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FISCAL IMPACT REPORT

ORIGINAL DATE 2/2/18

SPONSOR SCORP LAST UPDATED _____ HB _____

SHORT TITLE Car Dealership Changes SB 27/SCORPCS/ec

ANALYST Romero

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		See Fiscal Implications	See Fiscal Implications			

(Parenthesis () Indicate Expenditure Decreases)

Duplicates HB 46

SOURCES OF INFORMATION

LFC Files

No Response Received From

Taxation and Revenue Department (TRD)

Response Received From

Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Senate Corporations and Transportation Substitute for Senate Bill 27

The substitute adds clarifying language throughout the bill to require motor vehicle manufactures to provide compensation for labor and parts to “perform necessary repairs” on affected motor vehicles. Additionally, the substitute adds an emergency clause.

The SCORP Substitute for Senate Bill 27 rearranges definitions in this section of law to be in alphabetical order and adds new definitions. The new definitions included in this bill are:

- Do not drive order – means a notice issued by the federal government or a manufacturer advising a motor vehicle dealer or an owner of a motor vehicle not to drive the vehicle until the vehicle has been repaired because the vehicle has a safety defect, fails to comply with a federal motor vehicle safety standard or fails to comply with an emissions standard;
- Stop sale order – means a notice issued by the federal government or a manufacturer prohibiting a motor vehicle dealer from leasing or selling and delivering at wholesale or retail a motor vehicle in the inventory of the dealer until the vehicle has been repaired

because the vehicle has a safety defect, fails to comply with a federal motor vehicle safety standard or fails to comply with an emissions standard; and

- Value of the used vehicle – means the average trade-in value indicated in an independent third party guide for a used motor vehicle of the same year, make, model and mileage.

The bill also adds five new sections of law relating to motor vehicle dealers franchising. These new sections make it unlawful for manufacturers to:

- discriminate or use arbitrary or unfair performance standards in determining a franchise dealer's compliance with a franchise agreement, and the manufacturer must provide justification for its performance standards;
- not compensate a dealer for reconditioning expenses and performing necessary repairs or for labor or parts required for a manufacturer recall, do not drive order, or stop sale order;
- not compensate a dealer for delay in delivery of parts or equipment needed to repair vehicles subject to a do not drive order or a stop sale order;
- reduce compensation, process a charge back, reduce the incentive amount, or remove a dealer from an incentive program;
- use data, calculations or statistical determinations of sales performance of a dealer while at least three percent of a dealer's total new and used inventory is subject to a stop sale order or do not drive order.

Regarding warranty and recall claims payments, a manufacturer, distributor or representative shall not deny a claim by a dealer for performing a required warranty repair, recall, do not drive order or stop sale order.

New material of the bill includes sections prohibiting the denial of claims based on technical errors and provides for certain compliance by manufactures to provide parts, equipment, and compensations resulting from do not drive or stop sale orders.

Finally, the bill includes an emergency clause.

FISCAL IMPLICATIONS

No fiscal implications.

IR/sb/al