



AB 473 - Motor Vehicle Franchise Law Modernization

SUMMARY

AB 473 seeks to create a stronger and more equitable vehicle franchise system by modernizing California's New Motor Vehicle Franchise Law. This bill will ensure that California's new car dealer franchisees can continue operating without the threat that their vehicle manufacturer franchisors may compete against them, thereby undermining the overall intent and purpose of the franchise law. Further, the bill protects new car dealer franchisees from increasingly unrealistic and unreasonable performance standards and requirements that threaten to put dealerships out of business.

AB 473 has been carefully crafted to provide franchisees with needed statutory protections, while at the same time ensuring that compliance with its provisions is reasonable for franchisors. In striking this balance, AB 473 will provide relief to dealers, their employees, and their communities, protecting this robust engine of economic activity that employs over 140,000 Californians.

BACKGROUND

As early as the 1930s, many dealers were required to meet a myriad of requirements governing facilities, service department operations, and financial and sales reporting. Often, the penalty for missing the mark on any of these standards or requirements for any reason was loss of the franchise. Put simply, manufacturers learned that they had significant bargaining power over their dealers, in part because individual dealers could not combine to negotiate due to potential antitrust violations. Several decades ago, California passed the New Motor Vehicle Franchise law to create a level playing field between California's new car dealer franchisees and their manufacturer franchisors.

Maintaining a robust franchise law is critical to California's economy and ensuring that consumers have access to 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. As the vehicle market is constantly changing and technology continues to advance, updating the franchise law is necessary to protect franchisees from the increasing and often onerous requirements that manufacturer franchisors continue to impose on their dealers.

THIS BILL

AB 473 contains multiple provisions designed to improve California's franchise laws. Some of these include:

- **Competition:** Protects the underlying intent of the vehicle franchise system—ensuring franchisors manufacture and dealers sell vehicles—by precluding manufacturers from launching a new brand name of vehicles as a way to compete directly with their franchised dealer network.
- **Vehicle Equipment Subscription Services:** Restricts the ability of manufacturers to offer post-sale subscriptions that enable features that are physically built into the vehicle and do not require ongoing access to data or networks (e.g., requiring a subscription to “unlock” additional horsepower or heated seats even though those features were built into the vehicle at the time of purchase).
- **Vehicle Allocation Transparency:** Prevents manufacturers from unreasonably and arbitrarily withholding vehicles from certain dealers by requiring manufacturers to adopt a transparent process when implementing a vehicle reservation system.
- **DC Fast Charging:** Incorporates a level of fairness into manufacturer-imposed DC fast charging programs by (1) prohibiting the manufacturer from shifting the entire cost of installing and maintaining public-facing DC fast chargers on their dealers and (2) requiring that these programs take into consideration supply constraints, time constraints, advancements in technology, and grid integration.
- **Reimbursement for Noncompliant Digital Services:** Requires manufacturers reimburse dealers for any losses incurred as a result of using a digital service that is not legally compliant, if the digital service was required or incentivized by the manufacturer.

SUPPORT

California New Car Dealers Association (Sponsor)
California Conference of Machinists
California Motorcycle Dealers Association
California Teamsters Public Affairs Council

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