

MINUTES OF THE SENATE TRANSPORTATION COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 8:35 a.m. on March 4, 2010, in Room 152-S of the Capitol.

All members were present.

Committee staff present:

Bruce Kinzie, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Julian Efirid, Kansas Legislative Research Department
Jill Shelley, Kansas Legislative Research Department
Cindy Shepard, Committee Assistant

Conferees appearing before the Committee:

Charles Pecchio, Verification Solutions, Inc.
Shawn Goff, MV Solutions, Inc.
Carmen Alldritt, Director of Division of Vehicles, Kansas Department of Revenue
Sandy Braden, Alliance of Automobile Manufacturers
John J. Federico, J.D., General Motors

Others attending:

See attached list.

Presentation on Vehicle Insurance Verification

Charles Pecchio, Verification Solutions, Inc., and Shawn Goff, MV Solutions, Inc., gave a presentation reviewing the option of vehicle insurance verification with the Kansas Online Insurance Verification System. Mr. Pecchio spoke first, stating that it is an industry standardized vender neutral model for online insurance verification, established by the Insurance Industry Committee on Motor Vehicle Administrators (IICMVA). He indicated that it is a proven model successfully implemented in eight states and is a most accurate and effective approach, reducing the uninsured motorist by up to 80%. He concluded that the identification of an uninsured motorist is event-based, during a traffic stop, registration renewal, accident or in court. He then turned the presentation over to Mr. Goff.

According to Mr. Goff, there is no cost to Kansas. The vender is responsible for implementation and maintenance costs paid through fines and reinstatement fees. He claims the system can be implemented in three months, has security and privacy. He concluded with the specifics of how it works (Attachment 1).

Chairman Umbarger opened the hearing on **HB 2482 - Expiration and renewal of drivers' licenses, requirements**. Bruce Kinzie, staff revisor, reviewed the bill.

Carmen Alldritt, Director of Division of Vehicles, Kansas Department of Revenue, testified as a proponent of **HB 2482**. According to Director Alldritt, the bill would make two changes to the law regarding renewal of drivers' licenses. The first change would allow any person who is residing with and is a dependent of a person on active duty in the armed forces of the United States, who is stationed outside the State of Kansas, to renew the license without examination if the Division has a photograph or digital image of the licensee on file.

The second change would require the Division to mail only the renewal notice of the expiration of the person's license, which could be done by postcard with estimated savings to the State of \$0.30 per renewal, instead of an envelope containing these items:

- notice for driver's license renewal
- an eyesight examination form
- driver's examination form
- Kansas driver's manual
- written information explaining the person's right to make an anatomical gift
- written information describing and relating to organ donation registry program

CONTINUATION SHEET

Minutes of the Senate Transportation Committee at 8:35 a.m. on March 4, 2010, in Room 152-S of the Capitol.

The bill would also remove requirements for a driver renewing his or her license to take a written examination. Director Alldritt stated that the Division did a survey of the license renewal notice process in other states and found that 45 of 50 states sent postcard renewal reminders. She provided an example of a postcard renewal notice that the Division would use in renewal notice mailings (Attachment 2).

There being no further conferees, the hearing on **HB 2482** was closed.

The Chairman opened the hearing on **HB 2547 - Vehicle dealers and manufacturers licensing act, franchise agreements**, continued from the March 3, 2010 meeting.

Sandy Braden, Alliance of Automobile Manufacturers, testified in opposition to **HB 2547**. According to Ms. Braden, the U.S. auto industry has witnessed an historic transformation in the past two years. Dramatic increases in CAFÉ standards, new attention toward CO2 reductions, the recession and financial crunch have significantly impacted every manufacturer selling vehicles. In addition, state policymakers have played a role in reshaping the industry, the most significant of these initiatives involve states that have sought to expand franchise laws that govern the business relationships between manufacturers and dealers.

She indicated that there has been some communication between the Alliance and the Kansas Auto Dealers Association in regard to different positions on important franchise issues and with more time, are hopeful they would be able to reach agreeable positions on the remaining issues (Attachment 3).

John J. Federico, J.D., representing General Motors (GM), appeared in opposition to **HB 2547**. He indicated that they oppose the legislation in part, because there are still unresolved issues that are critical to the automobile manufacturers. Mr. Federico mentioned the GM manufacturing plant in Kansas City, and its contributions to the State's economy. The decisions the Kansas Legislature makes, are all factors in where GM awards future lines. He added that the tax climate, regulatory environment, relationship with the unions, and the general support of the plant within the state, all play a role in the future success of our manufacturing facility in Kansas. He requested that the proposed Alliance amendments be thoroughly vetted before the bill is advanced (Attachment 4).

Questions and discussion followed. The Chairman requested the two opposing groups work out their issues, draft any proposed changes and bring the amendments to the committee for consideration.

There being no further conferees, the hearing on **HB 2547** was closed.

The meeting was adjourned at 9:35 a.m. The next meeting is scheduled for March 5, 2010.



Kansas Online Insurance Verification System

Industry Standard System for Online Insurance Verification

- Standardized vendor neutral model for online insurance verification established by the Insurance Industry Committee on Motor Vehicle Administrators (IICMVA).
- Supported by the American Association on Motor Vehicle Administrators (AAMVA) and insurance industry associations including the PCI, AIA, and NAMIC.
- Minimal impact to insurers because the same method is used for each jurisdiction.

Proven Model

- Successfully tested/implemented in: CA, FL, NV, OK, SC, TX, UT, and WY.
- Recently legislated in AR and MT.
- Independently audited over 12 times.

Most Accurate and Effective Approach

- Operates 24/7/365 and has the same result as calling the insurance company.
- Reduced the uninsured motorist rate by up to 80%.

Identification of Uninsured Motorist

- Event-based Verification: Traffic Stop, Registration Renewal, Accident, Courts.
- Ongoing Verification: Maintain Coverage, Cancellation, Gaps in Coverage.

No Cost to Kansas

- Vendor responsible for implementation and maintenance costs.
- Annual fixed price paid to vendor through fines and reinstatement fees received from uninsured motorists identified by the system.

Ease of Implementation and Maintenance

- System can be implemented in three months.
- Easily integrated with existing systems including DMV, Patrol, NLETS, Dispatch, Courts, etc.
- Turnkey system implemented and maintained by the vendor.

Security and Privacy

- Software and data resides within the jurisdiction's network.
- Vendor has no rights to data for marketing, sale of data, or other uses not related to system operation and maintenance.
- Does not require the use of personal information (name, date of birth, license number, etc.).
- Secure data connection between insurance companies and software.

How it Works

- An event occurs, such as a traffic stop, accident, new registration, renewal, or vehicle inspection.
- A request for verification of insurance is made through existing law enforcement and/or department of motor vehicles systems by providing the tag number.
- Software routes each request to the insurance company Web Services and responds immediately whether the coverage is confirmed or unconfirmed.
- Every vehicle is checked automatically for ongoing compliance and if any lapse in coverage is found, a letter campaign begins.

MV Solutions, Inc
Shawn Goff
sgoff@mvsolutions.com
803.240.9612

Verification Solutions, Inc.
Charles Pecchio Senate Transportation
cpecchio@verisol.ca 3-4-10
678-986-9310 Attachment 1

Kansas Driver License/ID Card Renewal Reminder

KANSAS NO LONGER REQUIRES A RENEWAL TEST

Time to renew your driver license or identification card, which expires on your birthday. If you renew on or before the expiration date your driving privileges will continue without interruption. You can renew up to one year before your birthday.

Please take this card to your nearest exam station. You will have to take an eye exam and pay your fees. No renewal test will be given. All applications for renewal must present expiring driver's license or ID card, social security number, proof of Kansas residency and principal residence address. Examples include utility bill, vehicle registration, payroll stub and Kansas school records. For a complete of acceptable documents, DMV location and hours: www.ksrevenue.org/vehicle.htm If you do not have internet access call your local DMV office or call 785-296-3963

If you are turning 21 you may print off an automatic 45 day extension notice at www.ksrevenue.org/21extension

Fees will be calculated at renewal stations. Additional fee may be added at a county Treasure's office.

Where to renew? Locations listed on our Web site at www.ksrevenue.org or email driver_license@kdor.state.ks.us

Have You Moved? Update your address will be done when renewing but you must verify your address. More information can be locate at <http://www.ksrevenue.org/dmvproof.htm>

Please consider organ and tissue donation. Questions? Call 1-800-355-SHARE

Senate Transportation

3-4-10

Attachment 2



Kansas House Bill 2547 – ALLIANCE OF AUTOMOBILE MANUFACTURERS

Please accept the following comments on behalf of the Alliance of Automobile Manufacturers, a trade association of eleven car and light truck manufacturers including BMW Group, Chrysler Group LLC, Ford Motor Company, General Motors, Jaguar Land Rover, Mazda, Mercedes-Benz, Mitsubishi Motors, Porsche, Toyota and Volkswagen.

By any measurement the past two years have been witness to an historic transformation in the U.S. auto industry. Dramatic increases in CAFE standards, new attention toward CO2 reductions, the recession and financial crunch have significantly impacted every manufacturer selling vehicles in the U.S. In addition, state policymakers have played a role in reshaping the industry during this period through various legislative and regulatory proposals. The most significant of these initiatives involve states that have sought to expand franchise laws that govern the business relationships between manufacturers and dealers.

The Alliance and the Kansas Auto Dealers Association have had several conversations about the proposed HB 2547 over the last several weeks. The Alliance is greatly encouraged by these communications on some very difficult and important franchise issues such as burden of proof, the opportunity for voluntary agreements in site control, exclusivity and dualling situations as well as limitations on termination assistance for certain voluntary terminations. We are hopeful that with some more time, we would be able to reach agreeable positions on the remaining issues, which are:

1. Dualling- we propose that the language relative to "dualling" 5(A), page 4, include the same language accepted by the dealers in 5(B) and (C). 5(A) currently limits a manufacturers' review of a dualling request to only whether or not a dealership has adequate facilities and capital – our position is that there is more to evaluating a dualling request than just these two items. Inclusion of the language already accepted in 5(B) and (C) (underlined language immediately below), would provide manufacturers with the opportunity, if necessary, to make these additional arguments.

"Prohibit or prevent a dealer from acquiring, adding or maintaining a sales or service operation for another line-make at the same or expanded facility at which the dealership is located if the dealer complies with reasonable facilities and capital requirements unless the manufacturer demonstrates that the addition or acquisition is unreasonable in light of all existing circumstances, including dealer and manufacturer business plans and investments."

2. For legitimate payment of dealer warranty and sales incentive claims, dealers should have to comply with the manufacturer's reasonable requirements. The Alliance has proposed the following language in the hopes of maintaining the integrity of the claim processing procedures currently in place yet still provide for minor dealer errors.

Page 13 (d), lines 4-10 – denial of warranty claims allows to dealer: *"A claim for compensation shall not be denied unless: (a) the franchisee's claim is based on a non-warranty repair; (b) the franchisee lacks material documentation for the claim; (c) the franchisee fails to comply materially with specific substantive terms and conditions of the franchisor's warranty compensation program, or (d) the*

franchisor has a bona fide belief based on competent evidence that the franchisee's claim is intentionally false, fraudulent, or misrepresented."

3. Page 11, line 10. Expansion of termination assistance to include computers and computer data processing systems is not appropriate. While having some type of system in place may be a requirement of the manufacturer, these are dealer negotiated purchases or leases and consequently are a cost of doing business. Manufacturers should not be left having to pay for a poorly negotiated dealer purchase or lease agreement. Nonetheless, we have asked KADA to consider the following:

"The amount remaining to be paid on any leases of computer and data processing systems that are required by the manufacturer and used to manage and report data to the manufacturer or distributor for financial reporting requirements."

Thank you for the opportunity to present our concerns to the committee. Please do not hesitate to contact the Alliance directly, Amy Brink at 202-326-5541 or our local representative Sandy Braden, 785-233-4512.

1. Additionally, the newly proposed language allowing a dealer up to 90 days after the completion of warranty work to submit a claim to the manufacturer for reimbursement is unreasonable. While processes vary from manufacturer to manufacturer, the timeframe typically used for claim submission is 30 days. Delays due to parts shipment delays or the like are addressed through manufacturer established problem hotlines allowing a dealer to make a phone call, lodge his concern about the delayed part and receive an extension on the time within which to submit a claim. Manufacturers for their part regularly reimburse a dealer within 24-48 hours of receiving the claim. In Kansas, statutorily, a manufacturer has 30 days within which to pay a claim so at the very least the periods for payment and submission should mirror each other. And the sooner the claim is submitted, the sooner the manufacturer can pay and the sooner the books can be closed on these open transactions. Additionally, there is a consumer component where 30 days provides a quicker and clearer picture of warranty issues; allowing for a quicker response to consumers issue.
2. Expansion of termination assistance to include computers and computer data processing systems is not appropriate. While having some type of system in place may be a requirement of the manufacturer, these are dealer negotiated purchases or leases and consequently are a cost of doing business. Manufacturers should not be left having to pay for a poorly negotiated dealer purchase or lease agreement.

Thank you for the opportunity to present our concerns to the committee. Please do not hesitate to contact the Alliance directly, Amy Brink at 202-326-5541 or our local representative Sandy Braden, 785-233-4512.



Testimony In Opposition To HB 2547

John J. Federico

On Behalf of The General Motors Company

Senate Commerce Committee

March 4, 2010

815 SW Topeka Blvd.
Second Floor
Topeka, KS 66612

Office: 785.232.2557
Fax: 785.232.1703
Cellular: 785.554.6866

I am John Federico and I appear before you today in opposition to HB2547 on behalf of the General Motors Company. We do oppose the legislation, in part, because there are still unresolved issues. There are issues sprinkled throughout HB2547 that are critical to the automobile dealers. But with all due respect, there are elements to this bill that are equally important to automobile manufacturers. In spite of the KADA's testimony to not further negotiate any of the language in the bill, we urge you to consider the Alliance's suggested amendments ...in short because the changes we are proposing are reasonable AND the remaining unresolved issues *are* critically important to the General Motors Company and the state's lone automobile manufacturing facility.

I think it important not to overlook the true treasure we have in Kansas City, KS. In the midst of plant closings across the country by General Motors (7 plants in 5 states), GM continues to invest in the Fairfax Plant. This overall contributions of our Kansas plant is critically important to the State's economy.

Quick Facts: Fairfax Manufacturing Plant; Kansas City, KS

Total Investment By GM in Kansas on Plant Upgrades: \$1.5 Billion

Products: Chevy Malibu & Buick LaCrosse

Number of Hourly & Salaried Employees: 3,900

New Jobs Added in 2010: 900 (First GM plant in the nation to maintain 3 full shifts)

Annual Payroll in KS: \$20 Million

Average Annual Purchases from Kansas Vendors & Suppliers: \$1.3 Billion

GM Average Monthly Investment in KS: \$20 Million

Senate Transportation

3-4-10

Attachment 4

The significance of these numbers is that we are fortunate to have a General Motors manufacturing facility in our state, especially when other affected states (those with shuttered plants) are falling all over themselves to incent GM to shift new products back to their states. The decisions the Kansas legislature makes, year in and year out, are all factors in where GM awards future product lines. The tax climate, the regulatory environment, the relationship with the unions, and the general support of the plant within the state, among other things, all play a role in the future success of our manufacturing facility in Kansas.

NOTE: It was announced in December that the re-designed 2010 Chevy Malibu will not be built in Kansas, but in Michigan.

2009 was a horrendously difficult year for all concerned, not just the dealers. Automobile manufacturers struggled to withstand the worst global economic recession in nearly a century. For GM, it resulted in bankruptcy, an obvious extreme measure. It was a difficult period that required sacrifice from GM employees, retirees, suppliers and dealers. This collective sacrifice was necessary to create a smaller, more lean and competitive GM built for long-term viability and success. These efficiencies were critical in order for GM to meet its obligation to the federal government and repay its loan which they hope to have paid in full this summer.

In conclusion, the decisions you make on a bill such as HB2547 has a profound ripple effect. I respectfully ask that you not just rubber-stamp the bill as it is presented to you. We ask that you either allow us the time to continue to negotiate the unresolved issues or that the proposed Alliance amendments be thoroughly vetted by this committee before a bill is advanced.

I sincerely appreciate the opportunity to speak to the committee and am happy to stand for questions.