

SENATE BILL REPORT

HB 1581

As Reported By Senate Committee On:
Transportation, April 2, 2001

Title: An act relating to licensing of motor vehicle dealers and manufacturers.

Brief Description: Revising provisions for licensing of motor vehicle dealers and manufacturers.

Sponsors: By Representatives Cooper, Haigh, Morell, Hankins, Rockefeller and Delvin; by request of Department of Licensing.

Brief History:

Committee Activity: Transportation: 3/26/01, 4/2/01 [DPA].

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass as amended.

Signed by Senators Haugen, Chair; Horn, Jacobsen, Johnson, Kastama, McAuliffe, McDonald, Oke, Prentice, T. Sheldon, Shin and Swecker.

Staff: Dean Carlson (786-7305)

Background: Under current law, applicants for a vehicle dealer license must, among other things, submit an application to the Department of Licensing (DOL) disclosing information such as their qualifications and business history, their financial history, franchise information, their current service agreement with a manufacturer, etc. The applicant must also pay a fee of \$500 and file a \$15,000 surety bond with DOL.

Once the license has been issued, DOL provides the dealer with a copy of the Vehicle Dealer Manual which contains information on the various state laws and rules related to vehicle dealers. Outside of this manual, vehicle dealers are not provided any in-depth training on state laws and rules, nor do they receive any information or education on related federal laws and regulations.

DOL has the authority to monitor and regulate the business and sales practices of licensed vehicle dealers. Part of DOL's responsibility in regulating dealers is to investigate complaints filed by customers. If DOL receives a customer complaint related specifically to a lease agreement, current law does not explicitly authorize the department to regulate or monitor lease agreements.

Summary of Amended Bill: In order to clarify DOL's authority as it relates to regulating and monitoring vehicle lease practices of auto dealers, the word lease- is added throughout Chapter 46.70 (Dealers and Manufacturers-) to be included with current authority over vehicle sales.

Language is added authorizing DOL to electronically transmit the Vehicle Dealer Manual, which is provided to dealers when they initially license their business and when they renew their license, if any revisions or updates have occurred.

DOL is authorized to suspend or revoke a dealer's business license if the dealer does not have a current certificate or registration with the Department of Revenue.

Vehicle dealer license applicants are required to have successfully completed eight hours of educational training on state and federal laws regulating dealer business practices, prior to submitting their application. Additionally, for licensed vehicle dealers who are renewing their dealer license, five hours per year of continuing educational training on state and federal laws is required.

Franchise dealers selling new vehicles or new recreational vehicles, franchise dealers selling new recreational vehicles, franchise car rental companies, manufactured housing dealers, and national auction companies disposing of totaled vehicles, are each exempt from the education training requirements.

The education programs and test must be developed by motor vehicle industry organizations including, but not limited to, the state independent auto dealers association and DOL.

To strengthen consumer protection, the amount of the surety bond required to be filed with the department prior to the issuance of the vehicle dealer license, is increased from \$15,000 to \$30,000.

Technical amendments are made to gender neutralize current language.

Amended Bill Compared to Original Bill: The education and bonding requirements are added.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: We are concerned many used car dealers are not prepared to go into business. The increase in the bond protects the consumer more since the price of cars have gone up. The Washington Auto Dealers Association is supportive of the amendment. DOL supports the education piece. We would like an amendment to clarify that a finance or leasing company is not a dealer and therefore treated as other lenders.

Testimony Against: None.

Testified: T.K. Bentler, Washington State Independent Auto Dealers Association (pro/striking amendment); Pat Feutz, WSIADA (pro/striking amendment); Cliff Webster, General Motors Corporation (pro w/amendment); Jim Boldt, Washington New Car Dealers (pro); Evelyn Barker, Department of Licensing (pro/striking amendment).