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**Commerce & Labor Committee**

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**HB 1445**

**Brief Description:** Regulating motor vehicle manufacturer and dealer relationships.

**Sponsors:** Representatives Conway, Chandler, Kenney, Fromhold and Clements.

**Brief Summary of Bill**

- Defines the relationship between automobile manufacturers and new auto dealers as to the sale of dealerships, dealer reimbursement for warranty work and incentive programs, and dealers selling multiple brands of new autos.

**Hearing Date:** 2/10/03

**Staff:** Matt Cooper (786-7106).

**Background:**

Automobile manufacturers maintain a franchise relationship with their dealers. State law and the franchise agreement outline the responsibilities of each party. Generally the law dictates when a manufacturer may own a franchise, when manufacturers may terminate a dealer's franchise, and that manufacturers may not discriminate between dealerships.

Auto manufacturers' franchise agreements generally require manufacturers to approve any prospective buyer of a dealership. The law allows manufacturers to establish special provisions in franchise agreements that give preference in the sale of dealerships to family members of current owners, to dealership management employees, and to individuals from groups who are generally under represented among existing dealers (a dealer diversity program).

Franchise agreements require dealers who perform warranty work to submit claims to manufacturers for reimbursement of the cost of the work.

Frequently manufacturers offer incentive programs like additional discounts or money back to consumers. Dealers give these discounts or money directly to the consumer and then file a claim for reimbursement with the manufacturer under the provisions of a franchise agreement.

## **Summary of Bill:**

Manufacturers may own an interest in a dealership for up to two years when the manufacturer is assisting a new owner or a person in a dealer ownership diversity program to establish a dealership, and that person will make a substantial capital investment in the dealership within those two years.

A manufacturer may not cancel or fail to renew a dealer's franchise because the dealer owns or attempts to buy another dealership which sells another brand of automobiles, or because the dealer sells two or more brands of automobiles from the same dealership.

Manufacturers may include a "right of first refusal" in a franchise agreement. If a manufacturer elects to assert the right, the manufacturer must notify the dealer within 45 days of the dealer receiving an offer to purchase the dealership. The manufacturer must agree on terms and conditions at least as favorable as those in the offer the dealer received, and must reimburse the dealer and prospective purchaser for any costs incurred. A manufacturer may not assert the right of first refusal if it has already approved the buyer, or if the buyer is a family member of the current owner or a management employee of the dealership. A stepchild is included in the definition of a family member.

Dealers must submit any claims for reimbursement for warranty work to the manufacturer within one year of the date the work was performed. A dealer may submit a claim for an incentive program reimbursement for up to one year after the incentive program ends. The manufacturer must pay an incentive program claim within 30 days of receiving it, but may audit and re-adjust past incentive claims for up to one year.

Washington is established as the venue for any franchise agreement legal actions.

**Rules Authority:** The bill does not contain provisions addressing the rule-making powers of an agency.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect ninety days after adjournment of session in which bill is passed.