

# HOUSE BILL REPORT

## HB 2056

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### As Reported by House Committee On:

Commerce & Labor

Appropriations

**Title:** An act relating to recreational vehicle shows.

**Brief Description:** Regulating recreational vehicle shows.

**Sponsors:** Representatives Conway and Wood.

### Brief History:

#### Committee Activity:

Commerce & Labor: 2/21/05, 3/1/05 [DPS];

Appropriations: 3/5/05 [DPS(CL)].

#### Brief Summary of Substitute Bill

- Adds a definition of recreational vehicle which does not include vehicles that are used as primary residences and are permanently fixed or immobilized in a mobile home lot.
- Reduces the number of temporary subagency licenses that can be issued to dealers in a 12-month period for events with a certain number of dealer participants.
- Establishes advertising requirements, and geographical limitations on the Department of Licensing's issuance of temporary subagency licenses for the sales of new or used recreational vehicles.
- Applies the Consumer Protection Act for violations of the requirements for recreational vehicle sales.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Sump, Assistant Ranking Minority Member; Crouse, Hudgins and McCoy.

**Staff:** Rebekah Ward (786-7106).

### Background:

Motor vehicles, miscellaneous vehicles, and mobile home and travel trailer dealers (dealers) are regulated by the Department of Licensing (Department). Dealers are required to file a surety bond with the Department prior to obtaining a dealer's license, and must meet certain contractual and record keeping requirements prior to and for a certain period after obtaining their licence. Additionally, dealers must identify an established place of business, and advise the Department of the names, locations and any subsequent changes in their established place of business after obtaining their license.

An established place of business requires a permanent, enclosed, commercial building located within Washington easily accessible at all reasonable times. Additionally, dealers must meet various requirements with regard to their place of business such as compliance with the terms of all applicable building codes, regulatory ordinances, and they must keep the building open to the public so that the public may contact the dealer or the dealer's salespersons at all reasonable times. Mobile offices may be used under certain conditions, and manufacturers and sales promotional organizations for particular vehicle brands may maintain factory branches for the purposes of selling vehicles to distributors, wholesalers, or dealers.

During periods where dealers are conducting business for specific purposes, and are physically and geographically separated from their established or principal place of business, a dealer may secure a temporary subagency license. No more than six temporary subagency licenses are issued to licensees in any 12-month period.

Under state law, violations of the vehicle dealer provisions are per se violations of the Consumer Protection Act (CPA). Under the CPA, a court may impose civil penalties on a perpetrator in the amount of \$2,000 per violation, or order restitution to injured parties, or court costs and attorney fees, or an injunction.

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### **Summary of Substitute Bill:**

#### Temporary Subagency Permits for Vehicles

During periods where dealers are conducting business somewhere other than their principal place of business for specific purposes such as auto shows, shopping center promotions, tent sales, exhibitions, or other similar merchandising ventures, a vehicle dealer may secure a temporary subagency license. For events with three or fewer dealer participants, the number of temporary subagency licenses that can be issued to licensees in any 12-month period is reduced to two. For events where there are four or more dealer participants, up to four temporary subagency licenses may be issued to a dealer within a 12-month period.

#### Temporary Subagency Permits for Recreational Vehicles

The term "recreational vehicle" is defined to include travel trailers, motor homes, truck campers, or camping trailers that are primarily designed and used as temporary living quarters, and are either self propelled or mounted behind another vehicle. Recreational vehicles do not include vehicles that are used as primary residences and are immobilized or permanently affixed to a mobile home lot.

The Department may issue a temporary subagency license only where the location of the recreational vehicle show is within 50 miles of the dealer's established place of business or within the factory designated territory for the brand of each recreational vehicle. The sale of each recreational vehicle brand is limited by the temporary subagency license issued by the Department, and where three or fewer dealers participate in the show, each dealer must conspicuously, in specified size and manner, include the dealer's business name, the location of the business, the brand or model names of the recreational vehicles for sale, and whether the vehicles are new or used in all advertising and promotional materials.

#### Violations

A violation of the requirements for recreational vehicle sales is a violation of the Consumer Protection Act.

#### **Substitute Bill Compared to Original Bill:**

The original bill adds a definition of recreational vehicles which does not include vehicles that are used as primary residences and are permanently fixed or immobilized in a mobile home lot. It reduces the number of temporary subagency licenses that can be issued to dealers in a 12-month period for events with a certain number of dealer participants, and establishes advertising requirements, and geographical limitations on the Department's issuance of temporary subagency licenses for the sales of new or used recreational vehicles. The bill also applies the Consumer Protection Act for violations of the requirements for recreational vehicle sales. The substitute bill defines "recreational vehicle dealers" and moves the limits on the number of temporary subagency licenses that can be issued for the sale of such vehicles within a 12-month period to a section dealing only with recreational vehicle dealers. The substitute bill also clarifies the application of the 50 mile radius provision for temporary subagency licenses to recreational vehicle dealers of both new and used recreational vehicles.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** The dealers association in response to a poll of the industry has, determined that the number one issue facing dealers in the state is both in-state and out-of-state dealers of used recreational vehicles traveling throughout the state and setting up "road shows" in other local dealers' market areas, whereby the traveling dealers are bringing in large quantities of used vehicles that they have acquired at auctions, as trade in vehicles, or by other means, for short periods of time. After the traveling dealers have sold their used inventory, they pack up and move on to a new town or return to their regular established market area. The problem arises when local consumers who have purchased these products have mechanical or other difficulties with the used vehicles they have purchased from the traveling shows. The local consumers look to the local dealer to fulfill warranties or for repair work. This causes a

problem for both the local dealer and the consumer where the model of the vehicle that the consumer has purchased from the traveling dealers is an old model that the local dealer does not sell or stock in their inventory. Often times this either creates an unanticipated cost on the local dealer, or the consumer is forced to travel long distances in order to get their repair or warranty issues addressed. There has been as many as 27 complaints in one year regarding this issue, and franchisees need protection of their market areas from units brought into their market area by other dealers.

This bill attempts to address the concerns of the industry dealers and consumers by limiting the geographical boundaries in which these traveling dealers are able to traverse for purposes of setting up traveling shows and simply moving on at the end without remaining responsible for the warranties or the products they have sold to local consumers. The bill does this by stating that dealers must sell their used inventory within a 50 mile radius of their established place of business, and where the traveling dealers wish to participate in a recreational vehicle show away from their established place of business with other dealer participants, they are limited in the number of permits they may obtain within a one-year time period. This is in no way meant to effect the auto dealer industry.

**Testimony Against:** The Washington State Recreational Vehicle Dealers Association wants an amendment with clarification that the auto dealer industry is not affected by this.

**Persons Testifying:** (In support) Cody Benson, Washington State Recreational Vehicle Dealers Association; and Larry Nelson, Washington State Recreational Vehicle Dealers Association.

(Opposed) Scott Hezlegrove, Washington State Auto Dealers Association.

**Persons Signed In To Testify But Not Testifying:** None.

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill by Committee on Commerce & Labor be substituted therefor and the substitute bill do pass. Signed by 28 members: Representatives Sommers, Chair; Fromhold, Vice Chair; Alexander, Ranking Minority Member; Anderson, Assistant Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Armstrong, Bailey, Buri, Clements, Cody, Conway, Darneille, Dunshee, Grant, Haigh, Hinkle, Hunter, Kagi, Kenney, Kessler, Linville, McDermott, Miloscia, Pearson, Priest, Schual-Berke, Talcott and Walsh.

**Staff:** Owen Rowe (786-7391).

### **Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Commerce & Labor:**

No new changes were recommended.

**Appropriation:** None.

**Fiscal Note:** Available on original bill.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** None.

**Testimony Against:** None.

**Persons Testifying:** None.

**Persons Signed In To Testify But Not Testifying:** None.