

HOUSE BILL 1208

R4

3lr2400
CF 3lr3079

By: **Delegates Stein and Amprey**

Introduced and read first time: February 10, 2023

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Vehicle Laws – Manufacturers – Dealer Compensation**

3 FOR the purpose of altering the basis for determining compensation from a vehicle
4 manufacturer to a vehicle dealer for repairs made under a recall or warranty;
5 prohibiting a vehicle manufacturer from recovering or attempting to recover by
6 certain methods any portion of its costs for compensating vehicle dealers for repairs
7 made under a recall or warranty; and generally relating to vehicle dealer
8 compensation for repairs made under a recall or warranty.

9 BY repealing and reenacting, with amendments,
10 Article – Transportation
11 Section 15–212(c)(1), (2), (3), and (7)
12 Annotated Code of Maryland
13 (2020 Replacement Volume and 2022 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
15 That the Laws of Maryland read as follows:

16 **Article – Transportation**

17 15–212.

18 (c) (1) A licensee shall specify in writing to each of its motor vehicle dealers
19 licensed in the State:

20 (i) The dealer’s obligation for vehicle preparation, delivery,
21 warranties, and recalls on its products; **AND**

22 (ii) The schedule of compensation to be paid to the dealers for parts,
23 including parts assemblies, and labor, including diagnostic labor and associated

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 administrative requirements, in connection with the service obligations established under
2 item (i) of this paragraph[; and

3 (iii) A time allowance for the performance of labor described in this
4 paragraph that is reasonable and adequate].

5 (2) Reasonable compensation under this section may not be less than:

6 (i) With respect to labor for warranty or recall repairs, the dealer's
7 **CURRENT TIME ALLOWANCES AND** current labor rate for nonwarranty repairs of a like
8 kind for retail customers; and

9 (ii) With respect to any part, the dealer's cost plus its current retail
10 mark-up percentage charged to retail customers for nonwarranty repairs of a like kind.

11 (3) (i) For purposes of paragraph (2) of this subsection, the dealer's
12 labor rate or parts mark-up percentage shall be established by a submission to the licensee
13 of whichever of the following produces fewer repair orders closed, as of the date of
14 submission, within the preceding 180 days:

15 1. 100 qualifying sequential customer-paid repair orders; or

16 2. 90 days of qualifying customer-paid repair orders.

17 (ii) **WITH RESPECT TO LABOR, COMPENSATION ESTABLISHED**
18 **UNDER THIS SUBSECTION SHALL BE EQUAL TO THE PRODUCT OF:**

19 **1. THE HOURLY LABOR RATE AS REFLECTED IN**
20 **QUALIFYING REPAIR ORDERS, CALCULATED BY DIVIDING THE TOTAL CHARGES**
21 **ALLOCATED TO LABOR IN THE REPAIR ORDERS BY THE TOTAL NUMBER OF HOURS**
22 **CHARGED FOR THE REPAIRS; AND**

23 **2. THE TIME ALLOWANCE APPLICABLE TO EACH REPAIR**
24 **AS PRESCRIBED IN A NATIONALLY RECOGNIZED LABOR GUIDE SELECTED BY THE**
25 **DEALER.**

26 (iii) With respect to parts, a schedule of compensation established
27 under this subsection shall be equal to the parts mark-up percentage as reflected in
28 qualifying repair orders, calculated by dividing the total charges for parts in the repair
29 orders by the total dealer cost for the parts minus one.

30 [(iii)] (iv) 1. A dealer may not make a submission under this
31 subsection more than once in 1 year.

1 2. For purposes of subparagraph 1 of this subparagraph,
2 a revision or supplement to a submission to correct or clarify the submission does not
3 constitute a new submission.

4 (7) A licensee may not directly or indirectly:

5 (i) Calculate its own labor rate or parts mark-up percentage on a
6 warranty reimbursement rate submission by the licensee's dealer under this section, or
7 require a dealer to calculate a labor rate or parts mark-up percentage, by any method not
8 required under this section, including a method that is unduly burdensome or
9 time-consuming or that requires information that is unduly burdensome or
10 time-consuming to provide such as:

11 1. A part-by-part or transaction-by-transaction
12 calculation; or

13 2. Presentation of information as to, or calculations based on,
14 the dealer's or other dealers' warranty compensation;

15 (ii) Establish or implement a special part or component number for
16 parts used in warranty fulfillment, if the special part or component number results in
17 reduced compensation for the dealer unless the part is used for specific, limited repair
18 situations;

19 (iii) Require or coerce a dealer to change the prices for which it sells
20 parts or labor for retail customer repairs;

21 (iv) Take adverse action against a dealer because the dealer seeks
22 compensation under this section, by:

23 1. Implementing a process that is inconsistent with the
24 licensee's obligations to the dealer under this subtitle; or

25 2. Failing to act in good faith;

26 (v) Conduct any warranty or retail customer repair audit, or other
27 service-related audit, solely because the dealer makes a request for warranty
28 reimbursement at retail rates in the ordinary course of business; [or]

29 (vi) Establish, implement, enforce, or apply any policy, standard,
30 rule, program, or incentive regarding the compensation due under this section other than
31 in a uniform manner among the licensee's dealers in the State; **OR**

32 **(VII) RECOVER OR ATTEMPT TO RECOVER ANY PORTION OF THE**
33 **LICENSEE'S COSTS FOR COMPENSATING DEALERS UNDER THIS SECTION BY**

1 **REDUCING THE AMOUNT DUE TO A DEALER OR BY IMPOSING A FEE, ASSESSMENT, OR**
2 **SURCHARGE ON THE AMOUNT DUE TO THE DEALER.**

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
4 October 1, 2023.