

HOUSE BILL REPORT

SB 6301

As Reported By House Committee On:

Commerce & Labor

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: 2/18/98, 2/26/98 [DPA].

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass as amended. Signed by 8 members: Representatives McMorris, Chairman; Honeyford, Vice Chairman; Conway, Ranking Minority Member; Wood, Assistant Ranking Minority Member; Boldt; Clements; Hatfield and Lisk.

Staff: Selwyn Walters (786-7117).

Background: The Motor Vehicle Warranty Law (the Lemon Law) helps a new vehicle owner who has continuing problems with warranty repairs to his or her new vehicle. Once a new vehicle owner informs a manufacturer or dealer of a defect in a new vehicle, the manufacturer must diagnose or repair the defect within specific periods. If a manufacturer cannot correct the defect after several attempts and within the periods established in the law, or the vehicle is out of service for thirty or more days, the manufacturer must repurchase or replace the vehicle, taking into account a reasonable offset for use. A new vehicle owner may also choose arbitration to settle any dispute with a manufacturer. The law covers most classes of vehicles, including motor homes.

Motor vehicle franchise agreements between a manufacturer and a new vehicle dealer outline each party's responsibilities concerning the operation of the vehicle franchise. Current law imposes obligations on a manufacturer and a dealer regarding the location, and date, transfer, or exchange, and termination, cancellation or non renewal of a franchise. Current law does not require a manufacturer to reimburse a dealer for the performance of warranty work by the dealer.

Summary of Bill: A manufacturer is required to specify in a franchise agreement the obligation of a new vehicle dealer to do warranty work, or service on the manufacturer's products. A manufacturer must give a dealer a schedule of compensation for any warranty work, or service performed by the dealer.

A manufacturer is required to approve or disapprove a dealer's claim for warranty work within thirty days after the manufacturer received the claim. If a manufacturer approves a dealer's claim, the manufacturer is required to pay the dealer within thirty days after receipt of the claim. If a manufacturer disapproves a claim, the manufacturer must give the dealer written reasons for disapproving the claim. A claim that a manufacturer has not approved in writing within thirty days of receipt is considered approved, and the manufacturer must pay that claim within thirty days of receipt of the claim.

Within one year following payment to a dealer, a manufacturer may audit a dealer's claim and charge the dealer for unsubstantiated, incorrect, or false claims. A manufacturer may audit and charge the dealer for fraudulent claims as allowed by Washington's fraud statute.

The denominator in the reasonable offset for use formula applicable to motor homes is 90,000. The Motor Vehicle Arbitration Board is authorized to increase or decrease the offset totals based on the wear and tear of the portions of the motor home used for a dwelling, office, or commercial space.

In the case of motor homes acquired after June 30, 1998, a reasonable attempt manufacturers take to repair a new motor home before the Lemon Law is triggered is one or more attempts for the same defect, and three or more attempts for the same nonconformity. The days a motor home is out-of-service before the law is triggered are sixty days aggregating all motor home manufacturers' days-out-of-service, but manufacturers are allowed a final attempt to repair the vehicle after receipt of notice from a vehicle owner. A vehicle owner is required to notify the manufacturers after the vehicle has been out of service for thirty days, and permit the manufacturers an opportunity to repair the vehicle. Manufacturers are responsible for transportation costs if the vehicle is unsafe or the repair facility is more than one hundred miles from an owner's home. The arbitration board is authorized to allocate liability among the motor home manufacturers.

Amended bill compared to original bill: The amendment adds language limiting coverage to motor homes acquired after June 30, 1998, and provisions relating to: (1) defining "motor home" and "motor home manufacturer;" (2) the denominator used to calculate reasonable offset for use; (3) the reasonable attempts of motor home manufacturers to conform a vehicle to a warranty, and the number of days a vehicle is out of service before the Lemon Law is triggered; (4) the allocation of liability among manufacturers; (5) the responsibility of manufacturers for the transportation costs of a

vehicle to the manufacturers' repair facility, and; (6) notice requirements for vehicle owners and manufacturers with regard to defective vehicles.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Manufacturers and auto dealers agree on the bill. The bill will provide better customer service for vehicle owners who had warranty work on their vehicles. The revision adds clarity to the application of the Lemon Law to multiple manufacturers of motor homes. Multiple manufacturers often provide a separate direct warranty to their customers, and each manufacturer has a different authorized facility. Some or all of the manufacturers may not know the motor home has problems until they receive an arbitration notice under the Lemon Law. The notice requirement will give manufacturers an opportunity to repair the vehicle and satisfy the customer. It is also less likely a manufacturer will appeal a finding against it because liability will be allocated among all manufacturers.

Testimony Against: None.

Testified: (Pro) Lisa Thatcher, Washington State Auto Dealers; Paul Corning, Assistant Attorney General; and Stu Halson, Recreational Vehicle Manufacturers.