

February 29, 2016

Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

RE: Comments from the Public Workshop Regarding the U.S. Auto Distribution System held on January 19, 2016

To Whom It May Concern:

I am a Certified Public Accountant who has worked with the Retail Automobile Dealership Industry for over 20 years. The firm I work with represents more than 2,000 Automobile Dealership Clients in all 50 states and has worked with Dealerships for more than 50 years. I personally have been involved with clients who have been impacted by the current Franchise System which I believe fairly supports Dealers and the respective Original Equipment Manufacturers.

I have heard first hand of the comments that were made at the workshop on January 19, 2016 and feel that the many of the speakers desire to overturn the current Franchise System is unfounded. Their argument that the state Franchise Laws are outdated and unnecessary do not take into account several factors which were not presented at the workshop.

First, because the dealer's business model is very capital intensive, the manufacturer's insistence at expensive upgrades to facilities on a very short overall time frame potentially puts the franchised dealer at a disadvantage if there was a change to the current Franchise Laws. The manufacturers often do not take into account the cost versus the benefit of such investments since most all of the upgrades are not paid for by the manufacturer. Furthermore, the decisions on which vendors are used and the types of materials required are dictated by the manufacturer which often places additional costs on the dealers and is unnecessary.

Second, the manufacturers often initiate changes to the Sales & Service Agreements (which allows the dealer to sell and service the product of the Manufacturer) which arbitrarily favor the Manufacturer rather than the dealer. Examples of this include the addition of new product lines as separate franchises or initiating changes in the retail warranty reimbursement rate to dealers without due process.

Third, State Franchise Laws protect dealers from being forced to purchase product from the manufacturer (whether vehicles, parts or other products sold by that manufacturer) that the dealer does not desire, want or need. While most manufacturers have changed production practices that in years past created much more supply than demand, dealers still face instances today that force them to take inventory that they do not want in order to get inventory that they do want (and is selling).

While the Auto Dealership Industry has consolidated in the past ten to fifteen years (and will continue to do so), I do not feel that this consolidation has risen to a level that will be able to support a change in the current system without considerable disruption to the Manufacturer, the Automobile Dealer and the Consumer.

I appreciate your consideration of these items and hope that the Federal Trade Commission will give adequate time and discussion to all parties who are involved in the industry (not just those who are wanting to initiate change).

Sincerely,

A handwritten signature in black ink, appearing to read "Leslie D. Fry". The signature is written in a cursive style with some loops and flourishes.

Leslie D. Fry
Partner, DHG Dealerships