

Equipment Titling and Registration

Is it Time?



Issues and Discussion Briefing Paper

Summary of Equipment Industry Titling and Registration Task Force Meeting

November 1, 2006 • Chicago, Illinois



Equipment Titling and Registration Issues and Discussion Briefing Paper

JANUARY 15, 2007

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Is it Time?

Is it time for the equipment industry and its stakeholders to design and coordinate adoption of an industry-wide titling and registration process for moveable agricultural, industrial and outdoor power equipment throughout the United States and Canada?

Background

Lack of a universal equipment ownership and lien tracking process was at the heart of a recent legal case that rocked the industry and exposed a variety of weaknesses and vulnerabilities of concern to dealers, manufacturers and lenders. The resulting self-examination by industry representatives led to peer-to-peer discussions about what went wrong and how to keep it from happening again. Specifically at issue is the industry's longstanding weakness in tracking equipment as it applies to ownership and liens, environmental safety compliance, and theft prevention and recovery.

The North American Equipment Dealers Association (NAEDA) represents one segment of stakeholders and its board of directors had been asking basic questions other stakeholders have been considering. As NAEDA began to communicate with other associations and organizations, insurers, lenders and manufacturers, it became clear there were core issues requiring examination. At this point, NAEDA recognized the need for an industry-wide task force to conduct such an examination. Its findings can be used to 1) initiate improvements to the current process or 2) develop an entirely new and comprehensive process to track moveable agricultural, industrial and outdoor power equipment.



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The Equipment Industry Titling and Registration Task Force, representing a cross-section of stakeholders, met in Chicago, Nov. 1, 2006, to determine the level of interest in developing a new approach to accumulate and track information specific to moveable agricultural, industrial and outdoor power equipment in North America. The individual task force members made it obvious they and the constituencies they represent consider these issues serious enough to warrant additional discussions. However, the task force recognized any changes to reduce or eliminate weaknesses or vulnerabilities requires the inclusion of other stakeholders, extensive research and discussion before any one group or organization could make a decision to support or oppose the establishment of an equipment titling and registration process.

This briefing paper is a summary of issues raised during initial discussions related to titling and registration.

Issues

The task force determined there is a need to outline and thoroughly understand problem areas and research the following issues before recommending any specific actions.

Equipment Tracking

Equipment tracking is applicable to maintenance issues; recall notifications; and provincial, state and federal regulatory and compliance requirements. The task force discussed the California Air Resource Board (CARB) requirements related to inspecting and licensing engines for compliance with air quality regulations. California's efforts to date have been on stationary and moveable engines and require a three-year license. Potential proliferation of the CARB program and how its migration to other states might influence the industry's future also was discussed.

Liens / Trade-ins

Undisclosed liens jeopardize business between buyers and sellers (as well as lending institutions involved in financing equipment purchases). There are potential crossover liabilities among stakeholders where a hidden lien obscures a clear ownership trail, particularly with regard to transactions involving equipment trade-ins.

Safety

There can be a variety of safety issues related to equipment including the handling of equipment recalls. Safety recall notices are more difficult for manufacturers, dealers and consumer organizations to communicate to end users when equipment changes hands and reliable ownership information is not available.

Theft

Equipment is susceptible to theft because, in many cases, it is easily accessible and often resold without verifiable documentation of its lien status or ownership. Law enforcement is at a disadvantage because proof of equipment ownership is not supported by a system as effective as the motor vehicle system. For example, an automobile operator is required to produce a license, registration and proof of insurance when authorities request verification of ownership. Equipment end users, dealers, manufacturers, lenders and insurance companies all have exposure to losses by the absence of adequate documentation to effectively deal with theft.

End User Acceptance

Acceptance by end users is a pivotal component in whether equipment titling and registration moves forward or stalls.

Farmers, ranchers and consumers would ideally prefer a system that minimizes paperwork, fees and taxes. In fact, their support may center on these factors. The benefits, rewards or other value-added incentives to end users will need to be defined in the development and promotion of any proposed comprehensive titling and registration process.



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Research Needed

The task force acknowledges additional research is needed before any recommendations are presented to the industry for consideration and/or action. The task force also agrees additional discussions are needed at association board levels, individual company and organizational levels, and with other potential stakeholders not represented at the initial Chicago meeting. The task force is tentatively scheduled to meet again in the spring of 2007 after each member of the group has had the opportunity to discuss the concept of titling and registration with their peers. Task force members also believe they need the opportunity and time to research the following prior to a second meeting:

1. What types of equipment might be titled and registered?
2. What benefits, rewards or other value-added incentives could be identified to convince end users about the merits of titling and registration?
3. What process should be undertaken for titling and registration, i.e., registration and titling at the provincial, state and federal level, individual company titling and registration, or third-party registration? How would a uniform law be created and adopted?
4. Have there been previous efforts to address equipment titling and registration and what were the outcomes?
5. What titling and registration requirements are now in place in the industry?
6. Study California's CARB program to determine its potential effect on the industry and how it might influence the future of titling and registration.
7. Review briefings from the automotive industry, boating industry, etc. on their titling and registration process, how they were initiated and the results on their industries.
8. Review whether titling and registration would have an effect on UCC filings under the Revised Article 9 of the Uniform Commercial Code. What state or federal legislative changes would be necessary, if any? How would a uniform law be created and adopted?
9. What would a "manufacturer statement of origin" (MSO) mean in the future?
10. How would damaged, fraudulent, lost, or stolen titles and registrations be handled?
11. What serial numbers would be required (ISO standards or another), and where would they be placed? How would repaired or replaced items be documented on title and registration documents?
12. What role would provincial, state, federal governments have in this process? Should federal laws be enacted or should state and provincial legislation be enacted? How would a uniform law be created and adopted?
13. What efforts need to be considered regarding theft from reporting to recovery?
14. What other stakeholders need to be included in future task force meetings and discussions?
15. What are the projected costs of an equipment titling and registration system, and who would bear these costs?

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*The North American Equipment Dealers Association prepared this summary.
NAEDA is based in Fenton, Mo. It provides educational, finance, industry relations, legal assistance,
and legislative services to approximately 5,000 retail agricultural, industrial and outdoor power
equipment dealers in the United States and Canada.*