

BILL ANALYSIS

C.S.H.B. 1050
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Transportation
Committee Report (Substituted)

BACKGROUND AND PURPOSE

For decades, Texas law has permitted manufacturers of heavy and medium duty trucks to have ownership interests in used medium and heavy truck dealerships. This has allowed heavy truck manufacturers to take back trades from customers of their products and assist with the sale of those returned used heavy and medium trucks back to the consuming public. Recently, however, 1999 amendments to the relevant statute have been interpreted to prohibit this decades old practice. Without the manufacturers' participation, many Texas dealers will not have the business structure, interest or financial ability to absorb the huge volumes of heavy and medium duty trucks trades, in turn impairing new truck sales.

The purpose of CSHB 1050 is to redress the unintended consequence of the 1999 legislative amendments by creating an exception that allows heavy and medium truck manufacturers to continue their involvement in used truck sales. CSHB 1050 will have no impact upon automobile and light truck dealerships, but will instead merely allow the status quo in medium and heavy trucks to continue. CSHB 1050 is consistent with similar existing exceptions for recreational vehicle manufacturers and rental car companies.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

Section 1. Amends Section 2301.476 Occupations Code to exempt manufacturers of medium and heavy trucks from the prohibition of having an ownership interest in a used medium and heavy truck dealership by allowing manufacturers and distributors that owned an interest in a used medium and heavy truck dealer or dealership on January 1, 2005 to continue having an ownership interest as long as the ownership and control of the dealer or dealership does not increase. Allows for transfer and relocation of the dealer or dealership. Applies only to dealers and dealerships that sell used trucks that have a gross vehicle weight rating of 11,000 or more. Does not apply to dealers or dealerships that sell new motor vehicles.

Section 2. Effective date: upon passage or September 1, 2005.

EFFECTIVE DATE

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2005.

COMPARISON OF ORIGINAL TO SUBSTITUTE

CSHB 1050 modifies the original HB 1050 by providing that if the manufacturer or distributor owned an interest in a licensed independent dealer or dealership on or before January 1, 2005 then that manufacturer continues to be allowed to own an interest in an independent dealer or dealership engaged in the sale of used motor vehicles as long as the manufacturer's ownership or control of the dealer or dealership does not increase after January 1, 2005. CSHB adds language allowing for the transfer or relocation of the dealer or dealership. CSHB 1050 also increases the gross vehicle weight rating from 8,500 pounds to 11,000 pounds thus applying only to the

medium and heavy duty used truck industry and does not affect the car and light truck industry or the sale of new motor vehicles.