

56:10-26

LEGISLATIVE HISTORY CHECKLIST
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(Automobile manufacturers--
prohibit sale)

NJSA: 56:10-26

LAWS OF: 1991 CHAPTER: 409

BILL NO: S3485

SPONSOR(S) O'Connor

DATE INTRODUCED: May 13, 1991

COMMITTEE: ASSEMBLY: ---
SENATE: Labor, Industry

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: ASSEMBLY: January 6, 1992
SENATE: December 16, 1991

DATE OF APPROVAL: January 17, 1992

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: No
SENATE: Yes

FISCAL NOTE: No

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

See newspaper clippings--attached

KBG/bas

1 AN ACT concerning the distribution of certain motor vehicles
2 and amending P.L.1985, c.361.

3

4 BE IT ENACTED by the Senate and General Assembly of the
5 State of New Jersey:

6 1. Section 1 of P.L.1985, c.361 (C.56:10-26) is amended to
7 read as follows:

8 1. As used in this act:

9 a. "Consumer" means the purchaser, other than for resale, of
10 a motor vehicle;

11 b. "Franchise" means a written arrangement for a definite or
12 indefinite period in which a motor vehicle franchisor grants a
13 right or license to use a trade name, trademark, service mark or
14 related characteristics and in which there is a community of
15 interest in the marketing of new motor vehicles at retail, by
16 lease, agreement or otherwise;

17 c. "Motor vehicle" [or "new motor vehicle"] means [only a
18 newly manufactured motor vehicle, except a nonconventional
19 type of motor vehicle,] and includes all vehicles propelled
20 otherwise than by muscular power, and motorcycles, trailers and
21 tractors, excepting (1) those vehicles as run only upon rails or
22 tracks, motorized bicycles, and buses, including school buses; [a
23 "nonconventional type of motor vehicle" means every vehicle]
24 and (2) those motor vehicles not designed or used primarily for
25 the transportation of persons or property and only incidentally
26 operated or moved over a highway;

27 d. "Motor vehicle franchisee" means a [natural] person [,
28 corporation, partnership or entity] to whom a franchise is granted
29 by a motor vehicle franchisor and who or which holds a current
30 valid motor vehicle dealer's license issued pursuant to R.S.
31 39:10-19 and has an established place of business;

32 e. "Motor vehicle franchisor" means a [natural] person [,
33 corporation, partnership or entity] engaged in the business of
34 manufacturing, assembling or distributing new motor vehicles, or
35 importing into the United States new motor vehicles
36 manufactured or assembled in a foreign country, who will under
37 normal business conditions during the year, manufacture,
38 assemble, distribute or import at least 10 new motor vehicles;

39 f. "Place of business" means a fixed geographical location at
40 which the motor vehicle franchisor's motor vehicles are offered

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 for sale and sold, but shall not include an office, a warehouse, a
2 place of storage, a residence or a vehicle;

3 g. "New motor vehicle" means a newly manufactured motor
4 vehicle;

5 h. "Person" means a natural person, corporation, partnership,
6 trust, or other entity and, in the case of an entity, it shall include
7 any other entity which has a majority interest in that entity or
8 effectively controls that other entity as well as the individual
9 officers, directors, and other persons in active control of the
10 activities of each such entity.

11 (cf. P.L.1985, c.361, s.1)

12 2. This act shall take effect immediately.

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15 STATEMENT

16
17 Currently, motor vehicle franchisors are prohibited from
18 engaging in the retail sale of new vehicles, except through their
19 franchisees. Recently, some franchisors have moved toward the
20 establishment of free standing used car franchises. This bill
21 would require franchisors to direct their retail sales of used
22 vehicles through their new motor vehicle franchises. This bill is
23 part of a three bill package that seeks to update New Jersey's
24 motor vehicle franchise laws in response to current conditions in
25 the marketplace.

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28 COMMERCE AND INDUSTRY

29
30 Requires motor vehicle franchisors to direct used car sales
31 through new car franchisees.

SENATE, No. 3485

STATE OF NEW JERSEY

INTRODUCED MAY 13, 1991

By Senators O'CONNOR and DiFRANCESCO

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SENATE LABOR, INDUSTRY AND PROFESSIONS COMMITTEE

STATEMENT TO

SENATE, No. 3485

STATE OF NEW JERSEY

DATED: DECEMBER 9, 1991

The Senate Labor, Industry and Professions Committee reports favorably Senate, No. 3485.

This bill prohibits franchisors (manufacturers, distributors and importers) of motor vehicles from engaging in the retail sale of used motor vehicles except through their franchisees (motor vehicle dealers). Currently, motor vehicle franchisors are prohibited from engaging in the retail sale of new motor vehicles except through their franchisees.

The purpose of this bill is to prevent motor vehicle franchisors (especially the Big Three - General Motors, Ford and Chrysler) from establishing separate, free-standing used car franchises to sell "program cars" that come back from rental car companies. "Program cars" are cars that the manufacturers sell at deep discounts to rental car companies, such as Hertz and Avis. The manufacturers then usually buy them back after a few months and auction them off to their dealers. In some states, however, manufacturers have set up used car operations to sell "program cars" directly to the public.