

## **BILL ANALYSIS**

Senate Research Center

H.B. 533  
By: Swinford (Lucio)  
Jurisprudence  
5-8-97  
Engrossed

### **DIGEST**

Currently, the relationship between an off-road construction equipment dealer and the supplier, who may be a manufacturer, wholesaler, or distributor, is primarily determined by a franchise contractual agreement. An equipment dealer's customer relations, finances or reputation could suffer if a supplier were to arbitrarily and unilaterally cancel the dealer contract. Chapter 19 of the Business & Commerce Code sets forth provisions related to such issues as the return of inventory, warranty claims, and renewal or termination of certain franchises. This bill extends those provisions to dealers of off-road equipment.

### **PURPOSE**

As proposed, H.B. 533 provides regulations regarding certain dealer agreements concerning off-road construction equipment.

### **RULEMAKING AUTHORITY**

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

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends the heading of Chapter 19, Business & Commerce Code, as follows:

CHAPTER 19. New heading: FARM, INDUSTRIAL, OFF-ROAD CONSTRUCTION, AND  
OUTDOOR POWER EQUIPMENT DEALER AGREEMENTS

SECTION 2. Amends Section 19.01, Business & Commerce Code, by amending Subsections (5) and (8), and adding Subsection (12), to redefine "dealer" to prohibit the term "dealer" from including a single line dealer primarily engaged in the retail sale and service of off-road construction and earthmoving equipment. Redefines "equipment" to include off-road construction equipment. Defines "single line dealer" to mean a person, partnership, or corporation which has purchased 75 percent or more of the dealer's total new product inventory from a single supplier under all agreements with that supplier; and has a total annual average sales volume for the three previous years with that single supplier in excess of \$100 million for the territory for which that dealer is responsible within the state.

SECTION 3. Amends Section 19.43(a), Business & Commerce Code, to make a conforming change.

SECTION 4. Effective date: September 1, 1997.  
Makes application of this Act prospective.

SECTION 5. Emergency clause.