

1 AN ACT concerning business transactions.

2 Be it enacted by the People of the State of Illinois,  
3 represented in the General Assembly:

4 Section 5. The Motor Vehicle Franchise Act is amended by  
5 changing Section 6 as follows:

6 (815 ILCS 710/6) (from Ch. 121 1/2, par. 756)

7 Sec. 6. Warranty agreements; claims; approval; payment;  
8 written disapproval.

9 (a) Every manufacturer, distributor, wholesaler,  
10 distributor branch or division, factory branch or division,  
11 or wholesale branch or division shall properly fulfill any  
12 warranty agreement and adequately and fairly compensate each  
13 of its motor vehicle dealers for labor and parts.

14 (b) In no event shall the such compensation fail to  
15 include reasonable compensation for diagnostic work, as well  
16 as repair service, labor, and parts. Time allowances for the  
17 diagnosis and performance of warranty work and service shall  
18 be reasonable and adequate for the work to be performed. In  
19 the determination of what constitutes reasonable compensation  
20 under this Section, the principal factor to be given  
21 consideration shall be the prevailing wage rates being paid  
22 by the dealer in the relevant market area in which the motor  
23 vehicle dealer is doing business, and in no event shall such  
24 compensation of a motor vehicle dealer for warranty service  
25 be less than the rates charged by such dealer for like  
26 service to retail customers for nonwarranty service and  
27 repairs. The franchiser shall reimburse the franchisee for  
28 any parts provided in satisfaction of a warranty at the  
29 prevailing retail price charged by that dealer for the same  
30 parts when not provided in satisfaction of a warranty;  
31 provided that such motor vehicle franchisee's prevailing

1 retail price is not unreasonable when compared with that of  
2 the holders of motor vehicle franchises from the same motor  
3 vehicle franchiser for identical merchandise in the  
4 geographic area in which the motor vehicle franchisee is  
5 engaged in business. All claims, either original or  
6 resubmitted, made by motor vehicle dealers hereunder and  
7 under Section 5 for such labor and parts shall be either  
8 approved or disapproved within 30 days following their  
9 submission. All approved claims shall be paid within 30 days  
10 following their approval. The motor vehicle dealer who  
11 submits a claim which is disapproved shall be notified in  
12 writing of the disapproval within the same period, and each  
13 such notice shall state the specific grounds upon which the  
14 disapproval is based. The motor vehicle dealer shall be  
15 permitted to correct and resubmit such disapproved claims  
16 within 30 days of receipt of disapproval. Any claims not  
17 specifically disapproved in writing within 30 days from their  
18 submission shall be deemed approved and payment shall follow  
19 within 30 days. The manufacturer or franchiser shall have the  
20 right to require reasonable documentation for claims and to  
21 audit such claims within a one year period from the date the  
22 claim was paid or credit issued by the manufacturer or  
23 franchiser, and to charge back any false or unsubstantiated  
24 claims. The audit and charge back provisions of this Section  
25 also apply to all other incentive and reimbursement programs  
26 for a period of 18 months after the date of the transactions  
27 that are subject to audit by the franchiser. However, the  
28 manufacturer retains the right to charge back any fraudulent  
29 claim if the manufacturer establishes in a court of competent  
30 jurisdiction in this State that the claim is fraudulent.

31 (c) The motor vehicle franchiser shall not, by  
32 agreement, by restrictions upon reimbursement, or otherwise,  
33 restrict the nature and extent of services to be rendered or  
34 parts to be provided so that such restriction prevents the

1 motor vehicle franchisee from satisfying the warranty by  
2 rendering services in a good and workmanlike manner and  
3 providing parts which are required in accordance with  
4 generally accepted standards. Any such restriction shall  
5 constitute a prohibited practice.

6 (d) For the purposes of this Section, the "prevailing  
7 retail price charged by that dealer for the same parts" means  
8 the price paid by the motor vehicle franchisee for parts,  
9 including all shipping and other charges, multiplied by the  
10 sum of 1.0 and the franchisee's average percentage markup  
11 over the price paid by the motor vehicle franchisee for parts  
12 purchased by the motor vehicle franchisee from the motor  
13 vehicle franchiser and sold at retail. The motor vehicle  
14 franchisee may establish average percentage markup under this  
15 Section by submitting to the motor vehicle franchiser 100  
16 sequential customer paid service repair orders or 90 days of  
17 customer paid service repair orders, whichever is less,  
18 covering repairs made no more than 180 days before the  
19 submission, and declaring what the average percentage markup  
20 is. The average percentage markup so declared shall go into  
21 effect 30 days following the declaration, subject to audit of  
22 the submitted repair orders by the motor vehicle franchiser  
23 and adjustment of the average percentage markup based on that  
24 audit. Any audit must be conducted within 30 days following  
25 the declaration. Only retail sales not involving warranty  
26 repairs, parts covered by subsection (e) of this Section, or  
27 parts supplied for routine vehicle maintenance, shall be  
28 considered in calculating average percentage markup. No  
29 motor vehicle franchiser shall require a motor vehicle  
30 franchisee to establish average percentage markup by a  
31 methodology, or by requiring information, that is unduly  
32 burdensome or time consuming to provide, including, but not  
33 limited to, part by part or transaction by transaction  
34 calculations. A motor vehicle franchisee shall not request a

1 change in the average percentage markup more than twice in  
2 one calendar year.

3 (e) If a motor vehicle franchiser supplies a part or  
4 parts for use in a repair rendered under a warranty other  
5 than by sale of that part or parts to the motor vehicle  
6 franchisee, the motor vehicle franchisee shall be entitled to  
7 compensation equivalent to the motor vehicle franchisee's  
8 average percentage markup on the part or parts, as if the  
9 part or parts had been sold to the motor vehicle franchisee  
10 by the motor vehicle franchiser. The requirements of this  
11 subsection (e) shall not apply to entire engine assemblies  
12 and entire transmission assemblies. In the case of those  
13 assemblies, the motor vehicle franchiser shall reimburse the  
14 motor vehicle franchisee in the amount of 30% of what the  
15 motor vehicle franchisee would have paid the motor vehicle  
16 franchiser for the assembly if the assembly had not been  
17 supplied by the franchiser other than by the sale of that  
18 assembly to the motor vehicle franchisee.

19 (f) The obligations imposed on motor vehicle franchisers  
20 by this Section shall apply to any parent, subsidiary,  
21 affiliate, or agent of the motor vehicle franchiser, any  
22 person under common ownership or control, any employee of the  
23 motor vehicle franchiser, and any person holding 1% or more  
24 of the shares of any class of securities or other ownership  
25 interest in the motor vehicle franchiser, if a warranty or  
26 service or repair plan is issued by that person instead of or  
27 in addition to one issued by the motor vehicle franchiser.

28 (Source: P.A. 91-485, eff. 1-1-00.)