

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2290

2001 SENATE TRANSPORTATION

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2290

Senate Transportation Committee

Conference Committee

Hearing Date 2-1-01;2-8-01;2-15-01

Tape Number	Side A	Side B	Meter #
2	x		0.0-14.6
2-8-01	x		7.4-9.0
2-15-01	x		26.3-41.8
Committee Clerk Signature <i>Joyce Sel</i>			

Minutes: SB 2290 relates to recreation vehicle franchises.

Senator Jerry Klein: (District 14; Supports)

Jeff Hase: (recreation vehicle dealer from Martin,ND; Supports) See attached testimony.

Senator O'Connell: Is there a discount when merchandise is returned?

Jeff Hase: 100% of the net cost for unused, recreation vehicles, 85% on unused parts.

Jeff Hase: Snowmobiles are a great example of this. When we get good snow, we get too many dealers. This kind of law will keep dealers in ND from becoming overpopulated and not affect the good long standing dealers out there. This bill will give recreation vehicle dealers the same rights as other dealers across the state.

Senator Trenbeath: Can't you protect yourselves with a territory with a contract with a company?

Jeff Hase: Yes, sometimes companies will do that.

Hearing closed on SB 2290.

Page 2

Senate Transportation Committee

Bill/Resolution Number SB 2290

Hearing Date 2-1-01;2-8-01;2-15-01

Committee reopened on SB 2290 on 2-8-01.

Senator Espegard moves to Do Pass. Seconded by Senator O'Connell. Floor Carrier is Senator Trenbeath. Roll Call taken 5-1-0. Committee closed.

Committee reopened on 2-8-01. There is a verbal roll call taken to reconsider this bill and keep it within the committee. Roll Call taken. 6-0-0.

Committee reopened on 2-15-01.

Thomas Kelsch: Hands out proposed amendments. See attached.

Senator Espegard moves to Do Not Pass. Seconded by Senator Mutch. Roll Call taken. 4-1-1.

Floor carrier is Senator Espegard.

Senator Stenehjelm: Do you have another vehicle for these amendments?

Thomas Kelsch: Yes.

Committee closed.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2290

Page 1, line 1, replace the second "and" with a comma and after "51-20-02" insert "and 39-18-01"

Page 1, line 2, after "franchises" insert "mobile home dealer's licenses"

Page 3, after line 16 insert:

"3. Notwithstanding subsection 1 hereof, a travel trailer distributor is not obligated to purchase travel trailers in the dealer's inventory if the dealer cancels or discontinues the contract, however, in the event the travel trailer distributor cancels or discontinues the contract, the travel trailer distributor shall be obligated only to purchase the dealer's current model new and unused travel trailers."

Page 3, line 17, replace "3" with "4"

Page 3, after line 20 insert:

"SECTION 3. AMENDMENT. Section 39-18-01 of the North Dakota Century Code is amended and reenacted as follows:

39-18-01. Mobile home dealer's license--Fees--Dealer's plates. No person, partnership, corporation, or limited liability company may engage in the business of buying, selling, or exchanging of mobile homes or travel trailers, or advertise or hold oneself or itself out to the public as being in the business of buying, selling, or exchanging of mobile homes or travel trailers without first being licensed to do so as hereinafter provided.

Application for dealer's license and renewal license must be made to the department on such forms as the department prescribes and furnishes, and the application must be accompanied by an annual fee of thirty-five dollars for which must be issued one dealer plate. A dealer's license expires on December thirty-first of each year, and application for renewal of a dealer's license must be made on or before the expiration of the current dealer's license.

A mobile home dealer's license must be issued only to those who will maintain a permanent office and place of business, and an adequate service department, during the licensing year, and will abide by all the provisions of law pertaining to mobile home dealers.

In addition, the dealer shall maintain that person's business records in one central location.

Upon the payment of the fee of ten dollars for each additional plate, the

department shall register and issue dealer's license plates for use on any mobile homes owned by the licensed dealer, and the mobile homes bearing the dealer's license plates may be lawfully operated upon the public highways of the state of North Dakota by the dealer, and the dealer's agents and servants, during the year of the registration. A dealer's license plates expire on December thirty-first of each year.

The term "mobile home" as used in this chapter includes and has the same meaning as "housetrailer", and both terms have the meaning prescribed in section 39-01-01. The term "travel trailer" as used in this chapter has the meaning as prescribed in section 39-01-01.

Any mobile home dealer licensed under the provisions of this chapter may sell house cars ~~without being licensed under the provisions of chapter 39-22.~~ The provisions of this chapter, not chapter 39-22, shall apply to house car dealers and manufacturers. A mobile home dealer plate displayed on a house car must be displayed on the rear of the vehicle."

Renumber accordingly

REPORT OF STANDING COMMITTEE (410)
February 16, 2001 8:07 a.m.

Module No: SR-29-3598
Carrier: Espgaard
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2290: Transportation Committee (Sen. Stenehjem, Chairman) recommends DO NOT PASS (4 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). SB 2290 was placed on the Eleventh order on the calendar.

2001 HOUSE TRANSPORTATION

SB 2290

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2290

House Transportation Committee

Conference Committee

Hearing Date March 16, 2001

Tape Number	Side A	Side B	Meter #
1	x		2
Committee Clerk Signature <i>Laura L. Smith</i>			

Minutes: Rep. Weisz - Chairman opened the hearing on SB 2290: A BILL for an Act to amend and reenact sections 51-20-01 and 51-20-02 of the North Dakota Century Code, relating to recreation vehicle franchises.

Sen. Klein: I represent District 14. I introduced this for a local RV dealer. We came to realize that we have a lot of franchise laws in the State but none to protect the recreational vehicle dealers. Is a fairness issue that some dealers are protected and others are not. We model this after the heavy equipment dealers law but modified it to fit the type of equipment we deal in.

Jeff Hase: I am the owner of Jeff's Sport Shop in Martin, North Dakota. Mr. Hase had written testimony. A copy of his remarks are attached here.

Rep. Weisz - Chairman (520) Maybe you can clarify -- is this going to solve your problem about the sub-dealers?

Jeff Hase: No -- if you sign up as a dealer with Arctic Cat say -- you can not have a sub-dealer -- to sell in a town near me but they can set up another dealer or as has happened, a couple of:

dealers have moved in from Minnesota nearby to me and Arctic Cat doesn't do anything about it. In fact they themselves will set up dealers all over and do it right next to us with no protection of our territory.

Rep. Weisz - Chairman (587) but this bill will not take care of that --

Jeff Hase: What we feel this bill will do is make the manufacturer aware of is that if the manufacturer doesn't protect their dealers they have in place -- that dealer is not going to do what he is supposed to do.

Rep. Weisz - Chairman (621) is this under the 85% provision for returned merchandise?

Jeff Hase: Yes it is. In the Senate they modified it to the inventory of the current model year.

Rep. Carlson: (714) Do you sign a franchise agreement with the various Manufacturers?

Jeff Hase: Yes with have agreements with every one of them,

Rep. Carlson: (742) Within those agreements does it say anywhere or do you ask the questions that there won't be another dealer within a 100 or 150 miles? Can those kind of things be put in the agreements?

Jeff Hase: Yes some of the franchises do have it in there -- but to some of the manufacturers that doesn't mean anything.

Rep. Carlson: (836) When you sign these agreements what is the typical length of franchise agreements you sign?

Jeff Hase: Right now they are annual.

Rep. Grumbo: (870) Are you required to purchase a certain amount of products from the manufacturer or the distributor is concerned?

Jeff Hase: What they have their dealer programs -- i.e. The program for Arctic Cat this is that you must buy a minimum of 25 units. The is the basic program you can get -- what you get with that you get your 25 snowmobiles, you get dating terms until August first,--- but, if you buy 50 sleds you get longer dating terms -- you get better programs on buying parts, you get parts at 5% off-- you get longer dating terms on your inventory -- maybe until January 1. -- If you go up to 200 units you might get to a point where you don't have to pay for the stuff until February. There are other discounts and incentives.

Rep. Weisz - Chairman (1073) Do they require you to maintain a certain parts inventory? Is that based on the volume you sell or is it based on a certain minimum inventory?

Jeff Hase: They have different programs that the more you but the more incentives they give you.

Rep. Ruby: (1133) When they move another dealer in next to you like they did to you and you can't make it and you have to quite -- are you sure you want the provision in this bill that you have buy your own parts -- that is that they don't have buy them? And the provision about the sub-dealer?

Jeff Hase: That particular section of the bill could have been left in or taken out -- it was either way. We took those provisions for the law as it is.

Rep. Pollert - Vice Chairman: (1288) On page 2 line - does parts and accessories -- does accessories -- parts to me are mechanical -- but are your also talking about helmets, clothing, visors and the like?

Jeff Hase: Yes we are.

Rep. Price: (1523) Is part of this is that you want to avoid civil actions at law?

Jeff Hase: Well our problem really stems from the fact that they squeeze you out of business so they don't have to buy out your inventory.

Rep. Thorpe: (1711) On your parts, do they give you an obsolescence program?

Jeff Hase: What they do is if you but a certain amount under their/your program they will give you a 5% allowance that you can send back but Arctic Cat his in there that you con only send back parts you bought that year.

Rep. Thorpe: (1895) Why wouldn't they want previous years parts that aren't moving?

Jeff Hase: That peculiar to the snowmobile industry -- it is a fast moving and changing industry.

Rep. Schmidt: (1988) Are any manufacturers better than others or are they all alike?

Jeff Hase: some are good and others are not so good to work with.

Rep. Thorpe: (2076) Do you deal through distributors or are you factory direct?

Jeff Hase: Most factories are dealer direct - there are still a few that go through distributors.

Larry Haisley: I am with River City Sports in Bismarck and am here to support his bill.

Rep. Carlson: (2241) Others have referenced mostly the snowmobile line -- I assume that you are mostly into boats and motors?

Larry Haisley: Yes we are and what Jeff Hase has said pretty much applies to us also. He said it very well.

Tim Moritz: I am with Mortiz Marine here in Bismarck and I sirongly support this bill. Jeff has said about everything very well.

Rep. Thorpe: (2452) Do you think this bill will help -- with the bigger dealers coming?

Tim Moritz: I believe it will for the main reason as Jeff Hase has said about them setting up sub dealers. We have dealt with same problems:

Page 5

House Transportation Committee

Bill/Resolution Number SB 2290

Hearing Date March 16, 2001

Rep. Mahoney: (2659) I am sure you franchise agreements are written agreements, don't they have right now what they would buy back and some of these other provisions?

Tim Moritz: Sea Ray is pretty good to deal with. They protect their area.

Rep. Grumbo: (2732) Is the advertising that goes on -- is that included the purchases the you make? Or do you pay extra?

Tim Moritz: We do get some co-op advertising but we couldn't make a living on that.

Rep. Carlson: (2786) MY question keeps coming back to me -- your are signing agreements -- could not these things be handle in the agreements you have with these manufacturers? Or is it impossible to negotiate any of these things with them?

Tim Moritz: With out sounding like a wiener - but we are here in Bismarck, North Dakota and the largest dealers here are small dealers in their eyes compared with the rest of the country.

Rep. Thorpe: (2879) For Jeff Hase -- you are comfortable with this -- you don't need to look at anything spell something out for you -- like this obsolete parts thing which can be quite a drain on a dealer --

Jeff Hase: It depends on the dealer -- some dealers are pretty good to work with -- as far as anyone of us saying it to put it in the agreement -- you aren't going to get past the first time. They have got their attorneys -- they have written their dealer agreements to where it is not for us it is to protect them. Unless we had a big organization like all the dealers would get together and say

Rep. Pollert - Vice Chairman: A couple of years ago didn't Arctic Cat mandate that you had to have a bigger display area devoted to only Arctic Cat, bigger signs on the business and bigger office, etc.? Was the in the franchise agreement?

Jeff Hase: They did come out with what they called the 'world class' store -- They tried it in Grand Forks -- it didn't make it there -- but right now we are having problems with ATV market -- specifically with ATV's coming out of Canada -- snowmobile coming out of Canada-- even in the outboard business -- we have them coming out of Canada -- with the GST tax, PST tax - you can go up there and buy a boat -- the dealers are charged much less for them in Canada than the dealers -- if people live a 100 miles from the border it doesn't take much for them to run across the border and buy a boat -- the manufactures say they will do something about -- they won't honor the warranty but they have to honor it--

Rep. Pollert - Vice Chairman: (3352) but that wasn't in your franchise agreement as far the displays -- you didn't have to do it did you?

Jeff Hase: No -- it wasn't mandated but they tried to push you into because they wanted it. They would have liked you do the World Class store.

Rep. Carlson: (3402) I want to go back to the contract thing again -- do you have an option in t his contract -- when you want to be an Arctic Cat dealer -- they just lay the contract dealer you take it or leave it? Is their attitude is that if you don't tale it they will just go find another dealer? I guess my question is that if you are a dealer and your contract is from year to year and you told them next year you wanted this , this and this and I also want in there that you take back all unsold equipment -- if I go out of business -- what would they do -- would they walk out the room?

Jeff Hase: They would laugh at you -- If I told them that they would laugh

Jay Weidemen: I reprint the Sport Shack in Minot. We are a dealer for four manufacturers. I have heard a lot of questions about dealer agreements and negotiations - - there is no negotiation.

Page 7

House Transportation Committee

Bill/Resolution Number SB 2290

Hearing Date March 16, 2001

Rep. Pollert - Vice Chairman: (3960) Don't you have or hire an attorney that looks through these and don't you know what you are getting into before you sign the agreement?

Jay Weldeman: Yes you are correct but there is no negotiation.

Rep. Weisz - Chairman (4170) Obviously this isn't going to change a lot of these things but as you say it will alert them that we have state laws like the other states-- before they try to take advantage of ----

Jay Weldeman: Yes I think that is an accurate statement -- yes it will make them think twice.

Paul Bentz: I am from Capital RV Center in Bismarck and Minot. Pretty much everything has been said and I agree with it. I support this bill.

Craig Woodward: I am from Sports Inc. in Jamestown. We urge passage of this bill.

Jaff Halvorson: I am from Devils Lake, North Dakota -- we have all sorts or sports equipment. We have had trouble with some of these dealerships move in on us. (This was testified to in earlier testimony.) We support passage of 2290.

OPPOSITION TESTIMONY

Tom D. Kelsch: I represent the Recreational Vehicle Industry Association. We do not represent snowmobile manufacturers. Our manufacturers are the travel trailer manufacturers. I do have a proposed amendment that I am handing out. If that amendment were adopted we would support 2290. We represent 98% of the manufacturers of mobile homes, travel trailers -- this bill would require our manufacturers would require them to buy a dealers current years inventory on his in the event that either the manufacturer or the dealer canceled the contract. While I understand that this bill is being brought by a snowmobile dealer -- if passed this bill will have a severe adverse economic impact on the travel trailer manufacturers and potentially travel trailer dealers and

consumers. Unlike car dealers who keep their contracts for years travel trailer dealers frequently add and drop manufacturers to pursue a new market and buy products from another manufacturer. Under the proposed bill travel trailer manufacturers would be forced to repurchase a dealer's inventory on demand even if the manufacturer has complied with their contract and acted professionally with the dealer. Moreover if the dealer acted imprudently and purchased inventory well in excess of the consumer demand, the manufacturer not the dealer would bear the financial loss of this decision. As a result this provision could put smaller manufacturers out of business. The domino effect could make travel trailer more expensive for consumers and hurting other dealers in the state that carry that manufacturer's line. Not to mention the problem that could arise for the consumer who owns that product if the manufacturer is forced out of business as a result of the proposed inventory repurchase provisions. The Recreation Vehicle Industry Association proposes a compromise which will protect the consumer and the dealer in the state and address the manufacturer's concern. The proposed amendment would require a travel trailer manufacturer to repurchase a dealer's current model year inventory only in the event that the manufacturer terminates the dealer not upon dealer termination. This amendment would protect the dealer's investment in the event of a manufacturer's termination.

Rep. Weisz - Chairman (5148) Does your industry in the franchise agreement require the purchase a minimum amount of inventory?

Tom D. Kelsch: I think it is similar to -- they have some provisions in there that the more you buy the bigger the discount -- the better price you get. The problem with that of course is if you take advantage of that as a dealer and buy more to get a better price and you have a law like this in effect that requires the distributor to buy back everything you bought -- they won't do that any more because they couldn't afford it

Rep. Weisz - Chairman (5286) but do they require an absolute minimum?

Page 9

House Transportation Committee

Bill/Resolution Number SB 2290

Hearing Date March 16, 2001

Tom Kelsch: I can't speak for all of the industry -- I would have to get that information.

Rep. Thorne: (5318) I am looking at your proposed amendment -- it says 'proposed manufacturers and distributors' -- we all know there is a difference -- Is it the distributor you are concerned with here? How would this play out?

Tom Kelsch: My understanding is that in the definitions -- they are same and that in applying this law it would be interpreted as to how it applied to them.

Rep. Welsz - Chairman (5471) There being no one wishing to testify for or against SB 2290 the hearing is closed for any further testimony.

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2290 B

House Transportation Committee

Conference Committee

Hearing Date March 22, 2001

Tape Number	Side A	Side B	Meter #
1		x	112
			End 1695
Committee Clerk Signature <i>Lauren L. Fink</i>			

Minutes: Rep. Weisz - Chairman opened the discussion for action on SB 2290.

Rep. Kelsch: (159) I move we amend SB 2290.

Rep. Price: I second the motion.

Rep. Kelsch: The bill as originally drafted dealt with snowmobiles and snowmobile dealers. It was more that issue but the way it was drafted it was broad enough to include travel trailers. In the Senate this amendment was proposed and the senate was going to put this amendment on but a side issue arose and they were going to defeat this bill and amendment got lost. They put a 'do not pass on it and it got turned around on the senate floor.

Rep. Mahoney: (343) I am wondering why were are talking about the other items in here?

Rep. Kelsch: Because they are different in they are --- totally different than snowmobiles -- with the sale of helmets, boots and those types of things -- totally different issues. All that stuff is different than travel trailers which are a lot bigger and more expensive.

Rep. Mahoney: (434) Why wouldn't the same argument hold true for snowmobiles?

Rep. Kelsch: Rep. Mahoney -- I didn't say I favored the bill.

Rep. Schmidt: (460) In the testimony the travel trailer people add and drop manufacturers and the market changes so much because of the demands.

Rep. Thorne: (516) I had a very interesting E-mail from a large dealer in Minot -- he was really urges -- he handles big expensive travel trailers and they do have a real problem because they do have a multitude of manufactures and all kinds of brands -- he say what happens is they seem to fail to realize their market up here is 5 months out of 12 -- and they keep pushing product at them -- it is a real problem with them and they jump about to find a dealer who is a dealer who sill stick with them -- so he is wanting to be in this bill. He doesn't want the amendment.

Rep. Carlson: (650) I fail to see how this would be different ?

Rep. Weisz - Chairman discussed how the dealers and marketers work in each case.

Rep. Kelsch: (736) She explained by way of example of Rep. Price entering as enterprise of pickling garlic and set up dealers and the business failed for lack of business.

More discussion followed relating different experiences. Relating differences in Demographics, etc.

Rep. Carlson: (1104) If Rep. Mahoney withdraws his second I will withdraw my motion.

Rep. Mahoney: I withdraw.

Rep. Kelsch: (1126) I have a motion for the amendments.

Roll call vote to approve the proposed amendments; motion failed 5 yeas 9 nays 0 absent.

Rep. Carlson: (1567) I move a 'Do Pass' for SB 2290.

Rep. Mahoney: I second.

Page 3

House Transportation Committee

Bill/Resolution Number SB 2290 B

Hearing Date March 22, 2001

On a roll call vote

The motion for a 'Do Pass' carried 12 yeas 2 nays 0 absent.

Rep. Mahoney was designated to carry SB 2290 on the floor.

ENDED (1695)

Date: 3/22/01
Roll Call Vote #:

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

Amendments to SB 2290

House Transportation Committee

- Subcommittee on _____
- or
- Conference Committee

Legislative Council Amendment Number _____

Action Taken approve amendments

Motion Made By Rep Kelsch Seconded By Rep. Price

Representatives	Yes	No	Representatives	Yes	No
Robin Weisz - Chairman		✓	Howard Grumbo		✓
Chet Pollert - Vice Chairman		✓	John Mahoney		✓
Al Carlson		✓	Arlo E. Schmidt		✓
Mark A. Dosch		✓	Elwood Thorpe		✓
Kathy Hawken	✓				
Roxanne Jensen	✓				
RaeAnn G. Kelsch	✓				
Clara Sue Price	✓				
Dan Ruby		✓			
Laurel Thoreson	✓				

Total (Yes) 5 No 9

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 3/22/01

Roll Call Vote #:

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2291

House Transportation Committee

Subcommittee on _____

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Rep. Carlson Seconded By Rep. Mahoney

Representatives	Yes	No	Representatives	Yes	No
Robin Weisz - Chairman			Howard Grumbo	✓	
Chet Pollert - Vice Chairman	✓		John Mahoney	✓	
Al Carlson	✓		Arlo E. Schmidt	✓	
Mark A. Dosch	✓		Elwood Thorpe	✓	
Kathy Hawken	✓				
Roxanne Jensen	✓				
RaeAnn G. Kelsch		✓			
Clara Sue Price	✓				
Dan Ruby	✓				
Laurel Thoreson		✓			

Total (Yes) 12 No 2

Absent 0

Floor Assignment Rep. Mahoney

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 22, 2001 12:46 p.m.

Module No: HR-50-6402
Carrier: Mahoney
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2290, as engrossed: Transportation Committee (Rep. Weisz, Chairman) recommends DO PASS (12 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2290 was placed on the Fourteenth order on the calendar.

2001 TESTIMONY

SB 2290

Mr. Chairman, Members of the committee, my name is Jeff Hase from Martin ND. I have been a Recreational Vehicle Dealer in ND since 1982. I am in favor Senate Bill 2290 because it will give Recreational Dealers the same fair and equal rights that Automobile, Truck, Farm Equipment, and Heavy Equipment Dealers have now.

Most people do not realize the amount of the investment there is in becoming a Recreational Dealer. In most Dealer Agreement's there is the requirement to purchase the tools to repair the Vehicles, to stock a quantity of replacement parts, and to stock a supply of accessories for the customer to purchase if they so desire.

Each year the manufacturers have their dealer shows and at that time present to the dealers the various buying levels they must purchase in order to qualify for the programs they offer. In order to stay competitive in the marketplace, most dealers will try to attain the highest or best buying level they can.

To give you an example of the different buying levels, this year our snowmobile manufacturer that we do business with had 6 different purchase levels for the vehicles. The minimum purchase requirement to qualify for the basic program was 25 units, (average cost per unit is \$5000.00 x 25 = \$125,000.00) The best level was 200+ units (average cost per unit is \$5000.00 x 200 = \$1,000,000.00. They had 7 different levels for parts and accessories. The minimum level was \$3000.00 in parts and accessories, the best buying level was \$100,000.00 + in parts and accessories. Anyone that has been in business knows that if you keep meeting the manufacturer's requirements year after year, you will soon start accumulating an Inventory of Vehicles, Parts, and Accessories that is either slow moving or unsellable. This is just the "preseason" purchase requirements. This does not include the "inseason" purchases that you make to maintain your stock throughout the rest of the year!

The Dealer must have this money in his pocket or have it available to them in the form of a loan, floor plan, finance company, or Letter of Credit before they are even eligible to become a Dealer.

With these kind of requirements to the Dealer at the start of a business venture, the Dealer also needs some requirements of the Manufacturer at the end of a business venture. Senate Bill 2290 will address some of these needs.

I did some research into the ND Century Code and found that if you are an Automobile, Truck, Farm Equipment, or Heavy Equipment Dealer, you have a lot more rights and protection upon the discontinuance of a Dealer Agreement. Under Chapter 51-07 or Chapter 51-20.1, if either the manufacturer or the dealer decides to discontinue the agreement, for any reason, the manufacturer must buy back the new and unused vehicle inventory and the new unused parts.

The current ND Century Code Chapter 51-20 for Recreational Dealers, is a one way street in favor of the manufacturer or distributor, with very little or no rights for the Dealer. Under the current law, the Manufacturer only has to repurchase Vehicles and parts if they terminate you or set up another dealer in your area. If the Manufacturer can require the Dealer to buy parts and Vehicles to be a Dealer, the Manufacturer should also be required to repurchase the remaining new Inventory and Parts if the Dealer or Manufacturer decides to terminate for any reason.

Under the current law a manufacturer has no reason to ever terminate a dealer, since they know they would then have to repurchase the remaining parts and inventory. They basically force a new dealer to buy out the current dealer if they want to get the franchise. That way they neither terminate the current dealer nor do they set up another dealer within their territory. This avoids the requirement of the manufacturer to repurchase the remaining inventory and parts.

I do not understand why the people who wrote this Chapter of the ND Century Code Singled out Recreational Dealers and wrote the Chapter the way they did. The pattern for equal treatment to all Dealers, no matter what they sell, was already set in ND Century Code Chapter 51-07, and should have been used as an example for all later ND Century Code Chapters.

The proposed changes to the ND Century Code would give the Recreational Dealers the same basic rights as the Automobile, Truck, Farm Equipment, and Heavy Equipment Dealers.

I would like to thank you for the opportunity to express my opinions to you.

Jeff Hase

**TESTIMONY BEFORE THE HOUSE TRANSPORTATION COMMITTEE
BY THE
RECREATION VEHICLE INDUSTRY ASSOCIATION
WITH
PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO 2290**

Chairman Weisz and House Transportation Committee Members, my name is Thomas D. Kelsch. I am a local attorney with the Kelsch Law Firm of Mandan and I appear before you today as a lobbyist on behalf of Recreation Vehicle Industry Association to testify in support of Engrossed Senate Bill 2290 with the adoption of an amendment as explained hereafter.

The Recreation Vehicle Industry Association is the national trade association that represents the manufacturers and component part suppliers of motor homes and travel trailers that produce over 98% of the units manufactured.

Senate Bill 2290 would require recreational vehicle manufacturers (called "distributors" under North Dakota law) to repurchase all of a dealer's current year inventory on its lot in the event either the manufacturer or dealer cancels or discontinues the contract. While it is my understanding this bill is being brought at the request of a snowmobile dealer, it will have a significant adverse economic impact on travel trailer manufacturers and potentially travel trailer dealers and consumers. Unlike car dealers who keep their contract with Ford, Toyota etc...as long as they can, travel trailer dealers frequently add and drop manufacturers to pursue a new market niche or hotter products from another manufacturer.

Under the proposed bill, travel trailer manufacturers would be forced to repurchase a dealer's inventory on demand even if the manufacturer has complied with their contract and acted professionally with the dealer. Moreover, if a dealer acted imprudently and purchased inventory well in excess of consumer demand, the manufacturer, not the dealer, would bear the financial loss of this decision. As a result, this provision could put smaller manufacturers out of business. This would have the domino effect of making travel trailers more expensive for consumers and hurting other dealers in the state that carry that manufacturer's line, not to mention the problems that could arise for consumers who own that product, if the manufacturer is forced out of business as a result of the proposed inventory repurchase requirements.

The Recreation Vehicle Industry Association proposes a compromise that will protect consumers and dealers in the state and address the manufacturers' concerns. The proposed amendment would require a travel trailer manufacturer to repurchase a dealer's current model year inventory only in the event of the manufacturer terminating the dealer, not upon dealer termination. This amendment would protect the dealer's investment in the event of a manufacturer termination without driving consumer costs up.

The proposed amendment is attached for your consideration. I would be glad to respond to any questions.

Good Morning Chairman Weisz and members of the House Transportation Committee.

My name is Jeff Hase. I am the owner of Jeff's Sport Shop in Martin, ND. I have been in business as a Recreational Vehicle Dealer since 1982. I am here today to ask for your DO PASS vote on SB-2290 and to give some reasons why I think it should be passed.

Anyone who is or has been a Dealer of any kind knows the buying requirements the Manufacturers place upon the Dealer each year to qualify for their programs. Many times these requirements push the Dealer to or beyond their sales ability resulting in carryover Parts and Inventory. Chapter 51-07 of the North Dakota Century Code helps control this problem and keep the Manufacturers in check.

Chapter 51-07 which applies to Automobile, Truck, and Farm Equipment Dealers states that if the Manufacturer or the Dealer decides to terminate their Dealer Agreement for any reason the Manufacturer must repurchase the remaining current new and unused Vehicles at 100% the net cost paid by the Dealer plus freight. They must repurchase the remaining parts that are listed in the current price books at 85% of net cost plus freight.

With the demographics of present day North Dakota we need the Manufacturers to think twice, have some responsibility and be a little more thoughtful about who and where they set up a Dealer. The Manufacturer needs to be confident that the Dealer is in the right location and has a large enough trade area to sell and service in. It needs to be profitable for Dealer as well as the Manufacturer, through the bad years as well as the good years. Because of this law, the Manufacturers look out for the Dealer and try hard to make them successful and to stay in business for many years.

The Recreational Vehicle Dealers of North Dakota were not included in this law. There was a different law written for us. Chapter 51-20, which states the only time the Manufacturer is required to repurchase any parts or inventory is if the Manufacturer initiates the termination or sets up a new Dealer in the same area.

Many of the Recreational Vehicle Manufacturers have the goal to be # 1 in marketshare, which is fine, but many times it's at the expense of # 2, the Dealer. In states with laws like North Dakota, they saturate it with Dealers and sell them tons of inventory, then they turn the Dealer loose to fend for themselves with little or no regard of profitability or if they will be able to survive past the first year. Under the current law, the Manufacturers have no risk of repurchasing the Inventory or parts if the Dealer fails so who cares. They can sign up a new Dealer the next day and sell more. We need this to stop or change. We feel the solution is SB-2290.

The laws of North Dakota should be written to apply equally to all Dealers, no matter what type of Equipment or Vehicles they sell. The Recreational Vehicle Dealers of North Dakota need to have the same rights that the Automobile, Truck, and Farm Equipment dealers now have. We are asking you to Vote a DO PASS on SB-2290 to change the law for the Recreational Vehicle Dealers of North Dakota.

This past year (2000), the South Dakota Legislature passed HB-1212 by over 90% to give the South Dakota Dealers this same protection.

Thank you,
Jeff Hase
Jeff's Sport Shop