

Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

SFA**BILL ANALYSIS**

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 1197 (as introduced 4-4-00)
Sponsor: Senator Mat J. Dunaskiss
Committee: Transportation and Tourism

Date Completed: 5-8-00

CONTENT

The bill would amend Public Act 118 of 1981, which regulates motor vehicle manufacturers, distributors, wholesalers, and dealers, to replace provisions under which a manufacturer, distributor, or wholesaler may not establish a dealership that would unfairly compete with a new motor vehicle dealer or distributor. The bill would:

- Prohibit a manufacturer, importer, or distributor from owning or operating a dealership or selling a new motor vehicle to a person other than a new motor vehicle dealer.**
- Prohibit a manufacturer, importer, or distributor from acting as a dealer or managing, operating, or having an interest in a dealership if its primary business were to repair new motor vehicles.**
- Revise the Act's definition of "manufacturer".**

Currently, a manufacturer, importer, or distributor is prohibited from establishing a dealership that would unfairly compete with a new motor vehicle dealer of the same line make operating under a dealer agreement with the manufacturer or distributor in the relevant market area. A manufacturer or distributor is not considered to be competing unfairly if it is operating a dealership temporarily for a reasonable period, operating a dealership that is for sale at a reasonable price, or operating a dealership with another person who has made a significant investment in the dealership and who will acquire full ownership of the dealership under reasonable terms and conditions. The bill would delete these provisions.

Under the bill, a manufacturer, importer, or distributor would be prohibited from owning an interest in a dealership, operating or controlling a dealership, acting in the capacity of a new motor vehicle dealer, or directly or indirectly selling or offering to sell a new motor vehicle to a person in the State other than a new motor vehicle dealer. The bill specifies that this prohibition would not apply to either of the following: the operation by a manufacturer or distributor of a dealership for a period of not more than one year, during the transition from one owner or operator to another; or, the ownership or control of a dealership by a manufacturer or distributor while the dealership was being sold under a bona fide contract or purchase option to the operator of the dealership.

A manufacturer, importer, or distributor also would be prohibited from engaging in business as a dealer or managing, controlling, operating, or directly or indirectly owning any interest in a dealership, if the primary business of the dealer or dealership were to perform repair services on new motor vehicles other than motor homes pursuant to a manufacturer's or franchiser's warranty.

"Manufacturer" currently is defined as any person who manufactures or assembles new motor vehicles; or any distributor, factory branch, or factory representative. The bill specifies that "manufacturer" would include a person affiliated with a manufacturer, and any person who directly, or indirectly through an intermediary, was controlled by or was under common control with a manufacturer.

MCL 445.1564 & 445.1574

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: E. Limbs

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.