UNITED STATES OF AMERICA
Federal Trade Commission
WASHINGTON, D.C. 20580

Office of Policy Planning
Bureau of Competition
Bureau of Economics

May 15, 2014

Rep. Michael J. Colona
Missouri House of Representatives
State Capitol
201 West Capitol Avenue
Jefferson City, MO 65101-6806

Dear Representative Colona:

Thank you for requesting comments from the Federal Trade Commission ("FTC") staff[1] regarding House Bill No. 1124, which is now pending in the Missouri legislature. A portion of that bill would amend Section 407.826.1 of the Motor Vehicle Franchise Practices Act, which currently prohibits franchisors of new motor vehicles from "owning or operating a new motor vehicle dealership" in Missouri.

Under current law in Missouri, an automobile "franchisor" means a person who grants to another person the right to use trademarks and other rights, and shares a community of interests with that person, in connection with the sale of new motor vehicles.[2] The relevant portion of HB 1124 would add a new and different definition of "franchisor" for purposes of the prohibition on owning or operating new vehicle dealerships. Under the change set forth in HB 1124, "franchisor" for these purposes would be broadly defined to "include any manufacturer of new motor vehicles which establishes any business location or facility within the state of Missouri" that allows for the sale of new motor vehicles.

The plain effect of HB 1124, therefore, would be to expand the current prohibition on direct-to-consumer sales. The prohibition would apply not only to franchisors but also to motor vehicle manufacturers who do not use an independent franchise system and instead prefer to sell

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[1] This staff letter expresses the views of the Federal Trade Commission's Office of Policy Planning, Bureau of Competition, and Bureau of Economics. The letter does not necessarily represent the views of the Federal Trade Commission or of any individual Commissioner. The Commission, however, has voted to authorize staff to submit these comments.

[2] *See* MO. REV. STAT. § 407.815 (8) (defining "franchise" or "franchise agreement" as "a written arrangement or contract […] in which a person grants to another person a license […] to use, a trade name, trademark, service mark, or related characteristics, in which there is a community of interest in the marketing of goods or services, […] and in which the operation of the franchisee's business […] is substantially reliant on the franchisor for the continued supply of franchised new motor vehicles, parts and accessories […]."); and *id.*, § 407.815 (10) (defining "franchisor" as "a person who grants a franchise to another person").

directly to consumers. All new motor vehicles in Missouri would have to be sold through independent dealers.

Laws such as the existing Section 407.826 operate as a special protection for independent motor vehicle dealers. They restrict automobile manufacturers from selling their products using any method other than through independent auto dealers. This protection limits the ability of auto manufacturers to innovate in their methods of sale in ways that might be more cost-effective and responsive to consumer demand. While it protects the dealers, it is very likely harming both competition and consumers. By expanding the scope of the existing prohibition to include manufacturers that do not currently use, or even desire to sell through independent dealers, HB 1124 would amplify the adverse effects of the current prohibition. It will discourage innovation and new forms of competition, especially from newer auto manufacturers who have no dealer network. We therefore appreciate this opportunity to provide our views as to the probable impact of the proposed legislation on competition and consumers.[3]

FTC staff offer no opinion on whether automobile distribution through independent dealerships is superior or inferior to direct distribution by manufacturers. Rather, as is more fully explained below, staff's principal observation is that consumers are the ones best situated to choose for themselves both the cars they want to buy and how they want to buy them. Automobile manufacturers have the incentive to respond to consumer preferences and choose the most effective distribution method for their vehicle brands. Absent supportable public policy considerations, the law should permit automobile manufacturers to choose their distribution method to be responsive to the desires of car buyers.

I. Interest and Experience of the Federal Trade Commission

The FTC is an independent administrative agency charged with working to protect consumers by preventing anticompetitive, deceptive, and unfair business practices, enhancing informed consumer choice and public understanding of the competitive process, and accomplishing this without unduly burdening legitimate business activity.[4] To secure these goals, the FTC has played a significant role in promoting competition and consumer protection law and policy through law enforcement, the study of industries and business practices, and through competition advocacy, which may include specific comments to legislators or regulators concerned about the likely competitive impact of pending legislative or regulatory measures.[5]

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[3] Our opinion is limited to bills addressing a blanket restriction on manufacturer sales. We do not attempt to comment or review the myriad additional provisions of Missouri law that regulate the relationship between automobile manufacturers and their independent dealers.

[4] Federal Trade Commission Act, 15 U.S.C. § 45.

[5] Sections 6(a) and (f) of the FTC Act authorize the FTC "[t]o gather and compile information concerning, and to investigate from time to time the organization, business, conduct, practices, and management of any person, partnership, or corporation engaged in or whose business affects commerce," and "[t]o make public from time to time such portions of the information obtained by it hereunder as are in the public interest …." 15 U.S.C. § 46(a), (f).

Competition is at the core of America's economy, and vigorous competition among sellers in an open marketplace gives consumers the benefits of lower prices, higher quality products and services, and greater innovation.[6] The goal of our advocacy program is to enhance understanding of the competitive process and provide a framework for thinking about public policy issues from a competition and consumer protection perspective. We urge policy makers to consider (1) the likely competitive impact of proposed legislation or regulations; (2) how they might affect consumers; (3) what justifications might exist for any restrictions on competition; and (4) whether less restrictive alternatives would fulfill public policy goals while adequately protecting consumers. These considerations can be especially important when heavily regulated industries face new and disruptive products, services, and methods of sale.[7]

In carrying out its mission, the Commission has developed considerable expertise in analyzing markets for the sale of motor vehicles. For example, in 1988 and again earlier this year, FTC staff submitted advocacy letters opposing limitations imposed by Illinois law on the hours of operation of auto dealerships.[8] The FTC also used its enforcement authority to protect competition in motor vehicle sales in the late 1980s, when it issued a complaint against several motor vehicle dealerships in the Detroit area and the Detroit Auto Dealers Association ("DADA") for imposing anticompetitive restrictions on hours of operation.[9]

In 1986, the FTC's Bureau of Economics issued a report on the effect of state regulations in retail motor vehicle markets that restrict the establishment of new motor vehicle dealerships near existing dealers selling cars of the same make.[10] The report found that these state laws

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[6] *See* Nat'l Soc'y of Prof'l Eng'rs v. United States, 435 U.S. 679, 695 (1978) ("The assumption that competition is the best method of allocating resources in a free market recognizes that all elements of a bargain—quality, service, safety, and durability—and not just the immediate cost, are favorably affected by the free opportunity to select among alternative offers."); Standard Oil Co. v. FTC, 340 U.S. 231, 248 (1951) ("The heart of our national economic policy long has been faith in the value of competition.").

[7] *See, e.g.*, Comment from FTC Staff to Brendan Reilly, Alderman, City Council, City of Chicago (April 21, 2014), *available at* http://www ftc.gov/system/files/documents/advocacy documents/ftc-staff-comment-honorable-brendan-reilly-concerning-chicago-proposed-ordinance-o2014-1367/140421chicagoridesharing.pdf; FTC Staff Comments Before the District of Columbia Taxicab Commission Concerning Proposed Rulemakings on Passenger Motor Vehicle Transportation Services (June 7, 2013), *available at* http://www ftc.gov/sites/default/files/documents/advocacy documents/ftc-staff-comments-district-columbia-taxicab-commission-concerning-proposed-rulemakings-passenger/130612dctaxicab.pdf.

[8] Comment from FTC Staff to James Oberweis, State Senator of Illinois (March 26, 2014), *available at* http://www ftc.gov/system/files/documents/advocacy documents/ftc-staff-comment-illinois-state-senate-regarding-senate-bill-2629-which-would-repeal-certain/140327illinoisautostaffcomment.pdf; Comment from FTC Staff to James R. Thompson, Governor of Illinois (Dec. 22, 1988), *available at* http://www ftc.gov/sites/default/files/documents/advocacy documents/ftc-staff-comment-governor-james-r.thompson-concerning-s.b.1870-limit-auto-base-rental-charges-alter-allocation-costs-and-risks-damage-or-theft-and-ban-long/v890008.pdf.

[9] These dealers had reached an agreement, orchestrated by the DADA, to limit the number of hours that they would be open for business. The FTC concluded that the agreement was anticompetitive, a conclusion that was later affirmed by the U.S. Court of Appeals for the Sixth Circuit. *See* Detroit Auto. Ass'n v. FTC, 955 F.2d 457 (6th Cir. 1992).

[10] ROBERT P. ROGERS, BUREAU OF ECON., FED. TRADE COMM'N, THE EFFECT OF STATE ENTRY REGULATION ON RETAIL AUTOMOBILE MARKETS (1986) (Bureau of Economics Staff Report), *available at*

harmed consumers because they caused motor vehicle prices to rise. In addition, in 2001, then-Commissioner Thomas Leary expressed concern about the same kind of decades-old state laws now at issue in Missouri, laws that insulate motor vehicle dealers from competition from automotive manufacturers. While dealers at one time tended to be small businesses, he observed, in 2001 they were frequently much larger entities and the once highly concentrated motor vehicle manufacturing industry had become far more competitive. Commissioner Leary questioned, therefore, whether this kind of regulatory protection for dealers could still be justified, especially because it tended to interfere with the development of new and potentially more efficient methods of motor vehicle distribution, such as e-commerce.[11]

II. Discussion and Analysis of HB 1124

Current Missouri law prohibits automobile manufacturers who use franchise systems from owning or operating their own dealerships; sales of new motor vehicles by existing franchisors can be carried out only through independent franchised dealers.[12] Because most current manufacturers utilize a franchise system, the effect of the law on existing manufacturers is to bar alternative means of reaching or responding to consumers.

Such a blanket prohibition on direct manufacturer sales to consumers is an anomaly within the larger economy. Most manufacturers and suppliers in other industries compete with each other on not only the price, quality, and features of their products and services, but also on the cost, speed, service and efficiency of their sales and distribution systems. These manufacturers make decisions about how to design their distribution systems based on their own business considerations and in response to consumer demand. If a manufacturer concludes that using independent distributors to sell its products will best serve consumers and its own needs, it is free to contract for those services. On the other hand, if it decides that direct sales work better for its products, it can pursue sales directly. Many manufacturers choose some combination of direct sales and sales through independent retailers.[13] The competitive process gives the manufacturer the incentive to pick the distribution option that it believes will be the most responsive to consumers. Typically, no government intervention is required to augment or alter these competitive dynamics—the market polices inefficient, unresponsive, or otherwise inadequate distribution practices on its own.

Economists have long been interested in why firms choose to sell their products through a network of independent entities, to "vertically integrate" (engage in retail sales themselves), or to

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http://www ftc.gov/sites/default/files/documents/reports/effect-state-entry-regulation-retail-automobile-markets/231955.pdf.

[11] Thomas B. Leary, Comm'r, Fed. Trade Comm'n, State Auto Dealer Regulation: One Man's Preliminary View, Speech at The International Franchise Association 34th Annual Legal Symposium (May 8, 2001), *available at* http://www ftc.gov/public-statements/2001/05/state-auto-dealer-regulation-one-mans-preliminary-view.

[12] In Missouri, with limited exceptions, a motor vehicle "franchisor" is prohibited from "owning or operating a new motor vehicle dealership." *See* MO. REV. STAT. § 407.826.1.

[13] Computer manufacturers are one example of this hybrid distribution system, and popular clothing brands are another, but there are many more.

do some combination of the two.[14] A large body of literature has shown that the decision is very context specific. In some circumstances, such as when local sales and promotional effort is hard to measure but important for the firm's success, a firm may conclude that it is desirable to use highly incentivized independent representatives.[15] In others, however, reliance on independent dealers may fail to achieve the best outcome for either the upstream producer or the consuming public. The vast majority of existing work by economists suggests that allowing firms in competitive marketplaces to make the decision for themselves leads to better outcomes for consumers.[16]

When manufacturers respond to competitive pressure by choosing to vertically integrate, consumers usually benefit through lower prices and/or higher quality.[17] In contrast, when the government intervenes and outlaws vertical integration, consumers often experience worse service and higher prices.[18] It is not that vertical integration is always superior. Preventing firms

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[14] One of the first papers focusing on this "make or buy" decision was Ronald Coase, *The Nature of the Firm*, 4 ECONOMICA 386 (1937). The literature has since expanded dramatically. Recent surveys touching on both theory and empirical evidence include Francine Lafontaine & Margaret Slade, *Vertical Integration and Firm Boundaries: The Evidence*, 45 J. ECON. LIT. 629-685 (2007); and Timothy Bresnahan & Jonathan Levin, *Vertical Integration and Market Structure*, in HANDBOOK OF ORGANIZATIONAL ECONOMICS 85 (R. Gibbons & D.J. Roberts, eds., 2012).

[15] A book-length treatment of the theory explaining why can be found in Jean-Jacques Laffont & David Martimort, THE THEORY OF INCENTIVES: THE PRINCIPAL-AGENT MODEL (2009).

[16] This conclusion was reached in two separate recent surveys of the literature: Francine Lafontaine & Margaret Slade, *Exclusive Contracts and Vertical Restraints: Empirical Evidence and Public Policy*, in HANDBOOK OF ANTITRUST ECONOMICS (Paolo Buccirossi, ed., 2008); and James C. Cooper, Luke M. Froeb, Dan O'Brien, & Michael G. Vita, *Vertical Antitrust Policy as a Problem of Inference*, 23 INT'L J. INDUS. ORG. 639-64 (2005).

[17] This is not to suggest that vertical integration can never harm competition, as may be the case where it is used to impair competition from rival suppliers or customers.

[18] Efficient vertical integration by upstream manufacturers can benefit consumers in a variety of ways. First, it can remove the incentive for a manufacturer as well as a dealer to each mark up the price of the product on its way to the consumer. This results in lower prices and increased sales to consumers. Discussion and details are available in Dennis W. Carlton & Jeffrey M. Perloff, MODERN INDUSTRIAL ORGANIZATION 523-527 (2nd ed. 1994).

Second, integration by a manufacturer into distribution can enable manufacturers to better match their products with the preferences of consumers. For example, though manufacturers have an incentive to increase overall sales of their products, particular dealers may be most interested in making sales from their inventory, which may cause consumers to have to visit multiple dealerships to establish what product best fits their needs, resulting in relatively high search costs. When consumers' search costs are a large determinant of their purchasing patterns, a manufacturer can have a strong incentive to make direct sales so that it is simpler for consumers to find what they want. *See* Comment from FTC Staff to James Oberweis, State Senator of Illinois 5 (March 26, 2014), *available at* http://www.ftc.gov/system/files/documents/advocacy_documents/ftc-staff-comment-illinois-state-senate-regarding-senate-bill-2629-which-would-repeal-certain/140327illinoisautostaffcomment.pdf (discussing and summarizing literature on the impact of search costs). For some empirical evidence on the importance of search costs in the automotive industry, *see* Fiona Scott Morton, et al., *What Matters in a Price Negotiation: Evidence from the U.S. Auto Retailing Industry*, 9 QUANTITATIVE MARKETING & ECON. 365-402 (2011). For a more general review of the economic theory and evidence connecting search costs to prices, *see* Michael Baye, et al., *Information, Search, and Price Dispersion*, in HANDBOOK ON ECONOMICS AND INFORMATION SYSTEMS 323 (T. Hendershott, ed., 2005).

Third, past work by economists has shown that vertical integration can aid firms in responding to uncertainty or evolving business environments by establishing clear lines of authority between its manufacturing and sales personnel, especially when new firms are attempting to enter an established market. A survey of the theoretical from using independent retail networks, when that is what they want to do, also can have negative competitive consequences. The common message in both situations is that the competitive process effectively aligns the interests of firms and consumers on the issue of distribution method. In order to make their product as attractive as possible, firms choose the distribution method that can bring their product to market as effectively and efficiently as possible.

Specific evidence to support these views can be found in many industries, including retail automotive markets and industries like gasoline retailing. Past studies by both academic researchers and FTC staff have concluded that state-imposed restrictions on automobile manufacturers' ability to negotiate with their dealers increased the prices paid by consumers without leading to notable improvements in service quality.[19] Similarly, studies have found a causal link between laws that inhibit gasoline refiners' ability to operate or own retail stations, and higher prices.[20] In our view, the well-developed body of research on these issues strongly suggests that government restrictions on distribution are rarely desirable for consumers. When they are adopted, at a minimum such restrictions should be clearly linked to specific policy objectives that the legislature believes warrant deviation from the beneficial pressures of competition, and no broader than necessary to achieve those objectives.[21]

Those who support a blanket prohibition on direct manufacturer sales have made a number of arguments that FTC staff find unpersuasive. Perhaps the central concern reflected in the current laws regulating the manufacturer-dealer relationship is that government intervention is required to protect independent dealers from abusive behavior by their suppliers. But a blanket prohibition of direct manufacturer sales is not a narrowly crafted provision to protect franchised dealers from abuse in their franchise relationships. Such a prohibition is categorical, going well

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motivations for vertical integration can be found in Timothy Bresnahan & Jonathan Levin, *Vertical Integration and Market Structure*, in HANDBOOK OF ORGANIZATIONAL ECONOMICS (R. Gibbons & D.J. Roberts, eds., 2012). Empirical evidence of integration's impact on firms' ability to respond to events can be seen in recent studies such as Sharon Novak & Scott Stern, *Complementarity among Vertical Integration Decisions: Evidence from Automobile Product Development*, 55 MANAGEMENT SCIENCE 311-332 (2009); and Silke Forbes & Mara Lederman, *Does Vertical Integration Affect Firm Performance? Evidence from the Airline Industry*, 41 RAND J. ECON. 765-90 (2012).

[19] In particular, *see*, E. Woodrow Eckard, Jr., *The Effects of State Automobile Dealer Entry Regulation on New Car Prices*, 24 ECON. INQUIRY 223-42 (1985); and ROBERT P. ROGERS, THE EFFECT OF STATE ENTRY REGULATION ON RETAIL AUTOMOBILE MARKETS (1986) (FTC Bureau of Economics Staff Report, *supra* note 9).

[20] J.M. Barron & J.R. Umbeck, *The Effects of Different Contractual Arrangements: The Case of Retail Gasoline*, 27 J.L. & ECON., 313-328 (1984); Michael G. Vita, *Regulatory Restrictions on Vertical Integration and Control: The Competitive Impact of Gasoline Divorcement Policies*, 18 J. REG. ECON. 217-33 (2000); and A.A. Blass & Dennis Carlton, *The Choice of Organizational Form in Gasoline Retailing and the Cost of Laws that Limit that Choice*, 44 J. LAW & ECON. 511-24 (2001).

[21] Our comments here echo prior comments discussing similar issues. FTC Staff Comments Before the District of Columbia Taxicab Commission Concerning Proposed Rulemakings on Passenger Motor Vehicle Transportation Services (June 7, 2013), *available at* http://www ftc.gov/sites/default/files/documents/advocacy_documents/ftc-staff-comments-district-columbia-taxicab-commission-concerning-proposed-rulemakings-passenger/130612dctaxicab.pdf (discussing taxicab rules and suggesting that "any restrictions on competition that are implemented should be no broader than necessary to address legitimate subjects of regulation, such as safety and consumer protection, and narrowly crafted to minimize any potential anticompetitive impact.")

beyond the many other statutory provisions of Missouri law that protect dealers from such abuse. HB 1124 would extend the current restrictions to every entity engaged in manufacturing, assembling or distributing new motor vehicles, even a manufacturer that has never entered into a franchise agreement and has no interest in doing so.

Advocates for existing dealers also argue that manufacturers that sell directly to consumers will not provide them with adequate service. This argument presupposes that auto manufacturers in a competitive environment will act contrary to their economic self-interest. If consumers greatly value post-sale service and would be unlikely to purchase or recommend any automobile without a reasonable assurance of quality future service, then any manufacturer will have an incentive to supply such service or would see its sales decline to the benefit of its rivals. This competitive pressure is a strong motivation for manufacturers to either provide good service themselves or continue to contract with an independent service provider, such as a dealer, to do so.

Finally, some advocates for a categorical ban on direct sales argue that direct-selling manufacturers would charge higher prices to consumers. In their view, consumers benefit from the "intrabrand" competition between dealers of the same brand of vehicle. In other words, rival dealers in the same area that sell the same make and model of car compete for business and competition between them can lower prices for car buyers. Manufacturers, they maintain, would not be subject to the same competitive pressures.

This view is inconsistent with modern economic learning and with the Supreme Court's widely accepted observation that strong "interbrand" competition—competition between rival manufacturers—can suffice as a source of downward pressure on price.[22] Manufacturers in a competitive market face acute pressure to keep prices low to keep buyers from shifting their purchases to a competing manufacturer's product. Thus, forcing firms to use inefficient distribution methods can result in higher prices and other forms of consumer harm. As described above, this is not merely a theoretical possibility. Statistical evidence shows that states that have placed strong limitations on gasoline refiners' ability to operate their own retail outlets tend to have higher prices than those that allow refiners to use whatever combination of dealer and company-operated stations they prefer.[23]

Unlike the purported benefits of a manufacturer sales ban, which are questionable, the anticompetitive effects of such a ban are immediately visible in the circumstances that have led to the introduction of HB 1124. Tesla Motors is a relatively new entrant into the business of motor vehicle manufacturing and sale, with an innovative new product and a distinctive method

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[22] Continental T. V., Inc. v. GTE Sylvania Inc., 433 U.S. 36, 52 n.19 (1977) ("Interbrand competition is the competition among the manufacturers of the same generic product […] and is the primary concern of antitrust law. […] In contrast, intrabrand competition is the competition between the distributors, wholesale or retail, of the product of a particular manufacturer. […] [W]hen interbrand competition exists, […] it provides a significant check on the exploitation of intrabrand market power because of the ability of consumers to substitute a different brand of the same product.").

[23] Michael G. Vita, *Regulatory Restrictions on Vertical Integration and Control: The Competitive Impact of Gasoline Divorcement Policies*, 18 J. REG. ECON. 217-33 (2000).

of selling it. It has no franchise system and does not use franchised dealers, preferring instead to promote and sell its vehicles on its own. If HB 1124 were to become law, however, Tesla could be forced to enter into franchise relationships with independent dealers in order to sell in Missouri, even though it has concluded that to do so would make it less effective as a competitor.[24] Alternatively, Missouri residents who wish to purchase a Tesla product could be forced to use inefficient procedures to ensure that any sale to a willing buyer from Missouri does not occur within the state. Missouri residents likely would be required to undertake for themselves some of the purchase-related services that could be provided by a dealership, such as some steps to register and title their cars in Missouri. Missouri residents would no longer be eligible for financing through Tesla, and might be unable to take advantage of some tax incentives for electric car purchases.

The current system that mandates use of independent dealers limits competition among existing, well-established manufacturers, all of whom must sell through the established network of independent auto dealers. A direct sales ban deters experimentation with new and different methods of sales by current auto manufacturers, and also by other future entrants to the market, such as Tesla, which might want to use different methods of sale. Missouri's consumers will ultimately pay the price of such a dictate. The essential mechanism that drives markets—the interaction between the supply by manufacturers and the demands of consumers—is being curbed. The market is less responsive to consumer preferences and less innovative in anticipating their evolving needs. HB 1124 would exacerbate this continuing harm to competition and consumers.

As already noted, FTC staff offer no opinion on the question of whether Tesla or other manufacturers would be best served by selling their products directly or through independent distributors. Nor do we express a view as to whether any particular motor vehicle manufacturer should succeed or fail. Our principal point is this: absent some legitimate public purpose, consumers would be better served if the choice of distribution method is left to motor vehicle manufacturers and the consumers to whom they sell their products.

III. Conclusion

FTC staff believe that Missouri's current ban on direct-to-consumer sales by motor vehicle franchisors is very likely anticompetitive and harmful to consumers. It cannot be justified

[24] Tesla has described the reasons for its direct-to-consumer sales model as follows:

> We believe that by owning our own sales and service network we can offer a compelling customer experience while achieving operating efficiencies and capturing sales and service revenues incumbent automobile manufacturers do not enjoy in the traditional franchised distribution and service model. Our customers deal directly with our own Tesla-employed sales and service staff, creating what we believe is a differentiated buying experience from the buying experience consumers have with franchised automobile dealers and service centers. We believe we will also be able to better control costs of inventory, manage warranty service and pricing, maintain and strengthen the Tesla brand, and obtain rapid customer feedback. Further, we believe that by owning our sales network we will avoid the conflict of interest in the traditional dealership structure inherent to most incumbent automobile manufacturers where the sale of warranty parts and repairs by a dealer are a key source of revenue and profit for the dealer but often are an expense for the vehicle manufacturer.

TESLA MOTORS, INC., ANNUAL REPORT ON FORM 10-K (Filed Feb. 26, 2014) at 11.

as a way to protect franchised dealers from abuse in their franchise relationships, and the other arguments that have been offered in its defense appear to be contrary to a significant body of economic study and FTC experience.

HB 1124 would expand the scope of the current prohibition and hence is very likely to further harm competition and consumers. Instead of expanding the reach of the direct sales ban in Section 407.826.1, we urge the Missouri legislature to carefully evaluate repealing it and instead permit manufacturers and consumers to reengage the normal competitive process that prevails in most other industries. Such a change would facilitate the development of new methods of distribution and possibly the arrival of new motor vehicle manufacturers, benefitting the motor vehicle buyers of Missouri.

Respectfully submitted,

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