

# AB 179

## PROTECTING THE FRANCHISE SYSTEM

AB 179, a comprehensive franchise bill sponsored by the California New Car Dealers Association (CNCDA), seeks to continue to protect the franchise system and California new car buyers by:

**STRENGTHENING**  
California's franchise laws

**ADDRESSING** inappropriate  
treatment of dealers by manufacturers

**ENFORCING** manufacturer accountability  
for unlawful actions against dealers

**CONFORMING** California franchise  
laws to recent actions in other states

California's new motor vehicle franchise system vitally affects the general economy of this state and the public welfare, by ensuring the consuming public with a well-organized distribution system for the availability and sale of new vehicles and providing a network of quality warranty, recall, and repair facilities to maintain those vehicles.

California franchise laws have been enacted in response to the onerous and continuous manufacturer requirements. AB 179 contains multiple provisions designed to improve California's franchise laws, key components include:

### 1 RETAIL REIMBURSEMENT ON WARRANTY

Existing law states that dealers should be reasonably compensated for warranty work and customer retail pay should be included. **AB 179:**

- › **Clarifies** reasonableness and establishes a process for how a dealer can demonstrate the retail rates for parts and labor and be reimbursed at those retail rates for warranty work.
- › **Defines** how the factory can respond to a request for retail rates including notification, timeline, and request for supplemental repair orders.
- › **Establishes** protections for dealers pursuing this newly established retail reimbursement on warranty process from adverse actions and penalties from the manufacturer including assessing surcharges, limiting vehicle or parts allocations and conducting retaliatory audits.



### 2 NEW DEALER PROTEST AUTHORITY AT THE NEW MOTOR VEHICLE BOARD

The New Motor Vehicle Board has limited authority to hear only certain types of protests from a dealer – franchise terminations, additional dealership locations, and warranty reimbursement claims. **AB 179:**

- › **Expands** the types of protests that a dealer can file at the Board, including performance standards of incentive programs.

### 3 10 YEAR FACILITY UPGRADE STANDARD

Presently, California only requires a dealer to upgrade their facility if the requirement is reasonable in light of existing circumstances, including economic conditions and advancements in vehicular technology. **AB 179:**

- › **Adds** a new standard that a required facility upgrade is not reasonable if the dealer has modified their facility in the last 10 years. Unless facility improvements are necessary to the sale and service of ZEVs, compliance with health and safety laws or specialized equipment to repair vehicles.
- › **Expands** the definition of facility to include all structures and signs on the dealership.



## 4 ASSOCIATION PROTEST ABILITY AT THE NEW MOTOR VEHICLE BOARD

Following CNCDA's 2013 franchise bill, the Association was granted the authority to bring a protest against an automaker's export and sale-for-resale policies. CNCDA filed a protest against Jaguar Land Rover and won. **AB 179:**

- › **Reauthorizes** this protest authority, which ended on January 1, 2019, until January 1, 2030.
- › **Clarifies** the definition of adverse actions often threaten or taken by manufacturers in response to questions raised by the NMVB.
- › **Deters** against future egregious export and sale-for-resale policies by the manufacturers.



## 5 ADDRESSING BRAND SPIN-OFFS AND AFFILIATES

When a manufacturer is allowed to spin-off a new line-make of an existing product or allege that a new model can be sold directly by the manufacturer's affiliate solely to exclude dealers who previously sold those same vehicles, California's franchise laws are undermined.

**AB 179:**

- › **Restricts** the manufacturer's ability to force dealers to repair a vehicle that the dealer is not allowed to sell or lease.
- › **Clarifies** what affiliates means under the Vehicle Code to ensure all factory affiliates are captured.



## 8 DIGITAL SERVICE VENDORS

Increasingly manufacturers are limiting the types of vendors dealers can select to use for websites, dealer management systems and other digital services.

**AB 179:**

- › **Restricts** the manufacturer's ability to select specific vendors for a dealer's digital services including websites, data management systems, and advertising.
- › **Allows** a dealer to select their own digital service vendors, with manufacturer approval.

## 6 NON-FACTORY SERVICE CONTRACTS

California allows dealers to sell ancillary products - like service contracts or debt cancellation agreements - to customers free of any penalty from the manufacturer for not selling the manufacturer's approved or endorsed product. **AB 179:**

- › **Preserves** the existing statutory disclosure that dealers must give to customers when selling an ancillary product that is not approved or endorsed by the manufacturer.

## 7 INDEMNIFICATION OF DEALERS

While manufacturers indemnify their dealers for causes that result in the dealers being sued, manufacturers and their affiliates are increasingly requiring dealers to indemnify them for actions that the dealers are forced to perform. **AB 179:**

- › **Prohibits** requiring a dealer to indemnify the manufacturer or affiliate for any program or requirement imposed on the dealer.

## 9 OTHER FRANCHISE LAW CHANGES

AB 179 has several other provisions that seek to balance the inequities on dealers. **AB 179:**

- › **Eliminates** the ability of the manufacturer to limit dealer access to new vehicles, parts and accessories to only a select few dealers in California.
- › **Prevents** the manufacturer from restricting or discouraging dealers from checking about the eligibility of customer service bulletins and campaigns.



TO LEARN MORE VISIT **CNCDA.ORG**