

SB 980 STAFF MEASURE SUMMARY

Senate Committee On Business and Transportation

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Meeting Dates: 3/29, 4/17

WHAT THE MEASURE DOES:

Requires motor vehicle manufacturers, distributors and importers to reimburse dealers for service related to a vehicle recall at the same rate as warranty work. Provides for compensation equal to 2.43 percent of vehicle's value per month to dealer in circumstances where dealer is prohibited by manufacturer from selling or driving a vehicle subject to a recall and does not have either a remedy for the defect that led to the recall or parts to remedy the defect. Prohibits manufacturer, importer or distributor from recovering costs from a dealer's claim for service in connection to a vehicle recall by reducing payments from an incentive program or removing the dealer from an incentive program. Specifies a dealer must disclose, in writing, to the person that purchases a used motor vehicle all manufacturer recalls to which the vehicle remains subject for defects that have not been remedied.

ISSUES DISCUSSED:

- Relationship between dealers and manufacturers
- Large numbers of vehicles recalled in recent years
- Proper level of dealer reimbursement
- Discussions occurring at national level and in several states

EFFECT OF AMENDMENT:

[-1 amendment] Reduces amount of compensation to dealer under prohibition from 2.43 percent of vehicle value to 1.75 percent of vehicle value. Specifies that compensation is to commence 15 days after prohibition is issued.

FISCAL: No fiscal impact

REVENUE: No revenue impact

[-2 amendment] Replaces original measure.

FISCAL:

REVENUE:

BACKGROUND:

A motor vehicle recall is issued when a vehicle manufacturer or the National Highway Traffic Safety Administration (NHTSA) determines that the vehicle, or onboard equipment creates an unreasonable safety risk or fails to meet minimum safety standards. Most decisions regarding recalls are made voluntarily by the manufacturer. Under a motor vehicle recall, manufacturers are required to fix the problem by repair, replacement, refund, or repurchase of the vehicle. Repair work is often conducted by a vehicle dealer, specifically the dealer from whom the vehicle was purchased.