

March 3, 2016

Federal Trade Commission
400 7th Street WW
Washington, DC 20024

Ladies and Gentlemen:

My name is John Davis, and I am an audit and assurance partner at Dixon Hughes Goodman LLP (“DHG”). With over 30 years of experience, I serve as a trusted advisor to the industry by working alongside automobile dealers of all size throughout the country. My area of focus is on financial reporting, operational audits, buy/sell negotiations, and succession planning. I’m highly involved with the AICPA National Auto Dealer Conference, the National Association of Dealer Counsel, as well as many state and national Auto Dealer Associations. Our Firm proudly serves over 2,000 rooftop clients in all 50 states.

I am writing with reference to the FTC workshop that took place on January 19, 2016 in Washington DC. I understand that the purpose of the workshop was to inquire into the franchise laws that regulate auto retailing and the relationships between the dealers and the vehicle manufacturers in all 50 states. One of the areas I believe there is some misunderstanding is a number of the panelists argued that the relationship between the vehicle manufacturers and their dealers was increasingly balanced due to the size that dealers have grown over the years. They argued state franchise laws were outdated and unnecessary and franchised dealers no longer require help or protection.

Unfortunately, these assumptions are not correct. Based upon the extensive experience I have in this space gained from my practice, I would like to share a few brief examples of where the manufacturers still maintain significant control over the dealer body.

- Dealers have a great portion of their personal wealth tied up into the facilities in which they retail and service vehicles. The manufacturers have ever-evolving facilities mandates to which the dealers have to upgrade and/or build new facilities to remain in compliance with the manufacture.
- Dealers are required, by the manufacturer, to invest in training for their service technicians. The cost to train a single technician can often climb to \$30,000 or more yet the manufacturer pays the dealership a fraction of the labor rate or parts pricing for warranty work versus what a retail customer would pay.
- The manufacturer still has the ability to charge practically any expense to the dealer through their open account (often on the parts statement).
- The manufacturer has the ability to contest and deny succession plans for the dealership, often for unreasonable circumstances.
- Dealers are often restricted on desirable inventory or forced to accept undesirable inventory for a multitude of reasons.
- The manufacturer has the ability to increase the frequency of incentive and warranty audits as a display of strength over the dealer.

Federal Trade Commission

Page 2

March 3, 2016

It is for these reasons, and others, that we do not see equality between the manufacturer and the dealer body in most cases. In addition, most dealers are stewards in their communities as they host the local Toys for Tots drive, as they sponsor the local Little League, or as they purchase the scoreboard for the high school down the road.

It is my sincere hopes this helps shed some light on the franchise dealership network and I thank you for your consideration of my comments.

Sincerely,



John Davis, CPA
Partner
DHG Dealerships