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A bill to be entitled 1 2 An act relating to motor vehicle dealers; amending s. 3 320.64, F.S.; revising prohibitions against actions by a licensed motor vehicle manufacturer, factory branch, 4 distributor, or importer; prohibiting certain actions by a 5 licensee relating to relocating, expanding, improving, 6 7 remodeling, renovating, or altering certain approved 8 facilities of a motor vehicle dealer; providing for the 9 licensee to offer certain inducements for such changes under certain conditions; prohibiting certain adverse 10 actions and certain acts of discrimination against a 11 dealer; prohibiting establishing the state as a zone, 12 region, or territory for certain purposes; providing for 13 application of specified provisions to existing contracts; 14 specifying that a licensee may set and uniformly apply 15 16 certain standards for a motor vehicle dealer's sales and service facilities; revising a prohibition against certain 17 changes in supply to a dealer; prohibiting adverse action 18 19 against a dealer who sold or leased a motor vehicle to a 20 customer who exported the vehicle to a foreign country, or who resold the vehicle, unless the licensee proves actual 21 knowledge; revising prohibitions against certain audits; 22 creating s. 320.6412, F.S.; providing that no franchise 23 24 agreement shall be terminated, canceled, discontinued, or 25 not renewed on the basis of misrepresentation, fraud, or 26 filing false or fraudulent statements or claims unless the 27 licensee proves actual knowledge or has provided the dealer with written notice and a reasonable time to cure 28 Page 1 of 18

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29	the fraudulent actions; amending s. 320.696, F.S.;
30	revising provisions for responsibilities of a licensee for
31	work performed pursuant to warranty, preparation
32	procedures, or recall, directive, or bulletin; providing
33	definitions; providing requirements for compensation to a
34	motor vehicle dealer for such work; providing procedures
35	for determining compensation amounts; providing for
36	changes in compensation amounts; prohibiting certain acts
37	to recover compensation costs; prohibiting certain acts of
38	discrimination against a dealer; providing for
39	severability; providing an effective date.
40	
41	Be It Enacted by the Legislature of the State of Florida:
42	
43	Section 1. Subsections (10), (18), (22), (25), (26), and
44	(30) of section 320.64, Florida Statutes, are amended to read:
45	320.64 Denial, suspension, or revocation of license;
46	groundsA license of a licensee under s. 320.61 may be denied,
47	suspended, or revoked within the entire state or at any specific
48	location or locations within the state at which the applicant or
49	licensee engages or proposes to engage in business, upon proof
50	that the section was violated with sufficient frequency to
51	establish a pattern of wrongdoing, and a licensee or applicant
52	shall be liable for claims and remedies provided in ss. 320.695
53	and 320.697 for any violation of any of the following
54	provisions. A licensee is prohibited from committing the
55	following acts:
56	(10)(a) The applicant or licensee has attempted to enter,
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57 or has entered, into a franchise agreement with a motor vehicle 58 dealer who does not, at the time of the franchise agreement, 59 have proper facilities to provide the services to his or her 60 purchasers of new motor vehicles which are covered by the new 61 motor vehicle warranty issued by the applicant or licensee. Notwithstanding any provision of a franchise agreement, after a 62 63 licensee has approved the sales and service facilities of a motor vehicle dealer, the licensee shall not require, by 64 65 agreement, program, policy, or standard, the dealer to relocate, expand, improve, remodel, renovate, or alter any part of those 66 67 facilities. (b) A licensee may, however, provide a one-time increase 68 in vehicle allocation, a loan, or a grant of money to a motor 69 70 vehicle dealer as an inducement to relocate, expand, improve, remodel, alter, or renovate its facilities if the licensee 71 72 delivers an assurance to the dealer that it will supply a 73 sufficient quantity of new motor vehicles to the dealer, 74 consistent with its allocation obligations at law and its 75 allocation obligations to its other same line-make motor vehicle 76 dealers, which will economically justify such relocation, 77 expansion, improvement, remodeling, renovation, or alteration in 78 light of reasonably current and reasonably projected market and 79 economic conditions. The provisions of the one-time increase in vehicle allocation, loan, or grant and assurance, and the basis 80 for them, must be in a written agreement voluntarily entered 81 82 into by the dealer and must be made available, on equal terms, to the licensee's other same line-make dealers in this state. 83 (c) Except as provided in paragraph (b), a licensee shall 84

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85 not withhold a bonus, incentive, or other benefit that is 86 available to its other same line-make franchised dealers in this 87 state from, or take or threaten to take any action that is 88 unfair or adverse to, a dealer who does not enter into an 89 agreement with the licensee pursuant to paragraph (b). 90 A licensee shall not refuse to offer a program for a (d) 91 bonus, incentive, or other benefit, in whole or in part, to a 92 dealer in this state which it offers to its other same line-make 93 dealers nationally or in the licensee's zone or region in which 94 this state is included or otherwise discriminate against a 95 Florida dealer with respect to any such program. For purposes of this chapter, no licensee shall establish Florida alone as a 96 97 zone, region, or territory by any other designation. 98 Nothing contained in paragraph (a) or paragraph (b) (e) 99 shall affect any contract between a licensee and any of its dealers regarding relocation, expansion, improvement, 100 101 remodeling, renovation, or alteration which exists on the 102 effective date of this act. 103 (f) Any portion of a licensee-offered program for a bonus, 104 incentive, or other benefit that, in whole or in part, is based 105 upon or aimed at inducing a dealer's relocation, expansion, 106 improvement, remodeling, renovation, or alteration is void for 107 each of the licensee's dealers in this state who nevertheless are eligible for the entire amount of the bonus, incentive, or 108 109 benefit offered in the program upon compliance with the other bases or eligibility provisions in the program. 110 111 (q) A licensee may set and uniformly apply reasonable standards for a motor vehicle dealer's sales and service 112 Page 4 of 18

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113 facilities which are related to upkeep, repair, and cleanliness. 114 (18)The applicant or licensee has established a system of motor vehicle allocation or distribution or has implemented a 115 system of allocation or distribution of motor vehicles to one or 116 117 more of its franchised motor vehicle dealers which reduces or 118 alters allocations or supplies of new motor vehicles to the 119 dealer to achieve, directly or indirectly, a purpose that is prohibited by ss. 320.60-320.70 or which otherwise is unfair, 120 121 inequitable, unreasonably discriminatory, or not supportable by 122 reason and good cause after considering the equities of the 123 affected motor vehicles dealer or dealers. An applicant or licensee shall maintain for 3 years records that describe its 124 methods or formula of allocation and distribution of its motor 125 126 vehicles and records of its actual allocation and distribution of motor vehicles to its motor vehicle dealers in this state. As 127 used in this subsection, the term "unfair" includes, without 128 129 limitation, the refusal or failure to offer to any dealer an 130 equitable supply of new vehicles under its franchise, by model, 131 mix, or colors, as the licensee offers or allocates to its other 132 same line-make dealers in the state.

133 The applicant or licensee has refused to deliver, in (22)134 reasonable quantities and within a reasonable time, to any duly 135 licensed motor vehicle dealer who has an agreement with such applicant or licensee for the retail sale of new motor vehicles 136 and parts for motor vehicles sold or distributed by the 137 applicant or licensee, any such motor vehicles or parts as are 138 covered by such agreement. Such refusal includes the failure to 139 offer to its same line-make franchised motor vehicle dealers all 140 Page 5 of 18

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141 models manufactured for that line-make, or requiring a dealer to 142 pay any extra fee, require a dealer to execute a separate 143 franchise agreement, purchase unreasonable advertising displays or other materials, or relocate, expand, improve, remodel, 144 145 renovate, or recondition, or alter the dealer's existing facilities, or provide exclusive facilities as a prerequisite to 146 147 receiving a model or series of vehicles. However, the failure to deliver any motor vehicle or part will not be considered a 148 violation of this section if the failure is due to an act of 149 150 God, work stoppage, or delay due to a strike or labor 151 difficulty, a freight embargo, product shortage, or other cause over which the applicant or licensee has no control. An 152 applicant or licensee may impose reasonable requirements on the 153 154 motor vehicle dealer, other than the items listed above, 155 including, but not limited to, the purchase of special tools 156 required to properly service a motor vehicle and the undertaking of sales person or service person training related to the motor 157 158 vehicle.

159 (25)The applicant or licensee has undertaken an audit of warranty payments or incentive payments payment previously paid 160 161 to a motor vehicle dealer in violation of this section or has failed to comply with any of its obligations under s. 320.696. 162 An applicant or licensee may reasonably and periodically audit a 163 motor vehicle dealer to determine the validity of paid claims as 164 provided in s. 320.696. Audit of warranty payments shall only be 165 for the 1-year period immediately following the date the claim 166 was paid. Audit of incentive payments shall only be for an 18-167 month period immediately following the date the incentive was 168 Page 6 of 18

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169 paid. An applicant or licensee shall not deny a claim or charge 170 a motor vehicle dealer back subsequent to the payment of the claim unless the applicant or licensee can show that the claim 171 172 was false or fraudulent or that the motor vehicle dealer failed 173 to substantially comply with the reasonable written and 174 uniformly applied procedures of the applicant or licensee for 175 such repairs or incentives. An applicant or licensee may not charge a motor vehicle dealer back subsequent to the payment of 176 177 a claim unless a representative of the applicant or licensee 178 first meets in person, by telephone, or by video teleconference 179 with an officer or employee of the dealer designated by the motor vehicle dealer. At such meeting the applicant or licensee 180 must provide a detailed explanation, with supporting 181 182 documentation, as to the basis for each of the claims for which 183 the applicant or licensee proposed a charge-back to the dealer 184 and a written statement containing the basis upon which the motor vehicle dealer was selected for audit or review. 185 186 Thereafter, the applicant or licensee must provide the motor 187 vehicle dealer's representative a reasonable period after the meeting within which to respond to the proposed charge-backs, 188 189 with such period to be commensurate with the volume of claims 190 under consideration, but in no case less than 45 days after the meeting. The applicant or licensee is prohibited from changing 191 or altering the basis for each of the proposed charge-backs as 192 presented to the motor vehicle dealer's representative following 193 194 the conclusion of the audit unless the applicant or licensee receives new information affecting the basis for one or more 195 charge-backs. If the applicant or licensee claims the existence 196 Page 7 of 18

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197 of new information, the dealer must be given the same right to a 198 meeting and right to respond as when the charge-back was 199 originally presented.

200 (26)Notwithstanding the terms of any franchise agreement, 201 including any licensee's program, policy, or procedure, the 202 applicant or licensee has refused to allocate, sell, or deliver 203 motor vehicles; charged back or withheld payments or other things of value for which the dealer is otherwise eligible under 204 205 a sales promotion, program, or contest; or prevented a the motor 206 vehicle dealer from participating in any promotion, program, or 207 contest; or has taken or threatened to take any adverse action against a dealer, including charge backs, reducing vehicle 208 209 allocations, or terminating or threatening to terminate a 210 franchise because the dealer sold or leased a motor vehicle to a 211 customer who exported the vehicle to a foreign country, or who resold the vehicle, unless the licensee proves that the dealer 212 had actual knowledge that the customer intended to export or 213 resell the motor vehicle. There is a conclusive presumption that 214 215 the dealer had no actual knowledge if the vehicle is titled or 216 registered in any state in this country for selling a motor 217 vehicle to a customer who was present at the dealership and the motor vehicle dealer did not know or should not have reasonably 218 219 known that the vehicle would be shipped to a foreign country. 220 There will be a rebuttable presumption that the dealer did not 221 know or should not have reasonably known that the vehicle would 222 be shipped to a foreign country if the vehicle is titled in one of the 50 United States. 223 The applicant or licensee has conducted or threatened 224 (30)

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225 to conduct any audit of a motor vehicle dealer in order to 226 coerce or attempt to coerce the dealer to forego any rights or remedies granted to the dealer under ss. 320.60-320.70 or under 227 the agreement between the licensee and the motor vehicle dealer. 228 229 Nothing in this section shall prohibit an applicant or licensee 230 from reasonably and periodically auditing a dealer to determine 231 the validity of paid claims, as permitted under this chapter, if 232 the licensee complies with the provisions of ss. 320.60-320.70 233 applicable to such audits. Section 2. Section 320.6412, Florida Statutes, is created 234 to read: 235 320.6412 Franchise termination based on fraud; standard of 236 proof.--Notwithstanding the provisions of any franchise 237 238 agreement, a franchise agreement of a motor vehicle dealer shall not be terminated, canceled, discontinued, or not renewed by a 239 240 licensee on the basis of any misrepresentation or fraud, or the filing of false or fraudulent statements or claims with the 241 242 licensee, unless the licensee proves by clear and convincing 243 evidence at a hearing that the majority owner or, if there is no majority owner, the person designated as dealer-principal in the 244 245 franchise agreement either had actual knowledge of such acts at 246 the time they allegedly were committed, or that the licensee 247 provided written notice to the majority owner or dealerprincipal detailing such alleged acts, and that the majority 248 owner or dealer-principal, within a reasonable time after 249 receipt of such written notice, failed to take actions 250 reasonably calculated to prevent such acts from continuing or 251 252 reoccurring.

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253 Section 3. Section 320.696, Florida Statutes, is amended to 254 read:

255

320.696 Warranty responsibility.--

256 (1) (a) A licensee shall timely compensate a motor vehicle 257 dealer who performs work to maintain or repair a licensee's 258 product under a warranty or maintenance plan, extended warranty, certified pre-owned warranty, or service contract issued by the 259 260 licensee or its common entity; to fulfill a licensee's delivery 261 or preparation procedures; or to repair a motor vehicle as a result of a licensee's or common entity's recall, directive, or 262 263 bulletin.

(b) As used in this section, the term:

265 <u>1. "Compensate" and "compensation" include all labor and</u>
 266 parts included in the work as provided in this section.

267 <u>2. "Labor" includes time spent by employees for diagnosis</u>
268 and repair of a vehicle.

269 <u>3. "Parts" includes replacement parts and accessories.</u>
270 4. "Retail customer repair" means work, including parts

271 and labor, performed by a dealer which does not come within the

272 provisions of a licensee's or its common entity's warranty,

273extended warranty, service contract, or maintenance plan and274excludes parts and labor described in paragraphs (3)(b) and

275 <u>(4)(c)</u>.

276 (c) Compensation not paid to a motor vehicle dealer within

277 <u>30 days after receipt of a claim is not timely. A licensee shall</u>

278 not establish or implement a term, policy, or procedure

279 different from those described in this section for any motor

280 vehicle dealer to obtain compensation under this section and

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281	shall not pay a motor vehicle dealer less than amounts due
282	pursuant to this section.
283	(2) A licensee shall not take or threaten to take adverse
284	action against a motor vehicle dealer who seeks to obtain
285	compensation pursuant to this section. As used in this
286	subsection, the term "adverse action" includes, without
287	limitation, acting or failing to act, other than in good faith;
288	creating or implementing an obstacle or process that is
289	inconsistent with the licensee's obligations to the dealer under
290	this section; hindering, delaying, or rejecting the proper and
291	timely payment of compensation due under this section to a
292	dealer; establishing, implementing, enforcing, or applying any
293	policy, standard, rule, program, or incentive regarding
294	compensation due under this section other than in a uniform and
295	nondisparate manner among the licensee's dealers in this state;
296	conducting or threatening to conduct any warranty, retail
297	customer repair, or other service-related audit more frequently
298	than once each calendar year; or denying, reducing, or charging
299	back a warranty claim because of a dealer's failure to comply
300	with all of the licensee's requirements for describing or
301	processing a claim.
302	(3)(a) A licensee shall compensate a motor vehicle dealer
303	for parts used in any work described in subsection (1). The
304	compensation shall be an agreed percentage markup over the
305	licensee's dealer cost, but if an agreement is not reached
306	within 30 days after a dealer's written request, compensation
307	for the parts is the greater of:
308	1. The dealer's arithmetical mean percentage markup over
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309	dealer cost for all parts charged by the dealer in 25
310	consecutive retail customer repair orders made and selected by
311	the dealer within the 3-month period before the written request,
312	or all retail customer repair orders over the previous 3 months
313	if there are fewer than 25 retail customer repair orders in that
314	period. A repair order shall not be excluded from the
315	computation because it contains both warranty or maintenance
316	work and retail customer repairs. However, only the retail
317	customer repair portion of the repair order shall be included in
318	the computation and the parts described in paragraph (b) shall
319	be excluded from the computation;
320	2. The licensee's highest suggested retail or list price
321	for the parts; or
322	3. An amount equal to the dealer's markup over dealer cost
323	that results in the same gross profit percentage for parts used
324	in work done under subsection (1) as the dealer receives for
325	parts used in the customer retail repairs, as evidenced by the
326	dealer's financial statement for the month preceding the
327	dealer's request. If a licensee reduces the suggested retail or
328	list price for any replacement part or accessory, it shall also
329	reduce, by at least the same percentage, the cost to the dealer
330	for the part or accessory. The dealer's markup or gross profit
331	percentage shall be uniformly applied to all of the licensee's
332	parts used by the dealer in performing work covered by
333	subsection (1).
334	(b) In calculating the compensation to be paid for parts
335	by the arithmetic mean percentage markup over dealer cost method
336	in paragraph (a), parts discounted by a dealer for repairs made
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337 in group, fleet, insurance, or other third-party payor service 338 work; parts used in repairs of government agencies' repairs for 339 which volume discounts have been negotiated; parts used in special event, specials, or promotional discounts for retail 340 341 customer repairs; parts sold at wholesale; parts used for 342 internal repairs; engine assemblies and transmission assemblies; 343 parts used in retail customer repairs for routine maintenance, such as fluids, filters, and belts; nuts, bolts, fasteners, and 344 345 similar items that do not have an individual part number; and 346 tires shall be excluded in determining the percentage markup 347 over dealer cost. If a licensee furnishes a part or component to a motor 348 (C) 349 vehicle dealer at no cost to use in performing repairs under a 350 recall, service action, or warranty repair, the licensee shall 351 compensate the dealer for the part or component in the same 352 manner as warranty parts compensation under this subsection, 353 less the dealer cost for the part or component as listed in the 354 licensee's price schedule. 355 (d) A licensee shall not establish or implement a special 356 part or component number for parts used in predelivery, dealer 357 preparation, warranty, or maintenance-only applications if that 358 results in lower compensation to the dealer than as calculated 359 in this subsection. (4) (a) A licensee shall compensate a motor vehicle dealer 360 for labor performed in connection with work described in 361 362 subsection (1) as calculated in this subsection. 363 (b) Compensation paid by a licensee to a motor vehicle 364 dealer may be an agreed hourly labor rate. If, however, an Page 13 of 18

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365 agreement is not reached within 30 days after the dealer's 366 written request, the dealer may choose to be paid the greater 367 of: 368 The dealer's hourly labor rate for retail customer 1. 369 repairs, determined by dividing the amount of the dealer's total 370 labor sales for retail customer repairs by the number of total 371 labor hours that generated those sales for the month preceding 372 the request, excluding the work in paragraph (c); or 373 2. An amount equal to the dealer's markup over dealer cost 374 that results in the same gross profit percentage for labor hours 375 in work covered by subsection (1) as the dealer receives for 376 labor used in its customer retail repairs, as evidenced by the 377 dealer's financial statement provided to the licensee for the month preceding the dealer's written request, if the dealer 378 379 provides in the written request the arithmetical mean of the hourly wage paid to all of its technicians during that preceding 380 381 month. The arithmetical mean shall be the dealer cost used in 382 that calculation. 383 After an hourly labor rate is agreed or determined, the licensee 384 385 shall uniformly apply and pay that hourly labor rate for all 386 labor used by the dealer in performing work under subsection 387 (1). However, a licensee shall not pay an hourly labor rate less 388 than the hourly rate it was paying to the dealer for work done under subsection (1) on January 1, 2008. A licensee shall not 389 eliminate flat-rate times from or establish an unreasonable 390 flat-rate time in its warranty repair manual, warranty time 391 392 quide, or any other similarly named document. A licensee shall

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393	establish reasonable flat-rate labor times in its warranty
394	repair manuals and warranty time guides for newly introduced
395	model motor vehicles which are at least consistent with its
396	existing documents. As used in this subsection, the terms
397	"retail customer," "repair," and "similar work" are not limited
398	to a repair to the same model vehicle or model year but include
399	prior repairs that resemble but are not identical to the repair
400	for which the dealer is making a claim for compensation.
401	(c) In determining the hourly labor rate calculated under
402	subparagraph (b)1., a dealer's labor charges for internal
403	vehicle repairs; vehicle reconditioning; repairs performed for
404	group, fleet, insurance, or other third-party payors; discounted
405	repairs of motor vehicles for government agencies; labor used in
406	special events, specials, and express service; and promotional
407	discounts shall not be included as retail customer repairs and
408	shall be excluded from such calculations.
409	(5) A licensee shall not review, change, or fail to pay a
410	motor vehicle dealer for parts or labor determined under this
411	section unless the dealer has requested a change or the action
412	is pursuant to the licensee's written, predetermined schedule
413	for increasing parts or labor compensation that is not contrary
414	to any provision of this section. A dealer may make written
415	requests for changes in compensation for parts or labor
416	performed under this section not more than semiannually. The
417	dealer shall attach supporting documentation to each written
418	request. The request for changes in parts or labor compensation
419	shall be deemed accepted unless the licensee, within 30 days
420	after receipt of the request, in writing, disputes with
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421 specificity the supporting documentation in the request. Any 422 increase in parts or labor reimbursement determined thereafter to be owed to the dealer shall be paid retroactively to the date 423 424 of the licensee's receipt of the written request. 425 A licensee shall not recover or attempt to recover, (6) 426 directly or indirectly, any of its costs for compensating a 427 motor vehicle dealer under this section, including by decreasing or eliminating solely in this state, or as relates to any of its 428 429 dealers, any bonus or incentive that it has in effect nationally, regionally, or in a territory by any other 430 431 designation; by reducing the dealer's gross margin for any of 432 the licensee's products or services when the wholesale price charged to the dealer is determined by the licensee and the 433 434 reduction is not in effect nationally or regionally; by imposing 435 a separate charge or surcharge to the wholesale price paid by a 436 dealer in this state for any product or service offered to or 437 supplied by a licensee under a franchise agreement with the 438 dealer; or by passing on to the dealer any charge or surcharge 439 of a common entity of the licensee. A licensee shall not require, influence, or attempt to 440 (7) 441 influence a motor vehicle dealer to implement or change the 442 prices for which it sells parts or labor in retail customer 443 repairs. A licensee shall not implement or continue a policy, procedure, or program to any of its dealers in this state for 444 compensation under this section which is less favorable to its 445 446 dealers in this state than is applicable to its dealers

447 <u>nationally or regionally or, if there is no such national or</u>

448 regional policy, to its dealers in a majority of states.

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449 If a court determines with finality that any provision (8) 450 of this section is void or unenforceable, the remaining provisions shall not be affected but shall remain in effect. The 451 452 licensee shall reasonably and timely compensate any authorized 453 motor vehicle dealer who performs work, including labor and 454 parts, to rectify the licensee's product or warranty defects or 455 fulfills delivery and preparation obligations. In the determination of what constitutes reasonable compensation under 456 457 this section, the factors to be given consideration shall include, among others, the compensation being paid by other 458 licensees to their dealers, the prevailing wage rate being paid 459 460 by the dealers, and the prevailing labor rate being charged by the dealers, in the city or community in which the dealer is 461 462 doing business. For the purpose of this section, reasonable 463 compensation for work, including labor and parts, by a motor 464 vehicle dealer for warranty repairs or service, including labor 465 and parts, on behalf of a licensee shall be determined to be 466 equal to the amount charged by the dealer for like work to 467 retail customers for nonwarranty repairs and service, including 468 labor and parts, unless the licensee has demonstrated and 469 established in a proceeding before the department that the 470 dealer's retail charges for labor and parts are improper in 471 light of all economic circumstances. Compensation not paid within 30 days after receipt or notice of billing is presumed 472 untimely. A licensee may not otherwise recover, or seek to 473 recover, any of its costs for compensating a motor vehicle 474 dealer for warranty work, including labor and parts, by imposing 475 476 a motor vehicle dealer any charge or surcharge to the on Page 17 of 18

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477 wholesale price paid by a motor vehicle dealer to the licensee

478 for any product, including motor vehicles and parts.

479

Section 4. This act shall take effect upon becoming a law.

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