

# SENATE BILL REPORT

## SB 6301

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As Passed Senate, February 12, 1998

**Title:** An act relating to franchise agreements between motor vehicle manufacturers and dealers.

**Brief Description:** Regulating franchise agreements between motor vehicle manufacturers and dealers.

**Sponsors:** Senators Schow, Horn, Franklin and Heavey.

**Brief History:**

**Committee Activity:** Commerce & Labor: 1/29/98, 2/2/98 [DP].  
Passed Senate, 2/12/98, 48-0.

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### SENATE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** Do pass.

Signed by Senators Schow, Chair; Horn, Vice Chair; Anderson, Franklin, Fraser, Heavey and Newhouse.

**Staff:** Genevieve Pisarski (786-7488)

**Background:** Under current law, new vehicle dealers must have an agreement with a vehicle manufacturer to perform warranty repair work. Warranty work is completed by the dealer regardless of where the vehicle is purchased. Dealers are reimbursed by the manufacturer for the costs of performing such work. Current law does not dictate the specific time period or other conditions related to a manufacturer reimbursing an auto dealer for the performance of warranty work on the manufacturer's products.

**Summary of Bill:** Manufacturers are required to specify in franchise agreements with licensed auto-dealers the dealer's obligation to perform warranty work or service on the manufacturer's products.

All claims for warranty work made by auto dealers must be paid by the manufacturer within 30 days following receipt of the claim, if the claim has been approved by the manufacturer. The manufacturer must either approve or disapprove a claim within 30 days following receipt of the claim from the auto dealer. Any claim not specifically disapproved in writing within 30 days is considered approved. All claims submitted by a dealer for payment must be on the forms and in the manner specified by the manufacturer.

A manufacturer may audit claims for warranty work and charge the dealer for unsubstantiated, incorrect or false claims for up to one year following payment for the performance of such work. If fraud is suspected on the part of the dealer, the manufacturer is permitted to audit and charge the dealer as permitted by this state's fraud statutes.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Testimony For:** This bill addresses some concerns raised by vehicle dealers as it relates to dealers being reimbursed by vehicle manufacturers for warranty repair work. The dealers and manufacturers have met and agreed to the provisions of this bill.

**Testimony Against:** None.

**Testified:** Lisa Thatcher, Washington State Auto Dealer's Association (pro).

**House Amendment(s):** Provisions relating to motor home warranties are added. Definitions for motor home– and motor home manufacturer– are added. A reasonable number of attempts at repair for a motor home is one attempt for a serious safety defect, or three attempts for the same nonconformity. The out-of-service period for a motor home is 60 days. After 30 days out of service, an owner must notify the motor home manufacturers. The motor home manufacturers may attempt to coordinate repairs. The period after which the consumer can request arbitration includes the time to complete repair attempts. The motor home manufacturers are responsible for the cost of transporting the motor home to the repair facility in the case of a serious safety defect or more than 100 miles. A reasonable offset for use of a motor home is calculated using a denominator of 90,000 and may be increased or decreased by one-third by an arbitration board. An arbitration board may allocate liability among the motor home manufacturers. Motor homes acquired after June 30, 1998, are covered.