



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 6498 (Substitute H-1 as reported without amendment)

Sponsor: Representative Brandt Iden

House Committee: Regulatory Reform

Senate Committee: Regulatory Reform

CONTENT

The bill would amend Public Act 118 of 1981, which governs automobile dealer manufacturers and franchises, to do the following:

- Rename the Act as the "Motor Vehicle Franchise Act".
- Modify the conditions under which good cause would exist for the cancellation, termination, nonrenewal, or discontinuance of a dealer agreement.
- Prohibit a manufacturer from requiring a new motor vehicle dealer to construct or substantially alter a facility or premises if the same item or design component was constructed or substantially altered within the previous 10 years, and the manufacturer or distributor required and approved the construction or alteration.
- Prohibit a manufacturer from requiring a dealer to purchase goods or services to make improvements to the dealer's facilities from a vendor that was selected, identified, or designated by the manufacturer or its affiliate, unless the dealer was allowed to obtain the goods or services from a vendor it chose if certain conditions were met.
- Prohibit a manufacturer from requiring a dealer to lease signs from a vendor, selected, identified, or designated by the manufacturer, unless certain conditions were met.
- Specify that a manufacturer could not unreasonably withhold consent to the sale, transfer, or exchange of a new motor vehicle dealership to a qualified buyer that met the manufacturer's uniformly applied requirements and criteria to be a dealer, and that was capable of being licensed as a motor vehicle dealer in the State.
- Specify that a manufacturer could not fail to respond to a request from a dealer that had submitted an agreement for the sale, transfer, or exchange of a dealership.
- Prohibit a manufacturer from establishing a performance standard or program for measuring dealer performance that could have a material and adverse impact on a dealer that is not fair, reasonable, and equitable.
- Specify that a manufacturer could not exercise a right of first refusal to acquire a dealership from a dealer unless certain requirements were met.
- Require a designated individual to be a designated successor in a written instrument in order to succeed a dealer in the ownership or operation of the dealership.
- Revise, from 60 to 75, the number of days a manufacturer would have to serve notice of its refusal to approve a succession if it believed that good cause existed for refusing to continue an existing dealer agreement.
- Require a manufacturer to specify in writing a dealer's obligations for recall service on its product, and require a manufacturer to compensate a dealer for recall services required of the dealer.
- Delete a provision specifying that the prevailing wage rates paid by dealers in the community in which the dealer is doing business is the principal factor in determine what constitute reasonable compensation.
- Modify provisions pertaining to when a manufacturer could charge a claim back to a dealer.

- Require a manufacturer to compensate a dealer for any sales or service promotion incentives.
- Require a manufacturer to pay a claim for compensation owed to dealer for a promotion, incentive, program, or activity within 15 days of its approval, instead of 10 days.
- Specify the principal factors in determining what would constitute reasonable compensation for parts reimbursement and labor rates.
- Require a manufacturer to compensate its dealers a reasonable amount for all labor and parts required by the manufacturer to perform recall repairs.
- Requires a manufacturer or distributor to indemnify and hold harmless its dealers against any judgement for damages or settlement agreed to in writing by the manufacturer.

The bill would apply to dealer agreements entered into or renewed, or existing dealer agreements that were materially and substantially amended, after the bill's effective date.

MCL 445.1561 et al.

Legislative Analyst: Stephen Jackson

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Date Completed: 12-19-18

Fiscal Analyst: Abbey Frazier