

Approved: 3/18/96
Date

MINUTES OF THE HOUSE COMMITTEE ON TRANSPORTATION.

The meeting was called to order by Chairperson Kenneth King at 1:30 p.m. on March 14, 1996 in Room 526-S of the Capitol.

All members were present except:
All present

Committee staff present: Hank Avila, Legislative Research Department
Tom Severn, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Ellie Luthye, Committee Secretary

Conferees appearing before the committee:
Michael Meacham, Governmental Relations Council
Paul Davis, Kansas Automotive Recyclers Association
Randy Hearrell, Topeka Salvage Pool, Inc.
Pam Somerville, Kansas Automobile Dealers Association

Others attending: See attached list

SB 254 - salvage vehicle dealers, salvage vehicle pools

Hearings opened. Staff gave a briefing on the changes in the bill which relates to the regulation of salvage vehicle dealers and salvage vehicle pools.

The first conferee was Mike Meacham who stood in favor of the bill and introduced Paul Davis of the Kansas Automotive Recyclers Association.

Paul Davis gave a background of the bill and listed several of the requirements set forth to operate a licensed salvage yard. He stated one of the provisions of the bill would impose the obligation on salvage pools to collect Kansas Retail Sales Tax when they sell to a person who is not a licensed dealer which would achieve parity between salvage pools and salvage yards. He concluded all they were asking for in this bill is that business organizations in similar kinds of work be treated equally. (Attachment 1)

Randy Hearrell, Topeka Salvage Pool, Inc., appeared in opposition to the bill, stating the legislation was thoroughly considered in 1993 and 1994 and with the passage of several bills, which he listed, felt the proposed sections duplicate existing sections and are unnecessary. (Attachment 2)

Following questions by the committee the Chair closed hearings on **SB 254**.

SB 574 - cancellation of agreements between vehicle dealers and manufacturers

Hearing opened. Staff gave a briefing on the bill calling special attention to page 6, (h) which states subsections (e), (f) and (g) shall not apply to any first or second stage manufacturer or distributor of motorcycles as defined in article 1 of chapter 8 of the Kansas statutes annotated.

Pam Somerville appeared in support of **SB 574**. She stated the bill simply refines and expands the provisions of K.S.A. 8-2414 which addresses the cancellation, termination or nonrenewal of a dealers franchise agreement. She pointed out the provisions of the bill the Association feel are important and closed by saying their members want to continue to be competitive and provide the products and services that customers demand in each of their communities, regardless of whether they are rural or urban. They are fearful that without this legislation, there are parts of the state that would not be able to service the products that are currently available to the consumers. She asked support of this bill. (Attachment 3)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TRANSPORTATION, Room 526-S Statehouse, at 1:30 p.m. on March 14, 1996.

Rich Davis of the Kansas Motorcycle Industry Council requested (h) be deleted from the bill, stating if this exemption is left in the bill it would essentially cut the motorcycle dealer industry out of the system. This exemption was requested by the motorcycle manufacturers and not the dealers. He stated the KMIC supported the bill if (h) was deleted.

Following questions from the committee the Chair closed hearings on SB 574.

SB 491 - abolishing the state highway advisory commission.

The Chair called for discussion and final action on this bill.

Representative Myers made a conceptual motion to amend SB 491, to strike appropriate language and to sunset the highway commission in July, 1997, seconded by Representative Pauls.

Representative Powell made a substitute motion to pass SB 491 favorably, seconded by Representative Pottorff and the motion failed.

Representative Shore made a substitute motion to table SB 491, seconded by Representative Dillon and the motion carried.

The Chair adjourned the meeting at 2:40 p.m.

The next meeting is scheduled for March 18, 1996.

HOUSE TRANSPORTATION COMMITTEE GUEST LIST

DATE: March 14, 1996

| NAME | REPRESENTING |
|--------------------|-------------------------|
| Jennifer Bauer | Riley |
| Gay Beth Moore | Haskell Co. Farm Bureau |
| Clint Krasnicka | Winona |
| Kris Kirk | Winona |
| Nir Han | |
| Robert Morris | |
| Cystal Collins | Winona, (Logan) |
| Kenia Boyd | Logan |
| Aaron Hamburg | Logan |
| Theresa Higbie | Montgomery |
| Molly M. Maske | Winona (Logan) |
| Juan Schetz | Logan |
| Rachel Kirkpatrick | Montgomery |
| Dawn Bayless | Montgomery |
| Raquelle Bainter | Sheridan |
| Hayley Leonard | Sheridan |
| Susan Weis | SHERIDAN |
| Micalyn Scott | HOXIE (Sheridan) |
| Summer M. Schuyers | Sheridan (Hoxie) |

HOUSE TRANSPORTATION COMMITTEE GUEST LIST

DATE: March 14 1996

| NAME | REPRESENTING |
|-------------------|---------------------|
| JASON CAMERON | Osage County |
| Crystal Walgenist | " " |
| Suzanne Stieber | Rush |
| Echo Gost | " |
| Billy Simen | Ness |
| Peter Jaeger | Ness |
| Fred Petersilie | Ness Co. |
| Mike Cupper | Reno |
| Eden James | KAR Association |
| Carl M. J. | KADA |
| John Federico | Pete McGill + Assoc |
| Tom Reinhart | Ford Motor Company |
| Mike Meacham | KARA |
| Gene E. Van | KARA |
| | |
| | |
| | |
| | |
| | |

Kansas Automotive Recyclers Association

Testimony on Senate Bill 254

House Committee on Transportation

March 14, 1996

Chairman King, Members of the Committee:

I am Paul Davis, a Kansas automotive dismantler and recycler, and owner of A Plus Parts and Salvage in Wichita. I appreciate the opportunity to appear before you on Senate Bill 254.

This seems to have become the bill that would not die. There is a reason for this. Some people are convinced this is important. Two years of work led to the passage by the Senate of the bill that preceded SB 254 (back in 1994). It became entangled on the House side and went down to the last hour of the last days in conference committee.

In the past we have inquired of the division of vehicles as to whether regulations or legislation would be required to address what we believe are opportunities for improper transactions. The division suggested to us to request changed in the state law that we believe would be in the best interest of the industry and consumers. The bill before you is a result of much study and research of other states' laws and how those states addressed similar situations.

*House Transportation Committee
March 14, 1996
Attachment 1*

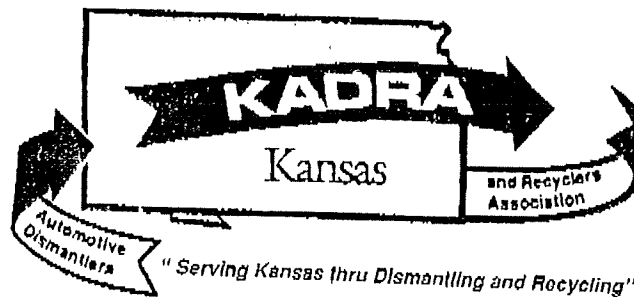
One more note about the process surrounding this bill. Last year, at the behest of the Senate Sub-committee which handled this bill, we endeavored to work with opponents of the measure to make it fair and even handed. We worked specifically with representatives of the Topeka Salvage Pool to modify provisions of this bill they regard as objectionable. Our understanding is that we were successful in that regard. As I now understand it, they will appear before you today to object to collecting sales tax on their retail sales. Perhaps it would be appropriate for us as Salvage Yard operators to request an exemption from sales tax in order to achieve a level playing field between our businesses and the Salvage Pools because, to the extent we sell vehicles and parts at retail, we are performing identical functions.

SB 254 sets forth several requirements to operate a licensed Salvage Yard. In order to be eligible for a Salvage Yard License, a salvage yard must have at least 40,000 square feet of storage space which must be shielded by a fence or hedge 6 to 10 feet high. The salvage yard must also have a minimum office space of 1,000 square feet devoted to sales transactions and maintenance of records. A number of record keep requirements are also included in this bill. The Kansas Automotive Recyclers Association endorses all these provisions as good for Kansas consumers and we regard them as helpful to law enforcement in fighting the problems associated with stolen vehicles.

With regard to Salvage Pools, SB 254 places similar requirements on Salvage Pools as are placed on Salvage Yards. Additionally, in order to achieve parity between Salvage Pool and Salvage Yards, the bill would impose the obligation on Salvage Pools to collect Kansas Retail Sales Tax when they sell a car retail --- that is, when they sell the car to a person who is not a licensed dealer. This provision assures that when a Salvage Pool engages in a business practice also performed by a

Salvage Yard that the law treats the two equally. That is all we seek in asking your favorable treatment of this legislation --- that business organizations in similar kinds of work be treated equally.

We appreciate the opportunity to come before you --- again, as we have been seeking this legislation for many years --- to request that you restore integrity and equality in the laws that govern the conduct of the businesses we represent. I would be happy to answer any questions you may have.



March 13, 1995

Mr. Randy Hearrell
Topeka Salvage Pool, Inc.
729 NE Kincaid Rd.
Topeka, KS 66616

Re: SB 254

Dear Mr. Hearrell:

K.A.D.R.A. wishes to express our appreciation for your input during the hearing in the Senate Transportation & Utilities Committee today. We are also grateful for your spirit of cooperation during the meeting with Senator Vidricksen following the Committee meeting.

It is our understanding that the following agreed changes will be made to those portions of the bill that affect salvage vehicle pools:

Page 14 at Line 20, deletion of the language "to provide verification of mileage at the time of sale, unless such vehicle is included in the exceptions as set forth in K.S.A. 8-135, and amendments thereto;"

Page 14 at Line 25, deletion of the language "(E) sell any vehicle without disclosing the true owner of such vehicle prior to sale."

Page 14 deletion of Lines 27 through 43.

Page 15 deletion of Lines 1 through 19.

Executive Office
 1101 W. 10 Topeka, Kansas 66604
 913-233-1666 - Fax - 233-8893

In addition, there will be provisions made to include a representative of the salvage vehicle pools as a member of the Kansas Dealer Review Board.

You stated in the meeting with Senator Vidricksen that if these changes are made, you will support SB 254 and not oppose the bill on the House side.

Again, thank you for your participation and input.

Very truly yours,

Pat Wiechman
Executive Director

cc: Senator Ben Vidricksen
Representative Kenneth R. King
Representative Joann Flower
Vehicle Director Betty McBride

TESTIMONY ON 1995 SB 254
(03/14/96)

My name is Randy Hearrell. I am a shareholder in Topeka Salvage Pool, Inc. and I appear before the House Transportation Committee in that capacity.

I appear in opposition to the bill because I believe the legislation was thoroughly considered in 1993 and 1994 with the consideration of 1993 HB 2195, 1993 SB 162 and 1994 HB 2974, which was enacted and became law July 1, 1994.

Secondly, I wish to make comments about the parts of the bill that refer to Salvage Pools. My comments will be that some proposed sections duplicate existing sections of K.S.A. and other are unnecessary.

I will than make a general comment about the bill as a whole but first I want to tell you about salvage pools.

House Transportation Committee
March 14, 1996
Attachment 2

KANSAS VEHICLE DEALER LICENSES ⁽¹⁾

| <u>TYPE</u> | <u>NO.</u> |
|----------------------------------|------------|
| Used Vehicle Dealer | 1,200 |
| New and Used | 650 |
| Used and Salvage Vehicle Dealer | 450 |
| First Stage Manufacturer | 200 |
| Lending Agencies | 100 |
| Manufactured Homes (6) | 90 |
| Salvage Vehicle Dealers | 80 |
| Distributor | 50 |
| First or Second Stage Converters | 40 |
| Second Stage Manufacturer | 32 |
| Wholesale Vehicle Dealer | 20 |
| Factory Branch | 12 |
| Auction Motor Vehicle Dealer | 8 |
| Registered Salvage Pools | 6 |
| Vehicle Broker Dealer | 5 |
| Distributor Branch | 1 |

⁽¹⁾ Source 1994 Kansas Department of Revenue publication D-28
"Kansas Vehicle Dealer Numerical and Alphabetical Listings"

SALVAGE POOL FACTS

- Average price of each vehicle sold at a salvage vehicle pool is approximately \$1,200.
- There are over 500 salvage dealer licenses in Kansas.
- There are six salvage pools registered in Kansas.
- Salvage pools as an industry have been in existence since approximately 1965.
- Prior to establishment of salvage pools, the percentage of value returned on selling wrecked vehicles was less than 10%. Today, the average return on the sale of wrecked vehicles in salvage pools is approximately 22%.
- Income from salvage is the second largest income (after premium) for insurance companies. Every dollar in salvage returned to the companies equals one less dollar required in premiums.
- Less than 10 million cars were totalled in the United States last year of which fewer than 2 million went to salvage pools.
- Of the motor vehicles that go to salvage pools, approximately 70-80% are not rebuildable and approximately 20-30% are rebuildable.

TOTALED VEHICLE , WITH
INSURANCE , PURCHASED BY
SALVAGE VEHICLE DEALER

where vehicle goes

TITLED



TOW LOT

SALVAGE
POOL

SALVAGE
YARD

IN OWNERS NAME

STAYS IN OWNERS NAME

IN INSURANCE
COMPANIES NAME

IN Salvage Vehicle
Dealers Name



TOPEKA SALVAGE POOL, INC.
729 NE Kincaid Rd
Topeka, KS 66616

NAME _____

ADDRESS _____

(913) 235-3046 Fax: 235-0639

(1)

CITY _____ STATE _____ ZIP _____
BUYER # _____ PHONE # _____

Bids Close: 03/08/95

Hours: 8-5 M-F 9-1 Sat. Clsd. Sun

| Bid Amount | Stock No. | Stall | Year, Make, Model | Cyl. | Trans. | Odometer | Primary Damage |
|------------|-----------|-------|--------------------------------|------|--------|-----------|----------------|
| _____ | 0026 | CLR5 | 89, Volkswagen, Fox | 4CYL | 4SPD | 58,633 A | F |
| _____ | 0027 | CLR5 | 84, Toyota, Tercel S.W. 4X4 | 4CYL | 5SPD | 249,770 E | U/LS |
| _____ | 0030 | CLR5 | 90, Honda, CRX | 4CYL | 5SPD | 59,575 A | BS |
| _____ | 0032 | CLR3 | 89, Mercury, Sable S.W. | V6 | AUTO | 81,798 A | F |
| _____ | 0035 | CLR3 | 88, Ford, Taurus | 4CYL | AUTO | 97,883 A | F |
| _____ | 0036 | CLR3 | 85, Buick, Century | V6 | AUTO | 22,957 E | AO |
| _____ | 0037 | CLR6 | 85, Chevrolet, C20 Van | V8 | AUTO | 24,327 E | RS |
| _____ | 0038 | CLR5 | 81, Nissan, 210 Station Wagon | 4CYL | AUTO | 160,757 E | F |
| _____ | 0039 | CLR5 | 86, Mazda, 626 | 4CYL | AUTO | 130,417 A | LS |
| _____ | 0040 | CLR2 | 88, Pontiac, Grand Prix | V6 | 5SPD | 132,831 A | LR |
| _____ | 0041 | CLR2 | 87, Ford, Escort S.W. | 4CYL | 4SPD | 94,440 A | LF |
| _____ | 0042 | CLR3 | 87, Ford, Taurus | V6 | AUTO | 32,260 N | F |
| _____ | 0043 | CLR2 | 88, Ford, Tempo GL | 4CYL | AUTO | 97,594 A | LF |
| _____ | 0044 | CLR2 | 83, Buick, Regal Limited | V6 | AUTO | 6,376 E | F/R |
| _____ | 0045 | CLR2 | 87, Dodge, Aries | 4CYL | AUTO | 16,827 A | LF/LS |
| _____ | 0046 | CLR4 | 86, Buick, Lesabre Limited | V6 | AUTO | 132,296 A | LR |
| _____ | 0047 | CLR6 | 94, Ford, Ranger XLT PU EC | V6 | AUTO | 4,424 A | LS |
| _____ | 0048 | CLR6 | 88, Toyota, 4X4 PU | V6 | 5SPD | 92,319 A | F |
| _____ | 0049 | CLR6 | 90, GMC, Jimmy 4x4 | V8 | AUTO | 69,374 A | RO |
| _____ | 0050 | HAYS | 71, Volkswagen, Van Campmobile | 4CYL | 4SPD | 32,712 E | AO/RO |
| _____ | 0051 | CLR3 | 90, Ford, LTD Crown Victoria | V8 | AUTO | 15,552 + | LF |
| _____ | 0052 | CLR2 | 85, Chevrolet, Z28 Camaro | V8 | AUTO | 66,598 E | F/RS/U |
| _____ | 0053 | CLR6 | 87, Mazda, B2200 SE5 Ext. Cab | 4CYL | AUTO | 109,206 A | F |
| _____ | 0054 | CLR6 | 87, Toyota, King Cab 4x4 | 4CYL | 5SPD | 216,637 A | LS |
| _____ | 0055 | CLR6 | 88, Jeep, Cherokee 4x4 | 6CYL | 5SPD | 118,068 A | RO |
| _____ | 0056 | CLR6 | 91, Chevrolet, Suburban | V8 | AUTO | 75,419 A | F/LR |
| _____ | 0057 | CLR6 | 94, Mazda, MPV SW 4X4 | V6 | AUTO | 2,646 A | RO |
| _____ | 0058 | CLR6 | 85, Chevrolet, Cube Van | V8 | AUTO | 53,062 N | HA |
| _____ | 0059 | CLR6 | 89, Chevrolet, 1500 4X4 | V8 | 5SPD | 80,946 A | T/V |
| _____ | 0060 | CLR2 | 78, Chevrolet, Caprice Classic | V8 | AUTO | 45,337 E | LS |
| _____ | 0061 | CLR5 | 85, Chevrolet, Spectrum | 4CYL | AUTO | 145,750 A | R |
| _____ | 0062 | CLR6 | 87, Mazda, B2200 P.U. | 4CYL | 5SPD | 157,479 A | F/LS |
| _____ | 0063 | CLR2 | 78, Lincoln, Continental | V8 | AUTO | 37,851 E | RR |
| _____ | 0064 | CLR6 | 57, Chevrolet, Pick-up | 6CYL | 3SPD | 89,812 E | LS |
| _____ | 0065 | CLR4 | 86, Mercury, Cougar | V6 | AUTO | 118,836 A | F |
| _____ | 0066 | CLR5 | 86, Honda, Accord | 4CYL | 5SPD | 129,456 A | RF/LF/RR |
| _____ | 0067 | CLR5 | 89, Hyundai, Excel | 4CYL | AUTO | 96,375 A | R |
| _____ | 0068 | CLR5 | 87, Honda, Accord LX | 4CYL | 5SPD | 88,097 A | F |
| _____ | 0069 | CLR4 | 80, Chevrolet, Caprice | V6 | AUTO | 43,384 E | NONE |
| _____ | 0070 | CLR6 | 85, GMC, T500 Truck | V8 | AUTO | 19,336 E | LF |
| _____ | 0071 | CLR2 | 83, Pontiac, Grand Prix | V6 | AUTO | 24,106 E | F |
| _____ | 0072 | CLR6 | 89, GMC, Ext. Cab PU | V8 | AUTO | 116,508 A | F/LS |
| _____ | 0073 | CLR4 | 86, Mercury, Topaz | 4CYL | AUTO | 14,629 + | RR |
| _____ | 0074 | CLR6 | 83, Chevrolet, C20 P.U. | V8 | AUTO | 23,030 E | RO |
| _____ | 0075 | CLR6 | 69, Chevrolet, Pick-up | V8 | AUTO | 28,997 E | F |
| _____ | 0076 | CLR1 | 76, Chevrolet, Pick-up | 6CYL | 3SPD | 45,987 E | RS |
| _____ | 0077 | CLR1 | 92, Chevrolet, S10 P.U. | V6 | 5SPD | 106,560 A | R |

APPENDIX 4 2-5

12 (w) (1) No person shall engage in the business of a salvage vehicle
13 pool, unless such person holds a license issued by the director under the
14 provisions of this act.

15 (2) No person licensed as a salvage vehicle pool under this act shall:

16 (A) Sell a salvage vehicle when having reasonable cause to believe it
17 is not offered by the legal owner thereof;

18 (B) sell a salvage vehicle to any person except a person licensed as a
19 salvage vehicle dealer under this act unless sales tax is collected, unless
20 otherwise exempted from sales tax by law;

21 (C) fail to have available on the premises a certificate of title or a
22 facsimile or photocopy of the complete title of a salvage vehicle sold by
23 the salvage vehicle pool to provide verification of mileage at the time of
24 sale, unless such vehicle is included in the exceptions as set forth in K.S.A.
25 8-135, and amendments thereto;

26 (D) operate as a salvage vehicle pool at the same location where any
27 salvage yard is operated;

8-2436. Salvage vehicle pools; registration; requirements. (a) A salvage vehicle pool shall register with the division and shall pay a one-time registration fee of \$50.

(c) The provisions of this section shall be part of and supplemental to the vehicle dealers and manufacturers licensing act.

History: L. 1994, ch. 302, § 10; July 1.

(b) A salvage vehicle pool shall have available on the premises a certificate of title or a facsimile or photocopy of the complete title of a salvage vehicle sold by the salvage vehicle pool.

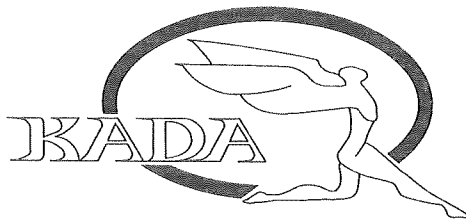
K.S.A. 8-135(b) provides that within 30 days of sale of a vehicle new owner shall register. Tax is collected at that time.

(b) A salvage vehicle pool shall have available on the premises a certificate of title or a facsimile or photocopy of the complete title of a salvage vehicle sold by the salvage vehicle pool.

Comment: This section is unnecessary. Insurance companies would not do business with a salvage pool that sold parts. They would not want to risk the taking of parts off their vehicles

APPENDIX 5 2-6

8-2402. Declaration of public policy. It is hereby declared to be the public policy of this state to provide for fair and impartial regulation of those persons engaged in manufacturing, distributing or selling of vehicles. The provisions of this act which are applicable to such activities shall be administered in such a manner as will continue to promote fair dealing and honesty in the vehicle industry and among those engaged therein without unfair or unreasonable discrimination or undue preference or advantage. It is further declared to be the policy of this state to protect the public interest in the purchase and trade of vehicles, so as to insure protection against irresponsible vendors and dishonest or fraudulent sales practices and to assist, provide and secure a stable, efficient, enforceable and verifiable method for the distribution of vehicles to consumers in the state of Kansas and provide a system of tracking the flow of vehicles and their parts as well as preserving supporting services for consumers purchasing or otherwise acquiring vehicles.



KANSAS AUTOMOBILE DEALERS ASSOCIATION

TESTIMONY ON

SENATE BILL 574 - AMENDMENTS TO THE FRANCHISE ACT
March 14, 1996

Mr. Chairman and Members of the House Transportation Committee:

Good afternoon. Thank you for the opportunity to appear before you in support of Senate Bill 574. I am Pam Somerville, Director of Government Affairs for the Kansas Automobile Dealers Association. Also with me today is our Executive Vice-President Don McNeely. Our association represents 300 franchised automobile dealers in Kansas.

First, Mr. Chairman I would point out to the Committee that we are not re-inventing the wheel. The section in the statute we propose to amend contains the provisions for the cancellation, termination, or nonrenewal of a dealer's franchise agreement, and several states of like size have incorporated these provisions. To that end, I will share with you a little background on why we believe these amendments are critical to the well-being of the dealer body and the consumers in our state.

Specifically, there is an industry term known as Project 2000, and while Project 2000 is specific to General Motors, we are aware that other manufacturers are moving toward a downsizing of the franchised dealer body nationwide by as much as 20%.

House Transportation Committee
800 S.W. Jackson, Suite 1110 • Topeka, KS 66612 March 14, 1996
Telephone (913) 233-6456 • Fax (913) 233-1462 Attachment 3

Project 2000 is more commonly known as the trend to realign certain line makes, with single points the preferred choice in urban areas. In rural areas only specific combinations of lines will be permitted. Many dealers in rural areas, as well as some urban areas, have multiple franchises. In many cases, additional lines were added to meet consumer demand and to provide a competitive market. It is simply unrealistic and cost prohibitive to eliminate lines from dealership facilities and force the dealer to build an additional facility, or force the dealer to sell a line that is profitable for them.

In the fall of 1995, 7 Kansas dealers received termination notices from the manufacturer, 5 of which were Chevrolet-GMC Truck Dealers in predominately rural areas and two were rural Cadillac dealers. There are many consumers who drive those vehicles and we believe it is a disservice to those individuals to have their vehicles serviced in larger markets not to mention that consumers would then have to leave their local areas to purchase those products. In addition, according to the realignment that Project 2000 proposes, and taking into consideration our dealer body, we only have 24% of our entire dealer body that are single line dealers. Further, well over half of our dealer body is in what is considered rural markets, meaning populations of 15,000 or less. The dealer body in Kansas has gone from 1200 in the mid '60s to 300 today. In the last five years we have lost 40 dealers. I believe each of you can appreciate the concern we have, not only for our dealers, but also for the consumers across the state, particularly in smaller markets.

With those items in mind, I will explain the components of the bill. As I stated earlier, we are not reinventing the wheel. Senate Bill 574 simply refines and expands

the provisions of K.S.A. 8-2414, which addresses the cancellation, termination or nonrenewal of a dealers franchise agreement.

The amendments to current statute on the first page are more technical in nature to conform with realistic procedures. On page 1, line 20, 30 days has been changed to 90 days notice. The intent of this change is to provide a more reasonable time frame for the notification process so the vehicle dealer may respond appropriately. Also on page 1, lines 39 and 40, the term "reasonable justification" has been changed to read "good cause". It was difficult to define "reasonable justification" and it is our belief that the term "good cause", is a clearer definition.

On page 2, lines 6, and 9-17, the burden of proof has been shifted from the dealer to the manufacturer since the manufacturer brings the action. Lines 18-25 contained the repayment provisions to the dealer. They have been stricken and reincorporated on pages 4-5 of the bill.

The major provisions of the bill begin with line 34 on page 2 and continue with the remainder of the bill. The first subsection (e) defines good cause. I would like to point out that a manufacturer is still afforded the opportunity, as currently exists, to cancel, terminate or nonrenew for noncompliance. Therefore, the provisions set forth on page 2 lines 34-43 and page 3, lines 1-3 define what is good cause.

The next section is basically the "peanut" of the proposed legislation, which defines what does not constitute good cause contained on page 3, lines 4-36. To summarize, these areas would not constitute good cause: a) a change in ownership without the prior approval of the manufacturer; b) the refusal to accept delivery of

products from the manufacturer without their consent; c) the fact the vehicle dealer owns, has an investment in, participates in the management of, or holds a franchise agreement for the sale or service of another make or line of new motor vehicles regardless of whether that interest is in the existing dealership facilities. Basically this section means a dealer may have a franchise for another line, may or may not have a separate showroom, and also have the ability to perform warranty and service work in an existing dealership facility. The final subsection on page 3, lines 31-36 pertains to transfer of stock to a family member, with prior written consent of the manufacturer.

The remainder of the bill, pages 4 and 5, specifically details the repurchase of inventory from the dealer. Again, this section has been redefined, and includes vehicle inventory, parts, accessories, equipment, furnishings, special tools and lease provisions.

Subsection (h) on page 6 is an amendment requested by the Motorcycle Industry Council to exempt motorcycle manufacturers. That concludes my explanation of the provisions.

Our members believe they strive to provide the products and services demanded by customers in communities across the state of Kansas. Our dealers are very, very concerned about the strategy proposed by the manufacturers. Those dealers are involved in their communities, they have employees, they collect sales tax, they pay property taxes, and they service the products the consumer buys. More importantly, they are very dismayed at how this realignment will impact the consumer. Many of

our dealers have not seen a factory representative in their dealerships for a very long time, much less anyone from Detroit; yet it is those very individuals who have now decided to realign the products in the dealerships--those same lines that manufacturers approved, and in many cases, wanted in those dealerships to increase sales.

Mr. Chairman, our dealers are simply asking that the current configuration of those facilities be "grandfathered" into statute, and that the dealer not be cancelled, terminated, or nonrenewed because they had the wherewithal to respond to customer demand, and predict marketing trends as they related to their individual communities. If, in fact, the manufacturers are successful in eliminating dealers because they have another brand in their showroom or service department, that equates to less service and product in your communities.

To further illustrate the dealer's concern, I have attached to my testimony articles from Automotive News, which is the Auto Industry Trade Publication.

Mr. Chairman, in any legislation there is compromise. After several meetings, representatives of the American Automobile Manufacturers Association and our association exerted good faith effort, and reached full agreement on the provisions contained in this bill.

In closing, our members want to continue to be competitive and provide the products and services that customers demand in each of our communities, regardless of whether they are rural or urban. We are fearful that without this legislation, there are parts of the state that would not be able to service the products that are currently available to the consumers. One of the requirements of being a franchised dealer is

to provide service. Our members want to be able to continue that commitment. Passage of Senate Bill 574 will help Kansas dealers continue their commitment to consumers.

Thank you again for the opportunity to appear. We ask for your support in passage of this legislation. We would also be happy to respond to questions.

Factory Duals

| <u>Joint Venture</u> | <u>Participants</u> | <u>Shares</u> | <u>Plant Location</u> | <u>Vehicles Manufactured</u> |
|-------------------------------------|-----------------------------|---------------|-----------------------|---|
| New United Motor Mfg. Co. | General Motors | 50% | Fremont, Ca. | Geo Prizm |
| | Toyota Motor Corp. | 50% | | Toyota Corolla |
| CAMI Automotive. | General Motors | 50% | Ingersoll, Ontario | Geo Metro, Geo Tracker |
| | Suzuki Motor Co., Ltd. | 50% | | Pontiac Firefly, Pontiac Sunrunner Suzuki Swift, Suzuki Sidekick |
| Subaru-Isuzu Automotive, Inc. | Fuji Heavy Industries, Ltd. | 51% | Lafayette, In. | Honda Passport |
| | Isuzu Motor, Ltd. | 49% | | Isuzu Rodeo Subaru Legacy Subaru Outback |
| Auto-Alliance International Inc. | Ford Motor Co. | 50% | Flat Rock, Mi. | Ford Probe |
| | Mazda Motor Co. | 50% | | Mazda MX6 Mazda 626 |
| Diamond Star Motors Corp. | Mitsubishi | | Normal, Il. | Chrysler Sebring Dodge Avenger Eagle Talon Mitsubishi Eclipse Mitsubishi Galant |
| | Ford Motor Co. | | Avon Lake, Oh. | Mercury Villager Nissan Quest |

3-7

Factory Ownership

| <u>Manufacturer / Distributor</u> | <u>Estimated % of Ownership</u> | |
|-----------------------------------|---------------------------------|-----------------|
| Ford Motor Company | 25% | Mazda Motor Co. |
| | 100% | Jaguar |
| | 5% | Kia |
| General Motors | 36% | Isuzu Limited |
| | 51% | Saab |
| | 30% | Suzuki |
| Nissan Japan Corporation | 33% | Subaru Japan |
| BMW | 100% | Land Rover |

8-2

General Motors: "Conformity"
Project 2000

City Population

| | | |
|-------|---------------|--|
| Rural | 0-15,000 | Single Lines (except Cadillac, GMC Truck) Chevrolet/Oldsmobile/Pontiac/Buick |
| Hub | 15,000-50,000 | Single Lines Chevrolet/Oldsmobile/Cadillac Pontiac/Buick/GMC Truck |
| Metro | 50,000+ | Single Lines Chevrolet/Oldsmobile Oldsmobile/Cadillac Pontiac/Buick/GMC Truck |