
 - (c) The sale or lease is by a subsidiary of a manufacturer, distributor or importer that finances the sale or lease of motor vehicles and the sale or lease is to a person who previously leased the vehicle from the subsidiary.
 - (13)(a) Own, operate or control a business, or enter into any contract, agreement or other written instrument permitting a person that is not a dealer to be compensated by the manufacturer, distributor or importer for performing warranty repairs and services, if the business or the person is located within a dealer's relevant market area.
 - (b) Paragraph (a) of this subsection does not apply to:
 - (A) Warranty repairs and services performed on motor vehicles with a gross vehicle weight rating of less than 8,500 pounds provided for commercial or government fleets; or
 - (B) Warranty repairs and services performed on motor vehicles with a gross vehicle weight rating of 8,500 pounds or more if, after January 1, 2002, a manufacturer, distributor or importer of only motor vehicles with a gross vehicle weight rating of 8,500 pounds or more has:
 - (i) Obtained written permission from the dealers in the relevant market area to perform the repairs or services; or
 - (ii) Authorized the repairs or services to be performed by a person who owns or leases the motor vehicles for use in the person's business.
 - (14) Terminate, cancel, fail to renew or fail to approve the sale, transfer or assignment of any franchise agreement because the dealer owns, has an investment in, participates in the management of or holds a franchise agreement with another manufacturer, distributor or importer at a different dealership site, or has franchises with more than one manufacturer, distributor or importer [sharing] that shares the same dealership site, facilities, personnel or display space before October 23, 1999.
- (15) Terminate, cancel, fail to renew or fail to approve the sale, transfer or assignment of any

- franchise agreement because the dealer owns, has an investment in, participates in the management of or holds a franchise agreement with another manufacturer, distributor or importer at a different dealership site, or has franchises with more than one manufacturer, distributor or importer sharing the same dealership site, facilities, personnel or display space on or after January 1, 2012, provided that the dealer complies with the manufacturer's, distributor's or importer's reasonable capitaliza-tion and financial requirements, reasonable space and facility requirements and other requirements that are justified, taking into account the reasonable business considerations of the manufacturer, distributor or importer and the dealer, and provided [there is no change in] that the principal man-agement of the dealership site does not change.
 - (16)(a) Require a prospective franchisee to enter into a site-control agreement as a condition of:
 - (A) Granting or renewing a franchise;

- (B) Approving the addition of a line-make of a manufacturer;
- (C) Approving the sale, transfer or assignment of a franchise agreement;
- (D) Approving the relocation, or granting a new franchise for relocation, of an existing dealership; or
- (E) Obtaining fair and reasonable compensation under ORS 650.145 upon the termination, cancellation, nonrenewal or discontinuance of any franchise.
- (b) [Nothing in] Paragraph (a) of this subsection [prohibits] does not prohibit enforcement of a voluntary agreement between a franchisee and a manufacturer, distributor or importer for which separate and valuable consideration that does not include any of the items listed in paragraph (a) of this subsection has been offered and accepted.
- (17)(a) Except as provided in paragraph (b) of this subsection, require a dealer to construct a new dealer facility or materially alter or remodel an existing dealer facility within seven years after the date on which the dealer previously constructed, materially altered or remodeled the existing dealer facility if the existing dealer facility complies with the manufacturer's, distributor's or importer's approved brand image standards or plans that existed at the time the dealer constructed, materially altered or remodeled the existing dealer facility.
- (b) A manufacturer, distributor or importer may require a dealer to construct a new dealer facility or materially alter or remodel an existing dealer facility within seven years after the dealer constructed, materially altered or remodeled the existing dealer facility:
- (A) If the manufacturer, distributor or importer demonstrates that the dealer's reasonable financial expectations, the availability of additional vehicle allocations, the dealer's market for vehicle sales, existing and reasonably projected economic conditions and the reasonably projected costs of constructing a new dealer facility or materially altering or remodeling an existing dealer facility justify the requirement;
- (B) In order to comply with a health or safety law or with a technological requirement that is necessary to sell or service a motor vehicle that the dealer sells or services under the terms of the dealer's franchise; or
- (C) By means of a written agreement separate from the franchise agreement if the manufacturer, distributor or importer provides money, credit, an allowance, an incentive or a reimbursement to the dealer to compensate for all or a substantial portion of the cost of constructing a new dealer facility or materially altering or remodeling an existing dealer facility.
 - (c) Paragraph (a) of this subsection does not prohibit a dealer from voluntarily agreeing

- with a manufacturer, distributor or importer to construct a new dealer facility or materially alter or remodel an existing dealer facility in return for separate and valuable consideration. For the purposes of this paragraph, renewing a dealer's franchise is not separate and valuable consideration.
 - (d) For purposes of this subsection:

- (A) "Materially alter" means a significant architectural or structural modification to a dealer facility that is directly related to effectively selling or servicing motor vehicles of the type that the dealer's franchise agreement or license permits the dealer to sell or service.
- (B) "Materially alter" does not include routine maintenance, such as interior painting, that is reasonably necessary to keep a dealer facility in attractive condition.
- (18)(a) Except as provided in paragraph (b) of this subsection, require a dealer to purchase goods or services for constructing, materially altering or remodeling a dealer facility from a vendor that the manufacturer, distributor or importer selects, identifies or designates without giving the dealer an option to obtain goods or services of substantially similar quality and design from a vendor that the dealer chooses, subject to the manufacturer's, distributor's or importer's approval in advance. The manufacturer, distributor or importer may not withhold approval unreasonably.
- (b) A dealer may not select a vendor from which to obtain goods and services for constructing a new dealer facility or materially altering or remodeling an existing dealer facility if a manufacturer, distributor or importer provides money, credit, an allowance or a reimbursement to compensate for all or a substantial portion of the cost of upgrading or improving a dealer facility or for using a specific material, good or service to upgrade or improve a dealer facility.
 - (c) This subsection does not permit a dealer to:
- (A) Directly or indirectly infringe upon, eliminate or impair a manufacturer's, distributor's or importer's intellectual property rights or reasonable business requirements; or
- (B) Erect or maintain signs that do not conform to the manufacturer's, distributor's or importer's intellectual property usage guidelines.
 - SECTION 2. ORS 650.158 is amended to read:
- 650.158. (1) Each manufacturer, distributor or importer shall specify in writing to each of [its] the manufacturer's, distributor's or importer's dealers in this state:
- (a) The dealer's obligations for predelivery preparation and warranty service on **the** manufacturer's, distributor's or importer's motor vehicles [of the manufacturer, distributor or importer];
- (b) The schedule of compensation [to be paid] the manufacturer, distributor or importer will pay the dealer for parts, work and service in connection with predelivery preparation and warranty service; and
- (c) The time allowances for [the performance of the] **performing** predelivery preparation and warranty service.
- (2)(a) A schedule of compensation [shall] must include reasonable compensation for diagnostic work, repair service and labor. Time allowances for [the diagnosis and performance of] diagnosing and performing predelivery and warranty service [shall] must be reasonable and adequate for the work to be performed. [The hourly rate paid to a dealer shall not be] A manufacturer, distributor or importer may not pay an hourly rate to a dealer that is less than the rate [charged by] the

dealer **charges** [to] nonwarranty customers for nonwarranty service and repairs. Reimbursement for parts, other than parts used to repair the living facilities of motor homes, [purchased by] **that** the dealer **purchases** for use in performing predelivery and warranty service [shall] **must** be the amount [charged by] the dealer [to] **charges** nonwarranty customers, as long as [that] **the** amount is not unreasonable.

- (b)(A) For purposes of this subsection and subject to subparagraphs (B) and (C) of this paragraph, to determine compensation under this subsection, a dealer shall propose an hourly rate and an amount for parts that the dealer charges nonwarranty customers by submitting to the manufacturer, distributor or importer copies of 100 sequential nonwarranty service repair invoices that customers paid or 90 consecutive days' worth of nonwarranty service invoices that customers paid, whichever is less. The dealer shall submit the invoices for repairs that occurred not more than 180 days before the dealer submits a proposal under this subparagraph. If the manufacturer, distributor or importer does not contest the dealer's proposal and the dealer otherwise complies with the provisions of this paragraph, the dealer's proposal is presumed to be fair and reasonable.
- (B) A manufacturer, distributor or importer may contest the dealer's proposal with evidence that the dealer's proposal is not accurate or on the basis that the dealer's proposal does not reasonably conform with the hourly rate or the amount for parts that other dealers charge nonwarranty customers in the same line-make in market areas that are contiguous to the dealer's market area or with other relevant evidence. In contesting a dealer's proposal based on evidence from other dealers in the contiguous market area, a manufacturer, distributor or importer shall rely on evidence from at least three other dealers in the contiguous market area or three dealers in an economically similar market within the manufacturer's, distributor's or importer's region.
 - (C) A dealer may not include in the dealer's proposal:
- (i) Repairs the dealer performs for a manufacturer's, distributor's or importer's special event or as part of a promotional discount for retail customer repairs;
 - (ii) Parts sold at wholesale;

- (iii) Routine maintenance that a retail customer warranty does not cover, such as fluids, filters and belts that a dealer uses in performing work other than repairs;
- (iv) Nuts, bolts, fasteners and similar items that do not have an individual part number; and
 - (v) Vehicle reconditioning.
- (c) The hourly rate or the amount for parts that a dealer charges nonwarranty customers that the dealer proposes under paragraph (b)(A) of this subsection becomes effective 30 days after the manufacturer, distributor or importer approves the hourly rate or the amount for parts or 30 days after the dealer submits a proposal if the manufacturer, distributor or importer does not contest the proposed hourly rate or amount for parts.
- (d) If a manufacturer, distributor or importer successfully contests a dealer's proposal, the manufacturer, distributor or importer shall propose an adjustment to the dealer's proposal not later than 30 days after the dealer submits the dealer's proposal.
- (e) Once per year, a manufacturer, distributor or importer may verify the dealer's hourly rate or the amount for parts the dealer charges nonwarranty customers. If the manufacturer, distributor or importer finds that the dealer's hourly rate or the amount for parts has decreased, the manufacturer, distributor or importer may reduce the dealer's compensation

under this subsection prospectively.

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- (3) A manufacturer, distributor or importer shall include, in written notices of vehicle recalls to motor vehicle owners and dealers, the expected date by which necessary parts and equipment will be available to the dealers [for the correction of] to correct the defect or defects. A manufacturer, distributor or importer shall adequately compensate a dealer for repair service [performed] the dealer performs under the recall.
- [(4) All claims made by dealers under this section for labor and parts shall be paid or credited to the dealer within 30 days following their approval. All such claims shall be either approved or disapproved within 30 days after their receipt in the manner specified by the manufacturer, distributor or importer. Any claim not specifically disapproved in writing or through electronic communication within 30 days after receipt shall be considered approved, and payment shall be made within 30 days. The dealer shall be notified in writing of the grounds for disapproval of any claim.]
 - (4) A manufacturer, distributor or importer shall:
- (a) Pay or credit a dealer for labor or parts the dealer claims under this section within 30 days after approving the dealer's claim;
- (b) Approve or disapprove, in the manner the manufacturer, distributor or importer specifies, all claims that a dealer makes for labor or parts within 30 days after receiving the claim;
- (c) Treat as approved any claim that a manufacturer, distributor or importer did not approve or disapprove within 30 days after the manufacturer, distributor or importer received the claim and pay or credit the dealer for the claim within 60 days after receiving the claim; and
- (d) Notify the dealer in writing of the manufacturer's, distributor's or importer's grounds for disapproving a claim.
- (5)(a) A manufacturer, distributor or importer may not increase the price of a motor vehicle or impose a surcharge for the purpose of recovering the manufacturer's, distributor's or importer's cost of paying a claim for labor or parts that a dealer makes under this section.
- (b) Paragraph (a) of this subsection does not prohibit a manufacturer, distributor or importer from increasing the price of a motor vehicle in the ordinary course of the manufacturer's, distributor's or importer's business.
- SECTION 3. The amendments to ORS 650.130 and 650.158 by sections 1 and 2 of this 2013 Act apply to:
- (1) Programs that dealers participate in under the terms of a contract that the dealer and a manufacturer, distributor or importer execute on or after the effective date of this 2013 Act;
- (2) Claims for reimbursement for labor or parts that a dealer makes under the terms of any contract or agreement that the dealer enters into with a manufacturer, distributor or importer on or after the effective date of this 2013 Act; and
- (3) Other contracts or agreements that manufacturers, distributors or importers enter into on or after the effective date of this 2013 Act.