

HB 412 -- FRANCHISOR WARRANTY DUTIES

SPONSOR: Casteel

This bill repeals the current law requirement for the schedule of compensation a franchisor provides to a franchisee relating to parts, labor and service, and the time for performance of the labor and service by a franchisee for preparation, delivery and warranty service. Further, the bill repeals the determination of what is considered a reasonable compensation for labor and service, where the principal factor is the prevailing wage rates being charged for similar labor and service by the franchisee to retail customers for non-warranty labor and service.

The bill provides that the compensation for parts used in warranty service must be reasonable. The primary factor used in determining reasonable compensation for parts charged is the amount charged by the franchisee for similar parts to retail customers for non-warranty repair parts. Compensation for labor used in the warranty service must be reasonable and determined at the dealer's election as fully specified in the bill.

Further, if a franchisor furnishes a part or component to a franchisee at no cost, for repairs performed under a recall, campaign service action, or warranty repair, the compensation will be a reasonable amount and the primary factor in determining the reasonable compensation for parts is the amount charged by the franchisee for similar parts to retail customers for non-warranty repair parts. The current compensation mechanism using the average markup on the cost of the part in the price schedule of the franchisor less the cost of the part or component is repealed.