

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON TRANSPORTATION**

**Seventy-Fourth Session
March 29, 2007**

The Committee on Transportation was called to order by Chair Kelvin Atkinson at 1:38 p.m., on Thursday, March 29, 2007, in Room 3143 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/74th/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblyman Kelvin Atkinson, Chair
Assemblyman Mark Manendo, Vice Chair
Assemblyman David Bobzien
Assemblyman John C. Carpenter
Assemblyman Jerry D. Claborn
Assemblyman Ty Cobb
Assemblywoman Susan Gerhardt
Assemblyman Ed Goedhart
Assemblyman Pete Goicoechea
Assemblyman Joseph Hogan
Assemblywoman RoseMary Womack

GUEST LEGISLATORS PRESENT:

Assemblyman Joseph Hardy, Assembly District No. 20

STAFF MEMBERS PRESENT:

Marjorie Paslov Thomas, Committee Policy Analyst
Christine Henriksen, Committee Secretary

Minutes ID: 701



Matt Mowbray, Committee Assistant

OTHERS PRESENT:

George Insana, representing Nevada Collision Industry Association

Jerry Burns, General Director, Automotive Service Association

Lisa Foster, representing Allstate Insurance

Bob Thompson, Founder and Vice President, Sterling Autobody Centers

John Haas, Southwest Regional Counsel, Allstate Insurance

Jeanette Belz, representing Property Casualty Insurance Association of America

Jim Spinello, representing Progressive Insurance

Michael Geeser, Media/Government Relations, California State Automobile Association, AAA, Nevada

Robert Compan, representing Farmers Insurance

Paul Enos, CEO, Nevada Motor Transport Association

Clark Whitney, representing Quality Towing

Randy Robison, representing Nevada Credit Union League

Bill Ferrence, representing Boulder Dam Credit Union

Michael Spears, Owner, Collision Authority, Member, Nevada Collision Industry Association

Bob McCleary, representing Nevada Collision Industry Association

John Sande, representing Nevada Franchised Auto Dealers Association

Peter Krueger, representing Garage and Emissions Testers Council

Troy Dillard, Compliance Enforcement Administrator, Department of Motor Vehicles

Jack Jeffery, representing B & D Auto Auction

Chair Atkinson:

[Meeting called to order. Roll Taken.] After we hear our bills we will be having a work session. We will open Assembly Bill 185.

Assembly Bill 185: Prohibits an insurer of motor vehicles from having an ownership interest in a garage or body shop. (BDR 43-453)

George Insana, representing Nevada Collision Industry Association:

We feel there is a conflict of interest with any insurance company owning a body shop. This has been tried in Texas. With your permission I would like to turn this over to Jerry Burns.

Jerry Burns, General Director, Automotive Service Association (ASA):

[Read from prepared text ([Exhibit C](#)).]

Chair Atkinson:

Are there any questions from the Committee?

Assemblyman Goicoechea:

Jerry, are you telling me the insurance companies do not require three estimates?

Jerry Burns:

Most states do not require a person to get three estimates. Direct repair programs are prevalent throughout the United States where insurance companies have a relationship with collision repair facilities and may direct their customers to those repair facilities. Most estimates are done on collision estimated data bases. Estimates are typically the same price for the same work. If there is a difference in estimates it is a difference in the work being performed.

Assemblyman Goicoechea:

I have not been to many of them, but the ones I have gone to for a couple of estimates have been here in Nevada.

Assemblyman Hogan:

I would like to get a sense of the problem as you see it here in this state. How many such ownership arrangements are you aware of in Nevada? Does it have an effect of destroying the competition? Are these shops beginning to dominate their respective market? Are you trying to catch it before these things happen?

Jerry Burns:

I cannot reply for the State of Nevada, I represent ASA nationally. This is a problem nationally with insurance companies owning collision repair shops. Currently there are states that have legislation before them, prohibiting an insurance company from owning repair shops. In Texas there was a bill that was defeated, appealed, defeated, and currently is being appealed before the Texas Supreme Court.

Assemblyman Goedhart:

How many states currently outlaw the ownership of a repair facility by an insurance company?

Jerry Burns:

To my knowledge, just Texas.

Assemblyman Goedhart:

Is Texas currently the only state that bans that practice that we are proposing in this legislation today?

Jerry Burns:

To the best of my knowledge, yes sir.

Assemblyman Goedhart:

There is an insurance company that owns a body shop in southern Nevada, is that correct? In that case, is it mandated that the customer go to that insurance company owned repair facility? It is my understanding there is still a choice involved.

Jerry Burns:

I believe there are some Sterling repair facilities in the State of Nevada which are owned by Allstate Insurance. They are not required to go there. Insurance companies typically have a world tracking system to help direct them to those repair facilities. It is not a requirement that they go there.

Assemblyman Goedhart:

There is still customer choice available?

George Insana:

As an example, in the medical field a doctor is on the insurance company payroll and they refer you to the insurance company hospital. Do you feel that the insurance has the patient's best interest in mind or the shareholder's best interest in mind? That is where we stand right now. If we let it go by, we will be putting another nail in the coffin of the independent repair shops.

Lisa Foster, representing Allstate Insurance:

I have with me Bob Thompson, who is the founder and vice president of Sterling Autobody Centers and John Haas, who is the Southwest Regional Counsel for Allstate Insurance. In the audience I have a couple of people I would like to introduce: Mr. Steve Mirdik, who is the Regional Director for Sterling Autobody and Mr. Jorge Gallegos, who is the lead technician for Sterling. Introduction of this bill assumes there is a problem. There have been no complaints to the Department of Motor Vehicles (DMV) or to the Insurance Commissioner over this issue or over Sterling Autobody. You will hear about the customer satisfaction rate with Sterling Autobody.

The proponents of the bill have told me how impressed they are with the facility and the unique process that Sterling uses. Passage of this bill would do nothing but put the employees—with their good salaries and benefits—out of a job and

would close a repair shop that customers appreciate. It would also make a strong statement about the ability of Nevada companies to invest in related businesses, which a number of other industries do. I will turn it over to Bob Sterling who will talk about his company and then I will show you a three-minute video about Sterling.

Bob Thompson, Founder and Vice President of Sterling Autobody Centers:

I started full time in the collision business in my parents' backyard in 1970. By 1988, I built a state of the art facility with yearly revenue of \$4 million. In 1997, I founded Sterling with two bright partners, Jon McNeill and Bill Haylon. By 2000, the company grew to 39 locations, with a large majority coming through acquisitions from an operating model that focused on customer service, quality, and through-put. With my many years of experience in the collision industry and customer service needs, it is hard for me to understand how there could be legislation banning a production and customer service model that is better for the consumer.

This legislation is not about the customer but about protection of a special interest group. The customer wants choice, service, and quality repair at a fair price. We know that. Sterling is not perfect. We are continually improving our operations throughout the network and are successful with delivering a better overall customer service experience. Our customer satisfaction data, compiled by a provider who is recognized and utilized throughout the collision industry, consistently reported Sterling's customer service and quality is among the best in the industry. That is supported by incredible data.

Our shops are managed and operated by community people. Sterling has created more customer choice, a better customer service model, faster delivery time, higher quality standards, a better warranty, and a better and safer work environment for our employees. We have created a competition in the market place.

In our model, customers are returned to vehicles approximately a day and a half sooner than the traditional body shop. We constantly improve that delivery process. It also lowers the overall cost of repairs; less rental days, less hours to repair, et cetera. Sterling offers a lifetime warranty on both labor and parts.

Our commitment to the environment is unmatched. We protect our employees with the latest safety training and equipment, and high-volume air makeup systems that keep the shop clean. The facilities are up to the national standards. We protect our community. We use the latest recycling equipment for our solvents and paint waste. We have air filtration systems on the exhaust side of the paint booth. We are currently working with our paint vendors on a

waterborne process of applying paint which will cut the emissions down, and we will introduce it to our network as soon as we have it up and operating. It will be mandated in California in 2008.

We have 61 facilities in 16 states with one store in Nevada. Our employees are trained to meet industry certification requirements, issued by the Inter-Industry Conference on Auto Collision Repair (I-CAR) and Automotive Service Excellence (ASE). Our average salary for our employees is \$38,000. The benefit package, which is rare in the industry, includes medical, dental, vision, a 401K and life insurance.

The facility in Las Vegas employs 21 people. Of the 1,300 cars repaired last year, 20 percent were not Allstate cars. It is growing every month. We are constantly looking for outside sources of revenue for these facilities. We are marketing to all insurance companies.

Sterling is proud to have a facility in North Las Vegas. Twenty-one members of the community and their families rely on the jobs, insurance benefits, and other benefits Sterling offers. We urge you not to pass A.B. 185. It is against business. It is anti-consumer, and it directly harms the employees of Sterling.

Chair Atkinson:

Are you going to show the video?

[Bob Thompson showed video.]

John Haas, Southwest Regional Counsel, Allstate Insurance Company:

Allstate is opposed to this bill because it is an attempt to outlaw a business model that has worked successfully in many industries, including automobile manufacturing, which are vertically integrated. Vertical integration is usually a source of comfort for customers because it gives them one source to get things done. As long as it is transparent, and there is clear communication with the customers about the ownership interest and their rights as a consumer, there is not consumer conflict. Because of that business model and the acceptance of that model, it is bad public policy, in Allstate's opinion, to take a specific industry—in this case a specific company and a specific shop with 21 employees—and to legislate them out of existence. It is not right as a matter of public policy. It is not good for the industry, for the State, nor for the consumers of the State.

Allstate is the third largest property and casualty insurance company in Nevada and the second largest in the country. We are working hard to become bigger in Nevada. It is a very competitive state, which is a good thing for the

consumers in Nevada. There are 161 persons employed by Allstate in Nevada with an average salary of \$58,000. It has 144 exclusive agencies that have contracts to sell insurance products. Many of those agencies employ support staff, who are not Allstate employees, but benefit from Allstate's presence. We insure approximately 176,000 automobiles and 90,000 homes in the state. We support Little League and have invested \$1.6 million in municipal bonds to help build parks, roads, schools, et cetera, in 2005. Also, in 2005, we spent \$91.5 million in business-to-business spending in the State and impacted and interfaced with 3,926 businesses.

Allstate is an economic, viable player in this State and we appreciate and respect the attention that you are giving to this matter. Allstate bought Sterling in 2001 for one reason. It was to try to create an enhanced customer experience in the repair of their car; unique, seamless, quicker, faster, and hassle-free. We found that happy customers have a tendency to retain insurance and to recommend that insurance to their friends and neighbors. The North Las Vegas shop has a 92 percent customer satisfaction rate. We will put that up against anybody in the industry.

Another component, not the primary reason Allstate purchased Sterling, is the amount of fraud that occurs in automobile repairs. In California there is a Bureau of Automotive Repair. This is an executive summary of an audit that was done immediately after that piece of legislation was enacted and went into effect ([Exhibit D](#)). In an audit of repairs that qualified for this particular governmental oversight, it found that 42 percent of all repairs were fraudulent. There was work that was billed and not done; used parts were put in but billed as new parts; and there were estimates that were incorrect.

I have no doubt that the vast majority of the repair facilities in Nevada are a first line of defense for the customer and the repair process, and so is Sterling. Sterling takes away that fraudulent element immediately. Fraud obviously increases insurance costs.

One difference between Allstate and the proponents of this bill is that we do not go into legislatures and ask them to create a need for people to have a 92 percent customer service rate. We hope the marketplace takes care of that. If this business model does not work and is ineffective economically, it will go away. The marketplace takes care of these problems. Give the customers that additional choice and they like Sterling. We ask that when you consider this bill, you will vote no because it is anti-consumer. It sends a bad message to Nevada businesses about investment and their business models.

You can always waive a conflict of interest. Assume for a moment that there is a conflict of interest, but there is total transparency and the Sterling authorization sheet informs the consumer about the ownership interest in the shop and tells them in writing they have the right to have their car fixed anywhere they want. With full disclosure and full transparency, you can waive a conflict. The customer can say no and go to a recommended shop. They have the absolute decision-making authority, and we ask that you give them the chance to do that.

Assemblyman Goedhart:

You mentioned other industries had business models where they would vertically integrate to some degree. Is there a point where the State can monitor to what degree a business can legally keep the company from vertically integrating?

John Haas:

The question was raised in Texas in 2003. It is still in the appellate process. Both sides have appealed that particular legislation and it is in oral argument now. If you are asking if you legislatively have the authority to do that, certainly you do. The extent of where you take that is subject to different interpretations which go beyond this Committee and me.

Assemblyman Goedhart:

Certain other businesses such as the medical business, Kaiser being one, have their own clinics where they will see people. I think the concept being embraced here is not completely new to many industries out there.

Assemblyman Carpenter:

I do not have Allstate but can I go to your body shop?

Bob Thompson:

Yes, we are aggressively looking for outside work and anybody can come to Sterling and get the same service.

Assemblywoman Womack:

In the video we saw, not all body shops look as bad as the one that was portrayed. Was this a Sterling shop that was part of the package when Allstate purchased Sterling? Was this a shop already in existence in Las Vegas?

Bob Thompson:

No, Las Vegas is one of the newer prototypes that we have designed. It is a brand new facility designed by our operations team with some outside help. About that body shop on the video, while we were on the acquisition trail we visited hundreds of body shops and these are real pictures of what is common in the collision industry.

Jeanette Belz, representing Property Casualty Insurance Association of America:

Property Casualty Insurance (PCI) represents 276 members doing business in Nevada. Over 52 percent of the automobile insurance premiums in this State are written by PCI members. We are opposed to this bill. We do not feel there is any reasonable basis for it. We understand consumers are not prohibited from going to any body shop that they like; therefore, there is already freedom of choice. The PCI Association members feel they should be able to own their own shops. There seems to be no crisis here and no problem that we are trying to fix. [Submitted letter of opposition ([Exhibit E](#)).]

Jim Spinello, representing Progressive Insurance:

To respect your time, I am going to say the same that has been said so far. I have some notes ([Exhibit F](#)) that I will leave with the secretary. If anyone thinks there is a problem here with customer steering, *Nevada Revised Statutes* (NRS) 690B.016, subsection 2(b) states:

An insurer of motor vehicles or a representative of the insurer shall not: require an insured or a claimant to patronize any licensed body shop in this State in preference to another such business.

You already have a strong law regarding anti-steering. We do not see a problem here to be solved.

Michael Geeser, Media/Government Relations, California State Automobile Association, AAA, Nevada:

We also oppose the bill. I have submitted a letter ([Exhibit G](#)) stating our further opposition to the bill. We think it is anti-competition, bad for the consumer, and bad for Nevada.

Robert Compan, representing Farmers Insurance:

We are the largest writer of homeowners and automobile insurance in the State of Nevada, representing over 416,000 policies. I am here in opposition to A.B. 185. While Farmers Insurance does not currently own or have an interest

in a Nevada body shop, we do have an investment interest in one of the largest independently owned shops doing business in such states as California and Colorado. This bill not only prohibits our ability not only to have ownership, but also to limit our investment opportunities.

Specifically, I am referring to Section 2, line 3, "Pursuant to section 6 of this act, an insurer of motor vehicles may not own an interest in a garage." Section 3 talks about body shops. I really do not know how many people have investment portfolios, but I know mine has some kind of an investment in some body shop or garage. It would prohibit that kind of investment opportunity.

Farmers Insurance guarantees our customers' rights to have their vehicle repaired at any shop of their choice. We would recommend Sterling, if we have the opportunity, which we had in the past. Farmers already has a network of shops in Nevada that offer customers complete peace of mind and require the repairs be completed in accordance with the manufacturers specifications. In turn, our customers receive lifetime warranties from our partners, as well as from us.

Our industry is already regulated and we adhere to strict regulations in our business operations.

Assemblyman Manendo:

I wanted to respond, for informational purposes, to something Ms. Foster mentioned. She said these people would be out of a job, but there is such a shortage of workers in the State of Nevada, that legislation was passed for funding for the Community College of Southern Nevada, which has a groundbreaking program in the area of applied technology in automotive repair.

Chair Atkinson:

We will close the hearing on A.B. 185 and open the hearing on Assembly Bill 311.

Assembly Bill 311: Revises provisions regarding the imposition of certain fees for the storage of a motor vehicle. (BDR 58-1066)

Assemblyman Joseph Hardy, Assembly District No. 20:

The genesis of Assembly Bill 311 came about when the Boulder Dam Credit Union director approached me. He had a concern with cars that would be towed, impounded, and kept for such a long time that the car was no longer worth paying the impound or storage fees, and the credit union was adversely affected. It turns out that other credit unions were similarly affected. We arranged a meeting with a large towing company, an auto auction business, an

insurance industry representative, a couple of lobbyists, a credit union director, an official representative of credit unions associations, and me.

We discovered that although there were some legitimate concerns, there was common ground and that it was difficult for all concerned to access information, in a timely fashion, from the Department of Motor Vehicles (DMV) to assess the vehicle ownership and the identification information. We agreed it would not require much to fix the problems, and I submit A.B. 311 as that fix. It takes what has been in regulation form, and tries to give it the full weight of law by codification into the *Nevada Revised Statutes*; and likewise, the method of accessing the DMV information will be enhanced through the responsiveness of the DMV staff. It will take some transition time, and thus the effective date of the bill is asked to be January 1, 2008.

All of the parties have worked together and it turned out to be a good, cooperative, agreeable group coming to a consensus. On my left is Paul Enos, and on my right Randy Robison, who will submit friendly amendments to the bill that will make it better in its reading.

Paul Enos, CEO, Nevada Motor Transport Association:

I am here to testify in support of A.B. 311 with the amendment. Mr. Clark Whitney, in Las Vegas, will go over the amendment.

Clark Whitney, representing Quality Towing:

I want to thank Assemblyman Hardy for going to bat on this and including us in the couple of meetings before the session started. I can see how it would be a problem for the credit unions and the bank institutions. I was pleased to see that there was a regulation already that provides what they wanted to stipulate. We had a friendly meeting, but the bill as it came out was not exactly what we agreed upon in the meeting. We went over it again and came up with this friendly amendment ([Exhibit H](#)).

The amendment conforms to the law as it currently exists, so when we get a car into our yard, if it has not been towed by the police from an accident scene, we can start lien processing on the fifth day. The first step in lien processing is the notification process. If we do not know the owner of the vehicle, which is most of the time, we must prove by fax, transmittal, or something dated, that we started that process within 15 days of towing. We check through the DMV or through other states to determine who owns the vehicle. Once we get that back from the DMV—five to seven days—then it gives us another ten days to send a certified letter to the legal owner, the bank, and to the registered owner. Many times the person who had an accident owes more money on the car and

will not pay, and the bank gets stuck with it. It is only fair that the towing company notifies them.

In a case when a vehicle comes from an automobile accident, we are prevented from starting the lien processing fee until the 14th day, so we also added that into the language. That language appears in the bill with that correction. As an example, if someone has a late model car with damage, an unscrupulous towing company might keep the car, run the bill up, and let the bank pay for it. This bill eliminates that, by providing that storage cannot be charged if the requirements of notification have not been met.

I neglected to mention we do not have a formal towing association in the State of Nevada, but I do have the backing and representation of B & E Towing and Walker Towing, the two biggest tow companies in Henderson, and Ewing and Quality Towing in Las Vegas.

Randy Robison, representing the Nevada Credit Union League:

It was our pleasure to work with all the interested parties and Assemblyman Hardy. Many of our credit unions have faced this issue, but we thank the people at Boulder Dam Credit Union who brought this to the attention of Assemblyman Hardy, who was determined to do something about it.

The amendment that you have in front of you ([Exhibit H](#)) is one page, but most of the amending is on the back page in the highlighted portion. When the bill came out of drafting it did not seem to accurately reflect the intent of the agreement that we had, to the point that we were comfortable with it. Thanks to Clark and his participation, we redrafted it so we are all comfortable with it, and it does what we are aiming to do. Thanks to DMV and their willingness to work on a system that allows tow companies to get the information sooner so complying with any of these provisions will be easier for them as well.

Bill Ferrence, representing Boulder Dam Credit Union:

When our credit union suffers a loss, it is money that we could have returned to our members. Bankruptcy, credit card fraud, and loan losses directly affect our ability to pay more to the members. After spending the last few months researching and discussing today's topic, I have concluded that recent legislation has diminished this problem. With the passage of A.B. 311 and the amendment, our potential losses could be greatly reduced. When I say our losses, I speak for credit unions as well as banks and insurance companies, as we all face this possibility.

I want to thank Clark Whitney from Quality Towing for providing me with information that both helped and clarified how reputable towing operators handle the notification of both registered and legal owners of towed vehicles. I do not want to take the time relating horror stories of unscrupulous operators and their storage fee ploys. I encourage you to consider favorably A.B. 311 with the amendment. I also want to thank Assemblyman Hardy for sponsoring this legislation.

Assemblyman Carpenter:

We have been hearing lately that certified mail is maybe not the way to go because people will not sign for it and leave it there. I would check around and see what the situation there might be.

Michael Geeser, Media/Government Relations, California State Automobile Association, AAA, Nevada:

We support A.B. 311 and have worked with Mr. Whitney and Assemblyman Hardy. We think this is a good bill. As one of the major tow car operators in the State, this appears to be a good bill for the consumers and motorists.

Chair Atkinson:

Is there anyone here or in Las Vegas who would like to testify in opposition or neutral for A.B. 311? We will close the hearing on A.B. 311 and open Assembly Bill 594.

Assembly Bill 594: Creates a Class A certification designation for certain body shops. (BDR 43-451)

Michael Spears, Owner, Collision Authority, Member, Nevada Collision Industry Association:

The State of Nevada Automotive Affairs Advisory Board, of which I am a member, recommends and supports the concept of Class A collision repair license endorsement. Our association believes the time has come to distinguish body shops from collision repair shops. They are very different, as anyone can fill out a form, post a \$10,000 bond, and open a body shop. No equipment, training, nor knowledge of the business is required. Today's automobiles require much more than that to bring them back to manufacturer's specifications. Equipment such as frame repair benches, computerized estimating, specific type of welders, and technical training are also required. This bill establishes those differences and sets up the criteria to advance the industry with safer collision repairs in the hands of those who are qualified to do so.

This bill will create a better and safer work environment for employees by requiring Class A employers to offer health insurance and retirement benefit packages. We hope this will help attract more qualified workers into our industry. Currently there is a severe shortage of technicians. The latest U.S. Bureau of Labor Report shows that across the United States the number of employees engaged in the field of auto repair has dropped over 21,000 in a six-year period from 1999 to 2005. Also, A.B. 594 is a great opportunity to raise the image and overall quality of auto body repair shops in Nevada.

This Class A endorsement should provide some peace of mind to consumers by instilling confidence that they have chosen a shop that is fully qualified, properly equipped, and the employees are trained on the latest techniques in collision repair. This bill will require those same shops that reach Class A certification to provide a nationwide, lifetime warranty on those repairs.

Bob McCleary, representing Nevada Collision Industry Association:

Mr. Spears had summed it up pretty nicely. I have been in the auto business in one aspect or another for 19 years. I visited some of these shops, and there are many shops that look like the one shown in the video from your first bill. Every industry over the years seems to morph into a more professional standard. People have that old image of a body shop as a dingy, dirty little place, but there is a difference today between a body shop and a collision center. The consumer has no idea when they go to one of the 200 body shops in Nevada whether they are taking their vehicle to a place that is going to be able to repair it to any type of standard. This bill puts out some parameters and does not change existing law. We want to establish strict criteria, 24 items that will set your business apart as a Class A shop so the consumer has more awareness when making a choice.

Assemblyman Carpenter:

Is this a new concept you are starting in Nevada or do they have it in other states?

Bob McCleary:

The concept comes from the Collision Industry Congress (CIC). It is a national auto body association that came up with these parameters last year. Eighty percent of the items we did in this bill directly reflect their recommendations nationwide. They are going to all the states and trying to implement this. We are taking their lead and going with it. We did modify some of the things that we felt were specific to Nevada.

Robert Compan, representing Farmers Insurance:

We are in favor of the Class A ratings. We already have a classification of our own through our circle of dependable body shops and shops that we approve in the State of Nevada. They all reach the same criteria as outlined in the Assembly bill.

John Sande, representing Nevada Franchised Auto Dealers Association:

We are concerned that our members would have to become Class A certified. We are already regulated by the Department of Motor Vehicles (DMV). The auto dealers comply with the requirements of the Inter-Industry Conference on Auto Collision Repair (I-CAR) and Automotive Service Excellence (ASE). That is what people look at when they bring in their cars. This would duplicate what we are already doing, be another expense that we would have to go through, and be of no additional benefit to the consumer since we already comply with these association requirements.

We are supportive of programs that get better mechanics and body shop people. Our Association has given over \$300,000 to the Community College of Southern Nevada Transportation Technology Center.

If you look at this bill we will have to pay an annual fee of \$300. There is a fiscal note and reading through it, you need somebody fairly sophisticated to spend a lot of time reading it.

Peter Krueger, representing Garage and Emission Testers Council:

We are opposed to the bill. While garages are not part of this bill, which is a good thing, we see this as legislation where one segment of the business community is seeking legislative authority to create standards and conditions which would be detrimental to the free enterprise system. This is an attempt in our judgment to restrict entry into the marketplace.

Assemblyman Manendo:

Mr. Sande, you mentioned that you would have to become Class A certified; where in the bill does it mention that?

John Sande:

There is nothing in the bill that would require a member to become Class A certified, legally. In any business you want to get as high a rating as you can. If Class A is a benefit to you from a standpoint of getting business, you would make sure you would do that. In Section 6, subsection 2, "you must maintain an active membership in an association in this State for the automotive industry concerning collisions involving motor vehicles." That is just another association you would have to join. I do not know which one that would be, if there is one,

but it would add another burden. There is no legal requirement, but I do not think there would be a dealership in the State that would not feel they had to join or become Class A certified if this bill passes.

Assemblyman Manendo:

I appreciate that because I think your clients want to be at the higher standard. I am trying to understand what the opposition is if they are already doing it?

John Sande:

Their concern is another burden placed upon them. If you look at Section 6, there are many things listed there, and I assume the DMV would have to do that on an annual basis, plus, the fee of \$300 and the other requirements, such as the lifetime guarantee, which would be impossible for any of our dealers to provide.

Assemblyman Manendo:

Allstate testified on the first bill that they offer lifetime warranties on parts and workmanship. If you are doing all this, there really is not an extra burden. I am hearing repeatedly the \$300 fee besides the license renewal fee which would go to the Department that oversees the program. It would be a fee to the business that applies for the Class A and not a fee on the general public. Is the \$300 annually something your client feels is overreaching?

John Sande:

They are saying the \$300 fee is just another expense they have to incur. They already are doing everything under this bill and the public knows I-CAR. I am sure they brag about that, but as I understand the bill, to be Class A certified you must not just offer, but are required to provide a lifetime warrantee.

Assemblyman Manendo:

To get to that level, your clients must be doing everything right to protect the consumer and offer a good quality work. We heard testimony from Mr. McCleary that in his 19 years of experience he saw shops that are not like your clients.

Assemblyman Cobb:

To become compliant with any government regulations or requirements it costs money, and you are testifying that you would feel a compulsion to meet these requirements under this bill. Do you have any estimate as to what the cost would be to Nevada businesses to be compliant with this bill? There is a fiscal note; do you know what the cost is to the State?

John Sande:

No, I do not.

Chair Atkinson:

I am assuming the DMV will tell us what the fiscal note is.

Troy Dillard, Compliance Enforcement Administrator, Department of Motor Vehicles:

There is a fiscal note on the bill. With the \$300 fee, revenue projected for the first year would be \$29,100. It would be 33 percent of the existing body shops moving forward and obtaining Class A certification. Along with that, the initial start-up expenditures would exceed that revenue by \$15,661 in the first year. We have the same programming costs up front on that first year, as well as the inspections that would need to be conducted at all of these shops.

The initial release of the Bill Draft Resolution (BDR) required an annual on-sight inspection, but the bill came out with only an inspection the first time and no additional inspection being required. They will have to certify that they continue to comply with those factors the bill requires.

The second year revenue would be a positive of \$28,857. In the future biennium it would be positive revenue of \$57,714. That revenue currently would be directed to the account for body shops, wreckers, salvage pools, and garages.

Chair Atkinson:

Is there anyone wishing to be heard on A.B. 594? Seeing none, we will close the hearing on A.B. 594 and begin our work session.

Assembly Bill 154: Revises provisions governing transportation of pupils by private schools. (BDR 58-1190)

Marjorie Paslov Thomas, Committee Policy Analyst:

Assembly Bill 154 was heard on March 8 and exempts transportation by a private school of persons or property in connection with the operation of the school or related school activities from the regulation and licensing of motor carriers. There are three proposed amendments ([Exhibit I](#)).

Assemblywoman Womack:

I would like a clarification on this. Is this the bill we were talking about, a private school being charged for buses that were being used to transport children back and forth?

Chair Atkinson:

Yes.

Assemblywoman Womack:

Was it established that they were exempt from this? There was some discussion during our testimony that this was not even a fee they were going to be charged according to the statutes we already had in place.

Chair Atkinson:

Mrs. Womack, the Transportation Service Authority (TSA) was not charging the organization the fee they thought TSA was charging them, which was \$500.

Assemblywoman Womack:

So, the TSA is not part of this bill now?

Chair Atkinson:

No. They have a letter in here, page 4 ([Exhibit J](#)).

Marjorie Paslov Thomas:

The reason they were asking for this exemption, Mrs. Womack, is because they do charge a fee to their students. That would put them under the regulation of the TSA and that is why they are asking to be exempt from that provision.

Assemblywoman Womack:

The TSA has agreed for them to be exempt?

Marjorie Paslov Thomas:

Yes, they are in the neutral position.

Assemblywoman Gerhardt:

Are we opening the door a little too wide here? I can envision buses taking large groups of kids to a church camp, for instance, and because all of them have pitched in a little bit of money to an organization, which is also nonprofit, then are we saying that is not going to be subject to any kind of inspection? We have schools within churches, too.

Marjorie Paslov Thomas:

According to amendment number three, they would have to be "...defined as a licensed nonprofit as classified by the Department of Education" A parochial school is typically classified as exempt nonprofit. That would not include that type.

Assemblywoman Gerhardt:

So, we are not going to run into any kind of unintended consequences by doing this? It is not going to open the door to any other groups?

Marjorie Paslov Thomas:

I cannot answer that. It does define a private school as a licensed nonprofit under a list that is developed by the Department of Education on their website. A parochial school is typically classified as exempt.

Assemblywoman Gerhardt:

Is there anybody who can tell us who else would be in that category?

Assemblyman Goicoechea:

I do not believe that relieves them from any requirement for an inspection of that vehicle. It is only the licensing requirement through TSA.

Chair Atkinson:

I will entertain a motion on Assembly Bill 154.

ASSEMBLYMAN GOICOECHEA MOVED TO AMEND AND
DO PASS ASSEMBLY BILL 154.

ASSEMBLYWOMAN GERHARDT SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

I will do the Floor statement on it.

Assembly Bill 181: Revises provisions relating to the survey of labor rates charged by body shops. (BDR 43-456)

Marjorie Paslov Thomas, Committee Policy Analyst:

The next bill is Assembly Bill 181. It was heard on March 22 and was sponsored by Mr. Manendo. This bill will transfer the duty to conduct an annual survey of rates charged by licensed body shops from the Commissioner of Insurance to the Department of Motor Vehicles (DMV). The measure requires the DMV to conduct the survey online. It must be completed and submitted

electronically by the operator of each licensed body shop and made available to the public on the DMV's website within 48 hours after the completion of the survey. The bill also requires the DMV to compile the results of each survey in a report which must be updated daily and made available to the public online. It requires an operator of a body shop to complete the survey as a condition for the renewal of his license.

There are four proposed amendments ([Exhibit K](#)) and a mock-up showing where the amendments would go.

Assemblyman Goicoechea:

In this case, how would the prevailing labor rate be established across the region?

Chair Atkinson:

I will defer this to Mr. Manendo since it is his bill.

Assemblyman Goicoechea:

I can see where we are just coming up with an industry rate that would apply...

Marjorie Paslov Thomas:

As I recall from testimony given by Mr. Compan it was that if five body shops responded under that type of category, they would take the average rate from that survey and put that rate into that specific geographic area. If five people responded from the north they would take that average.

Assemblyman Goicoechea:

My question is how does that work with the insurance companies or the body shops?

Bob McCleary, representing Nevada Collision Industry Association:

Currently, we have a state survey that is done annually. Many of the insurance companies use the average labor rate to determine what they are willing to pay. It is also divided by geographical areas. If I am correct, the northern rate is a few dollars more than the southern rate.

Assemblyman Goicoechea:

You establish this average or prevailing rate and then the insurance companies come to you and tell you this is all they are going to pay for this many hours?

Bob McCleary:

That is basically it. One of the reasons we tried to change this a little bit was because we will change our rates, and nothing prevents us from changing our rates before the new survey is taken. As an example, the new rate is \$40 but the old posted rate is \$38; the insurance companies will only pay \$38. They will make the customer pay the difference. We wanted to get something reflective of what is going on out there so the customer does not get stuck with out-of-cost expenses.

Chair Atkinson:

We will take a motion on this bill.

ASSEMBLYWOMAN WOMACK MOVED TO AMEND AND DO
PASS ASSEMBLY BILL 181.

ASSEMBLYWOMAN GERHARDT SECONDED THE MOTION.

THE MOTIONED PASSED UNANIMOUSLY.

We will give A.B. 181 to Assemblyman Manendo to take to the Floor.

Assembly Bill 266: Makes various changes to provisions relating to salvage vehicles. (BDR 43-909)

Marjorie Paslov Thomas, Committee Policy Analyst:

This bill was sponsored by Mr. Atkinson and was heard on March 22. It requires the owner of a motor vehicle that has been declared a total loss to forward the endorsed title to the insurance company within 30 days of accepting a settlement. The measure also requires the Department Motor Vehicles (DMV) to issue a salvage title to an insurance company for a salvage vehicle if the insurance company submits an application, without an endorsed title, to the DMV for a motor vehicle that has been declared a total loss. Also required is documentation that the insurance company has made at least two written attempts to obtain the endorsed title from the owner of the motor vehicle.

There are four proposed amendments ([Exhibit L](#)) by Bob Compan with Farmers Insurance and Martha Barnes, Administrator, Central Services and Records Division, DMV. There is a mock-up that was prepared by DMV and Bob Compan.

Jack Jeffery, representing, B & D Auto Auction:

I talked with Mr. Compan about this amendment earlier and I have gone over it myself as B & D has a great interest in this bill. The amendment is in good shape and ready to go.

Chair Atkinson:

I will entertain a motion on A.B. 266.

ASSEMBLYMAN CLABORN MOVED TO AMEND AND DO PASS
ASSEMBLY BILL 266 WITH THE FOUR AMENDMENTS.

ASSEMBLYMAN MANENDO SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

I will take the Floor statement for A.B. 266.

Assembly Bill 297: Makes various changes to provisions relating to special license plates. (BDR 43-979)

Marjorie Paslov Thomas, Committee Policy Analyst:

This bill was sponsored by Mr. Bobzien and was heard on March 27. It provides for the issuance of a special license plate for the support and enhancement of parks, recreation facilities, and programs in the City of Reno ([Exhibit M](#)). There are no proposed amendments.

Chair Atkinson:

We have a motion on the floor.

ASSEMBLYMAN GOICOECHEA MOVED TO DO PASS
ASSEMBLY BILL 297.

ASSEMBLYMAN CARPENTER SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Mr. Bobzien will handle the Floor statement for A.B. 297.

Assembly Bill 374: Requires the Department of Transportation to construct and operate permanent port of entry inspection stations. (BDR 35-930)

Marjorie Paslov Thomas, Committee Policy Analyst:

Assembly Bill 374 was sponsored by Assemblyman Ocegüera and was heard on March 22. This bill requires the Department of Transportation (NDOT) to construct and operate permanent ports of entry where Interstate Highway 15 (I-15) and Interstate Highway 80 (I-80) enter Nevada. The bill authorizes NDOT to enter into agreements with other states for joint operation of the ports, enter into contracts or agreements for the construction or operation of the ports, and charge commercial motor vehicles a fee to cover the cost of inspection. The Department is required to adopt regulations regarding the operation of the ports of entry ([Exhibit N](#)). There are no proposed amendments.

Chair Atkinson:

Is there any discussion on work session document A.B. 374?

Assemblyman Hogan:

My understanding is that there would not be any substantial expenditure as a result of this being passed until such time as appropriations are available from the Assembly Committee on Ways and Means Committee and the Senate Committee on Finance. Is that correct, Mr. Chairman?

Chair Atkinson:

This Committee is charged with the policy portion and once the bill goes to the Floor we will be referring it to the Assembly Committee on Ways and Means.

Assemblyman Goicoechea:

Because this is a policy decision, I endorse the ports of entry. They are workable if we can put something in place that allows for cooperation, especially with ports on the Utah and California borders. There is a cost savings for all entities. We all understand that policy decision, and I want to make sure we do not place the charges for this program on any particular industry.

Assemblyman Carpenter:

I can see the value also, but there is a hefty fiscal cost to this bill and maybe the best thing we can do is refer it to the Assembly Committee on Ways and Means with no recommendation but with the Committee's approval.

Chair Atkinson:

We could make a recommendation, but as a policy committee we should act on the policy and then let the Assembly Committee on Ways and Means act on the finance aspect of it. It is definitely going there. It will go to the Floor, and then the Assembly Committee on Ways and Means will be getting it.

Assemblywoman Womack:

My district sits at the biggest shortcut into the Henderson valley and the Las Vegas valley. The ports of entry are great at I-15 and I-80, but they do not impact where I live in District 23. If these vehicles cannot get through the port of entry, they are going to come in the back way and end up in our backyard.

Assemblyman Cobb:

The vote on this is purely on policy, and we can go on record to say we are very concerned about the fiscal impacts to the State. I want to echo the comments of Mr. Goicoechea and Mr. Carpenter that no recommendation and referral to Assembly Committee on Ways and Means would be the best way to go. If we are just talking about policy and not fiscal, I will be okay with that.

Assemblyman Manendo:

This is a policy position. There are so many ports of entry locations. This is going to start with four of them. What Mr. Cobb said was appropriate. We are all concerned when there is an expenditure of taxpayers' dollars. We are cognizant of that because we are and have always been a frugal state. As a policy committee, we want to set an example, but we always keep the cost in the back of our minds, and the Assembly Committee on Ways and Means will deal with that.

Assemblyman Goicoechea:

To my colleague, Ms. Womack; typically, when the neighboring states' ports were actually in place at the borders of Nevada, it increased traffic but it allowed law enforcement to know when people were bypassing those ports and they were able to pull them over.

Assemblyman Carpenter:

I hope NDOT confers with the states that have those ports of entry to see if there could be some kind of mutual understanding worked out so the cost would not be so great. There are ports in the other states; they could look at those before building new ones.

Chair Atkinson:

I agree with that, Mr. Carpenter.

Assemblyman Goedhart:

I do not have any institutional history behind it, but NDOT had talked about working in a collaborative fashion and trying a pilot situation. In the absence of that, this legislation is fairly ambitious and the cost is pertinent to that, so we need to make sure that we exercise due diligence in being frugal. I would be more comfortable if there was a small pilot project proposed at one existing

point of entry, such as Apex. We would use the specific machine mentioned and get a little more information before we jump in here and say it is up to the Ways and Means Committee to decide whether or not it should go ahead.

Chair Atkinson:

Do I hear a motion?

ASSEMBLYWOMAN GERHARDT MOVED TO DO PASS
ASSEMBLY BILL 374.

ASSEMBLYMAN CLABORN SECONDED THE MOTION.

THE MOTION PASSED. (ASSEMBLYMAN GOEDHART
VOTED NO.)

Meeting adjourned. [3:35 p.m.]

RESPECTFULLY SUBMITTED:

Christine Henricksen
Committee Secretary

APPROVED BY:

Assemblyman Kelvin Atkinson, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Transportation

Date: March 29, 2007

Time of Meeting: 1:30 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
A.B. 185	C	Jerry Burns Automotive Service Association	Prepared text
A.B. 185	D	John Haas, Southwest Regional Counsel, Allstate Insurance	Handout by Bureau of Automotive Repair
A.B. 185	E	Jeanette Belz, representing Property Casualty Insurance Association of America	Letter in opposition to bill
A.B. 185	F	Jim Spinello, representing Progressive Insurance	Notes in opposition to the bill
A.B. 185	G	Michael Geeser, AAA, Nevada	Letter in opposition
A.B. 311	H	Clark Whitney/Randy Robison	Amendments
A.B. 154	I	Marjorie Paslov Thomas, Research Analyst	Work session document
A.B. 154	J	Marjorie Paslov Thomas	Letter from TSA
A.B. 181	K	Marjorie Paslov Thomas	Work session document
A.B. 266	L	Marjorie Paslov Thomas	Work session document
A.B. 297	M	Marjorie Paslov Thomas	Work session document
A.B. 374	N	Marjorie Paslov Thomas	Work session document