

# SUMMARY OF VERMONT NEW MOTOR VEHICLE DEALER FRANCHISE LAW – SENATE BILL # 47

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Senate Bill no. 47 became fully effective on July 1, 2022. The new law provides extremely important protections for Vermont new motor vehicle dealers.

1. Section 4085(13) – Definition of a “New Motor Vehicle Dealer” – clarifies that a new motor vehicle dealer must have a franchise agreement and **cannot** be affiliated by ownership or control with a motor vehicle franchisor (i.e. legacy OEM). Also clarifies that new motor vehicle dealers are engaged not only the business of selling vehicles but also in leasing and offering vehicles to retail customers through a subscription or like arrangement.

**This change prevents legacy OEMs from establishing a franchise with a related company and prevents legacy OEMs from leasing or offering vehicles through a subscription or similar arrangement to retail customers.**

2. Section 4085(18) – creates a definition for a “Non-franchised zero-emissions vehicle manufacturer. Such a manufacturer (i) only manufacturers zero-emission vehicles; (ii) only sells or leases directly to consumers; (iii) has never sold or leased vehicles in Vermont through a franchisee; (iv) has not transferred greater than a 30 percent ownership interest to a franchisor or other entity controlled by a franchisor. Such a manufacturer will be required to register as a dealer in the State in order to sell or lease vehicles to retail consumers.

**This change clarifies the difference between OEMs which have franchise relationships and those which have never had franchise relationships. This change also prevents a legacy OEM from acquiring an interest of greater than 30 percent of a non-franchised zero-emissions vehicle manufacturer as a way of selling direct through the non-franchised zero-emission vehicle manufacturer. Such a manufacturer must abide by all State requirements to obtain a dealer license before selling its vehicles in the State.**

3. Section 4086(i) – allows a Non-franchised zero emissions vehicle manufacturer to own and operate a warranty or service facility.
4. Section 4097(8) – prohibits a manufacturer from competing against its own franchisees in (i) selling or leasing vehicles; (ii) offering to sell or lease vehicles; (iii) soliciting or advertising the sale or lease of vehicles; (iv) offering vehicles through subscription or like agreement; or (v) selling at retail parts and accessories for new motor vehicles.

**This change will require legacy OEMs to honor their franchise agreements as it relates to dealers' right to sell the OEMs products at retail.**

For further information the laws governing new motor vehicle dealers and motor vehicle manufacturers, please contact the Vermont Vehicle & Automotive Distributors Association at (802) 461-2655. VVADA would like to thank Richard Sox, Esq., for this summary.

*This communication is intended for educational purposes only and is expressly not intended to provide legal advice.*