

MEMBERS PRESENT

Chairman Sena
Vice Chairman Glover
Mr. FitzPatrick
Mrs. Hayes
Mr. Polish
Mr. Prengaman
Mr. Stewart
Mrs. Wagner
Mrs. Westall

GUESTS PRESENT

William B. Sullivan, Sullivan & Lee Ltd.
Dick Hannigan, Hannigan, Inc.
Carol Hannigan, Hannigan, Inc.
Bill Hawks, Bill Hawks Buick
Ronald C. Dale, Rule-Dale Enterprises
Daryl Capurro, Nevada Franchised Auto Dealers

Chairman Sena called the meeting to order and announced that since several witnesses had appeared to discuss A.B. 751 the committee would hear their testimony. Further testimony will be heard on this bill on Monday, April 30, 1979.

Messrs. William B. Sullivan, Dick Hannigan, Bill Hawks and Ronald C. Dale appeared in opposition to A.B. 751. A copy of their statements to the committee is attached as Exhibit A.

In response to the opponents' statements, Mr. Capurro stated that A.B. 751 did not affect leasing but addresses sales. The bill was basically initiated because there is a problem in providing warranty service by vehicle dealers who sell current model vehicles and who cannot perform the warranty service that is guaranteed by the manufacturer to the purchaser. The main thrust of the bill is to provide that an individual would be required to have service facilities to perform the warranty service in an agreement with the manufacturer to do so. Mr. Capurro further said that there are nondealers who have warranty agreements with manufacturers and quoted Hertz as an example.

All further testimony on A.B. 751 was continued to April 30, 1979.

S.B. 335 - Chairman Sena said that the committee had heard opposition to this bill from Senator McCorkle and that he had requested Mr. Frank Daykin, Legislative Counsel, to discuss the constitutionality of this bill.

Mr. Daykin said that as far as the Constitution was concerned, he did not see a problem with either Section 5 or 6, and that there is nothing in the Constitution which prevents the state

from operating or building its own railroad, or from hiring someone to build or operate it. The Constitution only prohibits the state from making a gift to a private railroad company. Mr. Daykin further said that if federal money was used to improve tracks of a railroad there would be no violation of the Nevada Constitution. He expressed the opinion that Sections 5 and 6 should be omitted from the bill if the state was to be prohibited from operating a railroad.

Senator Blakemore said he had represented on the floor of the Senate that S.B. 335 would not permit the state to go into the railroad business and he wants to be absolutely certain that is what the bill provides.

Chairman Sena requested that Mr. Daykin and Senator Blakemore prepare the proper amendment to S.B. 335 .

COMMITTEE ACTION

A.B. 70 - Mr. Glover moved Amend by inserting following language on Line 30, page 4, "a system of bus transportation consisting of routes and fixed schedules to serve the general public." Seconded by Mrs. Hayes and carried unanimously.

Mr. Glover moved Do Pass as Amended. Seconded by Mrs. Hayes and carried unanimously.

A.B. 74 - Mr. Glover moved Do Pass as Amended and amend by inserting the same language as in A.B. 70 plus to include "Regional Transportation Systems". Seconded by Mrs. Hayes and carried unanimously.

A.B. 68 - Mr. FitzPatrick moved Do Pass as Amended. Seconded by Mrs. Westall and carried. Mr. Prengaman voted no and Mrs. Wagner abstained.

A.B. 78 - Mr. Glover moved Do Pass as Amended. Seconded by Mrs. Hayes and carried. Mr. Prengaman voted no and Mrs. Wagner abstained.

A.B. 67 - Mr. Glover moved to send to floor for amendments and re-refer back to committee. Seconded by Mr. FitzPatrick and carried.

A.B. 592 - Mr. FitzPatrick moved Do Pass. Seconded by Mr. Polish.

Mrs. Hayes moved to amend the motion by moving Indefinitely Postpone. Motion lost. Fitzpatrick, Polish and Prengaman voted no. Hayes, Stewart, Sena and Wagner voted yes. Glover and Westall abstained.

On motion to Do Pass, motion lost. Stewart, Wagner, Sena and Hayes voting no. FitzPatrick, Polish and Prengaman voting yes. Glover and Westall not voting.

A.B. 651 - Mr. FitzPatrick moved Do Pass as Amended. Amendments to be those submitted by the Administrative Office of the Courts. Seconded by Mr. Polish and lost. Prengaman, Polish and FitzPatrick voted yes. Sena, Glover, Hayes, Stewart and Wagner voted no. Mrs. Westall abstained.

A.B. 252 -Mr. FitzPatrick moved to amend by changing the rate of speed to not in excess of 65 miles per hour and not to become effective until 19 other states have passed similar legislation. Mr. Polish moved to amend the motion by changing to Do Pass as Amended. Seconded by Mr. FitzPatrick and 1st. Polish and FitzPatrick voted yes. Sena, Glover, Stewart, Wagner and Prengaman voted no. Hayes and Westall abstained.

Mr. Glover moved Indefinitely Postpone. Seconded by Mr. Prengaman and carried. FitzPatrick, Westall, Polish and Hayes voted no.

There being no further business to come before the committee, the meeting was adjourned.

Respectfully submitted,

Jane Dunne
Assembly Attache

TESTIMONY AT THE ASSEMBLY TRANSPORTATION COMMITTEE - APRIL 24, 1979

My name is William Sullivan and I am presently in the used car business. I previously was in the new car business. This bill here, having been a new car dealer, I perhaps can see both sides of this thing to some degree. But digressing back to when I was a new car dealer, I have to say in all sincerity I would not be backing this bill because in the warranty area of this bill, the franchise dealer receives cash reimbursement from the factory for any warranty that he does regardless of where this vehicle is purchased, whether it is his dealership, etc. The profit center in a dealership, having been in the new car business, is a very lucrative area where the warranty work is concerned if the dealership is being run properly. It is certainly not a detriment to the new car dealer. In essence this bill to my thinking is bordering on saying to you as individuals that you cannot buy, let's say a current year vehicle, any place except from the local dealer if you are going to receive any warranty on it. Now the franchise, if you are familiar with any of the franchise agreements that we have to sign when we become a new car dealer, it states in there very clearly that you will perform services on the franchise that you have regardless of where the vehicle is purchased; that doesn't enter into it at all, it can be purchased in New York City, you will perform your warranty in Reno, Nevada. It is almost saying to you that you will buy in Reno, or wherever this is, from this dealer or you can forget about any service on that vehicle. I feel very strongly that this isn't the correct approach to take to this. I understand very clearly a lot of the problems in the new car business and the service area is one of the problems and always has been and I have been in the automobile business twenty-five years. But it is a profit center where warranty is concerned. It's almost saying in another way that if you buy a vehicle today in Carson City and you decide to sell it three days later, for some reason you don't like it, the dealer isn't going to perform service on it because the person you sold it to did not buy it from him. It is very close to getting very much of a monopoly on new vehicles in an area. I feel very strongly that -- I am an individual businessman now, I am in the used car business currently selling current year automobiles which I purchase from many new car dealers which at the price I purchase from we agree on between us what I am going to pay, I put it on my car lot and I sell it for what I can to try and make a profit. And that's exactly where it sits. The selling dealer in all cases where I buy new vehicles is a franchise dealer whether it be Ford, General Motors, import cars or what. If I had to take or if the system was set up to where that vehicle had to go back to the selling dealer, we would all be in a big problem. Everyone in here has purchased cars out of town, I am sure, at some time or another. If you buy a Ford in California and the local Ford dealer will not take care of it, he is saying why didn't I have control of you and sell you a car. But you are an individual and you can buy anyplace that you like. That is what makes our system work so well.

Fitzpatrick: On a new car warranty, I thought, with an American manufacturer, that if you bought it from a dealer within fifty miles you had to take it back to that dealer to be serviced, but if you bought it more than fifty miles you could take it to the local dealer?

Sullivan: I can't answer that correctly because I am not sure. I was in the imported car business and that is not true of the import business. I am not familiar with General Motors or Ford or Chrysler.

_____ : The General Motors warranty is good anywhere within the United States.

_____ : Ford Motor Company also.

Sullivan: That is all I have to say. Thank you very much.

Dick Hannigan: I would just like to outline a few viewpoints. My name is Dick Hannigan. My wife Carol and I own a leasing company, we have a leasing license and a used car license. We are located at 7250 South Virginia and the company is known as Hannigan, Inc. We also own a service center located at 9650 South Virginia. We use this to perform new and used car warranty and to prepare our used cars for sale. We do not take any outside work. We have been in business for better than two and a half years and we attribute most of our success to our exceptionally fine service. We furnish current model loan vehicles to our customers during the warranty period. To my knowledge no new car dealer does this locally in Northern Nevada. If a customer comes to us for warranty and he outlines six items to fix, we fix six items. I spent sixteen years with new car dealerships and I would say a good average would be three and you come back and schedule it another time with most dealers. Better than 90 percent of our business is repeats and referrals. Our customers are happy customers and you can ask anyone that wears our frames. We function primarily in current model transportation leasing, but in this particular case what would I tell a customer that had intended to lease until the last minute of the transaction decided to pay cash. That he couldn't have his care unless he leased? Nearly 100 percent of our vehicles are purchased out of town because we cannot afford to buy them from the Reno dealers. We do buy in Carson though. We have our own transport truck to pick up these vehicles, thus not putting on unnecessary miles. Now in spite of the expense of furnishing the best customer service in the area and in spite of having to transport our vehicles from out of town, in spite of absorbing the cost of the warranty, in spite of having to pay more for our vehicles than the new car dealer pays, we have proven ourselves top competition. It is a widely known fact that Reno new car dealers are among the most profitable dealers in the United States and that can be proven. This would indicate that Northern Nevada customers are paying highest prices for their new vehicles. It is also a fact that a strangely high percentage of Nevadans are still buying their new vehicles in

California even though they must pay for California emission and less economy. This would indicate a great difference in pricing between the Nevada dealers and the California dealers and other states, of course. So, I am wondering as Bill said, why are new car dealers complaining about performing warranty when they are paid and paid a profit for it by the manufacturer. To eliminate the privilege of the leasing and/or used car dealer to deliver any occasional current model car, it seems to me, would reduce the rights of the consumer and further increase the already high profits of local new car dealers. In my opinion a law such as this would reduce competition and increase consumer costs, and I really feel would deprive me of my rights.

Bill Hawks: I am from Hawthorne, Nevada, Mineral County, a Buick dealer. First I would just like to ask what is the intent of the bill. That is one of the reasons that I am here today. What will be the intent of it. From what I read, I am not sure as to what the intent is. Maybe it implies more than it says. I'll leave that to later. I'll find out the intent. My thinking would be that in looking at this and making my comments that if a person is in the leasing business and that is his business, he should lease automobiles and he shouldn't buy cars that he doesn't intend to lease. As a new car dealer, I feel no doubt about that. If some man is in the leasing business, he buys cars to lease not to resell. Now if you find someone who was doing business with a lease company sign over his place of business and he was leasing 95 cars a month and selling 5 near-new used, that's one thing. It would be quite another thing if he was in the leasing business, leasing 30 cars a month and selling 70 new -- he's really not in the leasing business. Then I would like to say, I think that the leasing companies and the car rental industry and those people that are in those industries are going to have to look at the fact that when they do do business in a community they are going to have to have service facilities, and good service facilities. They can't expect the dealer to perform those services. I think Mr. Hannigan is a rare example of a man that is in business that performs the sales and service functions. I think it would be very good, in many cases, if a person such as Mr. Hannigan if he had adequate facilities that the bill speaks of if he could get a warranty agreement from the manufacturers, it may be in the consumer's interest for him to have a warranty agreement. Operating businesses you might say from Chicago west, I don't know of any service agreements, warranty service agreements, that the manufacturers are issuing now. One of the problems in giving warranty agreements to non-dealers is these government campaigns. If this law were passed and a manufacturer gave a leasing company a warranty agreement, that would mean that they would probably have to perform the government campaigns and I just don't think as a dealer that I would want to see that happen. But in conclusion I'd say that I think there is no doubt about it that the service on automobiles after they are sold or leased is a problem as they become more technical that we are going to have to meet and it is through facilities and manpower whether the dealers have it or the rental companies have it or the leasing companies have it.

Polish: I have one question. Don't you think that most of the dealers are also leasing too.

Hawks: Yes, I have a million dollars in leases in the State of Nevada. Some of those are Buicks, some are Chevrolets and right now in our inventories we have a number of Chevrolets, Lincolns, foreign cars and under the law, if we bought those from other dealers to lease to our customers under this proposed piece we would have to lease them, we could not resell them to our own customers. We would have to either take the car and sell it back to the dealer that sold it to us and say we can't lease it, we can't sell it, will you take it back. In other words a lot of the General Motors dealers today, we are buying cars from each other to lease to our customers. Once you have a person lease a car and he is reasonably satisfied, he'd say "Bill, I don't want to lease a Buick anymore, can you get me a Chevrolet?" And I'd say "yes, I'll get you a Chevrolet" and then I'd lease it to him. And with this law if we got a Chevrolet and we didn't lease it to him, it would seem that we couldn't resell that car under the provisions here. And of course again I don't know the intent of just what the bill -- what the real intent is, that is one of the reasons that I came up here this afternoon.

Sena: I understand there are going to be quite a bit of amendments if this bill comes out. That is why we have rescheduled this bill for Monday again. I was under the impression that you were all from Las Vegas and just you are from Las Vegas?

_____ : No, I'm not. My residence is in California but I have a business in Reno.

Sena: O.K. because we will have another hearing at three o'clock on this legislation.

Hawks: I would just like to find out what the intent of it is.

.....

Ronald Dale: My name is Ron Dale, I am the President of ~~_____~~ ^{RULE -} Dale Enterprises which is a California based corporation and I feel that I am fairly openminded about your bill in that we have new car franchises and also leasing companies. I have leased over 6,000 automobiles, presently have a Lincoln-Mercury franchise, have had Ford franchises and General Motor franchises. So I am fairly familiar. Like the last gentleman I question the intent of the bill. I don't think that's the real reason. The warranty, I don't think that is a problem. I think monopoly is probably more the word. If this bill was passed, you affect every used car dealer, every leasing company, a lot of new car dealers that survive on just wholesaling to leasing companies in your state -- there are a lot of small towns in your state that 50 percent of their new car sales go out to leasing companies such as ours. Ours is Continental Leasing here in Reno. We just opened it in the last four months. A lot of the small towns have to wholesale

in order to survive, to wholesale to leasing companies all over. On our business in California we have bought cars out of Nevada for a long time. You affect Avis, Hertz, every phase of the automobile business. You have many new car dealers, you are telling a Ford dealer that he can't sell a Cadillac if his next door neighbor decides he wants a Cadillac because he can't warrant the Cadillac. The warranty is provided by the manufacturer, not the dealer. Most cars carry now a twelve month, 12,000 mile guarantee by the manufacturer. There is a lot of extended warranties available on the market if a person wants to pay for them that warrant a car up to 50,000 miles. Most of us that are in the leasing business or have had experience in it such as we have had, have our own mechanics, our own service crews, we provide in the leasing companies free loan cars which almost no dealer does. That is one of the reasons that people come into us and lease a car in the first place. Right now with this gas crunch right now, where maybe Hertz and Avis have just purchased a large amount of large cars for their fleet and nobody's going to want to rent them so they are going to have to sell them and you are telling them they can't sell them if the bill was passed. I think you are going to have tremendous opposition if it comes down to trying to be passed as a bill and I think, as far as competition goes, one of the gentlemen said that the car dealerships in the State of Nevada, your trends are so high compared to any trends that I -- I belong to twenty dealer groups around the country, probably covers twenty states, the profits that are made here in the State of Nevada on new and used cars exceed anything I have ever seen. I think competition, if we are looking out for the public, I think competition is going to allow the public generally to buy the car for a little less money than for what he is in your state right now. If it were passed, I think you would see even higher prices than you do now to consumers because you would take all the leasing companies that are presently in the State of Nevada out of business. I see many used car lots do sell new cars. I see no reason why they can't. If they can sell you a car for less money than the Ford dealer can I don't see why you shouldn't be able to buy the automobile. I think it is immaterial. I have been in the automobile business for 15 years. I have been selling cars to the used car lot across the street and the leasing companies all over California. If I don't do it someone else will, but I think generally you affect all dealers. And I don't think some of the new car dealers realize what this bill could do to them, just preventing them from selling any other product. Probably 50 percent of the new car dealers in the State of Nevada do sell other products.

60TH NEVADA LEGISLATURE
ASSEMBLY TRANSPORTATION COMMITTEE
LEGISLATIVE ACTION

Date April 24, 1979

Subject A.B. 74

MOTION:

Do Pass Amend Indefinitely Postpone Amend & Do Pass

Moved by Mr. Glover Seconded by Mrs. Hayes

AMENDMENT:

Moved by _____ Seconded by _____

AMENDMENT:

Moved by _____ Seconded by _____

NOTE:

FitzPatrick
 Glover
 Hayes
 Polish
 Prengaman
 Sena
 Stewart
 Wagner
 Westall

	<u>MOTION</u>		<u>AMEND</u>		<u>AMEND</u>	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
FitzPatrick	—	—	—	—	—	—
Glover	—	—	—	—	—	—
Hayes	—	—	—	—	—	—
Polish	—	—	—	—	—	—
Prengaman	—	—	—	—	—	—
Sena	—	—	—	—	—	—
Stewart	—	—	—	—	—	—
Wagner	—	—	—	—	—	—
Westall	—	—	—	—	—	—
TALLY:	<u>9</u>	<u>0</u>	—	—	—	—

ORIGINAL MOTION: Passed Defeated _____ Withdrawn _____

AMENDMENT: Passed _____ Defeated _____ Withdrawn _____

AMENDED & PASSED: Passed _____ Defeated _____

Attached to Minutes of April 24, 1974

60TH NEVADA LEGISLATURE
ASSEMBLY TRANSPORTATION COMMITTEE
LEGISLATIVE ACTION

Date April 24, 1979

Subject A.B. 252

MOTION:

Do Pass Amend Indefinitely Postpone Amend & Do Pass

Moved by Mr. Glover Seconded by Mr. Prengaman

AMENDMENT:

Moved by _____ Seconded by _____

AMENDMENT:

Moved by _____ Seconded by _____

NOTE:

FitzPatrick
 Glover
 Haye;
 Polish
 Prengaman
 Sena
 Stewart
 Wagner
 Westall

	<u>MOTION</u>		<u>AMEND</u>		<u>AMEND</u>	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
FitzPatrick	_____	<u>x</u>	_____	_____	_____	_____
Glover	<u>x</u>	_____	_____	_____	_____	_____
Haye;	_____	<u>x</u>	_____	_____	_____	_____
Polish	_____	<u>x</u>	_____	_____	_____	_____
Prengaman	_____	_____	_____	_____	_____	_____
Sena	<u>x</u>	_____	_____	_____	_____	_____
Stewart	<u>x</u>	_____	_____	_____	_____	_____
Wagner	<u>x</u>	_____	_____	_____	_____	_____
Westall	<u>x</u>	_____	_____	_____	_____	_____
TALLY:	<u>5</u>	<u>4</u>	_____	_____	_____	_____

ORIGINAL MOTION: Passed Defeated _____ Withdrawn _____

AMENDMENT: Passed _____ Defeated _____ Withdrawn _____

AMENDED & PASSED: Passed _____ Defeated _____

Attached to Minutes of April 24, 1979