

11601

I N A S S E M B L Y

June 30, 2010

Introduced by COMMITTEE ON RULES -- (at request of M. of A. Gantt) --
read once and referred to the Committee on Transportation

AN ACT to amend the vehicle and traffic law, in relation to warranties
and sales incentives and certain technical provisions therein

THE PEOPLE OF THE STATE OF NEW YORK, REPRESENTED IN SENATE AND ASSEMBLY,
DO ENACT AS FOLLOWS:

1 Section 1. Section 465 of the vehicle and traffic law, as amended by
2 chapter 490 of the laws of 2008, is amended to read as follows:
3 S 465. Procedures relating to warranties and sales incentives. 1. (A)
4 Every franchisor shall properly fulfill any warranty agreement and/or
5 franchisor's service contract and shall compensate each of its fran-
6 chised motor vehicle dealers for warranty parts and labor in amounts
7 which reflect fair and reasonable compensation for such work. All
8 warranty claims and/or claims under a franchisor's service contract made
9 by franchised motor vehicle dealers shall be paid within thirty days
10 following their approval. FOR THE PURPOSES OF THIS SECTION, WARRANTY
11 CLAIMS SHALL INCLUDE VOLUNTARY RECALLS ESTABLISHED BY THE FRANCHISOR,
12 AND ANY RECALLS PURSUANT TO 49 U.S.C. 301. For parts reimbursement[,]
13 (other than components, systems, fixtures, appliances, furnishings,
14 accessories and features of a house coach that are designed, used and
15 maintained primarily for nonvehicular residential purposes[,]) and for
16 labor reimbursement, fair and reasonable compensation shall not be less
17 than the price and rate charged by the franchised motor vehicle dealer
18 for like PARTS OR services to non-warranty and/or non-service contract
19 customers.
20 (B) For purposes of this section, [the price and rate charged by the
21 franchised motor vehicle dealer for parts may be established] THE FRAN-
22 CHISED MOTOR VEHICLE DEALER MAY ESTABLISH ITS WARRANTY REIMBURSEMENT
23 PRICE AND RATE by submitting to the franchisor one hundred sequential
24 nonwarranty customer-paid service repair orders or the number of sequen-
25 tial nonwarranty customer-paid service repair orders written within a
26 ninety day period, whichever is less, covering repairs, REGARDLESS OF
27 THE REASON FOR THE REPAIRS, made no more than one hundred eighty days
28 before the submission, and declaring the price and rate, including aver-

EXPLANATION--Matter in ITALICS (underscored) is new; matter in brackets
[] is old law to be omitted.

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1 age markup [for] USED BY the franchised motor vehicle dealer as its
2 reimbursement rate.

3 (C) WITH REGARD TO ANY SUBMISSION BY A FRANCHISED MOTOR VEHICLE DEALER
4 UNDER THIS SECTION, THE FOLLOWING PROVISIONS SHALL APPLY: (I) THE FRAN-
5 CHISED MOTOR VEHICLE DEALER SHALL DETERMINE THE INDIVIDUAL MARKUP OF
6 EACH QUALIFYING PART LISTED IN THE FRANCHISED MOTOR VEHICLE DEALER'S
7 SUBMISSION, WHICH INDIVIDUAL MARKUPS THE FRANCHISED MOTOR VEHICLE DEALER
8 SHALL THEN AVERAGE, WHICH AVERAGE OF THE INDIVIDUAL MARKUPS SHALL DETER-
9 MINED THE "AVERAGE" MARKUP TO BE USED AS THE DEALER'S REIMBURSEMENT
10 RATE; (II) THE DEALER MAY AUTHORIZE ANY EMPLOYEE OR REPRESENTATIVE OF
11 THE DEALERSHIP TO SIGN THE DEALER'S DECLARATION OF A RATE AND TO SUBMIT
12 THE REQUEST FOR REIMBURSEMENT BY A MANUFACTURER AT THAT RATE; (III) IT
13 SHALL BE WITHIN THE DEALER'S SOLE DISCRETION AS TO THE MEANS BY WHICH
14 THE NECESSARY INFORMATION IS PROVIDED TO THE FRANCHISOR TO SUPPORT THE
15 AVERAGE PARTS MARKUP CALCULATION; (IV) ALL MANUFACTURERS SHALL DESIGNATE
16 AN ADDRESS TO WHICH ITS FRANCHISED DEALERS OR REPRESENTATIVES MAY SUBMIT
17 A REQUEST UNDER THIS SECTION, PROOF OF MAILING OR DELIVERY TO SUCH
18 ADDRESS SHALL BE SUFFICIENT EVIDENCE RAISING A PRESUMPTION THAT SUCH
19 REQUEST WAS DELIVERED TO THE MANUFACTURER; AND (V) NOTWITHSTANDING
20 ANYTHING CONTAINED IN THIS SECTION, THE FRANCHISED MOTOR VEHICLE DEALER
21 SHALL INCLUDE IN ITS CALCULATION THOSE NON-WARRANTY CUSTOMER PAID-FOR
22 PARTS OTHERWISE COVERED BY THE FRANCHISOR'S WARRANTY PROGRAM, REGARDLESS
23 OF THE REASON THEY WERE SUPPLIED TO THE NON-WARRANTY CUSTOMER, INCLUDING
24 PARTS ROUTINELY REPLACED AS PART OF REGULAR MAINTENANCE ON A VEHICLE,
25 INCLUDING, BUT NOT LIMITED TO BELTS, BRAKES, BATTERIES, KEYS, TRANSMIT-
26 TERS AND TRANSMITTER BATTERIES, WINDSHIELD WIPERS, BELTS, SEALANTS,
27 BULBS, HEADLIGHT AND TAILLIGHT LENSES, FLUIDS, PUMPS, FILTERS AND SIMI-
28 LAR PARTS PROVIDED, HOWEVER, THE FRANCHISED MOTOR VEHICLE DEALER SHALL
29 NOT BE REQUIRED IN ITS SUBMISSION TO PERFORM ANY OF THE FOLLOWING:

30 (1) LIST ON ANY FORM, SPREADSHEET, OR OTHER COMPILATION THOSE REPAIR
31 ORDERS WHICH DO NOT CONTAIN PARTS THAT THE DEALER IS RELYING ON FOR THE
32 CALCULATION OF THE AVERAGE MARKUP;

33 (2) INCLUDE IN ANY CALCULATION OF ITS AVERAGE MARKUP TIRES, WHEELS,
34 ANY PARTS OR ITEMS IT ACTUALLY USED OR PROVIDED IN THE REPAIR OF PHYS-
35 ICAL DAMAGE TO THE BODY OR CHASSIS OF A VEHICLE, INCLUDING, BUT NOT
36 LIMITED TO, BODY PANELS, WINDOWS (GLASS OR OTHER MATERIAL), DOORS, BUMP-
37 ERS, FENDERS, OR SIMILAR ITEMS, OR THE PAINT OR OTHER FINISHING MATERI-
38 ALS FOR SUCH ITEMS;

39 (3) INCLUDE IN ANY CALCULATION OF ITS AVERAGE MARKUP ANY PARTS OR
40 ITEMS ACTUALLY USED OR PROVIDED IN THE COURSE OF STANDARD VEHICLE PREPA-
41 RATION FOR SALE TO A CUSTOMER;

42 (4) INCLUDE IN ANY CALCULATION OF ITS AVERAGE MARKUP ANY PARTS ACTUAL-
43 LY PROVIDED INTERNALLY TO VARIOUS DEPARTMENTS WITHIN THE FRANCHISED
44 MOTOR VEHICLE DEALERSHIP'S BUSINESS; AND

45 (5) INCLUDE IN ANY CALCULATION OF ITS AVERAGE MARKUP ANY TYPE OF PARTS
46 PROVIDED BY THE FRANCHISOR ONLY AS A MATTER OF "GOODWILL" RATHER THAN IN
47 THE COURSE OF REGULAR WARRANTY SERVICE.

48 (D) FOR PURPOSES OF THIS SECTION, THE PRICE AND RATE CHARGED BY THE
49 FRANCHISED MOTOR VEHICLE DEALER FOR LABOR MAY BE ESTABLISHED BY SUBMIT-
50 TING ONE HUNDRED SEQUENTIAL NONWARRANTY CUSTOMER-PAID SERVICE REPAIR
51 ORDERS, OR THE NUMBER OF SEQUENTIAL NONWARRANTY CUSTOMER-PAID SERVICE
52 REPAIR ORDERS, WRITTEN IN THE MONTH PRECEDING THE SUBMISSION, WHICHEVER
53 IS LESS, COVERING REPAIRS, REGARDLESS OF THE REASON FOR THE REPAIRS, AND
54 DIVIDING THE AMOUNT OF THE DEALER'S TOTAL LABOR SALES FOR RETAIL CUSTOM-
55 ER REPAIRS BY THE NUMBER OF TOTAL LABOR HOURS THAT GENERATED THOSE
56 SALES, AND DECLARING THE RESULTING AVERAGE LABOR RATE FOR THE FRANCHISED

1 MOTOR VEHICLE DEALER AS ITS REIMBURSEMENT RATE. THE FRANCHISED MOTOR
2 VEHICLE DEALER SHALL NOT USE IN ANY CALCULATION OF ITS LABOR RATE ANY
3 LABOR CONDUCTED IN THE COURSE OF STANDARD VEHICLE PREPARATION FOR SALE
4 TO A CUSTOMER, OR IN THE COURSE OF INTERNAL SERVICE PERFORMED FOR VARI-
5 OUS DEPARTMENTS WITHIN THE FRANCHISED MOTOR VEHICLE DEALERSHIP'S BUSI-
6 NESS.

7 (E) The reimbursement rate so declared shall go into effect thirty
8 days following the declaration [and]. THE DECLARATION shall be presumed
9 to be [fair and reasonable, however a franchisor may rebut such presump-
10 tion by showing that such rate so established is unfair and unreasonable
11 in light of the practices of all other franchised motor vehicle dealers
12 in the vicinity offering the same line make.] ACCURATE WHEN SUBMITTED AS
13 SET FORTH UNDER THIS SECTION PROVIDING A DETAILED, COMPLETE, WRITTEN
14 EXPLANATION OF ANY PART OR ITEM INCLUDED OR OMITTED FROM THE DECLARATION
15 CALCULATION THAT IS NOT CONSISTENT WITH THE PROVISIONS OF THIS SECTION
16 TO THE FRANCHISED MOTOR VEHICLE DEALER, WITHIN FIFTEEN DAYS OF RECEIPT
17 BY THE FRANCHISOR OF THE SUBMISSION OR ANY MATERIAL AMENDMENT THERETO
18 ALONG WITH THE RETURN OF THE REPAIR ORDERS UPON WHICH THE MANUFACTURER
19 IS RELYING FOR ITS OBJECTION OR OBJECTIONS. THE FRANCHISOR WAIVES ANY
20 RIGHT TO REBUT THE SUBMISSION IF THE FRANCHISOR FAILS TO PROVIDE THE
21 WRITTEN EXPLANATION DESCRIBED IN THIS PARAGRAPH WITHIN THE FIFTEEN DAY
22 PERIOD FOLLOWING THE MOTOR VEHICLE DEALER'S SUBMISSION. THE FRANCHISED
23 MOTOR VEHICLE DEALER MAY CHOOSE TO CORRECT ITS SUBMISSION BASED UPON THE
24 FRANCHISOR'S WRITTEN REBUTTAL WITHOUT BEING REQUIRED TO MAKE A COMPLETE-
25 LY NEW SUBMISSION, IF DONE SO WITHIN THIRTY DAYS OF RECEIVING THE
26 FRANCHISOR'S WRITTEN REBUTTAL. ANY SUCH AMENDMENT TO THE INITIAL
27 SUBMISSION WILL RELATE BACK TO THE DATE OF THE INITIAL SUBMISSION AND
28 ANY RESULTING PRICE OR RATE SHALL BE PAID BY THE FRANCHISOR RETROACTIVE-
29 LY, WITHOUT PENALTY, ON ALL CLAIMS SUBMITTED BY THE FRANCHISED MOTOR
30 VEHICLE DEALER THIRTY DAYS FROM THE DATE OF THE INITIAL SUBMISSION. IF
31 THE FRANCHISED MOTOR VEHICLE DEALER DOES NOT AGREE WITH THE FRANCHISOR'S
32 REBUTTAL, THE PRICE OR RATE SO DECLARED SHALL BECOME EFFECTIVE ACCORDING
33 TO THIS SECTION UNLESS THE FRANCHISOR INSTITUTES AN ACTION PURSUANT TO
34 THIS ARTICLE, CLAIMING THAT THE FRANCHISED MOTOR VEHICLE DEALER HAS
35 VIOLATED THE PROVISIONS OF THIS SECTION, WITHIN THIRTY DAYS FROM THE
36 DATE OF THE FRANCHISEE'S RESPONSE TO THE FRANCHISOR'S REBUTTAL. THE
37 BURDEN OF PROOF IN ANY SUCH ACTION SHALL BE ON THE FRANCHISOR.

38 (F) The franchised motor vehicle dealer shall not request a change in
39 the reimbursement rate more often than twice in each calendar year.

40 (G) A FRANCHISOR WHO FAILS TO REIMBURSE WARRANTY AND LABOR CLAIMS
41 ESTABLISHED PURSUANT TO THIS SECTION SHALL BE LIABLE TO THE FRANCHISED
42 MOTOR VEHICLE DEALER FOR ALL SUCH CLAIMS AT THE PRICE AND RATE SUBMITTED
43 BY THE FRANCHISEE FROM THE TIME SUCH SUBMISSION WAS MADE. IN ADDITION,
44 ANY FRANCHISOR WHO FAILS TO SO REIMBURSE SUCH CLAIMS SHALL BE SUBJECT TO
45 A PENALTY OF FIVE HUNDRED DOLLARS PER CLAIM PAYABLE TO THE FRANCHISED
46 MOTOR VEHICLE DEALER. AN ADDITIONAL PENALTY OF ONE THOUSAND DOLLARS PER
47 CLAIM SHALL BE PAYABLE TO THE FRANCHISED MOTOR VEHICLE DEALER FOR EACH
48 SUCCESSIVE TEN DAY PERIOD THEREAFTER IN WHICH THE CLAIM IS NOT REIM-
49 BURSED AS REQUIRED BY THIS SECTION. IN ORDER TO ENSURE TIMELY PAYMENT OF
50 CLAIMS SUBMITTED UNDER THIS SECTION, A FRANCHISED MOTOR VEHICLE DEALER
51 MAY, BEGINNING UPON THE EXPIRATION OF THE THIRTY DAY PERIOD ESTABLISHED
52 BY THIS SECTION, WITHHOLD ANY PAYMENTS OWED TO A FRANCHISOR EQUAL TO THE
53 CLAIMS MADE BY THE FRANCHISED MOTOR VEHICLE DEALER, PLUS THE PENALTY,
54 UNTIL THE FRANCHISOR MAKES WARRANTY AND LABOR REIMBURSEMENT PURSUANT TO
55 THIS SECTION. ANY DEALER WHO EXERCISES SUCH RIGHT SHALL NOT BE DEEMED IN
56 DEFAULT OF ANY OBLIGATIONS UNDER THE FRANCHISE OR ANY OTHER AGREEMENT

1 WITH THE MANUFACTURER OR ANY SUBSIDIARY OR AFFILIATE OF THE MANUFACTUR-
2 ER.

3 (H) In establishing the PARTS REIMBURSEMENT OR THE labor reimbursement
4 rate, the franchisor shall not require a franchised motor vehicle dealer
5 to establish said rate by a methodology, or by requiring information,
6 that is unduly burdensome or time consuming to provide[, including, but
7 not limited to, a transaction by transaction calculation].

8 (I) IN NO EVENT MAY A FRANCHISOR REQUIRE A DEALER TO ACCEPT REIMBURSE-
9 MENT FOR PARTS BASED ON THE FRANCHISOR'S SUGGESTED LIST PRICE (WHETHER
10 CALLED MSRP OR KNOWN BY ANY OTHER DESIGNATION) IN LIEU OF DETERMINING
11 AND REIMBURSING A DEALER AT THE DEALER'S AVERAGE MARKUP PURSUANT TO THIS
12 SECTION.

13 (J) IN NO EVENT SHALL ANY FRANCHISOR RETALIATE OR THREATEN TO RETALI-
14 ATE AGAINST A DEALER FOR EXERCISING ITS RIGHTS UNDER THIS SECTION OR
15 UNDER ANY OTHER SECTION OF THIS ARTICLE. RETALIATION SHALL INCLUDE, BUT
16 NOT BE LIMITED TO, THREATENING TO CONDUCT, OR CONDUCTING, AN AUDIT OF
17 DEALERSHIP RECORDS, THREATENING TO WITHHOLD, OR WITHHOLDING, PRODUCTS,
18 ALLOCATIONS, OR BENEFITS FROM ANY DEALER, OR IMPOSING ADDITIONAL COSTS
19 OR PENALTIES ON ANY DEALER THAT THE MANUFACTURER DOES NOT IMPOSE ON
20 EVERY DEALER EITHER WITHIN OR WITHOUT THE STATE.

21 (K) A FRANCHISOR MAY NOT OTHERWISE RECOVER FROM A FRANCHISED MOTOR
22 VEHICLE DEALER THE FRANCHISOR'S COSTS FOR REIMBURSING A FRANCHISED MOTOR
23 VEHICLE DEALER FOR WARRANTY PARTS AND LABOR CLAIMS.

24 2. All warranty or sales incentive claims shall be either approved AND
25 PAID or disapproved [within], WITHIN A REASONABLE AMOUNT OF TIME. A
26 REASONABLE AMOUNT OF TIME SHALL BE:

27 (A) NO LESS THAN thirty days after [their] receipt[. When any such
28 claim is disapproved the franchised motor vehicle dealer shall be noti-
29 fied in writing of its disapproval within said period. Each such notice
30 shall state the specific grounds upon which the disapproval is based.
31 Failure to disapprove a claim within thirty days shall be deemed
32 approval] BY THE FRANCHISOR OF A WARRANTY CLAIM; AND

33 (B) NO LESS THAN FIVE BUSINESS DAYS FROM THE DATE UPON WHICH THE FRAN-
34 CHISED MOTOR VEHICLE DEALER PROVIDES NOTICE TO THE FRANCHISOR CERTIFYING
35 THE COMPLETION OF A SALE WHICH QUALIFIES UNDER A SALES INCENTIVE
36 PROGRAM. A SALE SHALL BE CONSIDERED COMPLETED UPON DELIVERY OF THE VEHI-
37 CLE TO THE CUSTOMER.

38 3. No franchisor shall conduct an audit or charge back any warranty or
39 sales incentive payment or otherwise hold a franchised motor vehicle
40 dealer liable for charges more than one year, or five years in the case
41 of fraud, after the date the franchisor made such payment to the dealer.

42 4. A franchisor shall not charge a dealer back subsequent to the
43 payment of a warranty or sales incentive claim unless a representative
44 of the franchisor has met in person at the dealership, or by telephone,
45 with an officer or employee of the dealer designated by the dealer and
46 explained in detail the basis for each of the proposed charge backs and
47 thereafter given the dealer's representative a reasonable opportunity at
48 the meeting, or during the telephone call, to explain the dealer's posi-
49 tion relating to each of the proposed charge backs. In the event the
50 dealer was selected for audit or review on the basis that some or all of
51 the dealer's claims were viewed as excessive in comparison to average,
52 mean or aggregate data accumulated by the franchisor, or in relation to
53 claims submitted by a group of other franchisees, the franchisor shall,
54 at or prior to the meeting or telephone call with the dealer's represen-
55 tative, provide the dealer with a written statement containing the basis
56 or methodology upon which the dealer was selected for audit or review.

1 5. A franchisor shall not deny or charge back a payment for warranty
2 work claimed by the dealer unless the franchisor satisfies its burden of
3 proof that the dealer did not make a good faith effort to comply with
4 the reasonable written procedures of the franchisor or that the dealer
5 did not actually perform the work.

6 6. A franchisor shall not deny or charge back a sales incentive
7 payment made to a dealer unless the claim was materially false or frau-
8 dulent or that the dealer failed to reasonably substantiate the claim
9 either in accordance with the manufacturer's reasonable procedures.

10 7. After all internal dispute resolution processes provided through
11 the franchisor have been resolved, the franchisor shall give notice to
12 the dealer of the final amount of a proposed warranty or sales incentive
13 charge back. If the dealer institutes an action pursuant to this article
14 within thirty days of receipt of such notice, the proposed charge back
15 shall be stayed, without bond, during the pendency of such action and
16 until the final judgment has been rendered in an adjudicatory proceeding
17 or action as provided in section four hundred sixty-nine of this arti-
18 cle.

19 S 2. This act shall take effect immediately.