

**PRESENTATION OF THE  
MOTOR VEHICLE INDUSTRY LICENSING BOARD**

TO THE HOUSE COMMITTEE ON  
TRANSPORTATION

TWENTY-NINTH LEGISLATURE  
Regular Session of 2018

Wednesday, February 7, 2018  
10:00 a.m.

**TESTIMONY ON HOUSE BILL NO. 2433, RELATING TO MOTOR VEHICLE  
INDUSTRY LICENSING ACT.**

TO THE HONORABLE HENRY J.C. AQUINO, CHAIR, AND MEMBERS OF THE  
COMMITTEE:

My name is Kedin Kleinhans, and I am the Executive Officer of the Motor Vehicle Industry Licensing Board ("Board") within the Professional and Vocational Licensing Division, Department of Commerce and Consumer Affairs. The Board has not had an opportunity to review this bill but will be discussing it at its next Board meeting on February 20, 2018. Therefore, it is not able to offer comments or take a position on the proposed amendments at this time.

Thank you for the opportunity to testify on H.B. 2433.



Brian Kitagawa, President  
Dave Rolf, Executive Director

HADA TESTIMONY IN STRONG SUPPORT  
of HB2433  
RELATING TO THE MOTOR VEHICLE INDUSTRY LICENSING ACT  
Presented to the House Committee on Transportation  
at the Public Hearing, 10 a.m. Wednesday, February 7, 2018  
Conference Room 423, Hawaii State Capitol

Chair Aquino, Vice Chair Quinlan and members of the committee:

The members of the Hawaii Automobile Dealers Association, Hawaii's franchised new car dealers, appreciate the opportunity to offer **strong support** for this bill which proposes to add certain amendments to Hawaii's motor vehicle industry licensing law.

### **Background**

Motor vehicle industry franchise laws appear in all 50 states. This past year, legislators in Maryland, Florida, New York and many other states have worked with auto dealers to update their respective state's franchise laws. Hawaii dealers, facing many of the same challenges of other dealers across the country, and agreeing with the earlier Hawaii legislative finding that "the geographical location of Hawaii makes it necessary to ensure the availability of motor vehicles and parts and dependable service," believe that it is indeed necessary "to regulate and to license motor vehicle manufacturers, distributors, dealers, salespersons, and auctions in the State to prevent frauds, impositions, and other abuses against its residents, and to protect and preserve the economy and the transportation system of this state. "

### **This bill will provide:**

- **for seamless transfer of sales persons between dealerships which have common ownership**
- **for auto manufacturer payments to dealers for certain used vehicles when stop-sell/do not drive orders are issued by the manufacturer**
- **a definition of "unreasonable" with regard to manufacturer facility requirements of dealers.**
- **certain considerations when manufacturers establish sales performance criteria**

- consideration when goods, materials and services are available locally to fulfill a manufacturer's facility brand requirements
- certain limitations on a manufacturer's or certain third party's access to a dealers proprietary business information

**Please note that the following dealer-proposed amendment language to the bill language that has been introduced is requested for approval and inclusion in a House Draft 1 (shown in yellow highlight):**

#### **Used Vehicle Recall:**

(K) Has (1) issued a stop sale directive applicable to a used vehicle manufactured or distributed by the manufacturer or distributor to a dealer that holds a franchise from the manufacturer or distributor and (2) there are no parts available to fix the motor vehicle and (3) has failed to compensate any dealer that has the used vehicle(s) subject to the stop sale directive in inventory by providing payment to the dealer at a rate of at least 1.75% per month, or portion of a month, of the value of the vehicle, which value shall be determined to be the average trade-in value for used vehicles as indicated in an independent third party guide for the year, make, model, and mileage of the recalled vehicle. The compensation shall be calculated from the 31<sup>st</sup> day after the recall was issued or the 31<sup>st</sup> day after the vehicle was acquired by the dealer, whichever is later. The manufacturer or distributor shall pay the required compensation within 30 days after the motor vehicle's application for payment and continue payment until parts are available to fix the motor vehicle.

#### **Facility Upgrade Protections/Grandfather Period**

A dealer, which has completed facility construction, renovation or substantial alteration, (the "Upgrade") shall be deemed to be in compliance with any facility component of a manufacturer or distributor incentive program for a period of ten years following the completion of the Upgrade and shall be deemed to have earned all facility-related incentives and benefits during such ten year period following the Upgrade's completion, provided no changes have been made to the facility since the manufacturer or distributor approval that would render the facility substantially non-compliant, regardless of whether the manufacturer or distributor's image program has changed. Facility changes that are necessitated due to damage sustained from a natural disaster, or as a result of necessary safety upgrades shall not be considered a change to the facility that renders the facility substantially non-compliant. Eligibility for facility-related incentives under this subsection shall not apply to lump-sum payments so long as the compensation relates to the cost of the facility upgrade and is not paid on a per vehicle basis.

#### **Performance Standards/Franchise Agreement Compliance**

A performance standard is deemed unreasonable, arbitrary or unfair if the standard does not include all relevant local market factors, including, but not limited to, market demographics, change in population, product popularity, number of competitor dealers, the geographic configuration of the dealer's assigned territory as set forth in the franchise agreement, and consumer travel patterns.

#### **Vendor Choice**

Require a dealer that is constructing, renovating, or substantially altering its dealership facility to purchase goods, building materials, or services for the dealership facilities, including, but not limited to, office furniture, design features, flooring, and wall coverings, from a vendor chosen by the manufacturer or distributor if goods, building materials, or services of substantially similar

appearance, function, design, and quality are available from other sources, and the franchised motor vehicle dealer has received the manufacturer's or distributor's approval. The approval shall not be withheld, or delayed, unreasonably. In the event a manufacturer or distributor does not approve the dealer's use of substantially similar items, the manufacturer or distributor shall, at the time of disapproval, provide the dealer a detailed list of reasons in writing as to why the proposed alternative items are not acceptable. Nothing in this subdivision shall be construed to allow a franchised motor vehicle dealer to impair or eliminate a manufacturer or distributor's intellectual property or trademark rights and trade dress usage guidelines, or to impair other intellectual property interests owned or controlled by the manufacturer or distributor, including the design and use of signs

### **Data Protection**

Require a dealer to provide its customer and prospective customer information, customer lists, service files, transaction data or other proprietary business information, or access the dealer's data management system, unless written consent is provided by the dealer, or for the sale and delivery of a new motor vehicle to a consumer, to validate and pay consumer or dealer incentives, for evaluation of dealer performance, for analytics or for the submission to the manufacturer for any services supplied by the dealer for any claim for warranty parts or repairs. Nothing in this section shall limit the manufacturer's ability to require or use customer information to satisfy any safety or recall notice obligation or other legal obligation. Notwithstanding the foregoing, a manufacturer or distributor shall not release or cause to be released a dealer's nonpublic customer information to another dealer unless the franchise has been terminated, or to any other third party unless the manufacturer or distributor provides the dealer with advanced written notice that the manufacturer or distributor intends to distribute the information to such third party (who shall be named) and the dealer provides written consent for the same. A manufacturer or distributor may not condition participation or eligibility in an incentive or bonus program upon the dealer providing such customer and prospective customer information, customer lists, service files, transaction data or other proprietary business information. A manufacturer or distributor may not determine compliance with the franchise agreement based upon the dealer providing access to the information described above. To the extent a manufacturer or distributor accesses the dealer's data management system, the manufacturer or distributor shall reimburse the dealer for any and all costs imposed on the dealer by the data management system provider associated with the dealer providing access to the manufacturer or distributor.

Notwithstanding the terms or conditions of any consent or franchise, every manufacturer, or distributor, or any third party acting on behalf of or through any manufacturer or distributor, having electronic access to consumer or customer data or other information in a data management system utilized by a dealer, or who has otherwise been provided consumer or customer data or information by the dealer, shall fully indemnify and hold harmless any dealer from whom it has acquired such consumer or customer data or other information from all damages, costs, and expenses incurred by such dealer. Such indemnification by the manufacturer or distributor includes, but is not limited to, judgments, settlements, fines, penalties, litigation costs, defense costs, court costs, costs related to the disclosure of security breaches, and attorneys' fees arising out of complaints, claims, civil or administrative actions, and, to the fullest extent allowable under the law, governmental investigations and prosecutions to the extent caused by a security breach or the access, storage, maintenance, use, sharing, disclosure, or retention of such dealer's consumer or customer data or other information, or maintenance or services provided to any data management system utilized by a dealer.

## **Background Information**

### **Re: 100% common ownership**

Dealers who have 100% same common ownership for their dealerships, but which are licensed separately are prohibited by current law from transferring sales persons between their dealerships in the same seamless fashion as dealers who own a main licensed dealership with licensed branches. The addition of the language in this bill will remedy this.

### **Re: Payment to dealers for used vehicles grounded by the manufacturer because of a safety recall when the repair part is not made available.**

Auto manufacturers currently are required, under federal law, to pay a dealer 1% of the retail value per month for any new motor vehicle delivered to the dealer, which has been grounded by the manufacturer by an order to stop sell / do-not-drive, if the manufacturer is unable to supply the repair part to allow the vehicle to be repaired and sold.

Stop sell / do-not-drive orders by manufacturers have occurred more frequently in the **used** vehicle category in the past few years.

A National Automobile Dealers Association study found that the value of a vehicle trade-in under a stop sell /do-not-drive order would decline by an average of \$1,210 and by as much as \$5,713 if auto dealers were prohibited from sell or wholesaling any used vehicle while awaiting a part.

Because trade-in allowances are typically used to fund a down payment for a new-car purchase, dealers must balance the projected wholesale value of the car against the costs of holding the vehicle until resale. A dealer would need to assess and reflect the additional risks and costs mandated by the stop sell/ do-not-drive order with the adverse consequences affecting consumers who want to buy a newer, safer vehicle.

### **Re: Providing a definition of “unreasonable” with regard to manufacturer facility requirements**

A Hawaii franchised new car dealer, within the past few years, completed construction of a significant multi-million-dollar new auto dealership facility which met the auto manufacturer’s requirements. However, after less than two years had passed, the auto manufacturer required significant changes requiring the removal and replacement of a wall and adjacent offices. The new language proposes a definition of unreasonable with regard to subsequent facility requirements issued after a dealer has completed agreed upon facility construction, renovation, or substantial alteration.

### **Re: Taking into consideration Hawaii factors when establishing sales**

## **performance standards.**

The bill's language requires that unique factors found in the Hawaii marketplace be taken into consideration when establishing sales performance requirements for Hawaii dealerships. The proposed language is similar to that found in New York State's motor vehicle franchise law, and it has been recently vetted

### **Re: Use of construction and renovation goods or materials or services that are substantially similar in appearance, function, design and quality.**

Manufacturer requirements for a dealer to purchase specialized goods, building materials, or services from a specific manufacturer, distributor, or service provider may incur substantial additional unnecessary costs for a dealer if those goods and services of substantially similar appearance, function, design and quality are available from a local Hawaii source. The proposed language addresses this issue by including, that it shall be a violation for a manufacturer to:

### **Re: Limiting manufacturer access to a dealer's proprietary business information**

This language seeks to prevent manufacturers or certain third parties from taking any action by contract, technical means or otherwise that would prohibit or limit a dealers ability to protect, store, copy, share, or use any protected dealer data.

Dealers are held responsible for the protection of this data. This bill's language provides prohibitions against unreasonable restrictions on the scope and nature of the data which a dealer shares.

## **In Summary**

Commerce plays such a vital role in the health of our economy that is necessary to insure that it is smooth-flowing and unhampered. For the foregoing reasons outlined, the members of the Hawaii Automobile Dealers Association request that the members of the House Transportation Committee give highest consideration to passing HB2433, with the additional amendment language provided here.

Respectfully submitted,

David H. Rolf

For the Members of the Hawaii Automobile Dealers Association

February 6, 2018

The Honorable Henry Aquino  
Chair, House Transportation Committee  
State Capitol  
Honolulu, Hawaii 96813

**SUBJECT: HOUSE BILL 2433 – RELATING TO MOTOR VEHICLE INDUSTRY LICENSING ACT – OPPOSE**

Dear Representative Aquino:

Global Automakers, [www.globalautomakers.org](http://www.globalautomakers.org), represents the U.S. operations of international motor vehicle manufacturers, original equipment suppliers, and other automotive-related trade associations. Our goal is to foster an open and competitive automotive marketplace that encourages investment, job growth, and development of vehicles that can enhance Americans' quality of life. In 2016, our members manufactured 67% of vehicles sold in the state, including 70% of green vehicles sold.

*Efforts to Work with the Dealers*

We appreciate the level of engagement and open dialogue we have with Dave Rolf and the Hawaii Auto Dealers Association (HADA). Global Automakers always seeks to reach consensus with dealers, developing public policies that are reasonable and in the best interest of the manufacturers, dealers and consumers. **Global Automakers, however, has several concerns regarding the legislation as introduced.**

*Our Position*

First, Global Automakers and its members worked with the Automotive Trade Association Executives (ATAE) Board of Directors to develop framework language for state franchise legislation regarding dealer reimbursement from manufacturers when there is a “stop sale” recall and a remedy or part are not reasonably available. In its current form, this legislation does not comply with the framework agreed to by Global Automakers and the ATAЕ Board of Directors. Language similar to the framework has been adopted in nine states and the Hawaii Auto Dealers Association (HADA) should amend the bill to reflect the agreed upon language. A copy of that framework and our letter to the ATAЕ Board of Directors is attached to this letter.

Second, HB 2433 would make any new facility construction, renovation or substantial alteration per se unreasonable if it is within a 10-year period following a dealer's prior construction, renovation or substantial alteration of its facilities and a dealer would be deemed in compliance with facility component of an incentive program during that 10-year period. This provision, if enacted, would be detrimental to motor vehicle consumers as it would give dealers rights to operate from sub-standard facilities contrary to their agreements with manufacturers. At the very least, the time period specified in

the bill should be reduced from 10 years to 5 years, and a provision should be added stating that this section does not prohibit contracts entered into voluntarily and for consideration.

Third, HB 2433 includes a provision concerning the manufacturer's use of sales performance standards to evaluate dealers. Current law prohibits a manufacturer from implementing or establishing an unreasonable, arbitrary or unfair sales or other performance standard in determining a dealer's compliance with a franchise agreement. See Haw. Rev. Stat. § 437-52(12). HB 2433 mandates that a sales performance standard is per se unreasonable, arbitrary or unfair if it "does not include all relevant local market factors, including but not limited to market demographics, change in population, product popularity, number of competitive dealers, and consumer travel patterns." This bill is vague and ambiguous and, if enacted, would be extremely difficult, if not impossible, for manufacturers to comply with. This bill would also impede the ability of our members to evaluate their dealers for deficient sales performance and improve their dealer networks, and would be detrimental to Hawaii consumers. Because current law already prohibits a manufacturer from using unreasonable, arbitrary or unfair sales performance standards to evaluate its dealers, there is no basis for this new provision. Accordingly, it should be stricken from the bill.

Lastly, HB 2433 would prohibit a manufacturer from requiring a dealer to provide its customer information and lists, service files or other proprietary information and would prohibit a manufacturer from accessing the dealer's data management system unless written consent is provided by the dealer. And, it would be unlawful for a manufacturer to condition participation in an incentive or bonus program based on the dealer providing customer information and lists or other proprietary business information. This bill, if enacted, would be harmful to Hawaii consumers as it would essentially prevent customers from receiving valuable information from manufacturers concerning their vehicles. For example, consumers should be able to receive information concerning, among other things, the availability of accessories, parts, services, product enhancements and/or improvements, accessibility-related information for persons with disabilities, software updates and many other topics of interest to consumers. Consumers expect to receive such information from the manufacturers and appreciate having a point of contact with the manufacturer. This proposed amendment has nothing to do with protecting consumer privacy; instead, it has everything to do with dealers attempting to horde customer data for their own profit to the detriment of manufacturers and consumers. Accordingly, it should be stricken from the bill.

Sincerely,



Josh Fisher  
Manager, State Government Affairs



## FRAMEWORK FOR USED MOTOR VEHICLES SUBJECT TO STOP-SALE ORDERS

FINAL AS OF FEBRUARY 3, 2017

*An act relating to consumer protection, motor vehicle recalls and the obligations of manufacturers and dealers.*

### FRANCHISE/WARRANTY-REIMBURSEMENT AMENDMENTS

Subdivision 1. **Requirements.** A manufacturer shall compensate its new motor vehicle dealers for all labor and parts required by the manufacturer to perform recall repairs. Compensation for recall repairs shall be fair and reasonable [*replace "fair and reasonable" with language that mirrors the state's warranty reimbursement law*]. If parts or a remedy are not reasonably available to perform a recall service or repair on a used vehicle held for sale by a dealer authorized to sell new vehicles of the same line make within 15 days of the manufacturer issuing the initial notice of recall, and the manufacturer has issued a stop sale, or do not drive, order on the vehicle, the manufacturer shall compensate the dealer at a rate of at least 1.75% of the value of the vehicle per month, or portion of a month, while the recall or remedy parts are unavailable and the stop sale, or do not drive, order remains in effect.

A Stop-Sale order shall be defined as a notification issued by a vehicle manufacturer to its franchised dealerships stating that certain used vehicles in inventory should not be sold or leased, at retail and/or wholesale, due to a federal safety recall for a defect or a noncompliance, or a federal or California emissions recall.

Subd. 2. **Value of Vehicle.** The value of a used vehicle shall be the average trade-in value for used vehicles as indicated in an independent third party guide for the year, make, model, and mileage of the recalled vehicle.

Subd. 3. **Application.** This section shall apply only to used vehicles subject to safety or emissions recalls pursuant to and recalled in accordance with federal law and regulations adopted thereunder and where a stop-sale, or do not drive, order has been issued. This section further shall apply only to new motor vehicle dealers holding used vehicles for sale that are a line make that the dealer is franchised to sell or which the dealer is authorized to perform recall repairs.

Subd. 4. **Violations.** It shall be a violation of this section for a manufacturer to reduce the amount of compensation otherwise owed to a new motor vehicle dealer, whether through a chargeback, removal from an incentive program, reduction in amount owed under an incentive program, or any other means, because the new motor vehicle dealer has submitted a claim for reimbursement under this section or was otherwise compensated for a vehicle subject to a recall where a stop-sale or do not drive order has been issued.

Subd. 5. **Payment of Claims.** All reimbursement claims made by new motor vehicle dealers pursuant to this section for recall remedies or repairs, or for compensation where no part or repair is reasonably available and the vehicle is subject to a stop sale, or do not drive, order, shall be subject to the same limitations and requirements as a warranty reimbursement claim made under Section [*insert state warranty reimbursement law*]. Claims shall be either approved or disapproved within 30 days after they are submitted to the manufacturer in the manner and on the forms the manufacturer reasonably prescribes. All claims shall

be paid within 30 days of approval of the claim by the manufacturer. Any claim not specifically disapproved in writing within 30 days after the manufacturer receives a properly submitted claim shall be deemed to be approved. *[adjust time requirements if the model language conflicts with state law on warranty reimbursement]*.

In the alternative, a manufacturer may compensate its franchised dealers under a national recall compensation program provided the compensation under the program is equal to or greater than that provided under Subdivision 1 of this section or the manufacturer and dealer otherwise agree.



Automotive Trade Association Executives

8400 Westpark Drive ■ McLean, Virginia 22102  
Phone: 703/821-7072 ■ Fax: 703/556-8581 ■ www.atae.info

February 8, 2017

Mr. Damon Porter  
Director, State Government Affairs  
Association of Global Automakers, Inc.  
1050 K Street NW, Suite 650  
Washington, DC 20001

Dear Damon,

On behalf of the ATAE Board of Directors, thank you for offering feedback about, and recommendations for, suggested language for state recall legislation, and for the support of Global Automakers relative to engaging in proactive discussions about the suggested language.

Yesterday, we sent to each ATAE member a copy of suggested framework/language for state recall legislation. As you know, this framework/language has been in development for many months, and is a product, in part, of our dialog with Global Automakers. It is designed to be a meaningful and workable framework for those parties who may be introducing recall compensation legislation at the state level. As with any framework, the suggested language will most likely need to be "tweaked" to meet each state's guidelines for bill drafting, or to line up with existing state statutes, etc. However, the essential elements include:

- A reimbursement rate from OEMs to franchised dealers, on recalled used vehicles that cannot be repaired due to lack of parts or a remedy, of 1.75%.
- A 14 day "grace period," which means that the calculation for compensation would begin on the 15<sup>th</sup> day after a stop sale/do not drive order was received by the dealer.
- Definition for "Stop-Sale."
- Compensation calculated on the trade in value of the vehicle, which is defined.
- Placement of the language in state warranty reimbursement statutes.
- Provision for notice to consumers.

We were pleased that Global Automakers worked diligently with ATAE leadership over the last month to develop legislative concepts and suggested language. We strongly encourage our members to use this proposed language as a basis for drafting legislation, and to work with Global Automakers, if they pursue legislation on Stop-Sale Orders. We have asked our members to let us know if/when they introduce such legislation so that we can stay up to date.

Damon, we look forward to continuing to work with you. If you have any questions or would like additional information, please let us know.

Sincerely,

A handwritten signature in black ink that reads "Robert Glaser".

Robert Glaser (North Carolina)  
Chairman, ATAE

A handwritten signature in black ink that reads "Craig A. Bickmore".

Craig Bickmore (Utah)  
Immediate Past Chairman, ATAE

February 2, 2017

Mr. Robert Glaser  
President, North Carolina Auto Dealers Association  
1029 Wade Avenue  
Raleigh, North Carolina 27605

Dear Mr. Glaser:

On behalf of the Association of Global Automakers (Global Automakers) and its members, we want to thank the Automotive Trade Association Executives (ATAE) Board of Directors for working with us to address the issue of dealer reimbursement for used motor vehicles with open recalls subject to stop-sale orders.

Global Automakers and its members view the complex issues surrounding safety and emissions recalls as federal matters; best addressed at the national level and not through a patchwork of state legislation. We recognize, however, the position dealers may face with used motor vehicles with open recalls in their inventory that cannot be sold until repaired, due to stop-sale orders, and for which parts or remedy are not yet available.

In 2015, Global Automakers and the ATAEE came to the “Rules of Engagement” agreement, a process to address and resolve automotive related public policy concerns. The Rules of Engagement are intended to support improved channels of communication between automotive manufacturers, distributors and dealers, and, where possible, work collaboratively before engaging in legislative action.

Consequently, Global Automakers and its members have worked with the ATAEE to develop the enclosed framework language for state legislation. Global Automakers commits it will not oppose state legislation introduced that faithfully follows and is substantially consistent with this framework language. Global Automakers reserves the right to comment on any aspect of any such legislation that we believe is not consistent with the framework language and oppose it, if necessary. Our commitment assumes the ATAEE has already obtained agreement from individual ATAEEs and that its members will use their best efforts to advocate in favor of the framework language with any other state ATAEEs seeking to introduce such legislation.

Sincerely,



Damon Shelby Porter  
Director, State Government Affairs  
Global Automakers

**Copy:**

Members of the ATAE Executive Committee

Mr. Craig Bickmore  
Executive Director, New Car Dealers of Utah

Ms. Bobbi Sparrow  
President, Arizona Automobile Dealers Association

Mr. Bruce Anderson  
President, Iowa Automobile Dealers Association

ATAE Policy Committee

Mr. Scott Lambert  
President, Greater Metropolitan Automobile Dealers Association of Minnesota

ATAE President

Ms. Jennifer Colman

**Enclosure:**

“Framework of Suggested Legislation for Used Motor Vehicles Subject to a Stop-Sale Order”



**SanHi**

GOVERNMENT STRATEGIES  
A LIMITED LIABILITY LAW PARTNERSHIP

DATE: February 6, 2018

TO: Representative Henry J.C. Aquino  
Chair, Committee on Transportation  
*Submitted Via Capitol Website*

RE: **HB 2433 – Relating to Motor Vehicle Industry Licensing Act**  
**Hearing Date: Wednesday, February 7, 2018 at 10:00 a.m.**  
**Conference Room: 423**

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Dear Chair Aquino and Members of the Committee on Transportation:

On behalf of the Alliance of Automobile Manufacturers (“Alliance”), we submit this testimony regarding HB 2433, which proposes changes to the franchise law that are supported by the Hawaii Auto Dealers Association (“HADA”). The Alliance is a trade association of twelve car and light truck manufacturers including BMW Group, Fiat Chrysler Automobiles, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota, Volkswagen Group of North America, and Volvo Car USA.

While the Alliance opposes the proposals in HB 2433 in their present form, we would note that we have worked closely with HADA in a cooperative manner on many issues, including a very significant rewriting of the franchise law several sessions ago. The Alliance is committed to continuing that relationship as we do the hard work needed to reach agreement on the issues in the bill. The changes proposed in the bill are complex, and the member companies are actively reviewing the bill. We are hopeful that, as we have done in the past, the Alliance and HADA can reach agreement on these proposals as the Session proceeds. As an example, the bill, on pages 16 and 17, proposes a new subparagraph that calls for compensation to franchised dealers who are unable to sell certain used vehicles because of a recall campaign. While the Alliance disagrees with the rate proposed in the bill, it is agreed that some rate of compensation does need to be set in statute.

We expect to have detailed feedback from the carmakers shortly and will soon begin discussion with HADA on the issues raised in the bill.

Thank you for the opportunity to testify on this measure.