

HOUSE BILL REPORT

HB 2208

As Reported by House Committee On:
Commerce & Labor

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

Brief Description: Prohibiting new motorsports vehicle dealers from having to pay for returning or canceling orders of new motorsports vehicles under certain conditions.

Sponsors: Representatives Hope, Kristiansen, Newhouse and McCune.

Brief History:

Committee Activity:

Commerce & Labor: 2/17/09, 2/20/09 [DPS].

Brief Summary of Substitute Bill

- Prohibits motorsports manufacturers from requiring dealers to pay a fee for canceling orders.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Chandler, Crouse, Green, Moeller and Williams.

Staff: Alison Hellberg (786-7152)

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;

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- 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.
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Summary of Substitute 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.

Substitute Bill Compared to Original Bill:

The provision prohibiting manufacturers from requiring dealers to pay for returning unused, undamaged, and unsold new motorsports vehicles is removed. Manufacturers are prohibited from requiring dealers to pay a fee for canceling orders. The requirement that the prohibition only apply when the average rate of total unemployment in the state equals or exceeds 6 percent is deleted. An emergency clause is added.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill includes an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) Manufacturers require dealers to buy a year's order in advance. The manufacturers provide a "suggested" order and dealers are penalized for not ordering what is suggested. The last orders were made in September when the economic situation was not so bad. Manufacturers recently started charging fees for canceling orders. Sometimes the units have not been shipped or even manufactured yet. With the current economic situation the fees have become excessive. This bill would give a dealer some bargaining power. This is an economic catastrophe.

Small business is the backbone of the state's economy. Dealers are working hard to preserve family wage jobs with benefits, but the manufacturers are making this difficult. Many dealers have been paying fees in the amount of a person's salary.

Language in the bill should be added to include the return of parts, accessories, tools, and computers. Also, it should be in effect all of the time and not just when the unemployment rate is at 6 percent.

(Opposed) None.

Persons Testifying: Representative Hope, prime sponsor; Chris Paulson, Paulson's Motorsports; Jim Powers, Lynnwood Motoplex; John Jabusch, ProCaliber Motorsports; and Bill Cameron, Skagit Powersports.

Persons Signed In To Testify But Not Testifying: None.