

SENATE BILL REPORT

SHB 1893

AS REPORTED BY COMMITTEE ON TRANSPORTATION, MARCH 31, 1993

Brief Description: Regulating motor vehicle dealers' buyer's agents relationships.

SPONSORS: House Committee on Transportation (originally sponsored by Representatives Zellinsky, Forner, R. Fisher and Kremen)

HOUSE COMMITTEE ON TRANSPORTATION

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass.

Signed by Senators Vognild, Chairman; Loveland, Vice Chairman; Skratek, Vice Chairman; Barr, Drew, Haugen, Nelson, Oke, Prentice, Prince, M. Rasmussen, Sheldon, von Reichbauer, and Winsley.

Staff: Brad Lovaas (786-7307)

Hearing Dates: March 31, 1993

BACKGROUND:

In the mid 1980s, a new industry began to emerge in Washington which was designed to assist consumers in locating and purchasing motor vehicles which fit their income and transportation needs. The thrust of the industry was to utilize expertise in automobile sales to eliminate hassles in car buying for consumers. The "buyer's agent" acts as the representative of the buyer and negotiates or arranges for the purchase of a vehicle. The buyer's agent does not take ownership interest in the vehicle. The customer's contact with the selling dealership is minimal, generally limited to delivery of the vehicle and completing paperwork necessary to effect transfer of ownership.

The buyer's agent provides a service and is compensated for that service by the consumer. Compensation received by the buyer's agent isn't derived from the sale of a vehicle, but is derived from the services provided.

Some buyer's agents have been accepting fees from the new vehicle dealers which are not disclosed to the consumer. This places vehicle dealers in the position of providing a fee (kickback) or losing the sale to a dealer who will pay the fee to a buyer's agent.

The Department of Licensing estimates that there are approximately 25 buyer's agents operating in this state, of which 15 are currently licensed as vehicle dealer/buyer agents.

SUMMARY:

A definition of "buyer's agent" is created in motor vehicle dealer statutes. A buyer's agent is any person employed by the consumer to arrange for or to negotiate the purchase of a new motor vehicle on behalf of the consumer. Buyer's agents would be licensed by the Department of Licensing.

Under the vehicle dealer penalty section, three new activities are made illegal. It is illegal: 1) for a new vehicle dealer to pay or receive a fee in connection with the purchase or sale of a new motor vehicle; 2) for a buyer's agent to pay or receive a fee from a new motor vehicle dealer in connection with the purchase or sale of a new motor vehicle; and 3) for a buyer's agent to purchase a new motor vehicle through an out-of-state dealer without disclosing in writing to the customer that the new vehicle would not be subject to this state's lemon law provisions.

Appropriation: none

Revenue: none

Fiscal Note: available

TESTIMONY FOR:

This legislation will prohibit buyer agents from receiving money from both the consumer and the new vehicle dealer. It also eliminates the predicament new car dealers are put in by buyer agents which is provide a kickback or lose the sale to another dealer who will.

TESTIMONY AGAINST: None

TESTIFIED: Art Farley, DOL; Jim Boldt, WA Auto Dealers