



# HOUSE BILL 619: Clarify Motor Vehicle Dealer Laws.

2017-2018 General Assembly

---

<b>Committee:</b>		<b>Date:</b>	July 18, 2018
<b>Introduced by:</b>		<b>Prepared by:</b>	Howard Marsilio Staff Attorney
<b>Analysis of:</b>	S.L. 2018-27		

---

**OVERVIEW:** *S.L. 2018-27 makes changes to North Carolina's Motor Vehicle Dealers and Manufacturers Licensing Law by:*

- *Prohibiting a vehicle manufacturer, factory branch, or distributor from coercing a motor vehicle dealer to change locations of or make substantial alteration to dealership facilities in certain circumstances.*
- *Clarifying that existing requirements, as specified by the vehicle manufacturer or distributors, regarding dealer warranty obligations and compensation apply to recall service performed by dealers.*
- *Amending existing requirements for dealership customer data protection.*
- *Prohibiting vehicles manufactures from establishing performance criteria for its dealers for purposes of terminating franchise agreements.*
- *Delaying the date for mandatory use of Loaner/Dealer (LD) license plates on service loaner vehicles under certain circumstances.*

*This act became effective June 22, 2018.*

**BILL ANALYSIS:** This act makes the following changes to motor vehicle dealer and manufacturer licensing laws:

Section 1 adds a provision making it unlawful for a manufacturer to coerce a dealer to change locations or make substantial alterations to its dealership facilities if the dealer has changed locations or made substantial alterations to the dealership within the preceding ten years at a cost of more than \$250,000 in compliance with an initiative or program sponsored or supported by the manufacturer.

Section 2 clarifies that existing requirements, as specified by the vehicle manufacturer or distributors, regarding dealer warranty obligations and compensation apply to recall service performed by dealers.

It also requires the dealer to be compensated on the basis of the dealer's average markup on the cost of parts for parts provided by the manufacturer at a reduced cost under a warranty or recall.

It also provides a mechanism for dealers to be compensated by manufacturers for motor vehicles in their inventories that are subject to a recall notice or covered under a stop-sale or do-not-drive order when parts to remedy the defect are not made available within 30 days of the recall.

Section 3 strengthens existing provisions protecting dealership customer data by clarifying that manufacturers or dealer management computer system vendors must provide dealers with detailed lists of each and every third party to whom dealer data has actually been provided.

Karen Cochrane-Brown  
Director



Legislative Analysis  
Division  
919-733-2578

# House Bill 619

Page 2

Section 4 adds a provision making it unlawful for a manufacturer to establish performance criteria for its dealers for purposes of terminating, canceling, or nonrecurring a franchise agreement that are unfair and do not consider relevant local, state, and regional data.

Section 4.5 delays the date for mandatory use of LD plates to January 1, 2021, and allows dealers to continue to use "u-drive-it" plates or demonstration permits as an alternative in the interim. Legislation was enacted in 2015 to authorize a new "LD" license plate to be issued to motor vehicle dealers for use on vehicles owned by the dealer that are loaned to customers having their vehicles serviced by the dealer. Use of the LD plates was to be mandatory on January 1, 2019. Prior to that date, the legislation authorized use of "u-drive-it" license plates or demonstration permits for vehicles with dealer plates on loaner vehicles.

Section 5 is a severability clause that provides that if any part of the act is found to be invalid, the remaining provisions are still effective.

**EFFECTIVE DATE:** This act became effective June 22, 2018.

*Wendy Graf Ray, Legislative Analysis Division, substantially contributed to this summary.*