

---

---

## **OLR Bill Analysis**

### **SB 127**

#### ***AN ACT CONCERNING THE SALE OF ELECTRIC VEHICLES IN THE STATE.***

#### **SUMMARY**

This bill expands the ability of certain licensed motor vehicle manufacturers to sell their vehicles directly to consumers in Connecticut under specific conditions. It does this by authorizing the motor vehicles commissioner to issue a new or used car dealer's license to a manufacturer that meets certain requirements.

Current law bars motor vehicle manufacturers from holding a new or used car dealer's license except that:

1. the motor vehicles commissioner may issue a used car dealer's license to a person, firm, or corporation owned or controlled by a manufacturer, primarily in the business of renting motor vehicles and industrial and construction equipment under certain conditions, and
2. a manufacturer may operate a dealership for up to one year (or two years if the commissioner makes certain determinations).

The bill also makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2021

#### **MOTOR VEHICLE MANUFACTURER DIRECT SALE CRITERIA**

To qualify for a new or used car dealer's license under the bill, a licensed manufacturer:

1. cannot have a franchise agreement with a new car dealer in Connecticut;

2. must manufacture only “electric vehicles” (which the bill does not define);
3. must sell at retail only vehicles it makes; and
4. cannot hold a controlling interest in or be owned or controlled by (a) another manufacturer or (b) a subsidiary, affiliate, or entity owned or controlled by another manufacturer, licensed as a dealer under the bill.

The bill exempts a manufacturer who meets these qualifications from motor vehicle franchise laws (see BACKGROUND).

Under the bill, a “manufacturer” is any person, firm, or corporation licensed as a motor vehicle manufacturer under state law and any subsidiary, affiliate, or entity it owns or controls. The bill expands the statutory definitions of “new car dealer” and “used car dealer” to include such a manufacturer and generally subjects the manufacturer to the rules governing these dealers. Under the bill, if a manufacturer is licensed as a new car dealer, it may also repair vehicles and sell used vehicles; if licensed as a used car dealer, it may also repair vehicles.

## **BACKGROUND**

### ***Motor Vehicle Franchises and Dealerships***

Under the laws governing motor vehicle franchises, a motor vehicle manufacturer makes or assembles new motor vehicles or imports them for distribution to dealers or through distributors or factory branches. A dealer sells motor vehicles and holds a valid sales and service agreement, franchise, or contract with a manufacturer or distributor for retail sale of the manufacturer’s or distributor’s new motor vehicles (CGS § 42-133r).

The motor vehicle franchise laws set out, among other things, the respective obligations of manufacturers and dealerships (CGS §§ 42-133r to 42-133ee). They generally prohibit a manufacturer from unfairly competing with a dealer who sells the manufacturer’s “line make” of vehicles (e.g., Toyota or Ford) and is operating under an agreement or franchise with the manufacturer in the relevant market

area (CGS § 42-133cc(8)).

### ***Motor Vehicle Dealer Laws and Regulations***

Motor vehicle dealers are subject to laws governing vehicle sales, registration, and recordkeeping, among other things.

The Department of Motor Vehicles (DMV) requires new and used car dealers to pay a biennial license fee of \$700 and \$560, respectively. New and used car dealers also must post a \$50,000 cash or surety bond and comply with applicable state and federal laws. The commissioner may refuse to grant or renew a license if the dealer, or an officer or major stockholder of the dealer, has been convicted of violating any laws pertaining to the business or certain other crimes, such as fraud (CGS §§ 14-52 & 14-52a).

Dealers must follow motor vehicle laws and regulations in such areas as use of dealer plates, record-keeping, sales agreements, vehicle registration, and customer complaints (Conn. Agencies Regs. § 14-63-1 et seq.).

### ***Manufacturer***

Under the motor vehicle statutes, a manufacturer generally is (1) a person, whether or not a Connecticut resident, engaged in the business of constructing or assembling new motor vehicles of a type required to be registered by the commissioner for operation upon any highway (except a utility trailer), which are offered for sale in Connecticut, or (2) a person who distributes new motor vehicles to new car dealers licensed in Connecticut (CGS § 14-1(53)).

The law prohibits any person, firm, or corporation from engaging in the business of manufacturing motor vehicles without receiving a manufacturer's license, which expires biennially on June 30. Applicants for a manufacturer's license must apply to DMV and pay a biennial license fee of \$2,300 (CGS § 14-67a(a)).

## **COMMITTEE ACTION**

Transportation Committee

Joint Favorable

Yea 25 Nay 10 (03/24/2021)