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# A BILL FOR AN ACT

RELATING TO THE MOTOR VEHICLE INDUSTRY LICENSING LAW.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that safeguards need to  
2 be enacted due to actual and threatened surcharges made by motor  
3 vehicle manufacturers against dealers, both those that have  
4 sought increased warranty reimbursement under Hawaii law and  
5 those that have not sought increased warranty reimbursement.

6           SECTION 2. Section 437-56, Hawaii Revised Statutes, is  
7 amended to read as follows:

8           " ~~§437-56~~ **Reimbursement for parts.** (a) In no event  
9 shall any manufacturer or distributor pay its dealers a markup  
10 on parts for warranty work that is less than that charged by the  
11 dealer to the retail customers of the dealer; provided that such  
12 dealer's retail parts markup is not unreasonable when compared  
13 with that of same line make authorized franchise dealers of the  
14 manufacturer or distributor for identical merchandise or  
15 services in the State.

16           (b) The retail markup charged by the dealer shall be  
17 established by submitting to the manufacturer or distributor a  
18 sufficient quantity of numerically consecutive repair orders



1 from the most recent months to provide one hundred qualifying  
2 customer-paid repair orders. For a dealer unable to provide one  
3 hundred qualifying customer-paid repair orders out of all  
4 numerically consecutive repair orders within the two-month  
5 period prior to the submission, the dealer shall submit customer  
6 service repair orders of all types, including customer pay,  
7 warranty, and internal, for that two-month period. The repair  
8 orders shall contain the price and percentage markup. Dealers  
9 shall declare in their submission the average markup the dealer  
10 is declaring as its new parts reimbursement rate. The declared  
11 parts reimbursement markup shall take effect within ninety days  
12 after initial submission to the manufacturer or distributor and  
13 shall be presumed to be fair and reasonable. However, the  
14 manufacturer or distributor may make reasonable requests for  
15 additional information supporting the submission. The ninety-  
16 day timeframe in which the manufacturer or distributor shall  
17 make the declared parts reimbursement markup effective shall  
18 commence following receipt from the dealer of any reasonably  
19 requested supporting information. The dealer shall not request  
20 a change in the parts reimbursement markup more than once every  
21 twelve months.



1 (c) In determining qualifying repair orders for parts, the  
2 following work shall not be included: repairs for manufacturer  
3 or distributor special events; repairs covered by any insurance  
4 or service contract; federal, state, or local government  
5 legislated vehicle emission or safety inspections; parts sold at  
6 wholesale or repairs performed at wholesale, which shall include  
7 any sale or service to a fleet of vehicles; engine assemblies  
8 and transmission assemblies; routine maintenance not covered  
9 under any retail customer warranty, such as fluids, filters, and  
10 belts not provided in the course of repairs; nuts, bolts,  
11 fasteners, and similar items that do not have an individual part  
12 number; tires; and vehicle reconditioning.

13 (d) Dealers shall have at least thirty days after the  
14 repair work is completed to submit a claim for approval. All  
15 claims made by the dealers for compensation for delivery,  
16 preparation, and warranty work shall be approved or disapproved  
17 and if approved, paid within forty-five days after receipt by a  
18 manufacturer or distributor of a properly completed claim. All  
19 sale incentive claims shall be approved or disapproved and if  
20 approved, paid within sixty days after receipt by a manufacturer  
21 or distributor of a properly completed claim. When any claim is  
22 disapproved, the dealer shall be notified in writing of the



1 grounds for disapproval. Failure to disapprove a claim within  
2 the required timeframe constitutes approval of the claim.

3 (e) A manufacturer or distributor may not recover, or  
4 attempt to recover, from dealers its cost for reimbursing a  
5 dealer for warranty work as required by this section."

6 SECTION 3. Statutory material to be repealed is bracketed  
7 and stricken. New statutory material is underscored.

8 SECTION 4. This Act shall take effect upon its approval.

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**Report Title:**

Motor Vehicles; Reimbursement for Parts

**Description:**

Prohibits manufacturer recovery of increased warranty reimbursement to dealers. (Proposed SD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

