

REVENUE: No revenue impact

FISCAL: Fiscal statement issued

Action: Do Pass with Amendments to the A-Engrossed Measure (Print B-Eng.)

Vote: 4 - 0 - 1

Yeas: George, Schrader, Starr, Metsger

Nays: -

Exc.: Verger

Prepared By: Jim Stembridge, Administrator

Meeting Dates: 5/18, 5/27, 5/28

WHAT THE MEASURE DOES: Modifies the motor vehicle inventory for which the dealer may be allowed fair and reasonable compensation upon termination, cancellation, nonrenewal, or discontinuance of the franchise. Increases damage threshold for required disclosure to prospective purchaser of new motor vehicle from \$500 to \$1,000. Requires vehicle manufacturers to provide, within 30 days, to a dealer whose franchise has been cancelled specific reasons for the cancellation when another franchise in same market area was not cancelled. Requires that cancelled franchisee be offered franchise if new franchise is to be established or existing franchise is to be expanded into previous franchisee's market area. Encourages state contracting agencies to procure automobiles from dealers whose dealership agreements have been terminated as part of a bankruptcy or restructuring by an automobile manufacturer. Declares an emergency, effective upon passage.

ISSUES DISCUSSED:

- Purpose of the measure
- Position of major manufacturers
- Costs of repairing paint scratches and window chips
- Major manufacturer bankruptcy and fate of Oregon franchisees
- Effects of franchise termination on service departments and body shops
- Automobile dealership role in local community

EFFECT OF COMMITTEE AMENDMENT: Requires vehicle manufacturers to provide, within 30 days, to a dealer whose franchise has been cancelled specific reasons for the cancellation when another franchise in same market area was not cancelled. Requires that cancelled franchisee be offered franchise if new franchise is to be established or existing franchise is to be expanded into previous franchisee's market area. Authorizes Director of the Department of Consumer and Business Services to take appropriate action to enforce franchise sale statute. Encourages state contracting agencies to procure automobiles from dealers whose dealership agreements have been terminated as part of a bankruptcy or restructuring by an automobile manufacturer. Declares an emergency, effective upon passage.

BACKGROUND: ORS 650.145 outlines how "fair and reasonable compensation" is determined for a vehicle dealer when a franchise relationship is dissolved. Currently, part of the compensation includes "all new current model year motor vehicle inventory with a gross vehicle weight (GVW) rating of less than 8,500 pounds purchased from the manufacturer, distributor or importer that has not been materially altered, substantially damaged or driven for more than 300 miles." HB 2739-B removes the GVW limitation. HB 2739-B also increases the threshold amount of repaired damages from \$500 to \$1000 that is required to be included in a vehicle dealer's written disclosure to a purchaser of the new motor vehicle prior to entering into a sales contract.

HB 2739-B also provides additional rights to automobile dealerships where the dealership agreements have been terminated as part of a bankruptcy or restructuring by an automobile manufacturer. On April 30, Chrysler became the first major American automaker to seek bankruptcy protection since Studebaker in 1933. Several Oregon Chrysler dealer franchises have been cancelled as a result. General Motors is said to be preparing to cancel dealership franchises as well.

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This summary has not been adopted or officially endorsed by action of the committee.