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BILL ANALYSIS

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Senate Bill 1131 (as introduced 2-19-08)

Sponsor: Senator Dennis Olshove

Committee: Agriculture

Date Completed: 2-29-08

CONTENT

The bill would amend the Motor Fuel Distribution Act (governs the termination and transfer of motor fuel franchises) to do the following:

- Prohibit a contract between a franchisor and a franchisee from containing certain provisions limiting the franchisee's purchase or sale of alternative motor fuel, if the franchisor did not supply or offer the alternative motor fuel to its franchisees.**
- Make it a misdemeanor for a franchisor to threaten, harass, or coerce a franchisee in order to compel the franchisee to refrain from purchasing alternative motor fuel from a different distributor.**
- Add alternative motor fuels to the Act's definition of "motor fuel", and extend the term to motor fuel distributed for use in watercraft.**

Specifically, beginning 30 days after the bill's effective date, if a franchisor did not supply or offer to supply alternative motor fuel to its franchisees, the franchisor and a franchisee could not enter into a contract that contained a provision that did any of the following;

- Prohibited the franchisee from purchasing or selling alternative motor fuel from a refiner or distributor other than the franchisor.
- Limited the quantity of alternative motor fuel that the franchisee was allowed to purchase from a refiner or distributor other than the franchisor.
- Directly or indirectly discouraged the franchisee from purchasing or selling alternative motor fuel from a refiner or distributor other than the franchisor.

A provision in a contract between a franchisor and franchisee that violated the bill would be void and unenforceable.

It would be a misdemeanor, punishable by a maximum fine of \$1,000 for each violation, for a franchisor or an officer, agent, or employee of a franchisor to threaten, harass, coerce, or attempt to coerce a franchisee for the purpose of compelling the franchisee to refrain from purchasing or selling an alternative motor fuel from a refiner or distributor other than the franchisor.

The bill would define "alternative motor fuel" as any of the following:

- A blend of ethanol and gasoline that includes at least 70% ethanol.
- A blend of methyl-ester, commonly referred to as "biodiesel", and diesel motor fuel that includes at least 2% methyl-ester.

- Motor fuel composed primarily of methane, stored in a gaseous or liquid state and suitable for use and consumption in the engine of a motor vehicle, commonly referred to as "compressed natural gas".
- Hydrogen.

The Act defines "motor fuel" as gasoline and diesel fuel of a type distributed for use as fuel in self-propelled motor vehicles designed primarily for use on public streets, roads, and highways. The bill would define "motor fuel" as gasoline, diesel fuel, and alternative motor fuels of a type distributed for use as a fuel in motor vehicles or watercraft.

"Motor vehicles" would mean self-propelled motor vehicles designed primarily for use on public streets, roads, and highways. "Watercraft" would mean that term as defined in Section 78101 of the Natural Resources and Environmental Protection Act (i.e., any contrivance used or designed for navigation on water, including specific types vessels listed in the definition, and excluding contrivances used or owned by the United States).

MCL 445.1802 et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on local government. There are no data to indicate how many offenders would be convicted of the proposed offense. Local governments would incur the costs of misdemeanor probation and incarceration in local facilities, which vary by county. Additional penal fine revenue would benefit public libraries.

Fiscal Analyst: Lindsay Hollander

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.