R4 0lr2060 CF HB 1064

By: Senator Waldstreicher

Introduced and read first time: February 3, 2020

Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

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Vehicle Laws - Manufacturers and Dealers

- FOR the purpose of requiring, within a certain time period, vehicle manufacturers to consent to the transfer of a vehicle dealer franchise or provide a written statement with specific grounds for the refusal of the manufacturer to consent to the transfer; altering the standards for determining reasonable compensation to be paid by vehicle manufacturers to vehicle dealers for warranty work; and generally relating to vehicle manufacturers and dealers.
- 9 BY repealing and reenacting, without amendments,
- 10 Article Transportation
- 11 Section 15–211(d) and (k) and 15–212(c)(1)
- 12 Annotated Code of Maryland
- 13 (2012 Replacement Volume and 2019 Supplement)
- 14 BY repealing and reenacting, with amendments,
- 15 Article Transportation
- 16 Section 15–211(e) and 15–212(c)(2), (4), and (6)
- 17 Annotated Code of Maryland
- 18 (2012 Replacement Volume and 2019 Supplement)
- 19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
- 20 That the Laws of Maryland read as follows:

21 Article – Transportation

- 22 15–211.
- 23 (d) (1) A dealer or an owner, partner, or stockholder of a dealership may not sell, assign, or otherwise transfer a franchise or any right under a franchise without the
- 25 consent of the manufacturer.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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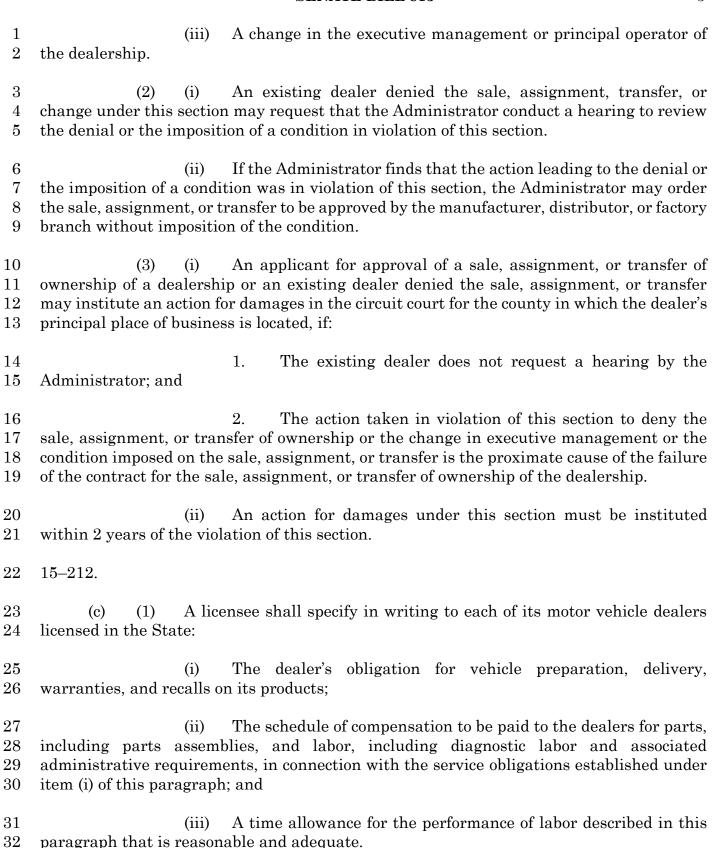
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(i)

by the sale of the business, stock transfer, or otherwise;

- Notwithstanding the terms of any franchise agreement or agreement 1 (2)2 related to a franchise, a manufacturer may not exercise a right of first refusal in the event 3 of a sale or transfer or proposed sale or transfer of a dealer's business or any equity interest in a dealer's business to a person who meets the manufacturer's reasonable qualifications 4 for ownership and is: 5 6 A member of the dealer's immediate family; (i) 7 A qualified manager with at least 2 years management (ii) 8 experience at the dealer's business: 9 (iii) An existing dealer in good standing; or 10 (iv) A business entity controlled by a person described in item (i), (ii), 11 or (iii) of this paragraph. 12 (3)If a manufacturer exercises a right of first refusal in the event of a sale 13 or transfer or proposed sale or transfer of the dealer's business or an equity interest in the 14 dealer's business, the manufacturer shall pay the reasonable expenses, including customary attorney's fees, incurred by the prospective purchaser in negotiating and 15 16 implementing the contract for the proposed sale or transfer, provided that the dealer has given the manufacturer at least 45 days' notice of an intent to sell or transfer. 17 18 A manufacturer may not unreasonably withhold consent to the transfer 19 of a franchise under subsection (d) of this section. 20 **(2)** A MANUFACTURER SHALL BE DEEMED TO HAVE CONSENTED TO 21THE TRANSFER OF A FRANCHISE IF THE MANUFACTURER FAILS, WITHIN 60 DAYS 22AFTER RECEIVING NOTICE OF THE PROPOSED TRANSFER, TO: 23 **(I)** GIVE CONSENT TO THE TRANSFER; OR 24(II)PROVIDE A WRITTEN STATEMENT OF THE SPECIFIC 25GROUNDS FOR ITS REFUSAL TO CONSENT TO THE TRANSFER, CONSISTENT WITH THE 26 REQUIREMENTS UNDER SUBSECTION (K) OF THIS SECTION. 27 A manufacturer, distributor, or factory branch violates this section if, 28without a statement of specific grounds consistent with this title for the action, the 29 manufacturer, distributor, or factory branch takes action to prevent or refuse to approve:
 - (ii) The sale, transfer, or assignment of a dealer franchise; or

The sale, assignment, or transfer of the ownership of a dealership



(i) With respect to labor for warranty or recall repairs, [for

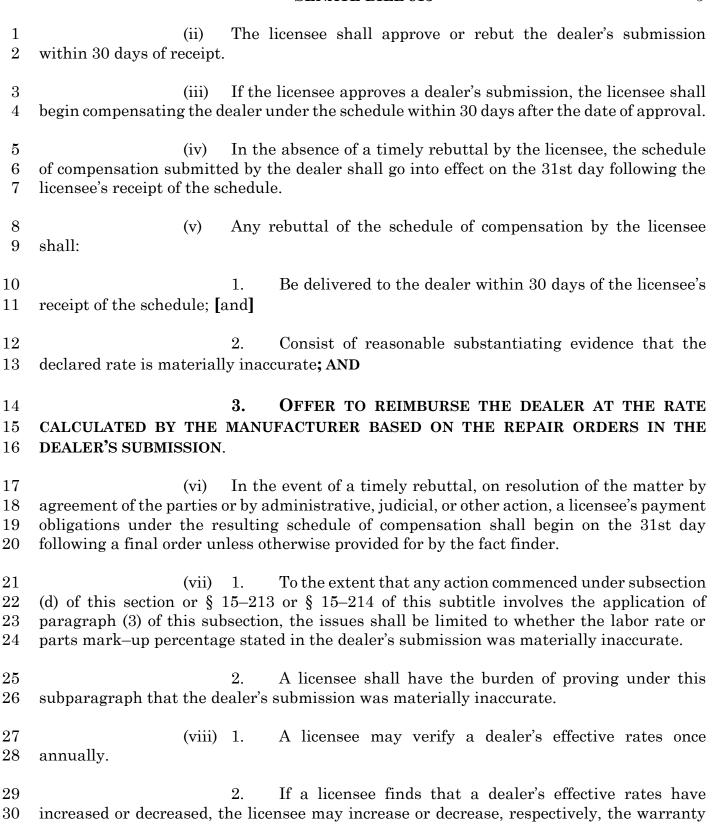
Reasonable compensation under this section may not be less than:

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(2)

- nonwarranty repairs of a like kind for retail customers] A LABOR RATE THAT IS 1 2 EQUIVALENT TO the dealer's current RETAIL labor rate MULTIPLIED BY THE RETAIL 3 TIME ALLOWANCE CHARGED TO CUSTOMERS FOR REPAIR ORDERS COMPLETED FOR 4 RETAIL CUSTOMERS THAT WOULD HAVE BEEN COVERED BY THE MANUFACTURER'S 5 WARRANTY BUT FOR TIME AND MILEAGE LIMITATIONS STATED IN THE 6 MANUFACTURER'S WARRANTY AGREEMENT: and 7 With respect to any part, the dealer's cost plus its current retail 8 mark—up percentage charged to retail customers for nonwarranty repairs of a like kind. 9 [Repair] RETAIL REPAIR ORDERS SUBMITTED BY A DEALER SHALL 10 BE QUALIFYING EXCEPT THAT REPAIR orders for labor or parts in connection with any of the following may not constitute a qualifying repair order under paragraph (2) of this 11 12 subsection: 13 (i) Accessories: 14 Repairs for manufacturer, distributor, or factory branch special (ii) events, promotions, or service campaigns; 15 16 (iii) Repairs related to collision; 17 Vehicle emission or safety inspections required by law; (iv) 18 Parts sold, or repairs performed, at wholesale or for insurance (y) 19 carriers, or other third-party payors; 20 (vi) Routine maintenance not covered under any THE 21MANUFACTURER'S warranty OR ANY MANUFACTURER SCHEDULED MAINTENANCE 22PLAN, including maintenance involving fluids, filters, and belts not provided in the course 23 of WARRANTY repairs: 24Nuts, bolts, fasteners, and similar items that do not have an 25individual parts number; 26 (viii) Tires: 27 (ix) Vehicle reconditioning: 28 Goodwill or policy repairs or replacements; or (x) 29 Repairs on vehicles from a different line-make. (xi)
- 30 (6) (i) The schedule of compensation submitted under paragraph (3) of this subsection shall be presumed to be accurate and reasonable.



32 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect 33 October 1, 2020.

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reimbursement rate prospectively.