FINAL BILL REPORT
ESSB 5595

C 12 L 09
Synopsis as Enacted

Brief Description: Addressing the termination, cancellation, or nonrenewal of franchises between new motor vehicle dealers and manufacturers.

Sponsors: Senate Committee on Labor, Commerce & Consumer Protection (originally sponsored by Senators Keiser, King, Marr, Honeyford and Kohl-Welles).

Senate Committee on Labor, Commerce & Consumer Protection
House Committee on Commerce & Labor

Background: Upon the termination, cancellation, or nonrenewal of a franchise by a manufacturer, the manufacturer is to pay a number of costs associated with the dealer including:
- dealer cost of new unsold vehicles in the dealer's inventory, acquired from the manufacturer, or another new dealer of the same line make, within the previous 12 months;
- dealer costs of unsold supplies, parts, and accessories;
- dealers costs of all unsold inventory, including vehicles, parts, or accessories, if the purchase was required by the manufacturer;
- the fair market value of signs, if recommended by the manufacturer;
- the fair market value of all equipment, furnishings, and special tools acquired from the manufacturer; and
- the cost of transporting, handling, and packing all such goods.

If a franchise agreement provides for payment to the dealer in excess of what is provided for in statute, the provisions of the franchise agreement control.

The manufacturer is to pay any money owed to the dealer within 90 days after the tender of the property, if the dealer has clear title to the property and is in a position to convey the title to the manufacturer.

Summary: The costs that manufacturers are to pay to dealers is broadened to include the termination, cancellation, or nonrenewal of a franchise by either party to the agreement.

A manufacturer only has a responsibility to repurchase vehicles that were purchased as part of the ordinary business operations of a dealer and is not required to repurchase vehicles that

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were dumped on a dealer terminating a franchise by other dealers immediately prior to the termination.

A manufacturer is not required to buy back inventory that is sold to a purchasing dealer as part of the sale of a franchise. The manufacturer can enter into an agreement that allows the purchasing dealer to acquire all or part of the inventory from the manufacturer that would otherwise be repurchased from the selling dealer. The manufacturer is under no obligation to repurchase inventory that was acquired by the purchasing dealer.

The manufacturer is to pay any money owed to the dealer within 90 days after the termination, cancellation, or nonrenewal of the franchise, if the dealer has clear title to the property or can provide clear title to the property upon payment by the manufacturer.

These provisions do not apply to motor homes. In the case of motor homes, a manufacturer only has a duty to pay certain costs to a dealer if the manufacturer initiates the termination, cancellation, or nonrenewal of a franchise.

Votes on Final Passage:

Senate	46	0
House	97	0

Effective: March 25, 2009