

REVENUE: No revenue impact

FISCAL: Minimal fiscal impact, no statement issued

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

Vote: 3 - 0 - 2

Yeas: Atkinson, Metsger, Devlin

Nays: -

Exc.: Burdick, Ferrioli

Prepared By: Erin Seiler, Administrator

Jim Stenbridge, Committee Staff

Meeting Dates: 6/8

WHAT THE MEASURE DOES: Modifies 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 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 by manufacturers for reasons other than good cause. Declares an emergency, effective upon passage.

ISSUES DISCUSSED:

- Purposes of the measure
- Recent experiences of automobile dealerships

EFFECT OF COMMITTEE AMENDMENT: Extends provisions to any franchise agreement termination for reasons other than good cause pursuant to terms of the franchise agreement, rather than just bankruptcy. Deletes definition of "reasonable period of time." Deletes reference to Department of Consumer and Business Services action.

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-C removes the GVW limitation. HB 2739-C 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-C also provides additional rights to automobile dealerships where the dealership agreements have been terminated as part of a bankruptcy, restructuring, or any other reason other than for good cause (as provided within the franchise agreement) by an automobile manufacturer. On April 30th, 2009, Chrysler became the first major American automaker to seek bankruptcy protection since Studebaker in 1933, with six Oregon-based dealer franchises being cancelled as a result. General Motors (GM) filed for Chapter 11 bankruptcy protection on June 1st, 2009. Although the manufacturer has not formally announced whose dealerships' agreements will not be renewed, according to an article in the June 2nd, 2009 edition of *The Oregonian*, 18 of Oregon's 72 GM dealers have received notices.

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