

HOUSE BILL 294

54TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2019

INTRODUCED BY

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AN ACT

RELATING TO MOTOR VEHICLES; ALLOWING MOTOR VEHICLE
MANUFACTURERS THAT SELL ONLY ELECTRIC VEHICLES POWERED BY
BATTERIES OR FUEL CELLS TO BE LICENSED AS MOTOR VEHICLE DEALERS
UNDER CERTAIN CONDITIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 57-16-5 NMSA 1978 (being Laws 1973,
Chapter 6, Section 5, as amended) is amended to read:

"57-16-5. UNLAWFUL ACTS--MANUFACTURERS--DISTRIBUTORS--
REPRESENTATIVES.--It is unlawful for a manufacturer,
distributor or representative to:

A. coerce or attempt to coerce a dealer to order or
accept delivery of a motor vehicle, appliances, equipment,
parts or accessories therefor or any other commodity that the
motor vehicle dealer has not voluntarily ordered;

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1 B. coerce or attempt to coerce a dealer to order or
2 accept delivery of a motor vehicle with special features,
3 appliances, accessories or equipment not included in the list
4 price of the motor vehicles as publicly advertised by the
5 manufacturer;

6 C. coerce or attempt to coerce a dealer to order
7 for any person any parts, accessories, equipment, machinery,
8 tools, appliances or any commodity whatsoever;

9 D. refuse to deliver, in reasonable quantities and
10 within a reasonable time after receipt of a dealer's order, to
11 a motor vehicle dealer having a franchise or contractual
12 arrangement for the retail sale of motor vehicles sold or
13 distributed by the manufacturer, distributor or representative,
14 those motor vehicles, parts or accessories covered by the
15 franchise or contract specifically publicly advertised by the
16 manufacturer, distributor or representative to be available for
17 immediate delivery; provided, however, the failure to deliver a
18 motor vehicle, parts or accessories shall not be considered a
19 violation of Chapter 57, Article 16 NMSA 1978 if the failure is
20 due to an act of God, work stoppage or delay due to a strike or
21 labor difficulty, shortage of materials, freight embargo or
22 other cause over which the manufacturer, distributor or
23 representative or an agent thereof has no control;

24 E. coerce or attempt to coerce a motor vehicle
25 dealer to enter into an agreement with the manufacturer,

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1 distributor or representative or to do any other act
2 prejudicial to the dealer by threatening to cancel a franchise
3 or a contractual agreement existing between the manufacturer,
4 distributor or representative and the dealer; provided,
5 however, that notice in good faith to a motor vehicle dealer of
6 the dealer's violation of the terms or provisions of the
7 franchise or contractual agreement does not constitute a
8 violation of Chapter 57, Article 16 NMSA 1978;

9 F. terminate or cancel the franchise or selling
10 agreement of a dealer without due cause. "Due cause" means a
11 material breach by a dealer, due to matters within the dealer's
12 control, of a lawful provision of a franchise or selling
13 agreement. As used in this subsection, "material breach" means
14 a contract violation that is substantial and significant. In
15 determining whether due cause exists under this subsection, the
16 court shall take into consideration only the dealer's sales in
17 relation to the business available to the dealer; the dealer's
18 investment and obligations; injury to the public welfare; the
19 adequacy of the dealer's sales and service facilities,
20 equipment and parts; the qualifications of the management,
21 sales and service personnel to provide the consumer with
22 reasonably good service and care of new motor vehicles; the
23 dealer's failure to comply with the requirements of the
24 franchise; and the harm to the manufacturer or distributor.

25 The nonrenewal of a franchise or selling agreement, without due

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1 cause, shall constitute an unfair termination or cancellation
2 regardless of the terms or provisions of the franchise or
3 selling agreement. The manufacturer, distributor or
4 representative shall notify a motor vehicle dealer in writing
5 by registered mail of the termination or cancellation of the
6 franchise or selling agreement of the dealer at least sixty
7 days before the effective date thereof, stating the specific
8 grounds for termination or cancellation; and the manufacturer,
9 distributor or representative shall notify a motor vehicle
10 dealer in writing by registered mail at least sixty days before
11 the contractual term of the dealer's franchise or selling
12 agreement expires that it will not be renewed, stating the
13 specific grounds for nonrenewal in those cases where there is
14 no intention to renew, and in no event shall the contractual
15 term of a franchise or selling agreement expire without the
16 written consent of the motor vehicle dealer involved prior to
17 the expiration of at least sixty days following the written
18 notice. During the sixty-day period, either party may in
19 appropriate circumstances petition a district court to modify
20 the sixty-day stay or to extend it pending a final
21 determination of proceedings on the merits. The court may
22 grant preliminary and final injunctive relief;

23 G. use false, deceptive or misleading advertising
24 in connection with the manufacturer's, distributor's or
25 representative's business;

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1 H. offer to sell or to sell a motor vehicle to a
2 motor vehicle dealer in this or any other state of the United
3 States at a lower actual price than the actual price offered to
4 any other motor vehicle dealer in this state for the same model
5 vehicle similarly equipped or to utilize devices, including
6 sales promotion plans or programs that result in a lesser
7 actual price; provided, however, the provisions of this
8 subsection do not apply to sales to a motor vehicle dealer for
9 resale to a unit of the United States government, the state or
10 its political subdivisions; and provided, further, the
11 provisions of this subsection do not apply to sales to a motor
12 vehicle dealer of a motor vehicle ultimately sold, donated or
13 used by the dealer in a driver education program; and provided,
14 further, that the provisions of this subsection do not apply if
15 a manufacturer, distributor or representative offers to sell or
16 sells new motor vehicles to all motor vehicle dealers at an
17 equal price. As used in this section, "actual price" means the
18 price to be paid by the dealer less any incentive paid by the
19 manufacturer, distributor or representative, whether paid to
20 the dealer or the ultimate purchaser of the vehicle. This
21 provision does not apply to sales by the manufacturer,
22 distributor or representatives to the United States government
23 or its agencies. The provisions of this subsection dealing
24 with vehicle prices in another state and defining actual price
25 do not apply to a manufacturer or distributor if all of the

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1 manufacturer's or distributor's dealers within fifty miles of a
2 neighboring state are given all cash or credit incentives
3 available in the neighboring state, whether the incentives are
4 offered by the manufacturer or distributor or a finance
5 subsidiary of either, affecting the price or financing terms of
6 a vehicle;

7 I. willfully discriminate, either directly or
8 indirectly, in price between different purchasers of a
9 commodity of like grade or quality where the effect of the
10 discrimination may be to lessen substantially competition or
11 tend to create a monopoly or to injure or destroy the business
12 of a competitor;

13 J. offer to sell or to sell parts or accessories to
14 a motor vehicle dealer for use in the dealer's own business for
15 the purpose of repairing or replacing the same or a comparable
16 part or accessory at a lower actual price than the actual price
17 charged to any other motor vehicle dealer for similar parts or
18 accessories for use in the dealer's own business; provided,
19 however, in those cases where motor vehicle dealers have a
20 franchise to operate and serve as wholesalers of parts and
21 accessories to retail outlets or other dealers, whether or not
22 the dealer is regularly designated as a wholesaler, nothing in
23 this section prevents a manufacturer, distributor or
24 representative from selling to the motor vehicle dealer who
25 operates and serves as a wholesaler of parts and accessories

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1 such parts and accessories as may be ordered by the motor
2 vehicle dealer for resale to retail outlets at a lower actual
3 price than the actual price charged a motor vehicle dealer who
4 does not operate or serve as a wholesaler of parts and
5 accessories;

6 K. prevent or attempt to prevent by contract or
7 otherwise a motor vehicle dealer from changing the capital
8 structure of the dealer's dealership or the means by or through
9 which the dealer finances the operation of the dealership, if
10 the dealer at all times meets any reasonable capital standards
11 agreed to between the dealer and the manufacturer, distributor
12 or representative, and if the change by the dealer does not
13 result in a change in the executive management control of the
14 dealership;

15 L. prevent or attempt to prevent by contract or
16 otherwise a motor vehicle dealer or an officer, partner or
17 stockholder of a motor vehicle dealer from selling or
18 transferring a part of the interest of any of them to any other
19 person or party; provided, however, that no dealer, officer,
20 partner or stockholder shall have the right to sell, transfer
21 or assign the franchise or power of management or control
22 thereunder without the consent of the manufacturer, distributor
23 or representative except that the manufacturer, distributor or
24 representative shall not withhold consent to the sale, transfer
25 or assignment of the franchise to a qualified buyer capable of

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1 being licensed in New Mexico and who meets the manufacturer's
2 or distributor's uniformly applied requirement for appointment
3 as a dealer. Uniform application shall not prevent the
4 application of a separate standard of consent for sale,
5 transfer or assignment to minority or women dealer candidates,
6 and shall not require the application of an identical standard
7 to all persons in all situations. The requirement of uniform
8 application shall be met if the manufacturer applies the same
9 set of standards, which takes into account business performance
10 and experience, financial qualifications, facility requirements
11 and other relevant characteristics; provided that, if two
12 dealers, persons or situations are identical, given the
13 characteristics considered in the standards, the two dealers,
14 persons or situations shall be treated identically, except as
15 provided in this subsection. Upon request, a manufacturer or
16 distributor shall provide its dealer with a copy of the
17 standards that are normally relied upon by the manufacturer or
18 distributor to evaluate a proposed sale, transfer or
19 assignment. A manufacturer, distributor or representative
20 shall send a letter by certified mail approving or withholding
21 consent within sixty calendar days of receiving the completed
22 application forms and related information requested by a
23 manufacturer or distributor as provided below. A manufacturer,
24 distributor or representative shall send its existing motor
25 vehicle dealer the necessary application forms and identify the

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1 related information required within twenty calendar days of
2 receiving written notice from the existing motor vehicle dealer
3 of the proposed sale or transfer. No manufacturer, distributor
4 or representative shall require any information not requested
5 in the twenty-day period, and submission of the information
6 requested within that period together with a completed form of
7 the application provided shall constitute a completed
8 application form. A request for consent shall be deemed
9 granted, and the manufacturer, distributor or representative
10 shall be estopped from denying the consent, if the consent has
11 not been expressly withheld during the applicable sixty-day
12 period;

13 M. obtain money, goods, services, anything of value
14 or any other benefit from any other person with whom the motor
15 vehicle dealer does business on account of or in relation to
16 the transactions between the dealer and the other person,
17 unless the benefit is promptly accounted for and transmitted to
18 the motor vehicle dealer;

19 N. require a motor vehicle dealer to assent to a
20 release, assignment, novation, waiver or estoppel that would
21 relieve a person from liability imposed by Chapter 57, Article
22 16 NMSA 1978;

23 O. require a motor vehicle dealer to provide
24 installment financing with a specified financial institution;

25 P. establish an additional franchise, including any

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1 franchise for a warranty or service facility outside of the
2 relevant market area of the dealer establishing the facility,
3 but excluding the relocation of existing franchises, for the
4 same line-make in a relevant market area where the same line-
5 make is presently being served by an existing motor vehicle
6 dealer if such addition would be inequitable to the existing
7 dealer; provided, however, that the sales and service needs of
8 the public shall be given due consideration in determining the
9 equities of the existing dealer. The sole fact that the
10 manufacturer, distributor or representative desires further
11 penetration of the market is not grounds for establishing an
12 additional franchise; provided, further, that the manufacturer,
13 distributor or representative shall give a ninety-day written
14 notice by registered mail to all same line-make dealers in a
15 relevant market area of its intention to establish an
16 additional franchise. As used in this section, "line-make"
17 means a motor vehicle that is offered for sale, lease or
18 distribution under a common name, trademark, service mark or
19 brand name of the manufacturer of that same motor vehicle;

20 Q. offer to sell or lease or to sell or lease a new
21 motor vehicle to a person, except a distributor, at a lower
22 actual price therefor than the actual price offered and charged
23 to a motor vehicle dealer for the same model vehicle similarly
24 equipped or to utilize any device that results in a lower
25 actual price;

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1 R. sell, lease or provide motorcycles, parts or
2 accessories to a person not a dealer or distributor for the
3 line-make sold, leased or provided. The provisions of this
4 subsection do not apply to sales, leases or provisions of motor
5 vehicles, parts or accessories by a manufacturer, distributor
6 or representative to the United States government or its
7 agencies or the state or its political subdivisions;

8 S. offer a finance program, either directly or
9 through an affiliate, based on the physical location of the
10 selling dealer or the residence of the buyer. The provisions
11 of this subsection do not apply to a manufacturer or
12 distributor that has no dealer within fifty miles of a state
13 line or if all of the manufacturer's or distributor's dealers
14 within that fifty miles are given all cash or credit incentives
15 available in the neighboring state, whether the incentives are
16 offered by the manufacturer or the distributor or a finance
17 subsidiary of either, affecting the price or financing terms of
18 a vehicle;

19 T. force a dealer to sell or relocate a franchise
20 with another manufacturer located at the same physical location
21 or consider the existence of another line-make at a dealership
22 for product allocation, successorship, location approval and
23 capitalization; provided that a manufacturer or distributor may
24 require that the dealer:

25 (1) meet the manufacturer's capitalization

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1 requirements;

2 (2) meet the manufacturer's facilities
3 requirements; and

4 (3) not have committed fraudulent acts;

5 U. enforce a right of first refusal or option to
6 purchase the dealership by a manufacturer or distributor or to
7 require a dealer to grant a right or option to a manufacturer
8 or distributor;

9 V. be licensed as a dealer or perform warranty or
10 other service or own an interest, directly or indirectly, in a
11 person licensed as a dealer or performing warranty or other
12 service; provided that a manufacturer:

13 (1) or distributor may own a person licensed
14 as a dealer for a reasonable time in order to dispose of an
15 interest acquired as a secured party or as part of a dealer
16 development program; and

17 (2) may be licensed as a dealer and may
18 perform warranty and other service, directly or indirectly
19 through a wholly owned entity; provided that the manufacturer:

20 (a) does not have any independent
21 franchise dealers in this state;

22 (b) sells and services only the line-
23 make of motor vehicles that it manufactures; and

24 (c) sells only electric vehicles powered
25 by batteries or fuel cells;

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1 W. fail to recognize and approve the transfer of a
2 dealership to a person named as a successor, donee, beneficiary
3 or devisee in a valid testamentary or trust instrument;
4 provided that a manufacturer or distributor may impose
5 standards or criteria used in a transfer;

6 X. impose capitalization requirements not necessary
7 to assure that the dealer can meet its financial obligations;

8 Y. compel a dealer through a finance subsidiary of
9 the manufacturer or distributor to agree to unreasonable
10 operating requirements or directly or indirectly to terminate a
11 dealer, except as allowed by Subsection F of this section,
12 through the actions of a finance subsidiary of the manufacturer
13 or distributor. This subsection shall not limit the right of a
14 financing entity to engage in business practices in accordance
15 with the usage of the trade in which it is engaged;

16 Z. require a dealer or the dealer's successor to
17 [~~(1)~~] construct a new dealership, require the relocation of an
18 existing dealership or substantially change, alter or remodel:

19 (1) a dealer's facility except as necessary to
20 comply with health or safety laws or to comply with technology
21 requirements necessary to sell or service vehicles; or

22 (2) [~~construct a new dealership, require~~
23 ~~relocation of an existing dealership or substantially change,~~
24 ~~alter or remodel~~] an existing dealership before the tenth
25 anniversary of the date that the construction or change,

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1 alteration or remodel of the dealership at that location was
2 completed if the construction was in substantial compliance
3 with standards or plans provided by a manufacturer, distributor
4 or representative;

5 AA. unreasonably withhold approval for a dealer to
6 purchase substantially similar goods or services related to the
7 construction, alteration, remodel or renovation of a dealership
8 facility from vendors of the dealer's choice. This subsection
9 shall not be construed to allow a dealer or vendor to infringe
10 upon or impair a manufacturer's trademark rights or to erect or
11 maintain a sign that does not conform to the manufacturer's
12 reasonable fabrication specifications and trademark usage
13 guidelines;

14 BB. use an unreasonable, arbitrary or unfair sales
15 or other performance standard in determining a franchise motor
16 vehicle dealer's compliance with a franchise agreement. The
17 manufacturer has the burden of proving the reasonableness of
18 its performance standards;

19 CC. fail to compensate a motor vehicle dealer for
20 labor and parts required for a dealer to perform necessary
21 repairs on an affected new or used motor vehicle pursuant to a
22 recall, do not drive order or stop sale order, if the dealer
23 holds a franchise of the same line-make as the subject vehicle;

24 DD. fail to compensate a motor vehicle dealer as
25 prescribed by Chapter 57, Article 16 NMSA 1978 for a delay in

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1 delivering parts or equipment needed to perform recall-related
2 repairs on an affected used motor vehicle in the dealer's
3 inventory that is subject to a do not drive order or stop sale
4 order, if the dealer holds a franchise of the same line-make as
5 the vehicle;

6 EE. subject to the manufacturer's audit rights
7 provided in Section 57-16-7 NMSA 1978, reduce compensation to a
8 motor vehicle dealer, process a charge back to a dealer, reduce
9 the amount of compensation that the manufacturer otherwise owes
10 to an individual dealer under an incentive program or remove an
11 individual dealer from an incentive program solely because the
12 motor vehicle dealer submitted a claim or received compensation
13 for a claim. This subsection does not prohibit a manufacturer
14 from modifying or discontinuing an incentive program
15 prospectively or from making ordinary business decisions; or

16 FF. use data, calculations or statistical
17 determinations of the sales performance of a motor vehicle
18 dealer to take adverse action against the motor vehicle dealer
19 for any period of time during which the dealer has at least
20 five percent of its total new and used motor vehicle inventory
21 subject to a stop sale order or do not drive order; provided
22 that the motor vehicle dealer's performance, as reflected in
23 the data, calculations or statistical determinations, is
24 adversely affected by the stop sale order or do not drive
25 order."

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