



Office of Program Policy Analysis And Government Accountability



John W. Turcotte, Director

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Follow-Up Report on the Automobile Manufacturer Licensing Program

Abstract

Bills were introduced during the 1997 legislative session that would have streamlined the automobile manufacturer licensing process as described in our 1996 report. However, this legislation was not enacted. No similar bills were introduced during the 1998 legislative session.

Purpose

In accordance with s. 11.45(7)(f), F.S., this follow-up report informs the Legislature of actions taken in response to the Office of Program Policy Analysis and Government Accountability's (OPPAGA) Report No. 95-41, which this office issued February 1996. This report presents OPPAGA's assessment of the extent to which the actions taken addressed the findings and recommendations included in the report.

Background

The Automobile Manufacturing Program is designed to provide a "level playing field" between vehicle manufacturers and their franchised dealers. The Department of Highway Safety and Motor Vehicles (DHSMV) administers Florida's program.

The program has two major components: licensing manufacturers and regulating the dealer-manufacturer business relationship through an administrative protest process. In order to sell or lease new vehicles in Florida, manufacturers and their factory branches, distributors, and importers must obtain a license from the department. To become licensed, manufacturers must submit information on their financial standing, new vehicle warranties, standard franchise agreements, and authorized dealers and distributors. Manufacturers are charged an initial fee of \$300 and an annual fee of \$100 to maintain their licenses.

The program regulates four primary aspects of the dealer-manufacturer business relationship including: adding new dealerships and relocating existing dealerships, dealership cancellation, dealership sales, and executive management changes. Administrative and civil sanctions such as monetary fines and license suspensions for statutory violations may be levied against manufacturers.

Prior Findings

OPPAGA's prior report had four major conclusions.

- Florida regulates more dimensions of the automobile manufacturer-dealer business relationship and does so more stringently than any other state. Industry groups disagree on whether the program is needed and its effects.

- The program has typically upheld manufacturer and dealer proposed business actions.
- Programs like Florida's may reduce competition and increase consumer costs.
- The level of competition among dealers should be determined by the free market rather than by government regulation.

We identified three policy options that the Legislature could consider regarding the program: retaining the current program, eliminating the program, and modifying requirements to lessen regulations and more closely match the requirements used in other states. However, given the program's history, changing the law to streamline regulation appears to be the best alternative.

We identified three areas where Florida's program could be revised to better correspond to regulatory requirements of other states:

- Section 320.642, F.S., could be amended to reduce the number of existing dealers with standing to protest a proposed dealership.
- Sections 320.643 and 320.644, F.S., could be amended to streamline the process used to resolve disputes regarding dealership sales and executive management changes.
- Section 320.697, F.S., could be amended to limit the persons who have standing to sue for treble damages due to pecuniary loss.

Reducing regulation of the manufacturer-dealer relationship may cause temporary disruptions in the industry in Florida, but such changes likely will ultimately benefit consumers.

Actions Taken

Bills were introduced during the 1997 legislative session that would have addressed streamlining the automobile manufacturer licensing process. However, these bills were not passed. No bills were introduced during the 1998 legislative session.

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Project conducted by: Doug Isabelle (850/487-9253)