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HOUSE BILL 47

43RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 1997

INTRODUCED BY

MURRAY RYAN

FOR THE REVENUE STABILIZATION AND TAX POLICY COMMITTEE

AN ACT

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RELATING TO MOTOR VEHICLE DEALER FRANCHISES; ALLOWING AND PROHIBITING CERTAIN ACTS.

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

Section 1. Section 57-16-3 NMSA 1978 (being Laws 1973, Chapter 6, Section 3, as amended) is amended to read:

"57-16-3. DEFINITIONS.--As used in Chapter 57, Article 16 NMSA 1978:

A. "motor vehicle" means every self-propelled vehicle, having two or more wheels, by which a person or property may be transported on a public highway, and includes recreational vehicles;

B. "motor vehicle dealer" or "dealer" means any person who sells or solicits or advertises the sale of new or used motor vehicles. "Motor vehicle dealer" or "dealer" shall

not include:

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- (1) receivers, trustees, administrators, executors, guardians or other persons appointed by or acting under judgment, decree or order of any court;
- (2) public officers while performing their duties as such officers:
- persons making casual sales of their own vehicles duly registered and licensed to them by the state; or
- finance companies, banks and other lending institutions covering sales of repossessed vehicles;
- "person" means every natural person, partnership, corporation, association, trust, estate or any other legal entity;
- D. "manufacturer" means any person who manufactures or assembles new motor vehicles either within or outside of this state:
- Ε. "distributor" means any person who distributes or sells new or used motor vehicles to dealers and who is not a manufacturer:
- F. "representative" means any person who is or acts as an agent, employee or representative of a manufacturer or distributor and who performs any duties in this state relating to promoting the distribution or sale of new or used motor vehicles or contacts dealers in this state on behalf of a manufacturer or distributor;

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- G. "franchise" means an oral or written arrangement for a definite or indefinite period in which a manufacturer, distributor or representative grants to a motor vehicle dealer a license to use a trade name, service mark or related characteristic and in which there is a community of interest in the marketing of motor vehicles or services related to marketing, service or repair of motor vehicles at wholesale, retail, leasing or otherwise;
- H. "fraud" includes, in addition to its normal legal connotation, the following:
- (1) a misrepresentation in any manner, whether intentionally false or due to gross negligence, of a material fact;
- (2) a promise or representation not made honestly and in good faith; and
- (3) an intentional failure to disclose a material fact;
 - I. "sale" includes:
- (1) the issuance, transfer, agreement for transfer, exchange, pledge, hypothecation or mortgage in any form, whether by transfer in trust or otherwise, of any motor vehicle or interest therein or of any franchise related thereto; and
- (2) any option, subscription or other contract or solicitation looking to a sale or offer or attempt to sell in

any form, whether spoken or written. A gift or delivery of any motor vehicle or franchise with respect thereto with, or as, a bonus on account of the sale of anything shall be deemed a sale of such motor vehicle or franchise;

- J. "motorcycle" means any motor vehicle used on or off a public highway that has an unladen weight of less than one thousand five hundred pounds;
- K. "recreational vehicle" means any motor vehicle with a camping body that either has its own motive power or is drawn by another vehicle;
- L. "designated family member" means a spouse, child, grandchild, parent, brother or sister of a deceased or incapacitated dealer who is entitled to inherit the dealer's ownership interest in the dealership under the terms of a will or the laws of intestate succession in this state. In the case of an incapacitated dealer, the term means the person appointed by a court as the legal representative of the dealer's property. The term also includes the appointed and qualified personal representative and the testamentary trustee of a deceased dealer. However, the term shall be limited to mean only that individual designated by the motorcycle dealer in a written document filed with the manufacturer, distributor or representative in the event that such a document has been filed;

\$M\$ "current price" means an amount equal to the price listed in the manufacturer's or distributor's printed

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appl i c	abl e	tra	de	and	cash	di so	counts;			

- N. "dealer cost" means an amount equal to the sum of the original invoice price that the dealer paid for inventory and the cost of the delivery of the inventory from the manufacturer or distributor to the dealer, less applicable discounts; [and]
- 0. "inventory" means new or unused motorcycles, motorcycle attachments and repair parts that are provided by a manufacturer or distributor to a dealer under a franchise agreement and that are purchased within thirty-six months of the termination of the franchise or are listed in the manufacturer's or distributor's current sales manual or price list at the time that the franchise is terminated; and
- P. "relevant market area" means an area of a size specified in this subsection around an existing motor vehicle dealer's place of business. The size of the area shall be the greater of the area of responsibility specified in the dealer's franchise or a circle with a center at the dealer's place of business and a radius of:
- (1) seven miles, if the population of the county in which the dealership is located is two hundred fifty thousand or more;
- (2) fifteen miles, if the population of the county in which the dealership is located is less than two

hundred fifty thousand but is thirty-five thousand or more; or (3) twenty miles in all other cases.

If the existing and proposed dealerships are in different counties, the lesser of the applicable mileage limitations shall be used. For purposes of this subsection, the population of any area shall be determined in accordance with the most recent decennial census or the most recent population update from the national planning data corporation or other similar recognized source, whichever is later."

Section 2. 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 any manufacturer, distributor or representative to:

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

- B. coerce or attempt to coerce a dealer to order or accept delivery of any motor vehicle with special features, appliances, accessories or equipment not included in the list price of the motor vehicles as publicly advertised by the manufacturer;
- C. coerce or attempt to coerce a dealer to order for any person any parts, accessories, equipment, machinery, tools,

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appliances or any commodity whatsoever;

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

E. coerce or attempt to coerce any motor vehicle dealer to enter into any agreement with the manufacturer, distributor or representative or to do any other act prejudicial to the dealer by threatening to cancel any franchise or any contractual agreement existing between the manufacturer, distributor or representative and the dealer; provided, however, that notice in good faith to any motor vehicle dealer of the dealer's violation of any terms or provisions of the franchise or contractual agreement shall not constitute a violation of

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Chapter 57, Article 16 NMSA 1978;

terminate or cancel the franchise or selling agreement of any dealer without due cause. <u>Due cause shall</u> require, at a minimum, the use of standards applied equally to all dealers. A manufacturer or distributor shall provide a dealer or prospective purchaser of a dealership with a copy of such standards upon request. The nonrenewal of a franchise or selling agreement, without due cause, shall constitute an unfair termination or cancellation regardless of the terms or provisions of the franchise or selling agreement. manufacturer, distributor or representative shall notify a motor vehicle dealer in writing by registered mail of the termination or cancellation of the franchise or selling agreement of the dealer at least sixty days before the effective date thereof, stating the specific grounds for termination or cancellation; and the manufacturer, distributor or representative shall notify a motor vehicle dealer in writing by registered mail at least sixty days before the contractual term of his franchise or selling agreement expires that the same will not be renewed, stating the specific grounds for nonrenewal in those cases where there is no intention to renew, and in no event shall the contractual term of any franchise or selling agreement expire without the written consent of the motor vehicle dealer involved prior to the expiration of at least sixty days following the written notice. During the sixty-day period, either party may

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in appropriate circumstances petition a court to modify the sixty-day stay or to extend it pending a final determination of proceedings on the merits. The court shall have authority to grant preliminary and final injunctive relief;

- G. use false, deceptive or misleading advertising in connection with his business;
- offer to sell or to sell any motor vehicle to any motor vehicle dealer in this or any other state of the United States at a lower actual price than the actual price offered to any other motor vehicle dealer in this state for the same model vehicle similarly equipped or to utilize any device, including, but not limited to, sales promotion plans or programs that result in such lesser actual price; provided, however, the provisions of this subsection shall not apply to sales to a motor vehicle dealer for resale to any unit of the United States government, the state or any of its political subdivisions; and provided, further, the provisions of this subsection shall not apply to sales to a motor vehicle dealer of any motor vehicle ultimately sold, donated or used by the dealer in a driver education program, and provided, further, that the provisions of this subsection shall not apply so long as a manufacturer, distributor or representative offers to sell or sells new motor vehicles to all motor vehicle dealers at an equal price. the purposes of this subsection, "actual price" means the price to be paid by the dealer less any incentive paid by the

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manufacturer, distributor or representative, whether paid to the dealer or the ultimate purchaser of the vehicle. This provision shall not apply to sales by the manufacturer, distributor or representatives to the United States government or any agency The provisions of this subsection dealing with vehicle prices in any other state and defining actual price shall not apply to any manufacturer or distributor [which has no dealer within fifty miles of a state line, which dealer is in a different region from that other state] if all of the manufacturer's or distributor's dealers within fifty miles are given all cash or credit incentives, whether the incentives are offered by the manufacturer or distributor or a finance subsidiary of either, affecting the price or financing terms of a vehicle, which incentives are available in the neighboring state;

- I. willfully discriminate, either directly or indirectly, in price between different purchasers of a commodity of like grade or quality where the effect of the discrimination may be to lessen substantially competition or tend to create a monopoly or to injure or destroy the business of a competitor;
- J. offer to sell or to sell parts or accessories to any motor vehicle dealer for use in his own business for the purpose of repairing or replacing the same or a comparable part or accessory at a lower actual price than the actual price charged to any other motor vehicle dealer for similar parts or

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accessories for use in his own business; provided, however, in those cases where motor vehicle dealers have a franchise to operate and serve as wholesalers of parts and accessories to retail outlets or other dealers, whether or not the dealer is regularly designated as a wholesaler, nothing herein contained shall be construed to prevent a manufacturer, distributor or representative from selling to the motor vehicle dealer who operates and services as a wholesaler of parts and accessories such parts and accessories as may be ordered by the motor vehicle dealer for resale to retail outlets at a lower actual price than the actual price charged a motor vehicle dealer who does not operate or serve as a wholesaler of parts and accessories:

prevent or attempt to prevent by contract or otherwise any motor vehicle dealer from changing the capital structure of his dealership or the means by or through which he finances the operation of his dealership, provided the dealer at all times meets any reasonable capital standards agreed to between the dealership and the manufacturer, distributor or representative, and provided such change by the dealer does not result in a change in the executive management control of the deal ership;

prevent or attempt to prevent by contract or otherwise any motor vehicle dealer or any officer, partner or stockholder of any motor vehicle dealer from selling or

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transferring any part of the interest of any of them to any other person or party; provided, however, that no dealer, officer, partner or stockholder shall have the right to sell, transfer or assign the franchise or power of management or control thereunder without the consent of the manufacturer, distributor or representative except that consent [shall not be unreasonably withheld shall be granted or withheld in accordance with standards or criteria applied equally to all dealers. Copies of the standards or criteria, and all instances in which they have been applied, shall be furnished any dealer or prospective purchaser of a dealership. A manufacturer or distributor shall not deny or withhold approval based, in whole or in part, upon the manufacturer's or distributor's opinion or evaluation of the financial viability of the dealership;

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

- require a motor vehicle dealer to assent to a release, assignment, novation, waiver or estoppel that would relieve any person from liability imposed by Chapter 57, Article 16 NMSA 1978:
 - 0. require any motor vehicle dealer to provide

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installment financing with a specified financial institution;

- establish an additional franchise, including any Ρ. franchise for a warranty or service facility, but excluding the relocation of existing franchises, for the same line-make in a [community] relevant market area where the same line-make is presently being served by an existing motor vehicle dealer if such addition would be inequitable to the existing dealer; provided, however, that the sales and service needs of the public shall be given due consideration in determining the equities of the existing dealer. The sole fact that the manufacturer, distributor or representative desires further penetration of the market shall not be grounds for establishing an additional franchise; provided, further, that the manufacturer, distributor or representative shall give a ninetyday written notice by registered mail to all same line-make dealers in a [community] relevant market area of its intention to establish an additional franchise;
- Q. offer to sell, lease or to sell or lease any new motor vehicle to any person, except a distributor at a lower actual price therefor than the actual price offered and charged to a motor vehicle dealer for the same model vehicle similarly equipped or to utilize any device that results in such lesser actual price;
- R. sell, lease or provide motorcycles, parts or accessories to any person not a dealer or distributor for the

line-make sold, leased or provided. The provisions of this subsection shall not apply to sales, leases or provisions of motor vehicles, parts or accessories by manufacturer, distributor or representative to the United States government or any agency thereof or the state or any of its political subdivisions; [or]

S. offer any finance program, either directly or

through any affiliate, based on the physical location of the selling dealer or the residence of the buyer. The provisions of this subsection shall not apply to any manufacturer or distributor [which] that has no dealer within fifty miles of a state line [which dealer is in a different region from that other state] or if all of the manufacturer's or distributor's dealers within fifty miles are given all cash or credit incentives, whether the incentives are offered by the manufacturer or the distributor or a finance subsidiary of either, affecting the price or financing terms of a vehicle, which incentives are available in the neighboring state:

T. force a dealer to sell or relocate a franchise with another manufacturer located at the same physical location or consider the existence of another line-make at a dealership for any purpose, including product allocation, successorship, location approval and capitalization; provided that a manufacturer or distributor may impose requirements to assure that the dealership is capitalized reasonably given all its

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U. enforce any right of first refusal or option to purchase the dealership by a manufacturer or distributor or to require any dealer to grant such right to a manufacturer or di stri butor;

V. be licensed as a dealer or perform warranty or other service or own any interest, directly or indirectly, in a person <u>licensed</u> as a <u>dealer</u> or <u>performing</u> warranty or <u>other</u> service; provided that a manufacturer or distributor may own a person licensed as a dealer for a reasonable time in order to dispose of any interest acquired as a secured party or as part of a dealer development program;

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

X. impose capitalization requirements not necessary to assure that the dealership can meet its financial obligations or that are not applied equally to all dealers or apply requirements for facilities that are not applied equally to all dealers; or

Y. compel a dealer through a finance subsidiary of the manufacturer or distributor to agree to unreasonable operating requirements or directly or indirectly to terminate a

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dealer, except as allowed by Subsection F of Section 57-16-5 NMSA 1978, through the actions of a finance subsidiary of the manufacturer or distributor. This subsection shall not limit the right of a financing entity to engage in business practices in accordance with the usage of the trade in which it is engaged. "

Section 57-16-9 NMSA 1978 (being Laws 1973, Section 3. Chapter 6, Section 9) is amended to read:

"57-16-9. FRANCHISE RENEWAL--TERMINATION. -- Anything to the contrary notwithstanding, it [shall be] is unlawful for the manufacturer, distributor or representative without due cause to fail to renew on terms then equally available to all its motor vehicle dealers or their prospective purchasers, to terminate a franchise or to restrict the transfer of a franchise unless the dealer [shall receive] receives fair and reasonable compensation for the value of the business. Any person may enforce the provisions of this section whether or not the person is a deal er. "

Section 4. SEVERABILITY. -- If any part or application of this act is held invalid, the remainder or its application to other situations or persons shall not be affected.

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State of New Mexico House of Representatives

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FORTY-THIRD LEGISLATURE

FIRST SESSION, 1997

January 28, 1997

Mr. Speaker:

Your **BUSINESS AND INDUSTRY COMMITTEE**, to whom has been referred

HOUSE BILL 47

has had it under consideration and reports same with recommendation that it **DO PASS**, amended as follows:

 On page 13, line 3, before the comma insert "outside of the relevant market area of the dealer establishing the facility".

and thence referred to the **JUDICIARY COMMITTEE.**

HBI	C/HB 47			Page 18
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State of New Mexico House of Representatives

FORTY-THIRD LEGISLATURE FIRST SESSION, 1997

February 5, 1997

Mr. Speaker:

Your **JUDICIARY COMMITTEE**, to whom has been referred

HOUSE BILL 47, as amended

has had it under consideration and reports same with recommendation that it **DO PASS**, amended as follows:

- 1. On page 2, between lines 13 and 14, insert the following new subsection:
- "D. "prospective purchaser" means a person who has a bona fide written agreement to purchase a franchise;".
 - $2. \quad Rel\,etter\,\,the\,\,succeeding\,\,subsections\,\,accordingl\,y.$
- 3. On page 8, line 3, after the period strike the remainder of the line, strike all of lines 4 through 6, strike line 7 through the period and insert in lieu thereof:

"Due cause shall require a material breach by a dealer, due to

HJQ/HB 47, aa Page 20

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matters within the dealer's control, of a lawful provision of a franchise or selling agreement. As used in this subsection, "material breach" means a contract violation that is substantial and significant. In determining whether due cause exists under this subsection, the court shall take into consideration only the dealer's sales in relation to the business available to the dealer; the dealer's investment and obligations; injury to the public welfare; the adequacy of the dealer's sales and service facilities, equipment and parts; the qualifications of the management, sales and service personnel to provide the consumer with reasonably good service and care of new motor vehicles; the dealer's failure to comply with the requirements of the franchise; and the harm to the manufacturer or distributor.".

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On page 12, line 6, after "that" strike the remainder of 4. the line, strike lines 7 through 14 and insert in lieu thereof: the manufacturer, distributor or representative shall not withhold consent to the sale, transfer or assignment of the franchise to a qualified buyer capable of being licensed in New Mexico and who meets the manufacturer's or distributor's uniformly applied requirement for appointment as a dealer. Uni form application shall not prevent the application of a separate standard of consent for sale, transfer or assignment to minority br women dealer candidates, nor require the application of an identical standard to all persons in all situations. The requirement of uniform application shall be met if the manufacturer applies the same set of standards, which takes into account business performance and experience, financial

HJC/HB 47, aa Page 21

qualifications, facility requirements and other relevant characteristics; provided that, if two dealers, persons or situations are identical, given the characteristics considered in the standards, the two dealers, persons or situations shall be treated identically, except as provided in this subsection. Upon request, a manufacturer or distributor shall provide its dealer with a copy of the standards that are normally relied upon by the manufacturer or distributor to evaluate a proposed sale, transfer or assignment;".

- 5. On page 14, line 22, strike "any purpose, including".
- 6. On page 14, line 24, after "may" strike the remainder of the line and line 25 and on page 15, strike line 1 and insert in lieu thereof:

'requi re:

- (1) that the dealership meet the manufacturer's capitalization requirements;
- (2) that the dealership meet the manufacturer's facilities requirements; and
- (3) that the dealer not have committed fraudulent acts;"
 - 7. On page 15, line 19, after "obligations" insert "; or".

Underscored naterial = new [bracketed naterial] = delete

FORTY-THIRD LEGISLATURE FIRST SESSION, 1997

HJC	/HB 47, aa	Page 22
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2	8. On page 15, strike lines	s 20 through 22 in their entirety.
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4	9. On page 16, line 16 stri	ke "Any person" and insert in
5	lieu thereof "A prospective purch	
6	prospective puren	user .
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8		Respectfully submitted,
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HJC	/HB 47, aa	a					Page 23
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FORTY-THIRD LEGISLATURE FIRST SESSION, 1997

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5	FORTY- THIRD LEGISLATURE			
6	FIRST SESSION, 1997			
7				
8		March 6,	1997	
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10	Mr. President:			
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12	Your CORPORATIONS & TRANSPORTATION COM	ATTEE,	to	
13	whom has been referred			
14	HOUSE DITT AS an amount of			
15	HOUSE BILL 47, as anended			
16	has had it under consideration and reports same with			
	recommendation that it DO PASS .			
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