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April 23, 2003

By Electronic Mail

The Honorable Vonne Chowning
Chair, Committee on Transportation
c/o Nevada Assembly
401 S. Carson St.
Carson City, NV 89701
vchowning@asm.state.nv.us

Re: Senate Bill 355: OPPOSED

Dear Chairwoman Chowning:

The Alliance of Automobile Manufacturers opposes Senate Bill 355 ("SB 355"), which would expand the definition of "new vehicle" to those with up to 2,500 miles, as it relates to the compensation a manufacturer is required to make to a dealer upon termination. The Alliance is a trade association of 10 car and light truck manufacturers who account for more than 90 percent of U.S. vehicle sales. Member companies, which include BMW Group, DaimlerChrysler, Ford Motor Company, General Motors, Mazda, Mitsubishi Motors, Nissan, Porsche, Toyota, and Volkswagen, employ more than 620,000 people at 250 facilities in 35 states.

Senate Bill 355, as amended on April 11, 2003, strikes the existing definition of "new vehicle" as used in NRS Section 482.363521(1)(a). Under existing law a manufacturer is required to compensate a dealer for its inventory of new vehicles, including new vehicles not of the current model year. This requirement, however, is limited to those vehicles which have "not been damaged or materially altered and registers 50 miles or less on its odometer." The proposed amendment in SB 355 would expand the definition of "new vehicle" for purposes of the termination compensation to include any new vehicle, as defined in NRS Section 482.076, potentially with as many as 2,500 miles, in the dealer's inventory.

Alliance members are concerned with this proposed change because it could potentially add a significant financial burden to their termination compensation requirements. Under the proposed change, manufacturers could be required to compensate the dealer for vehicles that are several model years old and that have already been registered to previous owners in the State, as long as the mileage does not exceed 2,500 miles. Typically, when a manufacturer compensates a terminated dealer for its new vehicle inventory, the manufacturer will redistribute those vehicles to other franchised dealers for sales to consumers as a new vehicle. Manufacturers and most consumers do not consider a vehicle with previous registration and up to 2,500 miles to be a new vehicle. Because existing law requires the manufacturer to compensate the dealer "the amount actually paid by the dealer for the vehicles" or "the amount currently paid by other dealers in this

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ASSEMBLY TRANSPORTATION

DATE: 4/24/03 ROOM: 3143 EXHIBIT C1-2

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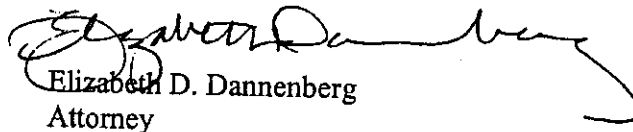
state for the vehicles," the manufacturer could be forced to bear a significant financial loss on vehicles that no longer have market values comparable to the amount originally paid by the dealer. NRS Section 482.363521(2).

The proposal also eliminates the existing limitation that the new vehicles be free of damage or material alterations. This change to existing law could expose manufacturers to increased financial losses affiliated with the termination and could force them to repurchase vehicles with damage or material alterations that significantly depreciate the market value of the repurchased vehicles. For example, a manufacturer could be required to compensate the dealer even if material alterations, like installation of an aftermarket sunroof, have been made to the vehicle after the dealer took delivery from the manufacturer. Additionally, such alterations may adversely affect, or even void, the manufacturer's warranty, further diminishing the market value of the "new" vehicle.

For the reasons stated above, the Alliance must respectfully oppose SB 355.

Please do not hesitate to contact me at (202) 326-5512 or Javier DeLaLuz at (202) 326-5541 if you have any questions about our position.

Sincerely,


Elizabeth D. Dannenberg
Attorney