

1 TO THE HOUSE OF REPRESENTATIVES:

2 The Committee on Commerce and Economic Development to which was
3 referred Senate Bill No. 224 entitled “An act relating to warranty obligations of
4 equipment dealers and suppliers” respectfully reports that it has considered the
5 same and recommends that the House propose to the Senate that the bill be
6 amended by striking out all after the enacting clause and inserting in lieu
7 thereof the following:

8 Sec. 1. FINDINGS AND INTENT

9 (a) The General Assembly finds:

10 (1) Vermont has long relied on economic activity relating to working
11 farms and forestland in the State. These working lands, and the people who
12 work the land, are part of the State’s cultural and ecological heritage, and
13 Vermont has made major policy and budget commitments in recent years in
14 support of working lands enterprises. Farm and forest enterprises need a
15 robust system of infrastructure to support their economic and ecological
16 activities, and that infrastructure requires a strong economic base consisting of
17 dealers, manufacturers, and repair facilities. Initiatives to help strengthen farm
18 and forest working land infrastructure are in the best interest of the State.

19 (2) Snowmobiles and all-terrain vehicles have a significant economic
20 impact in the State, including the distribution and sale of these vehicles, use by
21 residents, ski areas, and emergency responders, as well as tourists that come to

1 enjoy riding snowmobiles and all-terrain vehicles in Vermont. It is in the best
2 interest of the State to ensure that Vermont consumers who want to purchase
3 snowmobiles and all-terrain vehicles have access to a competitive marketplace
4 and a strong network of dealers, suppliers, and repair facilities in the State.

5 (3) The distribution and sale of equipment, snowmobiles, and all-terrain
6 vehicles within this State vitally affects the general economy of the State and
7 the public interest and the public welfare, and in order to promote the public
8 interest and the public welfare, and in the exercise of its police power, it is
9 necessary to regulate equipment, snowmobile, and all-terrain vehicle suppliers
10 and their representatives, and to regulate dealer agreements issued by suppliers
11 who are doing business in this State, in order to protect and preserve the
12 investments and properties of the citizens of this State.

13 (4) There continues to exist an inequality of bargaining power between
14 equipment, snowmobile, and all-terrain vehicle suppliers and the independent
15 dealer network. This inequality of bargaining power enables equipment,
16 snowmobile, and all-terrain vehicle suppliers to compel dealers to execute
17 dealer agreements, related contracts, and addenda that contain terms and
18 conditions that would not routinely be agreed to by the equipment,
19 snowmobile, and all-terrain vehicle dealer if this inequality did not exist. It
20 therefore is in the public interest to enact legislation to prevent unfair or
21 arbitrary treatment of equipment, snowmobile, and all-terrain vehicle dealers

1 by equipment, snowmobile, and all-terrain vehicle suppliers. It is also in the
2 public interest that Vermont consumers, municipalities, businesses, and others
3 that purchase equipment, snowmobiles, and all-terrain vehicles in Vermont
4 have access to a robust independent dealer network to obtain competitive
5 prices when purchasing these items and to obtain warranty, recall, or other
6 repair work.

7 (b) It is the intent of the General Assembly that this act be liberally
8 construed in order to achieve its purposes.

9 Sec. 2. 9 V.S.A. chapter 107 is amended to read:

10 CHAPTER 107. EQUIPMENT AND MACHINERY DEALERSHIPS

11 § 4071. DEFINITIONS

12 As used in this chapter:

13 (1) “Current net price” means the price listed in the supplier’s price list
14 or ~~catalog~~ catalogue in effect at the time the dealer agreement is terminated,
15 less any applicable discounts allowed.

16 (2)(A) “Dealer” means a person, ~~corporation, or partnership~~ primarily
17 engaged in the business of retail sales of ~~farm and utility tractors, farm~~
18 ~~implements, farm machinery, forestry equipment, industrial equipment, utility~~
19 ~~equipment, yard and garden equipment, attachments, accessories, and repair~~
20 ~~parts~~ inventory. ~~Provided however, “dealer” shall~~

1 (B) “Dealer” does not include a “single line dealer,” a person
2 primarily engaged in the retail sale and service of industrial, forestry, and
3 construction equipment. ~~“Single line dealer” means a person, partnership or~~
4 ~~corporation who:~~

5 ~~(A)(i)~~ has purchased 75 percent or more of ~~the dealer’s total new~~
6 ~~product~~ his or her new inventory from a single supplier; and

7 ~~(B)(ii)~~ has a total annual average sales volume for the previous
8 three years in excess of ~~\$15~~ \$100 million for the entire territory for which the
9 dealer is responsible.

10 (3) “Dealer agreement” means a written or oral ~~contract or~~ agreement
11 between a dealer and a ~~wholesaler, manufacturer, or distributor~~ supplier by
12 which the supplier gives the dealer ~~is granted~~ the right to sell or distribute
13 goods or services or to use a trade name, trademark, service mark, logotype, or
14 advertising or other commercial symbol.

15 (4) ~~“Inventory” means farm, utility, forestry, or industrial equipment,~~
16 ~~implements, machinery, yard and garden equipment, attachments, or repair~~
17 ~~parts. These terms do not include heavy construction equipment.~~

18 (A) “Inventory” means:

19 (i) farm, utility, forestry, yard and garden, or industrial:

20 (I) tractors;

21 (II) equipment;

1 (III) implements;

2 (IV) machinery;

3 (V) attachments;

4 (VI) accessories; and

5 (VII) repair parts;

6 (ii) snowmobiles, as defined in 23 V.S.A. § 3201(5); and

7 snowmobile implements, attachments, garments, accessories and repair parts;

8 and

9 (iii) all-terrain vehicles, as defined in 23 V.S.A. § 3801(1) and all-

10 terrain vehicle implements, attachments, garments, accessories and repair

11 parts.

12 (B) “Inventory” does not include heavy construction equipment.

13 (5) “Net cost” means the price the dealer paid the supplier for the
14 inventory, less all applicable discounts allowed, plus the amount the dealer
15 paid for freight costs from the supplier’s location to the dealer’s location. In
16 the event of termination of a dealer agreement by the supplier, “net cost” shall
17 include the reasonable cost of assembly or disassembly performed by a dealer.

18 (6) “Supplier” means a wholesaler, manufacturer, or distributor of
19 inventory ~~as defined in this chapter~~ who enters into a dealer agreement with a
20 dealer.

1 (7) “Termination” of a dealer agreement means the cancellation,
2 nonrenewal, or noncontinuance of the agreement.

3 (8) “Coerce” means the failure to act in a fair and equitable manner in
4 performing or complying with a provision of a dealer agreement; provided,
5 however, that recommendation, persuasion, urging, or argument shall not be
6 synonymous with coerce or lack of good faith.

7 (9) “Good faith” means honesty in fact and the observance of reasonable
8 commercial standards of fair dealing, as interpreted under 9A V.S.A. § 1-
9 201(B)(20).

10 § 4072. NOTICE OF TERMINATION OF DEALER AGREEMENTS

11 ~~(a) Notwithstanding any agreement to the contrary, prior to the termination~~
12 ~~of a dealer agreement, a supplier shall notify the dealer of the termination not~~
13 ~~less than 120 days prior to the effective date of the termination. No supplier~~
14 ~~may terminate, cancel, or fail to renew a dealership agreement without cause.~~

15 ~~“Cause” means failure by an equipment dealer to comply with the~~
16 ~~requirements imposed upon the equipment dealer by the dealer agreement,~~
17 ~~provided the requirements are not substantially different from those~~
18 ~~requirements imposed upon other similarly situated equipment dealers in this~~
19 ~~State.~~

20 ~~(b) The supplier may immediately terminate the agreement at any time~~
21 ~~upon the occurrence of any of the following events which in addition to the~~

1 ~~above definition of cause, are also cause for termination, cancellation, or~~
2 ~~failure to renew a dealership agreement:~~

3 ~~(1) the filing of a petition for bankruptcy or for receivership either by or~~
4 ~~against the dealer;~~

5 ~~(2) the making by the dealer of an intentional and material~~
6 ~~misrepresentation as to the dealer's financial status;~~

7 ~~(3) any default by the dealer under a chattel mortgage or other security~~
8 ~~agreement between the dealer and the supplier;~~

9 ~~(4) the commencement of voluntary or involuntary dissolution or~~
10 ~~liquidation of the dealer if the dealer is a partnership or corporation;~~

11 ~~(5) a change or additions in location of the dealer's place of business as~~
12 ~~provided in the agreement without the prior written approval of the supplier; or~~

13 ~~(6) withdrawal of an individual proprietor, partner, major shareholder,~~
14 ~~the involuntary termination of the manager of the dealership, or a substantial~~
15 ~~reduction in the interest of a partner or major shareholder without the prior~~
16 ~~written consent of the supplier.~~

17 ~~(e) Unless there is an agreement to the contrary, a dealer who intends to~~
18 ~~terminate a dealer agreement with a supplier shall notify the supplier of that~~
19 ~~intent not less than 120 days prior to the effective date of termination.~~

20 ~~(d) Notification required by this section shall be in writing and shall be~~
21 ~~made by certified mail or by personal delivery and shall contain:~~

- 1 ~~(1) a statement of intention to terminate the dealer agreement;~~
- 2 ~~(2) a statement of the reasons for the termination; and~~
- 3 ~~(3) the date on which the termination shall be effective.~~

4 TERMINATION OF DEALER AGREEMENT

5 (a) Requirements for notice.

6 (1) A person shall provide a notice required in this section by certified
7 mail or by personal delivery.

8 (2) A notice shall be in writing and shall include:

9 (A) a statement of intent to terminate the dealer agreement;

10 (B) a statement of the reasons for the termination, including specific
11 reference to one or more requirements of the dealer agreement that serve as the
12 basis for termination, if applicable; and

13 (C) the effective date of termination.

14 (b) Termination by a supplier for cause.

15 (1) In this subsection, “cause” means the failure of a dealer to meet one
16 or more requirements of a dealer agreement, provided that the requirement is
17 reasonable, justifiable, and substantially the same as requirements imposed on
18 similarly situated dealers in this State.

19 (2) A supplier shall not terminate a dealer agreement except for cause.

1 (3) To terminate a dealer agreement for cause, a supplier shall deliver a
2 notice of termination to the dealer at least 120 days before the effective date of
3 termination.

4 (4) A dealer has 60 days from the date it receives a notice of termination
5 to meet the requirements of the dealer agreement specified in the notice.

6 (5) If a dealer meets the requirements of the dealer agreement specified
7 in the notice within the 60-day period, the dealer agreement does not terminate
8 pursuant to the notice of termination.

9 (c) Termination by a supplier for failure to meet reasonable marketing or
10 market penetration requirements.

11 (1) Notwithstanding subsection (b) of this section, a supplier shall not
12 terminate a dealer agreement for failure to meet reasonable marketing or
13 market penetration requirements except as provided in this subsection.

14 (2) A supplier shall deliver an initial notice of termination to the dealer
15 at least 18 months before the effective date of termination.

16 (3) After providing an initial notice, the supplier shall work with the
17 dealer in good faith to meet the reasonable marketing or market penetration
18 requirements specified in the notice, including reasonable efforts to provide the
19 dealer with adequate inventory and competitive marketing programs.

20 (4) If the dealer fails to meet reasonable marketing or market penetration
21 requirements specified in the notice by the end of the 18-month period, the

1 supplier may terminate the dealer agreement by providing a final notice of
2 termination.

3 (5) A dealer has 90 days from the date it receives a final notice of
4 termination to meet the reasonable marketing or market penetration
5 requirements specified in the notice.

6 (6) If a dealer meets the reasonable marketing or market penetration
7 requirements specified in the notice within the 90-day period, the dealer
8 agreement does not terminate pursuant to the final notice of termination.

9 (d) Termination by a supplier upon a specified event. A supplier may
10 terminate a dealer agreement if one of the following events occurs:

11 (1) A person files a petition for bankruptcy or for receivership on behalf
12 of or against the dealer.

13 (2) The dealer makes an intentional and material misrepresentation
14 regarding his or her financial status.

15 (3) The dealer defaults on a chattel mortgage or other security
16 agreement between the dealer and the supplier.

17 (4) A person commences the voluntary or involuntary dissolution or
18 liquidation of a dealer organized as a business entity.

19 (5) Without the prior written consent of the supplier:

20 (A) The dealer changes the business location specified in the dealer
21 agreement or adds an additional dealership of the supplier's same brand.

1 (B) required signage, special tools, books, manuals, supplies, data
2 processing equipment, and software ~~previously purchased from the supplier or~~
3 ~~other qualified vendor approved by the supplier in the possession of the dealer~~
4 ~~on the date of termination of the dealer agreement.~~

5 (b) The supplier shall pay the dealer:

6 (1) 100 percent of the net cost of all new, unsold, and undamaged, and
7 complete ~~farm and utility tractors, utility equipment, forestry equipment,~~
8 ~~industrial equipment, farm implements, farm machinery, yard and garden~~
9 ~~equipment, attachments, and accessories~~ inventory, other than repair parts,
10 purchased from the supplier within the 30-month period preceding the date of
11 termination, less a reasonable allowance for deterioration attributable to
12 ~~weather conditions~~ weather exposure at the dealer's location.

13 (2) 100 90 percent of the current net prices of all new and undamaged
14 repair parts.

15 (3) 95 85 percent of the current net prices of all new and undamaged
16 superseded repair parts.

17 (4) 95 85 percent of the latest available published net price of all new
18 and undamaged noncurrent repair parts.

19 (5) Either the fair market value, or assume the lease responsibilities of
20 any specific data processing hardware that the supplier required the dealer to
21 purchase to satisfy the reasonable requirements of the dealer agreement,

1 including computer systems equipment and software required and approved by
2 the supplier to communicate with the supplier.

3 (6) ~~Repurchase at~~ 75 percent of the net cost of specialized repair tools,
4 signage, books and supplies previously purchased, pursuant to requirements of
5 the supplier and held by the dealer on the date of termination. Specialized
6 repair tools must be unique to the supplier's product line, must be no more than
7 10 years old, and must be complete and in usable condition. Supplies must be
8 unique to the supplier's product line, must be no more than 3 years old, and
9 must be complete and in usable condition.

10 (7) ~~Repurchase at average~~ Average as-is value shown in current industry
11 guides; for dealer-owned rental fleet financed by the supplier or its finance
12 subsidiary, provided the equipment was purchased from the supplier within
13 30 months of the date of termination.

14 (c) The party that initiates the termination of the dealer agreement shall pay
15 the cost of the return, handling, packing, and loading of the inventory. If the
16 termination is initiated by the supplier, the supplier shall reimburse the dealer
17 five percent of the net parts return credited to the dealer as compensation for
18 picking, handling, packing, and shipping the parts returned to the supplier.

19 (d) Payment to the dealer required under this section shall be made by the
20 supplier not later than 45 days after receipt of the inventory by the supplier. A
21 penalty shall be assessed in the amount of daily interest at the current New

1 York prime rate plus three percent of any outstanding balance over the
2 required 45 days. The supplier shall be entitled to apply any payment required
3 under this section to be made to the dealer as a setoff against any amount owed
4 by the dealer to the supplier.

5 * * *

6 § 4077a. ~~PROHIBITED ACTS~~

7 ~~No supplier shall:~~

8 ~~(1) coerce any dealer to accept delivery of any equipment, parts, or~~
9 ~~accessories therefor, which such dealer has not voluntarily ordered, except that~~
10 ~~a supplier may require a dealer to accept delivery of equipment, parts or~~
11 ~~accessories that are necessary to maintain equipment generally sold in the~~
12 ~~dealer's area of responsibility, and a supplier may require a dealer to accept~~
13 ~~delivery of safety related equipment, parts, or accessories pertinent to~~
14 ~~equipment generally sold in the dealer's area of responsibility;~~

15 ~~(2) condition the sale of any equipment on a requirement that the dealer~~
16 ~~also purchase any other goods or services, but nothing contained in this chapter~~
17 ~~shall prevent the supplier from requiring the dealer to purchase all parts~~
18 ~~reasonably necessary to maintain the quality of operation in the field of any~~
19 ~~equipment used in the trade area;~~

20 ~~(3) coerce any dealer into a refusal to purchase the equipment~~
21 ~~manufactured by another supplier; or~~

1 ~~(4) discriminate in the prices charged for equipment of like grade and~~
2 ~~quality sold by the supplier to similarly situated dealers, but nothing contained~~
3 ~~in this chapter shall prevent differentials which make only due allowance for a~~
4 ~~difference in the cost of manufacture, sale, or delivery resulting from the~~
5 ~~differing methods or quantities in which such equipment is sold or delivered by~~
6 ~~the supplier.~~

7 PROHIBITED ACTS

8 (a) A supplier shall not coerce or attempt to coerce a dealer to accept
9 delivery of inventory that the dealer has not voluntarily ordered, except
10 inventory that is:

11 (1) necessary to maintain inventory in a quantity, and of the model
12 range, generally sold in the dealer's area of responsibility; or

13 (2) safety-related and pertinent to inventory generally sold in the
14 dealer's area of responsibility.

15 (b) A supplier shall not condition the sale of inventory on a requirement
16 that the dealer also purchase any other goods or services, provided that a
17 supplier may require a dealer to purchase parts reasonably necessary to
18 maintain inventory used in the dealer's area of responsibility.

19 (c)(1) A supplier shall not prevent, coerce, or attempt to coerce a dealer
20 from investing in, or entering into an agreement for the sale of, a competing
21 product line or make of inventory.

1 (2) A supplier shall not require, coerce, or attempt to coerce a dealer to
2 provide a separate facility or personnel for a competing product line or make of
3 inventory.

4 (3) Subdivisions (1)–(2) of this subsection do not apply unless a dealer:

5 (A) maintains a reasonable line of credit for each product line or
6 make of inventory;

7 (B) maintains the principal management of the dealer; and

8 (C) remains in substantial compliance with the supplier’s reasonable
9 facility requirements, which shall not include a requirement to provide a
10 separate facility or personnel for a competing product line or make of
11 inventory.

12 (d) A supplier shall not discriminate in the prices it charges for inventory of
13 like grade and quality it sells to similarly situated dealers, provided that a
14 supplier may use differentials that allow for a difference in the cost of
15 manufacture, sale, or delivery resulting from the differing methods or
16 quantities in which the supplier sells or delivers the inventory.

17 (e) A supplier shall not change the area of responsibility specified in a
18 dealer agreement without good cause, which for purposes of this subsection
19 includes changes in the dealer’s vehicle or warranty registration pattern,
20 demographics, and geographic barriers.

1 § 4078. WARRANTY OBLIGATIONS

2 (a) A supplier shall:

3 (1) specify in writing a dealer’s reasonable obligation to perform
4 warranty service on the supplier’s inventory;

5 (2) provide the dealer a schedule of reasonable compensation for
6 warranty service, including amounts for diagnostic work, parts, labor, and the
7 time allowance for the performance of warranty service; and

8 (3) compensate the dealer pursuant to the schedule of compensation for
9 the warranty service the supplier requires it to perform.

10 (b) Time allowances for the diagnosis and performance of warranty service
11 shall be reasonable and adequate for the service to be performed by a dealer
12 that is equipped to complete the requirements of the warranty service.

13 (c) The hourly rate paid to a dealer shall not be less than the rate the dealer
14 charges to customers for nonwarranty service.

15 (d) A supplier shall compensate a dealer for parts used to fulfill warranty
16 and recall obligations of warranty service at a rate not less than the price the
17 dealer actually paid the supplier for the parts plus 20 percent.

18 (e)(1) Whenever a supplier and a dealer enter into an agreement providing
19 consumer warranties, the supplier shall pay any warranty claim made for
20 warranty parts and service within 30 days after its receipt and approval.

1 (2) The supplier shall approve or disapprove a warranty claim within
2 30 days after its receipt.

3 (3) If a claim is not specifically disapproved in writing within 30 days
4 after its receipt, it shall be deemed to be approved and payment shall be made
5 by the supplier within 30 days after its receipt.

6 (f) A supplier violates this section if it:

7 (1) fails to perform its warranty obligations;

8 (2) fails to include in written notices of factory recalls to machinery
9 owners and dealers the expected date by which necessary parts and equipment
10 will be available to dealers for the correction of such defects; or

11 (3) fails to compensate a dealer for repairs required by a recall.

12 (g) A supplier shall not:

13 (1) impose an unreasonable requirement in the process a dealer must
14 follow to file a warranty claim; or

15 (2) impose a surcharge or fee, or otherwise increase the prices or
16 charges to a dealer, in order to recover the additional costs the supplier incurs
17 from complying with the provisions of this section.

18 § 4079. REMEDIES

19 (a) A person damaged as a result of a violation of this chapter may bring an
20 action against the violator in a Vermont court of competent jurisdiction for
21 damages, together with the actual costs of the action, including reasonable

1 attorney's fees, injunctive relief against unlawful termination, ~~cancellation,~~
2 ~~nonrenewal,~~ or substantial change of competitive circumstances, and such
3 other relief as the Court deems appropriate.

4 (b) A provision in a dealer agreement that purports to deny access to the
5 procedures, forums, or remedies provided by the laws of this State is void and
6 unenforceable.

7 (c) ~~Nothing contained in this chapter may prohibit~~ Notwithstanding
8 subsection (b) of this section, a dealer agreement may include a provision for
9 binding arbitration of disputes ~~in an agreement~~. Any arbitration shall be
10 consistent with the provisions of this chapter and 12 V.S.A. chapter 192, and
11 the place of any arbitration shall be in the county in which the dealer's
12 principal place of business is maintained in this State.

13 * * *

14 Sec. 3. APPLICABILITY TO EXISTING DEALER AGREEMENTS

15 Notwithstanding 1 V.S.A. § 214, for a dealer agreement, as defined in
16 9 V.S.A. § 4071, that is in effect on or before July 1, 2016, the provisions of
17 this act shall apply on July 1, 2017.

18 Sec. 4. EFFECTIVE DATE

19 This act shall take effect on July 1, 2016.

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(Committee vote: _____)

Representative _____

FOR THE COMMITTEE