

BILL ANALYSIS

Senate Research Center

C.S.S.B. 1415
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Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The Texas automobile franchise laws, originally enacted decades ago, are broadly written, and are intended to prohibit a motor vehicle manufacturer from owning an interest in a motor vehicle dealer. However, modern-day ownership structures have become more complex as dealership ownership has evolved. As the state and the industry as a whole moves into the future, laws need to be updated to allow for continued flexibility while maintaining competition and consumer safety. The unintended consequence of the current law prevents a company from owning a manufacturer of oranges and also owning a retailer of apples, which is not the intent behind the law. (Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 1415 amends current law relating to the ownership, control, or operation of a franchised or nonfranchised dealer or dealership by certain motor vehicle manufacturers and distributors.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Sections 2301.476(a), (b), and (c), Occupations Code, as follows:

(a) Provides that in this section:

(1) creates this subdivision from existing text, redesignates existing Subdivisions (1), (2), (2)(A), and (2)(B) as Subdivisions (1)(A), (1)(B), (1)(B)(i), and (1)(B)(ii), and defines "manufacturer" to include:

(A) a representative; or

(B) a person who:

(i) is affiliated with a manufacturer or representative; or

(ii) directly or indirectly through an intermediary, is controlled by, or is under common control with, a manufacturer.

(2) "Type of motor vehicle" means the classification of a motor vehicle as one of certain types.

(b) Provides that for purposes of Subsection (a)(1)(B)(ii), rather than Subsection (a)(2)(B), a person is controlled by a manufacturer if the manufacturer is directly or indirectly authorized, by law or by agreement of the parties, to direct or influence the person's management and policies.

(c) Creates Subdivisions (1)(A), (1)(B), (2)(A), (2)(B), (3)(A), and (3)(B) from existing text and prohibits a manufacturer or distributor, except as provided by this section

(Manufacturer or Distributor Ownership, Operation, or Control of Dealership), from directly or indirectly:

(1) owning an interest in:

(A) a franchised dealer or dealership, as defined by Sections 2301.002(16) (relating to the definition of "franchised dealer") and (8) (relating to the definition of "dealership"), respectively, for the same type of motor vehicle that:

(i) the manufacturer manufactures or distributes; or

(ii) the distributor distributes; or

(B) a nonfranchised dealer or dealership;

(2) operating or controlling:

(A) a franchised dealer or dealership, as defined by Sections 2301.002(16) and (8), respectively, for the same type of motor vehicle that:

(i) the manufacturer manufactures or distributes; or

(ii) the distributor distributes; or

(B) a nonfranchised dealer or dealership; or

(3) acting in the capacity of:

(A) a franchised dealer or dealership, as defined by Sections 2301.002(16) and (8), respectively, for the same type of motor vehicle that:

(i) the manufacturer manufactures or distributes; or

(ii) the distributor distributes; or

(B) a nonfranchised dealer.

SECTION 2. Effective date: September 1, 2019.