

SENATE BILL REPORT

SHB 2208

As of March 27, 2009

Title: An act relating to the return or cancellation of new motorsports vehicles.

Brief Description: Prohibiting new motorsports vehicle dealers from having to pay a fee for canceling orders of new motorsports vehicles.

Sponsors: House Committee on Commerce & Labor (originally sponsored by Representatives Hope, Kristiansen, Newhouse and McCune).

Brief History: Passed House: 3/05/09, 97-0.

Committee Activity: Labor, Commerce & Consumer Protection: 3/23/09.

SENATE COMMITTEE ON LABOR, COMMERCE & CONSUMER PROTECTION

Staff: Alison Mendiola (786-7483)

Background: Many aspects of the franchise relationship between motorsports vehicle manufacturers and motorsports vehicle dealers are regulated by the Department of Licensing. "Motorsports vehicles" are defined as motorcycles, mopeds, snowmobiles, personal watercraft, and four-wheel all-terrain vehicles.

State law establishes unfair trade practices in the manufacturer-dealer relationship. Motorsports manufacturers may not:

- use confidential information from a dealer to compete against that dealer;
- require a dealer to order or accept delivery of a motorsports vehicle or accessory;
- fail to indemnify and hold a dealership harmless;
- require dealers to transfer installment sales contracts to a manufacturer;
- require franchise agreements to contain a right of first refusal;
- raise prices without notice;
- withhold consent to transfer any interest in a dealership; or
- prevent a dealer from restructuring the capital or business structure of a dealership.

Summary of Bill: An unfair trade practice is added to the enumerated list that prohibits manufacturers from requiring a dealer to pay a fee for canceling orders.

Appropriation: None.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony: PRO: Dealers enter one-sided contracts and are charged exorbitant fees for cancellation. You can only place an order once a year. Even if the economy wasn't as it is, the bill would still be warranted.

CON: Cancellation fees are only part of the costs incurred for finding another home for the cancelled product. In the absence of a financial penalty, dealers will not put any thought into what they are ordering. There has to be some risk.

Persons Testifying: PRO: Representative Wood, prime sponsor; James Boltz, Washington State Motorcross Dealer Association; Vicki Gray, South Sound Honda, South Bound Honda; Chris Paulson, Paulson's Motorsports.

CON: Warren Fossum, Yamaha Motorcorp, USA.