

***New Jersey
State Commission of Investigation***



**December 2, 2015
Immediate Release**

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**SCI EXPOSES ABUSE,
INFLUENCE PEDDLING IN
USED-CAR DEALER REGULATION**

TRENTON – Regulations governing the licensing and oversight of used-car dealers in New Jersey were selectively manipulated and weakened to the benefit of private interests, including commercial enterprises that house multiple businesses engaged in unscrupulous and possibly illegal activities, the State Commission of Investigation revealed in a report issued today.

The SCI found that the favored treatment was granted by State Motor Vehicle Commission (MVC) officials under circumstances that included strong, and sometimes undisclosed, lobbying pressure in Trenton.

“In sworn testimony, MVC personnel described circumstances in which efforts to scrutinize dealers and enforce adherence to official regulations were frustrated, delayed

or derailed by questionable or inappropriate intervention,” the report states. “Dealer license applications were ordered approved over the objections of line staff. Violation notices were interfered with, lessened or waived.

“Much of this occurred at the behest of MVC managers who took it upon themselves to effectuate what amounted to substantive policy and regulatory changes that benefited a narrow private interest,” the SCI found.

The investigation focused on significant problems involving the regulation of hundreds of used-car entities housed in group settings known as “multi-dealer locations,” or MDLs. The SCI found that one such MDL, the New Jersey Dealers Auto Mall in Bridgeton, Cumberland County, is owned and operated by individuals linked to organized crime and has for years been known to state regulators and law enforcement authorities as a shelter for licensing abuses and various forms of fraud.

Multi-dealer locations also were found to be notorious havens for unpaid taxes. According to the SCI’s findings, the outstanding tax liabilities owed by past and present dealers at all of the State’s 11 MDLs are conservatively estimated at nearly \$10 million.

“Invigorated by years of relaxed oversight and enforcement, dealers based at MDLs have been able to profit from an assortment of questionable and unscrupulous activities at significant cost to taxpayers, consumers and legitimate commercial interests,” the report states, “including failure to pay taxes, consumer and bank fraud, and suspicious financial transactions on a domestic and international scale.”

In addition to issuing its report, the SCI today also officially referred the findings to multiple state and federal law enforcement agencies, including the New Jersey

Attorney General’s Office, for whatever action is deemed appropriate. The investigative watchdog agency also called for a range of statutory and regulatory reforms.

Among other things, the SCI recommended that responsibility for licensing and oversight of used-car dealers and their personnel be moved from the MVC and assigned to a professional regulatory board to be established by statute within the New Jersey Division of Consumer Affairs. The jurisdiction of this new board should be sufficiently broad so as to include individuals and entities currently beyond the reach of state regulation, such as landlords and others that lease or otherwise provide office space to multiple dealer-licensees.

The SCI also recommended that the Legislature consider adopting a “Used-Car Buyers’ Bill of Rights,” similar to those now in effect in other states, putting all parties to a vehicle sale on notice as to certain ground rules that must be followed before such transactions are completed.

Finally, as this investigation revealed the ease with which New Jersey’s lobby reporting requirements can be circumvented, the disclosure law should be amended, at a minimum, to require explicit reporting by lobbyists of substantive matters they discuss and/or advocate in meetings and other contacts with government officials.



The State Commission of Investigation is an independent New Jersey watchdog agency established in 1968 to investigate organized crime and corruption, waste of tax money and other abuses of the public trust. Copies of public reports are available at the Commission’s offices or via its Web site at www.state.nj.us/sci.