



Regulating in the New Economy

Presented by:

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What are we talking about?

- New Paradigm

Traditional Dealership

vs.

Internet Dealership





Current NV Laws & Policies- Key Elements

- **Chapter 482 of Nevada Revised Statutes addresses auto dealers:**

- Internet sales not specifically highlighted;
- To the extent that they are regulated in NV, only when the transaction is conducted within state boundaries (e.g., if the vehicle is shown in the state and/or the contract is signed between both parties in NV);
- If so, the seller must be licensed and meet all applicable requirements.
- State franchise law prohibits direct sales of vehicles to consumers (NRS 482.36311 – 482.36425)*.

*Exception carved out for Tesla during the 2014 Special Session- allows manufacturer sales of electric-motor vehicles to consumers under certain circumstances, no restriction against also selling these vehicles through the Internet.



Current laws and procedures, cont..

- Internet sales are conducted by licensed dealers in other states as well as by individuals.
- Most internet sales are out of state; the potential customer sees a vehicle they like online and make a choice to buy it.
- If they travel out of state to complete the purchase the transaction is not a Nevada issue (criminally or civilly), as we do not have jurisdiction.
- If the potential customer wants the vehicle and the seller makes arrangements to bring it to Nevada and contracts are signed here, then we do have jurisdiction and Nevada laws apply.



Challenges DMV's face

- Online sales transactions (among all types of goods) are increasing rapidly.
- Many traditional brick-and-mortar sales models (e.g. department stores) are being challenged by e-commerce.
- DMV's laws and regulations based on the more traditional model of customers going to established dealerships to obtain vehicle information and purchase their cars on-site. The laws are silent in most states on internet car sales.



Challenges to DMV's, cont...

- Under the new model, potential customers do a lot of research/comparison online for vehicles they want to buy, and then come to the dealership to make purchases or arrange online, reducing the time spent at dealerships.
- A primary driver for online purchases: trying to avoid the "hard-sale" experience and price-haggling.
- Less foot-traffic at dealerships=potentially less dealerships, less salespersons, less entities for DMV's to regulate.
- With more transactions potentially occurring online, tracking sales activity and those involved becomes more difficult for regulatory agencies.



Challenges to DMV's, cont...

- The open market of the Internet: as with sales tax, states are limited to fully regulating businesses that have a presence within their borders.
- Providing consumer awareness. Purchasing through the Internet is truly a *caveat emptor* environment.
 - Fraudulent activity. Anyone can create websites easily with information and pictures.
 - Even if a site is legitimate, and the consumer has a complaint or false advertising claim, the consumer's state agency does not have any authority to assist them. They must be referred to the dealer's state.
 - Private party sale disputes must be handled in the civil courts.
- Differences in regulation between jurisdictions and working towards uniformity.
- Motor vehicle franchise laws are a sensitive legislative subject.



How does this change DMV business?

- Sales of motor vehicles are considered a key area of state regulation and are an important economic component.
- Vehicles purchased through Internet businesses that do not have a presence in the state are treated like vehicles purchased at out-of-state dealer businesses or through private parties.
 - Increases customer traffic in our offices. The vehicles cannot be registered online.
 - As referenced earlier, DMV's currently have no authority to assist a customer with internet purchases gone wrong, this is a civil issue.
 - Viewing the Internet as an active medium for purchase as opposed to just a marketing tool (as some current laws do).
- May reduce the number of dealerships and salespersons licensed in the state impacting state revenues.



Change to DMV business, cont...

- Most perceived problems from online vehicle activity come from individual, person-to-person sales.
- Becomes more important for purchasers (and regulatory agencies) to verify sellers and ensure that documentation provided matches the vehicle being bought.
- Fraud occurs as it pertains to:
 - Title issues
 - Odometers
 - Ownership/documentated legal right to sell the car
 - * A key issue becomes security agreements or completed title documents must be provided for proof of ownership



How are current dealers impacted?

- Dealers are in the process of adapting their business model to an Internet-driven car buying experience.
 - Almost all dealers have an Internet web page, if only for marketing purposes.
 - Most dealers have put in place an “internet sales department” to handle Internet-generated leads and initial customer contacts
- Dealers also are impacted by dealers in other states expanding their sales area far beyond their local environs.



Impact to current dealers, cont...

- Main purpose is still to get the customer into the showroom, but some have instituted Internet-specific specials, such as:
 - Online-only sale prices.
 - No-haggle pricing (e.g. Lexus)
- Dealers still concerned with the Internet having an effect on:
 - Lack of long-term customer relationships.
 - Diminished product knowledge.
 - Less opportunity for vehicle servicing and warranty sales.



Going forward for DMV's?

- Clarify or change the definition of “established place of business” to include compounds used by Internet dealerships to hold vehicles until they are sold.
- Expand advertising requirements for businesses within the state to include language covering Internet disclosures.
- Include researching the Internet in investigators duties and develop communications regarding fraud and abuse between jurisdictions.
- Expand laws and regulations regarding “curbstoning” vehicle sales, both actual and Internet-driven.
- Continued research and discussion of the “third-rail” of franchise law, direct manufacturer to customer vehicle sales, becoming easier to put in place?



For More Information Contact:

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