

SB 980 STAFF MEASURE SUMMARY

House Committee On Business and Labor

Prepared By: Jan Nordlund, LPRO Analyst

Meeting Dates: 5/3, 5/15

WHAT THE MEASURE DOES:

Directs motor vehicle manufacturers to compensate dealer franchisees, as provided for in ORS 650.158, for all labor and parts the manufacturer requires be used to perform repairs on vehicles subject to recall. Specifies prorated compensation rate of at least 1.5 percent of valuation of used vehicle held by a dealer awaiting parts for recall under specified circumstances, not to exceed valuation of used vehicle subject to recall, and after a 30-day grace period. Provides exceptions in cases where a national compensation program provides equal or greater compensation or the manufacturer and franchisee agree to different compensation. Prohibits manufacturers from reducing compensation through chargeback or removal of franchisee from incentive program solely because franchisee submits claim or receives compensation under the Act.

- No expenditure impact; No revenue impact
- Senate vote 28-0

ISSUES DISCUSSED:

- Current law addresses dealer compensation for new cars under safety recall but not used cars
- Proposal based on other states that have addressed the issue
- Example of Takata airbag safety recall

EFFECT OF AMENDMENT:

No amendment.

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. Recall work is typically conducted by a manufacturer's dealer franchisee.

Senate Bill 980-A establishes the requirements for the manufacturer to compensate the dealer franchisee who performs repairs on vehicles subject to a safety recall. The measure also requires the manufacturer to compensate the dealer who has to hold a used vehicle subject to a safety recall while waiting for parts needed for the repair. Finally, the measure prohibits the manufacturer from retaliating against a dealer who submits a claim for compensation under the Act.