

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

The meeting was called to order by SENATOR ROBERT V. TALKINGTON at
Chairperson

9:00 a.m./p.m. on Wednesday, February 22, 1984 in room 254-E of the Capitol.

All members were present except:

all present.

Committee staff present:

Fred Carman, Hank Avila, Rosalie Black

Conferees appearing before the committee:

SB 688 - Senator Richard Gannon; Ed DeSoignie, DOT; Sgt. William Jacobs, KS Highway Patrol;

SB 600 - Senator Tom Rehorn; Harley Duncan, Secretary of Revenue; Leo Hafner, Leg. Div. of Post Audit; Mary Ladasic, Treasurer's Office, Wyandotte County; Jack Quinlan, KS Motor Car Dealers Assoc.; Mark Gorges, Volvo-Saub Dealer, Wichita; Dean Trimmell, Ford-Mercury Dealer, Council Grove; Steve Wiechman, KS Auto Wreckers

The meeting was called to order by Senator Talkington, Chairman, to discuss Senate Bill No. 600 and Senate Bill No. 688.

In reference to SB 545 which was heard yesterday, testimony in opposition from Harold Shoaf representing Kansas Electric Cooperatives was passed out to each committee member. (See Attachment 1.)

Senator Morris moved to introduce the weights of large trucks hauled by the state proposal requested by Senator Gannon into the committee; seconded by Senator Hayden. The committee voted favorably for introduction.

SENATE BILL NO. 688 - HEARING

Senator Richard Gannon explained that SB 688 would require all combines transported on highways to be equipped with red flags, an oversize load sign and a rotating amber light on the lead vehicle. This would apply to combines that are being transported rather than driven. He added that the assumption by custom combine operators that a special permit is necessary is untrue and that the new measure not have language requiring a permit.

Ed DeSoignie indicated that DOT supports SB 688 and asked for striking of language in Lines 20 and 21 and to amend Section 1, Lines 21 and 22, to read similar to the following: "Any vehicle when transporting a combine upon a highway

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES,
room 254-E, Statehouse, at 9:00 a.m./p.m. on February 22, 1984.

SENATE BILL 688 - HEARING

in this state, for commercial farming purposes." (See Attachment 2.)

Sgt. William Jacobs reported that the patrol supports the bill for its safety factors in preventing occasional accidents caused by the transporting of combines.

The Chairman announced that he had received a letter from Morris Krug, Secretary-Treasurer, Kansas Association of Wheatgrowers, in opposition of SB 688.

SENATE BILL 600 - HEARING

Senator Tom Rehorn referred to an expose by the Kansas City Star and an audit done by the Legislative Division of Post Audit on misuse of dealer license tags. He recommended that the maximum number of license plates issued to a dealer be one plate for each 25 cars sold within the preceding twelve months and for the disallowance of spouses, corporate officers and personnel to use dealer tags unless they are directly involved in the daily operation of the dealers' business.

Leo Hafner pointed out that the division of post audit recommends that the Department of Revenue have more stringent regulations pertaining to dealers vehicle tags. He presented a dealer license plate audit listing abuses. (See Attachment 3.)

Harley Duncan said that the Department of Revenue will have 3,500 dealerships listed for 21,000-21,500 dealer license plates in 1984 which makes enforcement impossible. He asked for reconsideration of a bill which was repealed inadvertently which would re-insert penalties for dealer tag misuses that would not go through the Department of Revenue.

Mary Ladasic, speaking from a county treasurer's viewpoint in communicating with people who complain about misuse of dealers' tags, said it is difficult to explain that her office has no control over such tags.

Jack Quinlan, Mark Gorges and Dean Trimmell appeared in opposition stating that there is currently 95.5% compliance with present laws relating to dealer tags; if current law was enforced, there would be no complaints; limitation of tags would interfere with loaners and customer demonstrations; and asked that an ad hoc committee be established to study the problem. (See Attachments 4 - 6.)

Steve Wiechman was notified that his opposition statement would be entered into record. The statement indicated that his association has a problem involving the issuance of one tag for the retail sale of 25 vehicles, since many cars are not sold by retail but are sold between dealers and moved from location to location.

(See Attachment 7.)



Please PRINT Name, Address, the organization you represent, and the Number of the Bill in which you are interested. Thank you.

NAME	ADDRESS	ORGANIZATION	BILL NO.
Sgt. William Jacobs	TOPEKA	KANSAS HIGHWAY PATROL	SB 688
Z Shoop	"	KFC	SB 545
Pat Barnes	"	KMCA	SB 600
Jack A. Quinlan	"	KMCA	SB 600
Louis Stroup Jr.		KMU	SB 545
DEAN TRIMMER		KMCA	SB 600
GIL BROXTERMAN		"	"
MARC F. FORGES		KMCA	SB 600
WILLIAM L. KOBACH		BILL KOBACH BOUND-GMC	SB-600
Leo Hafner		Post Audit	SB-600
Harold B. Luntz		Dept. of Re.	SB-600
Andy T. Jones		Dept. of Re.	SB 600
Ed MULLINS		BUDGET	"
TREVA POTTER	TOPEKA	NORTHERN NAT. GAS	SB 545
Mary Indelic	Wdy. Co. Indreas		SB 600
Marc Woods		Dept. Re.	SB 600
Francine Werby		KDOT	
LARRY MORLAN		KDOT	SB 688
Jim McBride		united way of to, new	SB 545
Jim Sullinger		KC STAR	?
Ed DeSorgnie		KDOT	688

Attachment 1

SENATE TRANSPORTATION AND UTILITIES COMMITTEE
HEARINGS ON SENATE BILL 545
TESTIMONY SUBMITTED BY HAROLD SHOAF
FOR KANSAS ELECTRIC COOPERATIVES, INC.
FEBRUARY 21, 1984

Mr. Chairman and members of the Committee, my name is Harold Shoaf and I serve as Legislative Coordinator for Kansas Electric Cooperatives, Inc. (KEC) which is the statewide association representing thirty-six electric cooperatives in Kansas serving electricity to more than 333,000 consumer-members.

As we understand the intent of Senate Bill 545, it is to give the State Corporation Commission authority to allow a certain approved amount of electricity or gas to be sold at a lower rate than larger quantities of either gas or electricity. It seems to us the real issue before this Committee is whether or not the KCC should set rates based on volume or quantity of usage rather than cost of service.

RECs are very concerned regarding legislative mandates which would require implementation of any particular type of rate structure by the Corporation Commission not based on cost of service. We believe that such legislation could not be accomplished without innumerable laws governing each step and each facet of such regulation. Structuring of rates for electric utilities is a complicated, complex issue because rate structures that may benefit one class of consumers, may adversely affect another class of consumers.

It is our opinion that a rate structure not based on cost of service would have a very detrimental effect on the agricultural community of Kansas. RECs serve a very high percentage of farms and ranches in this state. Electricity on these farms and ranches is a production tool that has, through the years, been most instrumental in allowing Kansas farmers and ranchers to improve their efficiency of production so that they rank at the top of the list in efficiency

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as producers of food and fibre. There is no doubt that such circumstances have been to the benefit of all society. The utilization of large amounts of electrical power has been a vital contributor to this precedent. Electricity to the farmer is not a luxury, it is a necessity. In general, farmers and ranchers are larger consumers of electrical power than other residential consumers, and a rate schedule change not based on cost of service could be very detrimental to Kansas agriculture. As this Committee is aware, the agricultural economy is in a depressed state. Farmers and ranchers in Kansas are already having difficulty paying their bills, including their electric bills, and any structure of rates which would tend to incur additional costs based on increasing costs of electrical energy used, will adversely affect agriculture.

Much has been said about rate structures to provide relief for the poor and the elderly. Unfortunately, to our knowledge, such rate structures have not produced the desired results in those areas where they have been in effect, such as California, Tennessee, and the country of Italy. According to an article in Electric Week, the practice of rate structures in California, as a result of the California State Legislature's mandate, is a nightmare for consumers, state regulators, and the electric utilities. As an example, Pacific Gas & Electric Company says it needs 72 different residential rates to conform to the law. Originally the Company had five such rates. Regulatory officials in California say they are not sure what to advise utilities because proper adherence to the law as passed, also requires six different meters on each home. Specifically the California law calls for different rates for lighting, cooking, refrigeration, space and water heating, and different schedules for seasonal

periods of the year.

The Tennessee Valley Authority, the largest electric utility in the country, has made a very detailed study regarding the possible implementation of rate structures not based on cost. Their consensus is that serious problems result in obtaining the objectives which these rates theoretically are designed to produce. The study showed that large numbers of low income families used substantial amounts of electricity and therefore, the rate structure designed specifically to give a break to those consumers who use small amounts of electric energy would not benefit a high percentage of low income families. The summation of the study indicates that such rate structures would not help those now facing electric bills and could easily end up with low income families actually subsidizing large numbers of low use, but high income families who do not need a rate break.

In Mr. Moline's testimony on House Bill 2816 in 1982, he indicated that the states of Florida and Hawaii expressly rejected lifeline rates because of their potential conservation disincentive. He further stated artificially low prices may stimulate customers to use more electricity than they otherwise would. If the size of the initial block which is deemed essential is relatively large, the conservation disincentive could be substantial.

To the extent rates significantly depart from cost as the basic touchstone on which they are set, the ratemaking process becomes even more publicized and indeed akin to taxation.

Kansas RECs have concern and compassion for the low income and elderly in regard to their financial problems regarding payment of their electric bills. Many of this group of citizens live in rural Kansas and are served by RECs. We are aware that real problems exist

for people who are on a fixed income in the payment of escalating energy bills. We think social agencies in this state are in a better position to serve these needy people. Such social agencies are already established to administer to the needs of these groups of citizens. They have ways of knowing who is deserving of assistance and who is not so deserving.

In summary, we believe that any system of rate structure not based on cost-effectiveness will be detrimental to the production of agricultural products in our state and to the thousands of farmers and ranchers who are the consumer-members of Kansas RECs.

Mr. Chairman and members of the Committee, thank you for this opportunity to express our views on Senate Bill 545.

Attachment 2

KANSAS DEPARTMENT OF TRANSPORTATION

STATE OFFICE BUILDING—TOPEKA, KANSAS 66612



JOHN B. KEMP, Secretary of Transportation

JOHN CARLIN, Governor

MEMORANDUM TO: SENATE TRANSPORTATION AND UTILITIES COMMITTEE
FROM: KANSAS DEPARTMENT OF TRANSPORTATION
REGARDING: SENATE BILL 688
DATE: FEBRUARY 22, 1984

ONE OF THE BASIC FUNCTIONS OF THE KANSAS DEPARTMENT OF TRANSPORTATION IS TO PROVIDE A SAFE ENVIRONMENT ON OUR STATE'S HIGHWAYS TO ALL USERS; FROM THE VACATIONER TO THE COMMERCIAL CARRIER. THE BILL BEFORE YOU TODAY CONTRIBUTES TOWARDS PROVIDING A SAFER ENVIRONMENT FOR ALL HIGHWAY USERS.

UNDER THE PROVISIONS OF SENATE BILL 688 VEHICLES TRANSPORTING COMBINES WOULD BE REQUIRED TO PROVIDE ADEQUATE WARNING TO OTHER MOTOR VEHICLE OPERATORS VIA THE SAFETY MEASURES STIPULATED IN THE BILL. THESE MEASURES ARE CONSISTENT WITH THOSE APPLIED WHEN TRANSPORTING SIMILAR OVERWIDTH LOADS TO PROVIDE FOR:

- + PROTECTION OF THE MOTOR PUBLIC FROM POTENTIAL TRAFFIC HAZARDS,
AND
- + MAINTAINING AS CLOSE AS POSSIBLE THE NORMAL FLOW OF TRAFFIC
WITH A MINIMUM OF INTERFERENCE.

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SENATE TRANSPORTATION AND UTILITIES COMMITTEE
SENATE BILL 688
FEBRUARY 22, 1984
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THE INTENT OF THE BILL AS WE UNDERSTAND IT IS TO PROVIDE FOR THE SAFE MOVEMENT OF MEN AND EQUIPMENT DURING HARVEST OPERATIONS BY COMMERCIAL COMBINE OPERATIONS. IT IS NOT INTENDED TO ADDRESS THE FIELD TO FIELD MOVEMENTS OF AN INDIVIDUAL FARMING EITHER HIS OWN OR LEASED ACREAGE. TO CLARIFY THIS INTENT THE KDOT WOULD REQUEST THE COMMITTEE TO STRIKE LANGUAGE IN LINES 20 AND 21 BEGINNING WITH "EXCEPT AS PROVIDED IN SUBSECTION (a) OF K.S.A. 8-1911, AND AMENDMENTS THERETO, ANY ..." AND AMEND SECTION 1 LINES 21 AND 22 OF THE BILL TO READ SIMILAR TO THE FOLLOWING:

ANY VEHICLE WHEN TRANSPORTING A COMBINE UPON A HIGHWAY IN THIS STATE, FOR COMMERCIAL FARMING PURPOSES, IF THE ...

WE ASK THAT YOU GIVE FAVORABLE CONSIDERATION TO SENATE BILL 688.

HANDOUT
DEALER LICENSE PLATE AUDIT

Part A: Authorized Uses.

- The licensed vehicle dealer
- The licensed vehicle dealer's spouse
- Corporate officers of the dealership who are also full-time employees
- The sales manager and all other sales personnel who are full-time employees
- Any employee of the dealer when the use is directly connected to a particular business transaction
- A customer during a vehicle demonstration or when negotiating the purchase of a vehicle

Additional Authorized Uses.

- Service vehicles, loaner vehicles, and all other purposes incidental to the dealer's vehicle business

Part B: Ratios of D-Tags to Sales in Sampled Counties.

<u>County</u>	<u>Countywide Ratio of 1983 Dealer Plates to 1982 Sales</u>		
Cloud	1	per	5.4
Cowley	1	per	5.1
Johnson	1	per	3.9
Phillips	1	per	3.6
Sedgwick	1	per	4.5
Shawnee	1	per	5.0
Sumner County	1	per	3.9
Wyandotte	1	per	2.7
All Counties Combined	1	per	4.1

Part C: An Example of the Variance in the Number of Tags Issued to Similar-Sized Dealers.

<u>Sales Range</u>		<u>Salesmen</u>	<u>Sales</u>	<u>Tags</u>	<u>Ratio</u>
2,000-2,200	Dealer #1	40	2,086	190	1 to 11
	Dealer #2	29	2,115	60	1 to 35
	Dealer #3	34	2,177	100	1 to 22
	Dealer #4	11	2,180	35	1 to 62

Part D: Examples of Apparent Abuses.

- a company car at a company condominium in Colorado
- a coach at a State university
- dealer's children, who are not full-time salespersons
- wives of general managers and sales managers
- a purchasing agent for a major customer of a dealer
- the wife of a factory representative
- the wife of an attorney for a dealership
- a friend of a dealer living in another city

Before The Senate Committee on
Transportation and Utilities

Statement of Jack A. Quinlan
Representing K.M.C.D.A.
In Re Senate Bill No. 600

Mr. Chairman and members of the Committee, I am sure that by now it comes as no surprise to you that the association I represent, the Kansas Motor Car Dealers Association of Kansas, opposes Senate Bill No. 600 in its present form.

We were present when the summary of the Legislative Post Audit's findings were made to the Legislative Post Audit Committee in July of last year. That report reviewed a sample of 94 dealers in six counties with 1,538 dealer plates in an attempt to determine the incidence of misused plates. The sampling constituted approximately four percent of the licensed dealers and seven percent of the dealer plates issued for the year 1983. In the review, it was determined that there were 69 instances that the auditors felt to be misuse for an incidence of misuse in 4.5 percent of the cases. This meant then, insofar as this sampling goes, that there was a 95.5 percent compliance with the law relating to the use of dealer plates.

One might understand the report to suggest several solutions. One, and we believe a most important one, would be to increase the regularity of inspections and prosecution of violations by the Kansas Department of Revenue. In other words, enforcement of the present law. Secondly, the report would suggest that fewer dealer plates be issued. For example, it was suggested the Colorado or the Nebraska approach. The Secretary of the Department pointed in response to the findings that when

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the Colorado and Nebraska guidelines were applied to the large volume dealers, the Colorado approach would result in a greater number of plates in six of eleven cases and the Nebraska approach would do so in eight of eleven cases. It should be noted that the number of dealer plates issued in Kansas as of last July, 1983 had declined by over 3,200 or twelve percent since 1980.

The Department expressed concern better than I can. Up to the extent that attempts to control potential misuse are exercised through reductions in the number of plates issued, the risk of creating an impediment to the conduct of legitimate motor vehicle business is increased. This was pointed out by both Mr. Trimmell and Mr. Gorges in their presentations.

Now having said that, I can not in all good conscience stand before you and justify violations of the law. The present law is found in Kansas Statutes Annotated 8-2406 1983 Supp. and states in substance that new motor vehicle dealers and used motor vehicle dealers may authorize use of dealer plates assigned to such motor vehicle dealers as follows:

1. The licensed motor vehicle dealer and such dealer's spouse;
2. The corporate officers of the licensed motor vehicle dealer when such corporate officers are full-time employees thereof;
3. The sales manager and all other sales personnel when such manager and sales personnel are full-time employees thereof and are properly licensed in Kansas;

4. Any employee of such motor vehicle dealer when the use thereof is directly connected to a particular business transaction of such motor vehicle dealer; and

5. The customer, when operating a motor vehicle in connection with negotiations to purchase such motor vehicle or during a demonstration of such motor vehicle.

Let me digress by saying that the use of dealer tags was first restricted through regulation of the Department and several years ago the Legislature saw fit to limit the use of dealer plates by legislation so that what we have now is much more restrictive than what we had a few years back. In short, I would submit for your consideration that if the present law were enforced, we would soon not be receiving complaints that there was a misuse of dealer plates.

Senate Bill 600 of course, on page two thereof, limits the use of dealer plates to a customer when operating a motor vehicle in connection with negotiations to purchase or during a demonstration of such motor vehicle and employees of the dealer when directly involved in the daily operation of the dealer's business.

Now members of the Committee, on February 8, you held a hearing on Senate Bill 618 which recently passed the Senate by a somewhat narrow margin which would require the licensure and open book examination of motor vehicle salesmen. We requested that bill in order that we might as an industry more closely regulate through self-help, the handling of motor vehicle transactions in

the State of Kansas including, and certainly not limited to, misuse of dealer plates. It is interesting to note that the Secretary of the Department as a part of his response to the findings of the Committee, made the following statement:

"The development of an appropriate guideline could well require information which is no longer available to the Department. In particular, we are concerned about the fact that the Department no has authority to license vehicle dealer sales personnel. This authority was repealed by the 1983 Legislature subsequent to a recommendation to do so in a Post Audit sunset review of the Dealer Licensing Bureau. Thus, independent and verifiable information on the number of sales personnel cannot be easily obtained."

Now in closing, Mr. Chairman, I would be remiss if I did not report to this Committee that I have received most courteous consideration by Senator Rehorn, the author of this bill. Obviously, he has secured our attention and I believe after having an opportunity to visit with Senator Rehorn, he is well aware of some of the problems that might be presented by this bill. The fact that he is aware of them does not necessarily mean that he is sympathetic to the position of Kansas Motor Car Dealers Association. However, it has been suggested by one state representative who is very much interested in doing something about dealer tags, than an ad hoc committee consisting of legislators and perhaps employees of the Department of Revenue would be appropriate to make an interim study seeking a solution

to this problem. In addition thereto, this representative has suggested in very broad parameters that consideration could be given to a different form of tag which for lack of a better name could be referred to as a "dealer personal tag". This would require some modest payment for a tag that would not be easily identifiable as a dealer tag and would be indistinguishable from any tag that you might have on your vehicle which would give the dealer and his spouse and others an opportunity to drive the vehicle without having to take the vehicle out of inventory, title the vehicle, and thus make a used vehicle out of it. Dealers regularly have customers who are interested in purchasing "demonstrators" which have been driven by salesmen, or the owner, and have low mileage. And quite frankly, a demonstrator identical to a titled vehicle which is now a used vehicle, brings more money than does the used vehicle.

We would, of course, support a study by such an ad hoc committee as has been suggested and would be willing to furnish to that committee, any and all information we might have to assist in a solution. I would say to you that being well aware of this problem for several years now, we have attempted to police our own industry and we have now reached the point where members of our association are encouraged to call our office here in Topeka and advise them of any violations they may see by any dealer. The office then in turn will contact that dealer and advise that dealer that there is a violation that has been reported and if the violation persists this violation will have

to be reported to the Kansas Department of Revenue for possible action. We believe that if our dealers (approximately ninety-five percent of them, are abiding the law) will make it a point to assist in the enforcement of the law it will go a long way in cleaning up the problems.

Any of our conferees are now willing to answer questions. Thank you.

STATEMENT

to the

SENATE COMMITTEE ON TRANSPORTATION & UTILITIES

Regarding SB 600

Wednesday, February 22, 1984

Mr. Chairman and Members of the Committee. I am Marc Gorges, President of Gorges Volvo-Saab-Volkswagen, Wichita, and, President of the Kansas Motor Car Dealers Association. I appreciate the opportunity to come before you today in opposition of SB 600.

While no dealer will deny that there are abuses concerning the use of dealer tags, I would suggest to you that the provisions contained in this bill will not solve the problems that exist. The problem does not lie entirely with the number of tags issued or dealers licensed, it basically lies with the ability of the law enforcement agencies being able to adequately enforce the present law.

In my opinion, we have very stringent statues already in place. The only people allowed to drive dealer owned vehicles on dealer tags for personal use are the dealer and spouse, corporate officers who are full time employees, and the sales manager and sales personnel who are full time employees of the dealership. Children, parents, relatives, friends, etc., are not allowed to drive on dealer tags. Admittedly it happens, but that is where the enforcement comes in. If there were a crackdown by law enforcement, I feel that this practice would come to an abrupt halt.

The passage of SB 600 would not solve the above mentioned problem. You would still see dealer tags on the street, legal and illegal, and the problem would still exist.

As president of the Kansas Motor Car Dealers Association, I can assure you that dealer tag use and abuse has been a topic of conversation and concern

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for many years.

Our Association is continually urging dealers to comply with the law for the very reason we are here today. If the dealers do not comply, then adverse legislation such as this will sooner or later be passed. However, I would remind you that we are only 400 franchised dealers statewide. There are many times that number who are in the used vehicle, motorcycle, recreational vehicle, and trailer business who are not members of our Association because they are not franchised dealers. For example, in checking the number of licensed dealers in Sedgwick county, I found that there are 403 licensed dealers in my county. Of that 403, only 32 are franchised new car and/or truck dealers. We are trying to clean up our own house, but we can't do anything about the other 371.

SB 600 also suggests that only 1 dealer tag should be issued for every 25 retail sales. While I agree with the concept of limiting, to some degree, the number of tags issued, I feel that the 1 per 25 ratio is too restrictive. It would not be as much of a problem for large dealers that sell 1000 or more vehicles per year, but it would be very damaging to small dealers. While I have a dealership in Wichita, I do not consider myself a "large" dealer because of the number of units I sell. I do not sell in the 1000 + category so I would probably not be able to receive more than 40 tags. If the use of say 40 tags was limited to customer demonstration and dealership business as this bill suggests, plus the use on vehicles loaned to service customers while their vehicle is being repaired, I would be out of tags almost everyday, and on some days, would not have a tag available for use by a prospective purchaser wanting to take a demonstration drive. Take that example and apply it to a franchised dealer from a small town who may sell only 50-100 vehicles per year, and apply the same uses which would be allowed under this bill, and how in the world could he operate and conduct business with only 2-4 tags.

This would have broad effects on my association's members as approximately 260 of our almost 400 members sell less than 200 new units per year, 172 of that 260 selling less than 50 new units per year.

Mr. Chairman and Members of the Committee, I assure you that no one wants to do more to clean-up the dealer tag situation and problem than the Kansas Motor Car Dealers Association members, but SB 600 is not the answer I urge you strongly to consider the bill's ramifications and to report the bill adversely.

Thank you for your attention, and I would be happy to answer any questions.

STATEMENT

to the

SENATE COMMITTEE ON TRANSPORTATION & UTILITIES

Wednesday, February 22, 1984

SB 600

Mr. Chairman and Members of the Committee. I am Dean Trimmell, President of Trimmell Ford in Council Grove, and Chairman of the Kansas Motor Car Dealers Association Legislative Committee. I, too, come before you today in opposition to SB 600.

As referred to in previous testimony, there are over 260 franchised dealers in Kansas who sell less than 200 new units annually, and I am one of those dealers. I can assure you from personal experience that if I were limited to 1 tag per every 25 retail sales, that my business and ability to serve my customers would suffer. Regularly, we loan vehicles to customers who have their personal vehicle into the dealership for repair, and we loan those out on dealer tags, which is perfectly legal. But, in my case, if I only had, for example, 6 dealer tags, it is very possible that I could have a combination of loaners and customer demonstrations in excess of 6 tags on any given day. As a businessman, it is going to be real hard for me to tell a customer who walks in and wants to try out a brand new \$10,000-\$12,000 car that he's going to have to wait an hour or so, or maybe even come back tomorrow, until one of my other customers returns with one of my dealer tags. If I told you that when you came into my dealership, would you wait around?

All dealership owned vehicles are always available for sale to anyone who wants to buy it. Under the provisions of this bill, we would have to title and register vehicles for personal use which very well might be sold in a matter of a few days or weeks, even possibly before we received title back from the state. The paperwork involved would be tremendous and costly.

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Dealers must have the flexibility to demonstrate their product without incurring costs that would only drive up the cost of the vehicle to the ultimate purchaser. If we had to title and register vehicles which are ultimately going to be sold, there would be many costs that we would have to add to the selling price to make up for fees and taxes paid when the vehicle was titled and registered.

We feel that almost any use of a vehicle by sales personnel is in the course of business as we would hope that there are always individuals interested in purchasing our merchandise. Many times, salesman and dealers will make calls on prospective customers in the evening or on their way to or from work. With this, many times they will drive a different vehicle each day depending on what a customer may be interested in. If we were required to title and register any vehicle taken off the lot for other than demonstration purposes, it would be very restrictive as we never really know what vehicle would need to be registered.

Finally, I would like to point out that the sales persons, dealers, spouses, and corporate officers who are using these vehicles for personal use are not using them for free. Federal and state tax laws require that the personal use be reported as income, either by the person actually paying for the use, or by the value being shown as "other income" on their W-2 forms. In either case, both the federal and state coffers are receiving income tax from this personal use.

Mr. Chairman and Members of the Committee, we recognize that this is a very emotional issue, and that there are problems, but, we do not think that SB 600 is the answer. We would hope that you would report SB 600 adversely, and if you feel there is a strong need for reform, that a study of this be recommended so that adequate time be allowed to come up with a workable solution.

Attachment 7

Kansas Automotive Wreckers Association

Executive Offices

SENATE COMMITTEE ON TRANSPORTATION
SENATE BILL 600

February 22, 1984

Mr. Chairman, Members of the Committee:

Thank you for the opportunity to appear before you today on Senate Bill 600. The Kansas Automotive Wreckers Association appears before you in opposition to the bill, as written. We realize that there are abuses of the use of vehicle dealer license tags. With the benefit of any privilege comes abuses of that privilege, and I am sure that each of you can personally recall privileges that you may enjoy that are abused by others.

Dealer license tags are a way for vehicle dealers to operate vehicles in the dealer's inventory without purchasing a registration plate and title. This simplifies taxing, titling and registration requirements for those who are legitimately in the business of buying and selling vehicles.

The bill before you proposes a standard for the issuance of dealer license tags, that being the sale of 25 motor vehicles at retail for each tag. Our association's difficulty is that many vehicles we sell are not sold at retail but are sold between dealers and must be moved from location to location. There are certain vehicles which, when purchased by a dealer, are operational, yet if the sale of a vehicle is on a non-highway title, it is not a sale at retail. Therefore, we would request that in Line 24, the words "at retail" need to be deleted and the following words inserted after "sold", "transferred, traded, assigned or exchanged."

For a number of years, our association has supported the creation of standards for the issuance of dealer licenses and tags. We supported the requirement for five (5) sales each year to qualify for a dealer's license. We believe that if the number of vehicles sold is to be used as a basis for dealer tags or plates, that five (5) vehicles must move through the dealers inventory for each tag received. This will allow consideration of the affect of such a standard upon the industry without causing an already laboring business to experience another setback.

As you know, certain vehicles are retained in dealer's inventory as demonstrators for salesmen, managers and corporate

officers. Part of the reasoning for dealer license tags is for the ease of transfer of ownership of vehicles without being caught in a paper chase. There is an obvious concern for D-tag abuse. The primary need is the ease of transfer of vehicles and the ability to use vehicles in the dealer inventory without problems. Therefore, maybe an alternative to the D-tag dilemma is to add a decal to dealer tags, much the same as the truck weight decal indicating "FULL PRIVILEGE." These tags would be purchased for the full registration price and could be used by any person connected with the dealership as long as the vehicle on which the license tag is displayed is properly in the dealer's inventory and available for sale. Tags without decals could continue to be sold for the present \$10.00 fee and used as set forth in the remainder of the bill.

The restriction of the bill at Line 52 makes no provision for a sole proprietor or a partnership where the owner is the only person in the facility. The wording contemplates corporate ownership of a dealership or a non-operating owner. I raise the issue to discover just what the intent is. Our association would oppose this wording if it is meant to only apply to corporate owners.

Additionally, there appears to be a constitutionally vague standard as to the meaning of "daily operation" and what is "directly involved" in the dealer business. We believe "FULL PRIVILEGE" plates may be the alternative answer to the problem. This approach would increase revenues, distinguish types of dealer license tags and hopefully address the discomfort some feel when they see a dealer's license tag in what they would believe to be an unauthorized use.

Thank you for the opportunity to appear before you and express our concerns, needs and recommendations. I will be happy to attempt to address any questions that you may have.

Respectfully,

Steven R. Wiechman
Legislative Counsel
Kansas Automotive Wreckers
Association