



Minnesota Automobile Dealers Association

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February 29, 2016

Edith Ramirez, Chairwoman
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580

RE: Auto Distribution Workshop, Project No. P131202

Submitted via electronic FTC Public Comment form

Dear Ms. Ramirez:

The Minnesota Automobile Dealers Association (MADA) is a non-profit trade association which represents 365 franchised new car and truck dealers located throughout the State of Minnesota. MADA appreciates the opportunity to file these comments to aid the Federal Trade Commission as it explores its proper role with respect to state regulation of the motor vehicle distribution system.

MADA representatives watched and listened with interest to the various panelists participating at the workshop the FTC conducted on January 19, 2016. We strongly agree with those who argued in favor of the state motor vehicle franchise protection laws that exist here in Minnesota and around the country.

The Minnesota version is codified in Minnesota Statute Chapter 80E. The primary public policy objective of the legislation is clear. The Minnesota Legislature declared that the sale and distribution of motor vehicles vitally affects the general economy of the state. Regulation promotes the public interest and the public welfare. It is also designed to preserve the investments and properties of the citizens of the state. (*Minn. Stat. §80E.01*)

The Minnesota franchise protection law has very important implications for car and truck owners throughout the state. The law protects and promotes a retail distribution system where all Minnesota citizens have ready access to motor vehicles, vehicle service, parts, warranty repair and safety recall repairs. It also sets the underpinnings of a robust, efficient and highly competitive marketplace that is geographically diverse and can survive over the long term.

The overall public policy objectives of the law are achieved through a variety of individual provisions within the Minnesota Statutes Chapter 80E. These provisions are designed to promote a distribution system that is both performance oriented and even handed.

Sections 80E.12 and 80E.13 lay out a laundry list of unlawful and unfair practices designed to protect dealers from the bad acts of motor vehicle manufacturers. In many cases there are provisos that recognize the legitimate business needs of the manufacturers. Here are some examples:

- Manufacturers may not force dealers to buy unwanted vehicles and other products. However dealers can be required to market a “representative line” of a manufacturer’s vehicles. *Minn. Stat. §§80E.12(a), (b) and (c)*
- Manufacturers may not force dealers to accept a particular financing or capital structure. However dealers must comply with the manufacturer’s reasonable capital standards. *Minn. Stat. §80E.12(f)*
- Dealers decide their own executive management. However a manufacturer may object if the manager doesn’t have enough money or experience or is somehow not of good moral character. *Minn. Stat. §80E.12(g)*
- Dealers get to choose whether or not to manage, invest in or acquire other lines of vehicles. Manufacturers can object only if the dealer doesn’t have enough money or space to accommodate the additional line of vehicles or if the dealer is otherwise in violation of the franchise agreement. *Minn. Stat. §80E.12(h)*
- The manufacturer may not unreasonably insist on a change in the dealership location or substantial alterations to the dealership premises. *Minn. Stat. §80E.12(i)*
- The manufacturer may not discriminate among dealers with regard to warranty reimbursement or authority to make warranty repairs. *Minn. Stat. §80E.13(h)*
- In general, manufacturers may not operate company stores in competition with their franchised dealers. *Minn. Stat. §80E.13(i)*
- Dealers may sell their businesses. This right is limited by the general right of the manufacturer to evaluate the fitness of the proposed new owner or to bring in an owner of its own choosing if the selling dealer is fully compensated. *Minn. Stat. §80E.13(j)*
- Manufacturers must employ a vehicle distribution system that is fair and nondiscriminatory. *Minn. Stat. §§80E.13(a), (e), (l), and (m)*

MADA understands the very important job the FTC has to protect consumers and promote a free and competitive marketplace. We urge the FTC not to lose sight of the fact that state legislatures share their concerns but have the right and the responsibility to balance economic freedom with important public policy objectives - to protect their citizens from sometimes dangerous imbalances and inequalities of access to crucial goods and services that an unfettered free market can and does produce.

Thank you again for the opportunity to present the views of Minnesota new vehicle dealers on these important issues.

Sincerely,



Scott Lambert
Executive Vice President