



**House  
Legislative  
Analysis  
Section**

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**ELIMINATE MANDATORY  
INSPECTIONS**

**House Bill 5360 as introduced  
Sponsor: Rep. Scott Hummel**

**House Bill 5361 as introduced  
Sponsor: Rep. David Woodward**

**Committee: Commerce  
First Analysis (4-10-02)**

***THE APPARENT PROBLEM:***

The Department of State is required to inspect both vehicle dealers and body shops at least once every four years. The requirements were put into law in 1988 as part of an effort to address car thefts. The expectation was that inspections would detect stolen vehicles or stolen parts. Department representatives say, however, that the inspections mostly discover poor record keeping on behalf of licensed dealers and body shops and are not effective in detecting vehicle theft. The department says that ending mandatory inspections of all licensed dealers and body shops would free up resources for use in targeted investigations, which are more fruitful in detecting theft, and for investigations of original applications for licensure.

***THE CONTENT OF THE BILLS:***

The Michigan Vehicle Code requires the secretary of state to inspect new and used vehicle dealers "once every four years and as determined necessary". House Bill 5360 would amend the code (MCL 257.251) to specify instead that, in order to determine or enforce compliance with state law, the secretary of state "may inspect a dealer whenever he or she determines it is necessary". (Dealers are required to maintain sales-related records for five years and make them available for inspection by the secretary of state or other law enforcement officials.)

The Motor Vehicle Service and Repair Act requires that at least once every four years, "the administrator" inspect the premises and parts inventories of facilities engaging in vehicle body work. (The term "administrator" refers to the secretary of state or any person designated to act in his or her place.) House Bill 5361 would amend the act (MCL 357.1317) to eliminate that requirement. The act also permits the administrator and other law enforcement officials to make periodic unannounced inspections of the

premises and parts inventories of such facilities. The bill would retain that provision and add "parts records" to list of items subject to inspection.

***FISCAL IMPLICATIONS:***

The Department of State says it has three full-time, limited term regulatory agents performing dealer and body shop inspections whose cost to the department is \$162,579 in salary and wages, retirement, fringe benefits, and travel expenses. Eliminating mandatory inspections would thus result in a savings to the department. The department says, however, that if a related bill, House Bill 5364, is passed addressing improperly unlicensed dealers, the department would use the three agents in identifying and investigating suspected unlicensed dealers. (Undated departmental analysis)

According to the House Fiscal Agency, both bills would reduce state costs by an indeterminate amount. (4-10-02)

***ARGUMENTS:***

***For:***

The bills would end the mandatory inspection every four years of vehicle dealers (new and used) and body shops and allow the Department of State's Bureau of Automotive Regulation to use its resources to target businesses known or suspected to be involved in vehicle theft or the theft of vehicle parts, and to investigate original applications for licensure. Information from the department indicates that in the past five years, the BAR has conducted 9,844 dealer inspections and has found only 10 stolen car violations along with 4,506 other kinds of violations (such as record keeping deficiencies). This is only one stolen car violation per 984 dealer visits. At the

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same time, BAR investigators have joined forces with special anti-theft teams funded by the Automobile Theft Prevention Authority, in targeted investigations with better results. In 1999-2000, according to the department, inspections related to those investigations uncovered 11 stolen vehicles, 5 suspected stolen vehicles, and 16 major stolen proponent parts (as well as other suspected stolen parts). The department could also use resources freed-up by eliminating mandatory quadrennial inspections of all dealers and body shops to investigate suspected unlicensed dealers.

***Against:***

Periodic unannounced inspections can have a deterrent effect. Moreover, the routine inspection of a licensee can uncover problems that departmental inspectors can then address face to face to help a licensee stay in compliance with state law.

***POSITIONS:***

The Department of State supports the bills. (4-9-02)

The Auto Dealers of Michigan, LLC, supports the bills. (4-9-02)

Analyst: C. Couch

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.