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STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2017

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A N A C T

RELATING TO MOTOR AND OTHER VEHICLES -- REGULATIONS OF BUSINESS  
PRACTICES AMONG MOTOR VEHICLE MANUFACTURERS, DISTRIBUTORS, AND  
DEALERS

Introduced By: Senators Lombardo, Archambault, Lombardi, and McCaffrey

Date Introduced: April 12, 2017

Referred To: Senate Judiciary

It is enacted by the General Assembly as follows:

1           SECTION 1. Chapter 31-5.1 of the General Laws entitled "Regulation of Business  
2 Practices Among Motor Vehicle Manufacturers, Distributors, and Dealers" is hereby amended by  
3 adding thereto the following section:

4           **31-5.1-6.1. Obligations during recalls.**

5           (a) A manufacturer shall compensate its new motor vehicle dealers for all labor and parts  
6 required by the manufacturer to perform recall repairs. Compensation for recall repairs shall be at  
7 the dealer retail rate in effect at the time the recall repair work is performed. The dealer retail rate  
8 for parts and labor shall be at the same rates as those provided for under §31-5.1-6. If parts or a  
9 remedy are not reasonably available to perform a recall service or repair on a used vehicle held  
10 for sale by the dealer authorized to sell new vehicles of the same line make within fifteen (15)  
11 days of the manufacturer issuing the initial notice of recall and the manufacturer has issued a  
12 "Stop-Sale", or "Do-Not-Drive", order on the vehicle, the manufacturer shall compensate the  
13 dealer at a rate of at least one and three-quarter percent (1.75%) of the value of the vehicle per  
14 month, or portion of a month, while the recall or remedy parts are unavailable and the "Stop-  
15 Sale", or "Do-Not-Drive", order remains in effect. A "Stop-Sale" shall be defined as a notification  
16 issued by a vehicle manufacturer to its franchised dealerships stating that certain used vehicles in  
17 inventory should not be sold or leased, at retail and/or wholesale, due to a federal safety recall for  
18 a defect or a noncompliance, or a federal or California emissions recall.

1           (b) The value of a used vehicle shall be the average trade-in value for used vehicles as  
2 indicated in an independent third-party guide for the year, make, model, and mileage of the  
3 recalled vehicle.

4           (c) This section shall apply only to used vehicles subject to safety or emissions recalls  
5 pursuant to and recalled in accordance with federal law and regulations adopted thereunder and  
6 where a "Stop-Sale", or "Do-Not-Drive", order has been issued. This section further shall apply  
7 only to new motor vehicle dealers holding used vehicles for sale that are a line-make that the  
8 dealer is franchised to sell or on which the dealer is authorized to perform recall repairs.

9           (d) It shall be a violation of this section for a manufacturer to reduce the amount of  
10 compensation otherwise owed to a new motor vehicle dealer, whether through a chargeback,  
11 removal from an incentive program, reduction in amount owed under an incentive program, or  
12 any other means, because the new motor vehicle dealer has submitted a claim for reimbursement  
13 under this section or was otherwise compensated for a vehicle subject to a recall where a "Stop-  
14 Sale", or "Do-Not-Drive", order has been issued.

15           (e) All reimbursement claims made by new motor vehicle dealers pursuant to this section  
16 for recall remedies or repairs, or for compensation where no part or repair is reasonably available  
17 and the vehicle is subject to a "Stop-Sale", or "Do-Not-Drive", order, shall be subject to the same  
18 limitations and requirements as a warranty reimbursement claim made under §31-5.1-6. Claims  
19 shall be either approved or disapproved within thirty (30) days after they are submitted to the  
20 manufacturer in the manner and on the forms the manufacturer reasonably prescribes. All claims  
21 shall be paid within thirty (30) days of approval of the claim by the manufacturer. Any claim not  
22 specifically disapproved in writing within thirty (30) days after the manufacturer receives a  
23 properly submitted claim shall be deemed to be approved. In the alternative, a manufacturer may  
24 compensate its franchised dealers under a national recall compensation program provided the  
25 compensation under the program is equal to or greater than that provided under subsection (a) of  
26 this section or the manufacturer and dealer otherwise agree.

27           SECTION 2. This act shall take effect upon passage.

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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

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1           This act would require manufacturers of motor vehicles to compensate its new motor  
2 vehicle dealers for costs incurred while holding a vehicle for sale but are unable to sell it due to  
3 unavailability in parts, remedy or performance of a recall service or repair, when the  
4 manufacturer has issued a "Stop-Sale", or "Do-Not-Drive" order on the vehicle.

5           This act would take effect upon passage.

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