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Overview

This bill makes changes to rights and obligations between new motor vehicle manufacturers and their franchised motor vehicle dealers. This bill includes changes to: (1) warranty obligations and recall repair obligations, including compensation for labor and parts; (2) the manner in which a dealer can apply for a successor dealer; and (3) behavior that is an unfair practice by a manufacturer, distributor, or factory branch against a motor vehicle dealer

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1 [80E.041] Warranty obligations to dealers.

Subd. 1. Requirements. Requires manufacturers to specify in writing to dealers the dealer's obligations for preparation, delivery, and warranty services on products. Requires manufacturers to give dealers fair and reasonable compensate for the labor and parts involved in this work, including the part cost and a markup.

Subd. 2. Retail rate for parts. Allows a dealer to establish a percentage mark up to apply to warranty parts paid for by the manufacturer under subdivision 1.

Subd. 3. Parts at no cost or reduced cost. Requires a manufacturer to compensate a dealer for the dealer's cost of the part and a markup if the manufacturer supplied the part to the dealer at no cost or a reduced cost, for the purpose of performing the work under subdivision 1.

Subd. 4. Retail rate for labor. Requires the manufacturer to compensate the dealer for warranty labor using a certain calculation.

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Subd. 5. Time for establishing rate. Requires a dealer to establish a retail rate for parts and labor no more than once a year.

Subd. 6. Cost recovery prohibited. Prohibits a manufacturer from otherwise recovering warranty repair costs from dealers.

Subd. 7. Payment of claims. Requires a manufacturer to pay all claims under this section to a dealer within 30 days of approval. Claims not disapproved within 30 days are deemed approved, and payment must follow within 30 days. The manufacturer can audit claims for one year and charge back to the dealer any amounts not substantiated or fraudulent. Claims cannot be charged back under this section if based solely on a dealer's failure to comply with an administrative requirement. Claims can be resubmitted by the dealer under certain circumstances.

Subd. 8. Product liability; limitation. The obligations imposed on this section are the dealer's only responsibility for product liability based on strict liability for torts, as between the dealer and manufacturer.

Subd. 9. Definitions. Provides that "manufacturer" includes "distributor." Provides that "manufacturer" and "dealer" include manufacturers and distributors of motor vehicle engines and their dealer.

Subd. 10. Violations. Provides that a new motor vehicle manufacturer violates this section if they fail to perform any warranty obligations.

2 [80E.045] Recall repairs; manufacturer and dealer obligations.

Subd. 1. Requirements. Requires a manufacturer to fairly and reasonably compensate new motor vehicle dealers for labor and parts related to recall repairs. If the manufacturer issues a do-not-drive order or stop-sale on the vehicle and parts are not available, the manufacturer must compensate the dealer at a pro-rated rate of 1.75 percent of the value of the vehicle per month. Provides the meaning of "stop-sale" or "do-not-drive order."

Subd. 2. Value of vehicle. Provides the calculation for the value of the vehicle.

Subd. 3. Application. Clarifies that this section applies only to used vehicles that have been recalled and on which a stop-sale or do-not-drive order has been placed; and motor vehicle manufacturers and new motor vehicle dealers that have used vehicles of the line-make that the dealer is franchised to sell or authorized to perform recall repairs.

Subd. 4. Violations. Provides that a manufacturer violates this section if they reduce the amount of compensation otherwise owed to a dealer because the dealer has requested reimbursement under this section or otherwise been compensated for a vehicle subject to a recall.

Subd. 5. Payment of claims. Requires that a dealer submit reimbursement for claims under this section to a manufacturer in a similar manner as those made under section 1, or a manufacturer may compensate dealers under a national recall compensation program if the payment is equal to or greater than that which would have been provided under subdivision 1. Requires a manufacturer to pay all claims

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under this section to a dealer within 30 days of approval. Claims not disapproved within 30 days are deemed approved, and payment must follow within 30 days.

- 3 **Succession agreements.** Allows a dealer to apply to a manufacturer, distributor, or factory branch to propose a successor dealer, if the original dealer dies or is incapacitated. Provides circumstances under which the manufacturer, distributor, or factory branch can deny application for a specific successor, and the process by which a denial is issued.
- 4 **Unfair practices by manufacturers, distributors, factory branches.** Makes changes and additions to actions by a manufacturer, distributor, and factory branch that are unfair practices against a dealer. These include: (1) requiring a dealer by agreement, program, incentive, or otherwise to adhere to performance standards that are not applied uniformly to other dealers; (2) assigning or changing a dealer's area of sales arbitrarily or without regard to the pattern of vehicle sales and registration within the dealer's market; and (3) requiring a dealer or prospective buyer to reconstruct improvements that were completed within the past ten years and were required by the manufacturer, distributor, or factory branch.
- 5 **Civil penalty.** Corrects a cross-reference.
- 6 **Repealer.** Repeals section 80E.04.
- 7 **Effective date.** Sections 1 to 6 are effective the day following final enactment.