

HCS HB 1914 -- FRANCHISOR WARRANTY DUTIES

SPONSOR: Casteel

COMMITTEE ACTION: Voted "Do Pass with HCS" by the Standing Committee on Emerging Issues by a vote of 9 to 3 with 1 member voting present. Voted "Do Pass" by the Standing Committee on Rules-Legislative by a vote of 12 to 0.

The following is a summary of the House Committee Substitute for HB 1914.

Currently, a franchisor provides a franchisee with a schedule of compensation for the franchisee's obligations for preparation, delivery, and warranty services. This bill adds recall services to this list of obligations.

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.

This bill states that fair and reasonable compensation requires the franchisor to pay each franchisee no less than the amount the retail customer pays for the same services with regard to rate and time. Scheduled compensation previously agreed to by the franchisor and the franchisee for extended warranty repairs can be used in lieu of actual time expended. 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 nonwarranty repair parts. If a franchisor is required to issue a recall, the franchisee will be compensated for its time spent on labor. A service technician working for a franchisee and subject to increased labor time will be compensated in accordance with their established pay plan, and adjusted to reflect any increased time allowance. Franchisors must pay the franchisee the same effective labor rate that the franchisee receives for customer-pay repairs, as described in the bill. The franchisee can submit a request to the franchisor for warranty labor rate increases a maximum of once per calendar year, with all claims for additional compensation of warranty or recall repairs handled in the manner described in the bill. A franchisor or distributor will not otherwise recover costs from a franchisee in a manner described in the bill.

Currently, the compensation for parts and labor for recall repairs follows certain procedures, as described in the bill. This bill states that if a franchisor imposes a recall or stop sale on any new vehicle in the franchisee's inventory that would prevent the sale of that particular vehicle, the franchisor must compensate the franchisee for any interest and storage until the vehicle is repaired and made ready for sale.

This bill repeals provisions regarding the timeframe during which a franchisee must submit a claim.

Currently, a franchisee must not request a franchisor to approve a different labor rate or parts rate more than twice per calendar year. This bill reduces such a request to be made not more than once per calendar year.

This bill is similar to HB 412 (2025).

The following is a summary of the public testimony from the committee hearing. The testimony was based on the introduced version of the bill.

PROPOSERS: Supporters say that without the provisions of this bill, Missouri will end up losing a lot of talented auto technicians who specialize in car repairs. In the current system, dealers are not getting fairly compensated for the work that they are doing on required jobs, such as warranties or recalls. Supporters further state that if this set of circumstances is not fixed by a different compensation model, then a lot of workers will find jobs in other states that have made such changes.

Testifying in person for the bill were Representative Casteel; C. Nicholas Anderson, Missouri Automobile Dealers Association; Missouri Automobile Dealers Association; James Ringering, Clement CDJR; Jason Dorton, Clement Chrysler, Dodge, Jeep Ram; Steve Brown, Frank Leta Automotive; Trevin Reed, Reed Automotive Group; and Zachary Seel.

OPPOSERS: Those who oppose the bill say that the provisions of this bill would effectively give a 50% pay raise to dealers and auto technicians, which would in turn result in higher costs for parts and cars, especially during the manufacturing process. Opponents further state that if dealerships are concerned about the loss of income to their employees, then they should increase the wages of their current auto techs. Opponents also state that

this issue should be considered a private, business-to-business matter, and should therefore not involve the government.

Testifying in person against the bill were Associated Industries of Missouri; Holli Sledd; Marc Deras; General Motors; Matthew Erwin, Mazda North American Operations; Alliance for Automotive Innovation; Tom Trisdale, Toyota Motor North America, Inc.; Ford Motor Company; and Arnie Dienoff.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.