

# OVERVIEW

THE AUDITOR  
STATE OF HAWAII

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## Sunset Evaluation Update: Motor Vehicle Industry Licensing

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### Summary

We evaluated the regulation of motor vehicle industry licensing under Chapter 437, Hawaii Revised Statutes (HRS), and conclude that the public interest is best served by continued regulation. The industry generates a high volume of complaints. Allegations include unfair and deceptive practices, professional misconduct and unethical practices, and various violations of licensing requirements.

The motor vehicle industry generates a large volume of sales and the public makes a large monetary investment when purchasing new motor vehicles. In 1993, 79,168 cars and light trucks were sold in Hawaii. The average selling price of a new vehicle was \$18,000. Consumers could be subject to serious economic and physical harm.

A seven-member Motor Vehicle Industry Licensing Board regulates motor vehicle industry licensing. The board is placed for administrative purposes in the Department of Commerce and Consumer Affairs (DCCA). The department's Professional and Vocational Licensing Division provides administrative services to the board.

The motor vehicle industry should continue to be regulated to protect the welfare and safety of the public. The State should continue to regulate dealers and auctions. However, licensing requirements for motor vehicle salespersons and auctioneers, manufacturers, factory branches and representative, distributors, and distributor branches and representatives are unnecessary. The statutes should be amended to remove restrictions on conducting business or work. We also found that the board is not needed because the licensing activities can be carried out by DCCA.

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### Recommendations and Response

We recommend that the Legislature continue to regulate the motor vehicle industry licensing under Chapter 437, HRS. We also recommend that the Legislature amend Chapter 437 to: (a) repeal all the licensing requirements for motor vehicle salespersons, auctioneers, manufacturers, factory branches and representatives, distributors, and distributor branches and representatives, (b) allow licensees to conduct business outside the county for which the license was issued, (c) repeal the provisions requiring motor vehicle salespersons to be employed full-time and work for only one motor vehicle

dealer, and (d) repeal the provisions for a Motor Vehicle Industry Licensing Board.

The board agrees that the Legislature should continue the regulation of the motor vehicle industry. It also agrees that the licensing requirements for motor vehicle auctioneers, manufacturers, factory branches and representatives, distributors, and distributor branches and representatives should be eliminated. However, the board does not agree that the licensing requirements for motor vehicle salespersons should be eliminated because this serves as a deterrent to unscrupulous activity and provides a degree of accountability for salespersons.

The board agrees that licensees should be allowed to conduct business outside the county for which the license is issued only if they provide branch offices or maintenance facilities in those counties to service clients.

The board also agrees that the statutory requirement that salespersons be full-time employees should be repealed. It does not agree that the requirement that they work for only one motor vehicle dealer be repealed. It says that this could lead to potential conflicts of interest. It believes, however, that salespersons should be allowed to work for different dealerships which are owned by the same dealer.

Finally, the board is divided on our recommendation to do away with the board.

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