HB 499

Department of Legislative Services

Maryland General Assembly

FISCAL NOTE

House Bill 499 (Delegate Wood)
Commerce and Government Matters

Vehicle Laws - Vehicle Franchise Agreements - Manufacturer/Dealer Relations

This bill defines “require” and redefines “coerce” as they apply to vehicle franchise agreements between manufacturers and dealers. The bill also narrows a provision of current law by specifying that a manufacturer may not require or coerce a dealer to materially change the dealer’s facilities or method of conducting business if the change would impose substantial financial hardship on the business of the dealer at the location described in the franchise agreement. Current law does not specify that the hardship must occur at the location described in the franchise agreement.

The bill is effective July 1, 1998 and is construed to apply to any franchise agreement in effect or entered into on or after July 1, 1998.

Fiscal Summary

State Effect: None. The bill would not directly affect State finances.

Local Effect: None.

Small Business Effect: Potential minimal.

Fiscal Analysis

Small Business Effect: Recent court cases have interpreted the current provision to mean that a manufacturer must intentionally and directly cause a dealer to materially change its methods of conducting business. The court decisions noted that only the term “coerce” is defined in statute and the court further interprets the term “require” to have the same meaning. By redefining and defining both terms, the bill may make it easier for small business vehicle dealers to prove that manufacturers have caused substantial hardships on their businesses. The bill is to be interpreted as superseding the interpretation of recent court decisions.

Information Source(s): Department of Transportation (Motor Vehicle Administration), Department of Legislative Services

Fiscal Note History: First Reader - February 17, 1998

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