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SENATE DRS15105-ML-98 (02/27)

Short Title: Clarify Motor Vehicle Licensing Law.

(Public)

Sponsors: Senator Apodaca (Primary Sponsor).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO CLARIFY THE MOTOR VEHICLE DEALERS AND MANUFACTURERS
3 LICENSING LAW.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. G.S. 20-286(11)a. is amended by adding a new sub-sub-subdivision
6 to read:

7 "(11) Motor vehicle dealer or dealer. –

8 a. A person who does any of the following:

9 ...

10 6. Engages in the purchase, sale, lease, or exchange of motor
11 vehicles by providing, either directly or indirectly, any
12 computer or other communications facilities, hardware, or
13 equipment at any location within this State that uses the
14 computer or other communications facilities, hardware, or
15 equipment for the purpose of transmitting applications,
16 contracts, or orders for motor vehicles purchased or leased by
17 retail purchasers or lessees located in this State."

18 SECTION 2. G.S. 20-287(a) reads as rewritten:

19 "(a) License Required. – It shall be unlawful for any new motor vehicle dealer, used
20 motor vehicle dealer, motor vehicle sales representative, manufacturer, factory branch, factory
21 representative, distributor, distributor branch, distributor representative, or wholesaler to
22 engage in business in this State without first obtaining a license as provided in this Article. If
23 any motor vehicle dealer acts as a motor vehicle sales representative, the dealer shall obtain a
24 motor vehicle sales representative's license in addition to a motor vehicle dealer's license. A
25 sales representative may have only one license. The license shall show the name of the dealer
26 or wholesaler employing the sales representative. The following license holders may operate as
27 a motor vehicle dealer without obtaining a motor vehicle dealer's license or paying an
28 additional fee: a manufacturer, a factory branch, a distributor, and a distributor branch. Any of
29 these license holders who operates as a motor vehicle ~~dealer~~dealer, including a person who
30 engages in the purchase, sale, lease, or exchange of motor vehicles by providing, either directly
31 or indirectly, any computer or other communications facilities, hardware, or equipment at any
32 location within this State that uses the computer or other communications facilities, hardware,
33 or equipment for the purpose of transmitting applications, contracts, or orders for motor
34 vehicles purchased or leased by retail purchasers or lessees located in this State, may sell motor
35 vehicles at retail only at an established salesroom."

36 SECTION 3. G.S. 20-305 reads as rewritten:



* D R S 1 5 1 0 5 - M L - 9 8 *

1 **"§ 20-305. Coercing dealer to accept commodities not ordered; threatening to cancel**
2 **franchise; preventing transfer of ownership; granting additional franchises;**
3 **terminating franchises without good cause; preventing family succession.**

4 It shall be unlawful for any manufacturer, factory branch, distributor, or distributor branch,
5 or any field representative, officer, agent, or any representative whatsoever of any of them:

6 ...
7 (30) To vary the price charged to any of its franchised new motor vehicle dealers
8 located in this State for new motor vehicles based on the dealer's purchase of
9 new facilities, supplies, tools, equipment, or other merchandise from the
10 manufacturer, the dealer's relocation, remodeling, repair, or renovation of
11 existing dealerships or construction of a new facility, the dealer's
12 participation in training programs sponsored, endorsed, or recommended by
13 the manufacturer, whether or not the dealer is dualed with one or more other
14 line makes of new motor vehicles, or the dealer's sales penetration. Except as
15 provided in this subdivision, it shall be unlawful for any manufacturer,
16 factory branch, distributor, or distributor branch, or any field representative,
17 officer, agent, or any representative whatsoever of any of them to vary the
18 price charged to any of its franchised new motor vehicle dealers located in
19 this State for new motor vehicles based on the dealer's sales volume, the
20 dealer's level of sales or customer service satisfaction, the dealer's purchase
21 of advertising materials, signage, nondiagnostic computer hardware or
22 software, communications devices, or furnishings, or the dealer's
23 participation in used motor vehicle inspection or certification programs
24 sponsored or endorsed by the manufacturer.

25 The price of the vehicle, for purposes of this subdivision shall include
26 the manufacturer's use of rebates, credits, or other consideration that has the
27 effect of causing a variance in the price of new motor vehicles offered to its
28 franchised dealers located in the State.

29 Notwithstanding the foregoing, nothing in this subdivision shall be
30 deemed to preclude a manufacturer from establishing sales contests or
31 promotions that provide or award dealers or consumers rebates or incentives;
32 provided, however, that the manufacturer complies with all of the following
33 conditions:

- 34 a. With respect to manufacturer to consumer rebates and incentives, the
35 manufacturer's criteria for determining eligibility shall:
- 36 1. Permit all of the manufacturer's franchised new motor vehicle
37 dealers in this State to offer the rebate or incentive; and
 - 38 2. Be uniformly applied and administered to all eligible
39 consumers.
- 40 b. With respect to manufacturer to dealer rebates and incentives, the
41 rebate or incentive program shall:
- 42 1. Be based solely on the dealer's actual or reasonably
43 anticipated sales volume or on a uniform per vehicle sold or
44 leased basis;
 - 45 2. Be uniformly available, applied, and administered to all of the
46 manufacturer's franchised new motor vehicle dealers in this
47 State; and
 - 48 3. Provide that any of the manufacturer's franchised new motor
49 vehicle dealers in this State may, upon written request, obtain
50 the method or formula used by the manufacturer in
51 establishing the sales volumes for receiving the rebates or

1 incentives and the specific calculations for determining the
2 required sales volumes of the inquiring dealer and any of the
3 manufacturer's other franchised new motor vehicle dealers
4 located within 75 miles of the inquiring dealer.

5 Nothing contained in this subdivision shall prohibit a manufacturer from
6 providing assistance or encouragement to a franchised dealer to remodel,
7 renovate, recondition, or relocate the dealer's existing facilities, provided that
8 this assistance, encouragement, or rewards are not determined on a per
9 vehicle basis.

10 It is unlawful for any manufacturer to charge or include the cost of any
11 program or policy prohibited under this subdivision in the price of new
12 motor vehicles that the manufacturer sells to its franchised dealers or
13 purchasers located in this State.

14 In the event that as of October 1, 1999, a manufacturer was operating a
15 program that varied the price charged to its franchised dealers in this State in
16 a manner that would violate this subdivision, or had in effect a documented
17 policy that had been conveyed to its franchised dealers in this State and that
18 varied the price charged to its franchised dealers in this State in a manner
19 that would violate this subdivision, it shall be lawful for that program or
20 policy, including amendments to that program or policy that are consistent
21 with the purpose and provisions of the existing program or policy, or a
22 program or policy similar thereto implemented after October 1, 1999, to
23 continue in effect as to the manufacturer's franchised dealers located in this
24 State until June 30, ~~2014~~2016.

25 In the event that as of June 30, 2001, a manufacturer was operating a
26 program that varied the price charged to its franchised dealers in this State in
27 a manner that would violate this subdivision, or had in effect a documented
28 policy that had been conveyed to its franchised dealers in this State and that
29 varied the price charged to its franchised dealers in this State in a manner
30 that would violate this subdivision, and the program or policy was
31 implemented in this State subsequent to October 1, 1999, and prior to June
32 30, 2001, and provided that the program or policy is in compliance with this
33 subdivision as it existed as of June 30, 2001, it shall be lawful for that
34 program or policy, including amendments to that program or policy that
35 comply with this subdivision as it existed as of June 30, 2001, to continue in
36 effect as to the manufacturer's franchised dealers located in this State until
37 June 30, ~~2014~~2016.

38 Any manufacturer shall be required to pay or otherwise compensate any
39 franchise dealer who has earned the right to receive payment or other
40 compensation under a program in accordance with the manufacturer's
41 program or policy.

42 The provisions of this subdivision shall not be applicable to multiple or
43 repeated sales of new motor vehicles made by a new motor vehicle dealer to
44 a single purchaser under a bona fide fleet sales policy of a manufacturer,
45 factory branch, distributor, or distributor branch.

46 ...
47 (33) To either (i) fail to reimburse a dealer located in this State in full for the
48 actual cost of providing a loaner vehicle to any customer who is having a
49 vehicle serviced at the dealership if the provision of such a loaner vehicle is
50 required by the ~~manufacturer~~ manufacturer or (ii) require a dealer to
51 purchase, lease, or otherwise title one or more new motor vehicles for use as

1 a loaner vehicle in order to participate in or qualify for any incentive
2 program offered or sponsored by the manufacturer or distributor, or to
3 otherwise receive any discounts, credits, rebates, or incentives of any kind
4 that are calculated or paid on a per vehicle basis.

5 (34) To require, coerce, or attempt to coerce any new motor vehicle dealer in this
6 State to participate ~~monetarily~~ in any unreasonable training session, meeting,
7 training program, or certification program for any purpose, including as a
8 condition or a requirement of the manufacturer or distributor for the dealer to
9 qualify for any incentive program offered or sponsored by the manufacturer
10 or distributor, or to otherwise receive any discounts, credits, rebates, or
11 incentives of any kind that are calculated or paid on a per vehicle basis.
12 Examples of an unreasonable training session, meeting, training program, or
13 certification program with respect to which a manufacturer is prohibited
14 from requiring or coercing the dealer's participation include the following:

15 a. Any training session, meeting, training program, or certification
16 program ~~whose~~including subject matter that is not expressly limited
17 to specific information necessary to sell or service the models of
18 vehicles the dealer is authorized to sell or service under the dealer's
19 franchise with that manufacturer. ~~Examples of training programs~~
20 with respect to which a manufacturer is prohibited from requiring the
21 dealer's monetary participation include, but are not limited to, those

22 b. Any training session, meeting, training program, or certification
23 program which ~~purport~~purporting to teach
24 ~~morale boosting~~morale-boosting, employee motivation, teamwork,
25 or general principles of customer relations.

26 c. ~~A manufacturer is further prohibited from requiring~~Any training
27 session, meeting, training program, or certification program requiring
28 the personal attendance of an owner or dealer principal of any
29 dealership located in this State ~~at any meeting or training program at~~
30 whichwhen it is reasonably possible for another member of the
31 dealer's management to attend and later relate the subject matter of
32 the ~~meeting or training~~ session, meeting, training program, or
33 certification program to the dealership's owners or principal operator.

34 ...
35 (44) Notwithstanding the terms, provisions, or conditions of any agreement or
36 franchise, to require, coerce, or attempt to coerce any new motor vehicle
37 dealer located in this State to refrain from prominently displaying in the
38 dealer's showroom or elsewhere within the dealership facility, as determined
39 in the sole discretion of the dealer, any honors, awards, photographs,
40 displays, or other artifacts or memorabilia related to the dealership, dealer
41 principal, or any of the owners, investors, officers, directors, or employees of
42 the dealer.

43 (45) Notwithstanding the terms, provisions, or conditions of any agreement or
44 franchise, to discriminate against a new motor vehicle dealer located in this
45 State for selling or offering for sale a service contract, debt cancellation
46 agreement, maintenance agreement, or similar product not approved,
47 endorsed, sponsored, or offered by the manufacturer, distributor, affiliate, or
48 captive finance source. For purposes of this subdivision, discrimination
49 includes any of the following:

50 a. Requiring, coercing, or attempting to coerce a dealer to exclusively
51 sell or offer for sale service contracts, debt cancellation agreements,

- 1 or similar products approved, endorsed, sponsored, or offered by the
2 manufacturer, distributor, affiliate, or captive finance source.
- 3 b. Taking or threatening to take any adverse action against a dealer (i)
4 who sells or offers for sale any service contracts, debt cancellation
5 agreements, maintenance agreements, or similar products that have
6 not been approved, endorsed, sponsored, or offered by the
7 manufacturer, distributor, affiliate or captive finance source or (ii)
8 who fails to sell or offer for sale service contracts, debt cancellation
9 agreements, maintenance agreements, or similar products approved,
10 endorsed, sponsored, or offered by the manufacturer, distributor,
11 affiliate, or captive finance source.
- 12 c. Measuring a dealer's performance under a franchise in any part based
13 upon the dealer's sale of service contracts, debt cancellation
14 agreements, or similar products approved, endorsed, sponsored, or
15 offered by the manufacturer, distributor, affiliate, or captive finance
16 source.
- 17 d. Requiring a dealer to promote the sale of service contracts, debt
18 cancellation agreements, or similar products approved, endorsed,
19 sponsored, or offered by the manufacturer, distributor, affiliate, or
20 captive finance source.
- 21 e. Considering the dealer's sale of service contracts, debt cancellation
22 agreements, or similar products approved, endorsed, sponsored, or
23 offered by the manufacturer, distributor, affiliate, or captive finance
24 source in determining any of the following:
- 25 1. The dealer's eligibility to purchase any vehicles, parts, or
26 other products or services from the manufacturer or
27 distributor.
- 28 2. The volume of vehicles or other parts or services the dealer
29 shall be eligible to purchase from the manufacturer or
30 distributor.
- 31 3. The price or prices of any vehicles, parts, or other products or
32 services that the dealer shall be eligible to purchase from the
33 manufacturer or distributor.
- 34 4. The availability or amount of any vehicle discount, credit,
35 special pricing, rebate, or sales or service incentive the dealer
36 shall be eligible to receive from the manufacturer, distributor,
37 affiliate, or captive finance source.

38 For purposes of this subdivision, discrimination does not include, and
39 nothing shall prohibit a manufacturer, distributor, affiliate, or captive finance
40 source from, offering discounts, rebates, or other incentives to dealers who
41 voluntarily sell or offer for sale service contracts, debt cancellation
42 agreements, or similar products approved, endorsed, sponsored, or offered
43 by the manufacturer, distributor, affiliate, or captive finance source;
44 provided, however, that such discounts, rebates, or other incentives are based
45 solely on the sales volume of the service contracts, debt cancellation
46 agreements, or similar products sold by the dealer and do not provide vehicle
47 sales or service incentives.

- 48 (46) To require, coerce, or attempt to coerce a dealer located in this State to
49 purchase goods or services of any nature from a vendor selected, identified,
50 or designated by a manufacturer, distributor, affiliate, or captive finance
51 source. For purposes of this subdivision, unlawful coercion includes any

1 requirement of a manufacturer, distributor, affiliate, or captive finance
2 source that a dealer use a specific vendor or group of vendors as a condition
3 to receive any discount, credit, rebate, or sales incentive. When a
4 manufacturer, distributor, affiliate, or captive finance source recommends or
5 designates to a dealer a specific vendor or group of vendors, the
6 manufacturer, distributor, affiliate, or captive finance source shall
7 contemporaneously and conspicuously also disclose to the dealer the option
8 to obtain the goods or services of substantially similar kind and quality from
9 a vendor selected by the dealer. For purposes of this subdivision, the term
10 "goods" does not include moveable displays, brochures, and promotional
11 materials containing material subject to the intellectual property rights of a
12 manufacturer or distributor, or special tools as reasonably required by the
13 manufacturer, or parts to be used in repairs under warranty obligations of a
14 manufacturer or distributor. If the manufacturer, distributor, affiliate, or
15 captive finance source claims that a vendor chosen by the dealer cannot
16 supply goods and services of substantially similar kind and quality, the
17 manufacturer or distributor may file a protest with the Commissioner. When
18 a protest is filed, the Commissioner shall promptly inform the dealer that a
19 protest has been filed. The Commissioner shall conduct a hearing on the
20 merits of the protest within 90 days following the dealer's filing of a
21 response to the protest. The manufacturer, distributor, affiliate, or captive
22 finance source shall bear the burden of proving that the goods or services
23 chosen by the dealer are not of substantially similar kind and quality to those
24 required by the manufacturer.

25 (47) To fail to provide to a dealer, if the goods or services to be supplied to the
26 dealer by a vendor selected, identified, or designated by the manufacturer or
27 distributor are signs or other franchisor image elements to be purchased or
28 leased to the dealer, the right to purchase or lease the signs or other
29 franchisor image elements of like kind and quality from a vendor selected by
30 the dealer. If the vendor selected by the manufacturer or distributor is the
31 only available vendor, the dealer must be given the opportunity to purchase
32 the signs or other franchisor image elements at a price substantially similar
33 to the capitalized lease costs thereof. This subdivision shall not be construed
34 to allow a dealer to impair or eliminate the intellectual property rights of the
35 manufacturer or distributor, or to permit a dealer to erect or maintain signs
36 that do not conform to the reasonable intellectual property usage guidelines
37 of the manufacturer or distributor.

38 (48) To unreasonably interfere with a dealer's independence in staffing the
39 dealership by engaging in any of the following conduct: (i) requiring,
40 coercing, or attempting to coerce a dealer located in this State to employ,
41 appoint, or designate an individual to serve full-time or exclusively in any
42 specific capacity, role, or job function at the dealership, other than the
43 employment or appointment of a full-time general manager; (ii) requiring a
44 dealer to employ, appoint, or designate an individual to serve full-time or
45 exclusively in any specific capacity, role, or job function at the dealership,
46 other than the employment or appointment of a full-time general manager, in
47 order to participate in or qualify for any incentive program offered or
48 sponsored by the manufacturer or distributor or to otherwise receive any
49 discounts, credits, rebates, or incentives of any kind that are calculated or
50 paid on a per vehicle basis; or (iii) requiring that the dealer obtain the
51 approval of the manufacturer or distributor prior to employing or appointing

1 any individual in any capacity, role, or job function at the dealership, other
2 than the employment or appointment of a full-time general manager. Except
3 as expressly provided above, nothing contained in this subdivision shall be
4 deemed to prevent or prohibit a manufacturer or distributor from requiring
5 that a dealer employ a reasonable number of trained employees to sell and
6 service the factory's vehicles."

7 **SECTION 4.** G.S. 20-305.2 is amended by adding a new subsection to read:

8 "(e) For purposes of this section, an unfair method of competition includes any warranty
9 or nonwarranty fix, repair, update, or adjustment made or provided directly by a manufacturer
10 or distributor to any motor vehicle located within this State without the direct participation of a
11 dealer franchised by the manufacturer or distributor and without such dealer receiving
12 reasonable compensation for such fix, repair, update, or adjustment as provided in
13 G.S. 20-305.1."

14 **SECTION 5.** G.S. 20-305.7 reads as rewritten:

15 "**§ 20-305.7. Protecting dealership data and consent to access dealership information.**

16 ...

17 (f) The following definitions apply to this section:

18 (1) "Dealer management computer system" – A computer hardware and
19 software system that is owned or leased by the dealer, including a dealer's
20 use of Web applications, software, or hardware, whether located at the
21 dealership or provided at a remote location and that provides access to
22 customer records and transactions by a motor vehicle dealer located in this
23 State and that allows such motor vehicle dealer timely information in order
24 to sell vehicles, parts or services through such motor vehicle dealership.

25 (2) "Dealer management computer system vendor" – A seller or reseller of
26 dealer management computer systems ~~(but systems, a person that sells~~
27 computer software for use on dealer management computer systems, or a
28 person who services or maintains dealer management computer systems, but
29 only to the extent that such person is each of the sellers, resellers, or other
30 persons listed in this subdivision are engaged in such activities)-activities.

31 (3) "Security breach" – An incident of unauthorized access to and acquisition of
32 records or data containing dealership or dealership customer information
33 where unauthorized use of the dealership or dealership customer information
34 has occurred or is reasonably likely to occur or that creates a material risk of
35 harm to a dealership or a dealership's customer. Any incident of
36 unauthorized access to and acquisition of records or data containing
37 dealership or dealership customer information, or any incident of disclosure
38 of dealership customer information to one or more third parties which shall
39 not have been specifically authorized by the dealer or customer, shall
40 constitute a security breach.

41 (g1) Notwithstanding any of the terms or provisions contained in this section or in any
42 consent, authorization, release, novation, franchise, or other contract or agreement, whenever
43 any manufacturer, factory branch, distributor, distributor branch, dealer management computer
44 system vendor, or any third party acting on behalf of or ~~through~~through, or approved, referred,
45 endorsed, authorized, certified, granted preferred status, or recommended by, any manufacturer,
46 factory branch, distributor, distributor branch, or dealer management computer system vendor
47 requires that a new motor vehicle dealer provide any dealer, consumer, or customer data or
48 information through direct access to a dealer's computer system, the dealer is not required to
49 provide, and may not be required to consent to provide in any written agreement, such direct
50 access to its computer system. The dealer may instead provide the same dealer, consumer, or
51 customer data or information specified by the requesting party by timely obtaining and pushing

1 or otherwise furnishing the requested data to the requesting party in a widely accepted file
2 format such as comma delimited; provided that, when a dealer would otherwise be required to
3 provide direct access to its computer system under the terms of a consent, authorization,
4 release, novation, franchise, or other contract or agreement, a dealer that elects to provide data
5 or information through other means may be charged a reasonable initial set-up fee and a
6 reasonable processing fee based on the actual incremental costs incurred by the party
7 requesting the data for establishing and implementing the process for the dealer. Any term or
8 provision contained in any consent, authorization, release, novation, franchise, or other contract
9 or agreement which is inconsistent with any term or provision contained in this subsection shall
10 be voidable at the option of the dealer.

11 (g2) Notwithstanding the terms or conditions of any consent, authorization, release,
12 novation, franchise, or other contract or agreement, every manufacturer, factory branch,
13 distributor, distributor branch, dealer management computer system vendor, or any third party
14 acting on behalf of or through any manufacturer, factory branch, distributor, distributor branch,
15 or dealer management computer system vendor, having electronic access to consumer or
16 customer data or other information in a computer system utilized by a new motor vehicle
17 dealer, or who has otherwise been provided consumer or customer data or information by the
18 dealer, shall fully indemnify and hold harmless any dealer from whom it has acquired such
19 consumer or customer data or other information from all damages, costs, and expenses incurred
20 by such dealer, including, but not limited to, judgments, settlements, fines, penalties, litigation
21 costs, defense costs, court costs, costs related to the disclosure of security breaches, and
22 attorneys' fees arising out of complaints, claims, security breaches, civil or administrative
23 actions, and, to the fullest extent allowable under the law, governmental investigations and
24 prosecutions to the extent caused by the access, storage, maintenance, use, sharing, disclosure,
25 or retention of such dealer's consumer or customer data or other ~~information~~information, or
26 maintenance or services provided to any computer system utilized by a new motor vehicle
27 dealer by the manufacturer, factory branch, distributor, distributor branch, dealer management
28 computer system vendor, or third party acting on behalf of or through such manufacturer,
29 factory branch, distributor, distributor branch, or dealer management computer system vendor.

30"

31 **SECTION 6.** G.S. 20-305.1 reads as rewritten:

32 **"§ 20-305.1. Automobile dealer warranty obligations.**

33 (a) Each motor vehicle manufacturer, factory branch, distributor or distributor branch,
34 shall specify in writing to each of its motor vehicle dealers licensed in this State the dealer's
35 obligations for preparation, delivery and warranty service on its products, the schedule of
36 compensation to be paid such dealers for parts, work, and service in connection with warranty
37 service, and the time allowances for the performance of such work and service. In no event
38 shall such schedule of compensation fail to include reasonable compensation for diagnostic
39 work and associated administrative requirements as well as repair service and labor. Time
40 allowances for the performance of warranty work and service shall be reasonable and adequate
41 for the work to be performed. The compensation which must be paid under this section must be
42 reasonable, provided, however, that under no circumstances may the reasonable compensation
43 under this section be in an amount less than the dealer's current retail labor rate and the amount
44 charged to retail customers for the manufacturer's or distributor's original parts for nonwarranty
45 work of like kind, provided such amount is competitive with the retail rates charged for parts
46 and labor by other franchised dealers within the dealer's market.

47 (a1) The retail rate customarily charged by the dealer for parts and labor may be
48 established at the election of the dealer by the dealer submitting to the manufacturer or
49 distributor 100 sequential nonwarranty customer-paid service repair orders which contain
50 warranty-like parts, or 60 consecutive days of nonwarranty customer-paid service repair orders
51 which contain warranty-like parts, whichever is less, covering repairs made no more than 180

1 days before the submission and declaring the average percentage markup. The average of the
2 parts markup rate and the average labor rate shall both be presumed to be fair and reasonable,
3 however, a manufacturer or distributor may, not later than 30 days after submission, rebut that
4 presumption by reasonably substantiating that the rate is unfair and unreasonable in light of the
5 ~~practices of retail rates charged for parts and labor by all other franchised motor vehicle dealers~~
6 in the dealer's market offering the same line-make vehicles. In the event there are no other
7 franchised dealers offering the same line-make of vehicle in the dealer's market, the
8 manufacturer or distributor may compare the dealer's retail rate for parts and labor with the
9 ~~practices of retail rates charged for parts and labor by~~ other franchised dealers who are selling
10 competing line-makes of vehicles within the dealer's market. The retail rate and the average
11 labor rate shall go into effect 30 days following the manufacturer's approval, but in no event
12 later than 60 days following the declaration, subject to audit of the submitted repair orders by
13 the manufacturer or distributor and a rebuttal of the declared rate as described above. If the
14 declared rate is rebutted, the manufacturer or distributor shall propose an adjustment of the
15 average percentage markup based on that rebuttal not later than 30 days after such audit, but in
16 no event later than 60 days after submission. If the dealer does not agree with the proposed
17 average percentage markup, the dealer may file a protest with the Commissioner not later than
18 30 days after receipt of that proposal by the manufacturer or distributor. If such a protest is
19 filed, the Commissioner shall inform the manufacturer or distributor that a timely protest has
20 been filed and that a hearing will be held on such protest. In any hearing held pursuant to this
21 subsection, the manufacturer or distributor shall have the burden of proving by a preponderance
22 of the evidence that the rate declared by the dealer was unfair and unreasonable as described in
23 this subsection and that the proposed adjustment of the average percentage markup is fair and
24 reasonable pursuant to the provisions of this subsection. The reasonable rate determined at
25 hearing shall be effective as of 60 days after the date of the dealer's initial submission of the
26 customer-paid service orders to the manufacturer or distributor.

27 (a2) In calculating the retail rate customarily charged by the dealer for parts and labor,
28 the following work shall not be included in the calculation:

- 29 (1) Repairs for manufacturer or distributor special events, specials, or
30 promotional discounts for retail customer ~~repairs; repairs.~~
- 31 (2) Parts sold at wholesale or at reduced or specially negotiated rates for
32 insurance ~~repairs; repairs.~~
- 33 (3) Engine assemblies and transmission ~~assemblies; assemblies.~~
- 34 (4) Routine maintenance not covered under warranty, such as fluids, filters, and
35 belts not provided in the course of ~~repairs; repairs.~~
- 36 (5) Nuts, bolts, fasteners, and similar items that do not have an individual part
37 ~~number; number.~~
- 38 (6) ~~Tires; and Tires.~~
- 39 (7) Vehicle reconditioning.
- 40 (8) Batteries and light bulbs.

41"

42 **SECTION 7.** The terms and provisions of this act shall be applicable to all current
43 and future franchises and other agreements in existence between any new motor vehicle dealer
44 located in this State and a manufacturer or distributor as of the effective date of this act.

45 **SECTION 8.** If any provision of this act or its application is held invalid, the
46 invalidity does not affect other provisions or applications of this act that can be given effect
47 without the invalid provisions or application, and to this end the provisions of this act are
48 severable.

49 **SECTION 9.** This act is effective when it becomes law.