

HOUSE RESEARCH

Bill Summary

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Overview

This bill involves the contractual relationships of motor vehicle manufacturers and their franchise arrangements with their dealers. In general, the bill strengthens the legal position of dealers as compared to manufacturers.

Section

- 1** **Legislative purpose and intent.** States that the changes made in this bill are deemed to be reasonably foreseeable by motor vehicle dealers and manufacturers.
- 2** **Area of sales effectiveness.** Defines this term to mean the geographic area specified in a franchise agreement between a motor vehicle manufacturer or distributor and a motor vehicle dealer.
- 3** **Requirements.** Technical change.
- 4** **Unlawful acts by manufacturers, distributors, or factory branches.** Specifies what the term “reasonable facilities requirements” means for purposes of this section and two other sections. Says they do not include requiring exclusive facilities dedicated to the manufacturer of a line-make with some exceptions.
- 5** **Unfair practices by manufacturers, distributors, factory branches.** Changes the wording of the geographic area relevant for equal offers to all of the manufacturer’s dealers. Eliminates language relating to status in the year 2000. Specifies the consequences if a manufacturer denies a dealer’s request for transfer or assignment and does not exercise a right of first refusal to buy the business, permits either party to file a claim in court to determine whether the manufacturer had good cause and what damages the dealer suffered. Prohibits requiring dealers to adhere to a nonuniform performance standard. Requires that performance standards be fair, reasonable, equitable, and based on accurate information.
- 6** **Waivers and modifications prohibited.**

Subd. 1. Prohibition. Strikes a reference to a practice already prohibited in the

existing law referenced in the language stricken.

Subd. 1a. Site control agreements. Prohibits awarding a franchise or other concessions conditioned on the dealer entering into a site control or exclusive use agreement, as defined in the subdivision.

Subd. 2. Applicability. Provides that the new subdivision 1a does not apply to voluntary agreements with the dealer or the dealer's lessor.

- 7 **Successor manufacturers.** Rewrites and greatly expands the existing provision dealing with successive manufacturers, which refers to one motor vehicle manufacturer acquiring the rights of another one. Specifies a four-year period in which the successor manufacturer cannot do certain things in regard to a dealership arrangement, with some exceptions.
- 8 **Consolidations.** Requires manufacturers to permit two or more dealers selling the same line-make to consolidate ownership and facilities, with certain conditions including location of the merged dealership.
- 9 **Effective date.** Section 1 to 8 are effective the day following final enactment.