

HOUSE BILL REPORT

HB 1399

*As Reported By House Committee on:
Commerce & Labor*

Title: An act relating to home electronic and appliance consumer warranties.

Brief Description: Expanding electronic equipment warranties.

Sponsor(s): Representatives Beck, Cantwell, Heavey, Sheldon, Forner, R. King, Casada, Roland, Moyer, Betrozoff and G. Fisher.

Brief History:

Reported by House Committee on:
Commerce & Labor, March 6, 1991, DPS.

**HOUSE COMMITTEE ON
COMMERCE & LABOR**

Majority Report: *That Substitute House Bill No. 1399 be substituted therefor, and the substitute bill do pass.* Signed by 10 members: Representatives Heavey, Chair; Cole, Vice Chair; Lisk, Assistant Ranking Minority Member; Franklin; Jones; R. King; O'Brien; Prentice; Vance; and Wilson.

Minority Report: *Do not pass.* Signed by 1 member: Representative Fuhrman, Ranking Minority Member.

Staff: Jim Kelley (786-7166).

Background: As a matter of practice, electronic equipment manufacturers warrant their equipment against certain defects. Often the warranties are honored by retailers as part of their contractual obligation or by independent maintenance and service facilities. Manufacturers do not always supply the necessary parts promptly or at a price that keeps the warranty service within the retailer's cost of doing business. In some cases, service costs on equipment covered by a warranty are transferred to consumers seeking service without a warranty.

Summary of Substitute Bill: Certain criteria are established for warranties on home electronic equipment and home appliances. Home electronic equipment includes televisions, radios, audio or video recorders, and

accessories normally used or sold for personal, family, or household purposes. Home appliance includes refrigerators, freezers, ranges, and other large home appliances.

Every warranty must state that the warranty period will be extended for the number of days that the product has been out of the buyer's hands for warranty repairs. The warranty period will also be extended: (1) if the warranty repairs have not been performed because there were delays caused by circumstances beyond control of the buyer; or (2) if the repairs fail within 10 days after they have been completed. If after four attempts the defect has not been fixed, the buyer may return the product for replacement or refund, subject to a reasonable charge for use.

Every work order or repair invoice for warranty repairs or service must include a standard statement explaining warranty rights provided by Washington law.

If a manufacturer makes an express warranty, the manufacturer must maintain sufficient service and repair facilities in the area to carry out the terms of the warranties. This provision does not apply to products sold by mail order retailers. To comply with this requirement, a manufacturer may enter into warranty service contracts with independent service and repair facilities. Warranty service contracts may include a fixed schedule of rates to be charged for warranty service if the service contract is exclusive. However, the rates fixed by these contracts must include actual and reasonable cost of service and repair, plus costs for parts and shipping, and a reasonable profit. Manufacturers may consider extra services they provide to the service dealer when establishing these fixed rates.

Manufacturers contracting with independent service and repair facilities must make service literature and replacement parts available within 30 days of a request from a service and repair facility. A manufacturer making express warranties is liable to an authorized independent service center that performs services or incurs obligations under the express warranties that accompany the manufacturer's consumer goods. There is a rebuttable presumption that the reasonable cost of service or repair is the amount charged by the independent service people for like services on nonwarranty services. However, a manufacturer's liability may be offset by a good faith discount. Any waiver of liability of a manufacturer is void and unenforceable.

A dispute arising from nonrenewal or cancellation of a warranty service contract that cannot be resolved by the parties to the contract must be presented to the American

Arbitration Association or a dispute resolution center for mediation.

Substitute Bill Compared to Original Bill: The substitute bill quantifies the effort a buyer must put forth before claiming a refund or replacement of the product by changing a reasonable number of repair attempts to four repair attempts.

Under the substitute, manufacturers do not have to maintain service and repair facilities close to mail order retailers.

A manufacturer may include a schedule of fixed rates for warranty repair work in a warranty service contract only if the contract is exclusive. In establishing these rates, the manufacturer may consider all of the extra services the manufacturer provides to the service dealer.

The dollar value levels that trigger the time a manufacturer must make parts available to service dealers are increased in the substitute. If a product wholesales between \$125 and \$175, then repair parts and literature must be available for three years from the date the product was last manufactured. If a product had a wholesale value in excess of \$176, then a manufacturer must make repair parts and literature available for seven years.

All service dealers who service a manufacturer's products will receive parts at a dealer's wholesale cost rather than just those dealers who are under a contract with the manufacturer.

Under the substitute, a manufacturer's liability to a service dealer for service and repair of the manufacturer's products may be offset by a good faith discount.

Mediation required by the provisions of the bill will be handled by the American Arbitration Association or a dispute resolution center rather than the national electrical service dealers association.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect July 1, 1991.

Testimony For: (original bill): This bill will help insure that warranty repairs are performed in a reasonable amount of time. Also, the bill guarantees that service outlets will not have to subsidize warranty repair by charging more for nonwarranty repair. If a service person chooses not to

do warranty work because of these problems, then he or she often cannot get service literature and parts.

Testimony Against: (original bill): The bill favors service people at the expense of manufacturers. The drafter of the bill, the National Electrical Service Dealers Association, should not have named itself as the mediator of disputes.

Witnesses: Representative John Beck, Prime Sponsor; Ken Aagard and Andy Nichols, Martha Lake Electronics, Inc. (in favor); Kathy McCarl, Electronic Industries Association (opposed); Dick Scott, Desco Audio & Video (in favor); and Marvin Hixenbaugh, National Electronic Service Dealers Association (in favor).