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## **OLR Bill Analysis**

### **sSB 214**

#### ***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 Department of Motor Vehicles (DMV) commissioner to issue a new or used car dealer's license to a manufacturer meeting certain requirements.

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

1. the DMV 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, 2022

#### **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 "battery electric vehicles;"

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 and licensed as a dealer under the bill.

By law and under the bill, a “battery electric vehicle” operates solely by use of a battery or battery pack or is primarily powered by an electric battery or battery pack and uses a flywheel or capacitor that stores energy produced by an electric motor or through regenerative braking to assist in its operation (CGS § 16-19eee). 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.

DMV requires new and used car dealers to pay a biennial license fee of \$700 and \$560, respectively. These dealers also must post a \$50,000 surety bond and comply with applicable state and federal laws, such as submitting to national and state criminal history record checks (but see BACKGROUND, for related bill). 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. She may also consider certain civil judgments against dealer and repairer license applicants when deciding whether to grant or renew those licenses (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.).

**Related Bill**

sSB 333, §§ 2 & 3, favorably reported by the Transportation Committee, increases the surety bond amounts for applicants of new or used car dealer's licenses from \$50,000 to \$60,000 and requires applicants to be fingerprinted.

**COMMITTEE ACTION**

Transportation Committee

Joint Favorable Substitute

Yea 21    Nay 14    (03/24/2022)