

Date: September 30, 2002

**To: John Delacourt
Office of Policy Planning
Federal Trade Commission**

**From: Bill Wolters
Executive Vice President
Texas Automobile Dealers Association**

Subject: FTC Public Workshop on E-Commerce

Dear Mr. Delacourt:

I appreciate the opportunity to participate in the upcoming workshop and look forward to discussing the issues outlined in this summary.

My background in the industry includes thirteen years with Ford Division of Ford Motor Company with four of those years as a District Department Manager in the areas of Marketing, Distribution, Business Management and Market Representation. For the past twenty years I have worked for the Texas Automobile Dealers Association and have served for fifteen years as Executive Vice President. I am a Past President of the Texas Society of Association Executives and am currently on the Board of Directors of the American Society of Association Executives.

During the workshop, I will discuss the value that franchised dealers bring to the consumer, to the communities of Texas and to the state. These are the reasons that the legislature of Texas and all 49 other states have determined that state franchise laws provide car and truck buyers with the most efficient and competitive vehicle delivery system with priority on consumer protection. I will present information on the commitment of Texas dealers to e-commerce and their desire for consumers to research, select and purchase vehicles on-line.

- There are over 1330 franchised new car and truck dealerships in Texas in 321 cities and towns across the state. Franchised dealerships are present in 194 of the state's 254 counties.
- Every citizen of Texas has several dealerships within a convenient drive in which to shop, compare vehicles and prices and have their vehicles serviced.

- No other main street merchant or volume retailer has made a greater commitment to Texas than the franchised automobile dealer.
- Over 1,000 Texas dealers have interactive websites available to consumers for the purchase of a vehicle.
- Many dealerships have staff dedicated to the on-line buyer.
- Consumers can shop websites all over the state to research vehicle prices and equipment, negotiate the price on-line, arrange financing, even obtain a current vehicle appraisal over the Internet, then consummate the purchase in the dealership.
- Franchised dealers have the ability to serve the buyers' needs according to the individual buyer's desires. Dealers have succeeded in Texas for a century because of their emphasis on customer satisfaction, whether it is going out to the farm and sitting on a tractor to discuss the needs for a farmer's truck or selling in the showroom, over the telephone, in the driveway, or over the World Wide Web. No two customers are alike, selling a car or truck is still a personal, one-on-one business, regardless of the medium.
- The state of Texas requires that dealers be licensed by the state Motor Vehicle Board before they can sell new or used vehicles, whether on-line or in the dealership. To be licensed in Texas requires a dealer to be a full service business. In order to sell new vehicles, a dealer must have a franchise from a manufacturer or distributor.
- The combination of a dealership physical site and an Internet presence ensures that the consumer will receive the benefit of a full service dealership as well as the regulatory protection of federal, state and local agencies.
- The number of dealership locations and the extensive array of dealership retail websites provide a most competitive retail environment.
- The stability of Texas dealerships guarantees consumers that they will continue to be served as they have been for a century whether on-line or in the showroom.

- New vehicle dealers assist in the processing of vehicle titles and registrations in their local counties. They also collect and remit the title and registration fees.
- Texas' 254 County Tax-Assessor Collectors depend upon new vehicle dealers for their assistance in the processing of these mandated documents and fees.
- New vehicle dealers are required by state law to collect and remit motor vehicle sales tax. They remit an average of \$2.5 billion per year statewide, which is 14% of the total sales tax on all sales.
- All documents for title and registration transactions and the payment of taxes and fees must be accurate before they are sent to the state agencies. The county officials depend upon the dealers for the accuracy of these documents and transactions or for the dealers to be readily available if corrections are required.
- Texas counties and cities depend upon the over \$200,000,000 in property tax paid by franchised dealers each year to fund their school systems.
- With the increase in identity theft, there is a significant risk to all of the parties involved in the sales transaction, particularly in regards to taxes and fees. The use of the Internet in sales transactions causes difficulty in verification in every stage of any sale transactions.
- Franchised dealers provide protection to Texas consumers and citizens by being responsible to:
 1. Provide a clear title to every vehicle sold
 2. Disclose an accurate odometer reading
 3. Confirm if the transaction is a sale or a lease
 4. Disclose if a vehicle is new or used
 5. Disclose if a vehicle has been salvaged, damaged or rebuilt
 6. Comply with state advertising rules

- Dealerships operate under the oversight of a myriad of regulatory agencies, rules and statutes. The consumer is protected by these regulations and the ongoing oversight by the dealers themselves.
- New vehicle dealerships are required to be a full service business with regular operating hours. This provides the consumer the benefit of qualified sales and service in one location with authorized parts and trained personnel. Dealers often perform good-will adjustments, loan cars to consumers, and provide other valuable services as part of this full service dealership operation.
- Full service, licensed, franchised vehicle dealers reinvest their revenues and profits back into the community and the state.
- Most dealerships have employee benefit programs that provide insurance and other benefits to dealership employees and their families in spite of the ever-increasing cost of those benefits.
- The wages earned by dealership employees allow them to contribute to the economies of their communities and the state as well as provide revenue for other Texas businesses.

In summary, franchised dealers bring value to the citizens of Texas, to the communities, to the state and its institutions that cannot be replicated or replaced by another party or entity. There are few, if any, line items in this summary that can effectively be accomplished by any other person or party. Franchised dealers are essential to the very fabric of our state and to every state in the nation. Their value, benefit and contribution would be seriously jeopardized if the integrity of the franchise system were threatened in the manner being considered. If you devised the most effective and most competitive system of vehicle sales and distribution to serve the people of this country, it would look just like today's franchised automobile dealer network.

