



**ARIZONA STATE SENATE**  
*Fifty-Sixth Legislature, Second Regular Session*

FACT SHEET FOR H.B. 2410

motor vehicle dealers; franchises

Purpose

Establishes various franchise standards for motor vehicle manufacturers and distributors and outlines indemnification obligations for third-party claims against a franchisee. Adds to the list of prohibited acts that constitute coercing a new motor vehicle dealer. Creates factory compliance requirements for the implementation of vehicle reservation systems.

Background

Any new motor vehicle manufacturer, factory branch, distributor, distributor branch, field representative, officer or agent, or any of their representatives, may not coerce or attempt to coerce a new motor vehicle dealer to do certain outlined acts. When a change of ownership of a new motor vehicle dealership or a transfer of dealership assets is proposed, a manufacturer or distributor may exercise a right of first refusal to acquire the dealership if certain requirements are met.

Additionally, a manufacturer, importer or distributor may not adopt, change, establish or implement a plan or system for the allocation, scheduling or delivery of new motor vehicles, parts or accessories to its motor vehicle dealers that is not fair, reasonable and equitable or modify an existing plan or system for the allocation, scheduling or delivery of new motor vehicles, parts or accessories in a manner that causes the plan or system to be unreasonable, unfair or inequitable. Upon request by a franchisee, a manufacturer, importer or distributor must disclose to the franchisee the basis on which new motor vehicles, parts and accessories are allocated, scheduled and delivered among the manufacturer's, importer's or distributor's dealers of the same line-make. A *line-make* refers to motor vehicles that are offered for sale, lease or distribution under a common name, trademark, service mark or brand name of the manufacturer of those same motor vehicles.

Statute prohibits a factory from directly or indirectly competing with or unfairly discriminating among its dealers. The act of *competing with or unfair discrimination* includes selling, leasing or providing, or offering to sell, lease or provide, a vehicle or product, service or financing to any retail consumer or lead, with outlined exceptions (A.R.S. §§ [28-4301](#); [28-4458](#); [28-4459](#); and [28-4460](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

***Franchisee Indemnification and Assignment of Third-Party Claim Expenses***

1. Stipulates that, if a franchisee demands indemnification, a licensed manufacturer, importer, distributor, distributor branch, factory branch or franchisor may not fail or refuse to indemnify an existing or former franchisee and the franchisee's successors and is responsible for any third-party claim expenses incurred by the franchisee to the extent that the claim results from:
  - a) the condition, characteristic, manufacture, assembly or design of any vehicle, parts or accessories, tools or equipment or the selection or combination of parts or components that are manufactured or distributed by the manufacturer, importer, distributor, distributor branch, factory branch or franchisor;
  - b) service systems, procedures or methods that the manufacturer, importer, distributor, distributor branch, factory branch or franchisor requires the franchisee to use if the franchisee properly uses the system, procedure or method;
  - c) the improper use or disclosure by a manufacturer, importer, distributor, distributor branch, factory branch or franchisor of nonpublic personal information obtained from a franchisee relating to a consumer, customer or employee of the franchisee;
  - d) an act or omission of the manufacturer, importer, distributor, distributor branch, factory branch or franchisor for which the franchisee would have a claim for contribution or indemnity under applicable law or under the franchise, irrespective of and without regard to any prior termination or expiration of the franchise; or
  - e) an act or omission of the franchisee that is the result of the franchisee's use of a service provided by a digital vendor required by the manufacturer, importer, distributor, distributor branch, factory branch or franchisor if the use of the service violates Arizona or federal law.
2. Defines *service provided by a digital vendor* as any electronic system that manages consumer data or generates consumer notices or documentation.

***Prohibited Acts***

3. Prohibits a manufacturer of new motor vehicles, factory branch, distributor, distributor branch, field representative, officer or agent or any its representatives from coercing or attempting to coerce a new motor vehicle dealer to install on the dealer's dealership premises a customer facing electric vehicle charging station accessible to the public.
4. Specifies that a manufacturer, importer or distributor cannot adopt, change, establish or implement a plan or system for the allocation, scheduling or delivery of new motor vehicles, parts or accessories to its motor vehicle dealers that is not fair, reasonable or equitable to dealers of the manufacturer's, importer's or distributor's line-make.
5. Specifies that a manufacturer, importer or distributor is not required to make available or pay incentives or other benefits to a dealer that has not satisfied the requirements for eligibility on the same terms that are applied uniformly and equitably to all dealers of the same line-make in Arizona.

6. Defines *coerce* as the use of force or threat to persuade, constrain or compel a dealer to take or refrain from taking a specific action, including:
  - a) threatening to withhold vehicles or parts;
  - b) refusing to offer available incentives on the same terms as offered to other dealers of the same line-make in Arizona;
  - c) offering a dealer a higher price for vehicles or parts than is offered to other same line-make dealers in Arizona; or
  - d) not providing the opportunity to earn available incentives on the same terms as other same line-make dealers in Arizona on the basis of the dealer refusing, declining or failing to perform a specific behavior.
7. Excludes, from the definition of *coerce*, any required compliance with a manufacturer's, importer's or distributor's reasonably necessary standards and requirements to fulfill the dealer's sales and service obligations.

***Factory Requirements and Compliance of Vehicle Reservation Systems***

8. Includes, in the factory-prohibited acts that constitute *competing with or unfair discrimination*, selling, leasing or providing any retail consumer or lead with a subscription service for a motor vehicle feature that uses components and hardware that is already installed on the vehicle at the time of purchase or lease and would function after activation without ongoing cost to or support by the dealer, manufacturer, factory, distributor or third-party service provider.
9. Specifies that the factory-prohibited acts relating to subscription services does not prohibit a factory from renewing or charging any subscription or connection fees for navigation system updates, satellite radio, roadside assistance, software-dependent driver assistance or driver automation features and vehicle-connected services that rely on cellular or other data networks for continued operation.
10. Includes, in the factory-prohibited acts that constitute *competing with or unfair discrimination*, implementing or modifying a vehicle reservation system for the sale or lease of motor vehicles that does not comply with:
  - a) a vehicle reservation system designed, implemented or controlled by a factory to use customer dealer selection or other objective criteria to allocate the vehicles to dealers;
  - b) at least 30 days before implementing a vehicle reservation system, a factory must make available to its dealers a description of the reservation program rules and requirements through the system, as applicable; and
  - c) a factory must provide to its dealers a notice of change to the reservation program rules and requirements at least 30 days before the change becomes effective.

***Miscellaneous***

11. Prohibits a manufacturer or distributor from exercising or threatening to exercise the right of first refusal in bad faith.
12. Defines *motor vehicle feature* as a convenience or safety function included on a motor vehicle that typically is offered to a consumer as an upgrade at the time of purchase or lease of the motor vehicle.

FACT SHEET

H.B. 2410

Page 4

13. Defines *subscription service* as a service provided in exchange for a recurring payment, excluding a consumer's recurring payment made pursuant to a retail installment contract or lease.
14. Defines *vehicle reservation system* as a process that is used to hold open the opportunity for a specified consumer to place an order for the purchase or lease of a new motor vehicle.
15. Specifies that the statutory franchise regulations do not apply to manufacturers that do not and have never used franchised new motor vehicle dealers to offer, sell or service new motor vehicles manufactured or distributed by a franchisor, manufacturer, importer or distributor.
16. Makes technical and conforming changes.
17. Becomes effective on the general effective date.

House Action

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3 <sup>rd</sup> Read	2/22/24		49-8-2-0-1

Prepared by Senate Research

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