

March 3, 2016

To whom it may concern:

Hello, my name is Jonathan Wilke and I am a partner in the dealership practice of Dixon Hughes Goodman. Dixon Hughes Goodman is a top 20 accounting firm with an industry focus in automotive dealerships. My firm works with dealers in every state and many of the top 125 dealership groups in the U.S.

My letter today is in response to the FTC workshop panel discussion held in Washington D.C. on January 19, 2016. Based on my understanding of the panel discussions that I watched on the FTC website, it appears that many of the speakers feel that it's time to repeal the state level legislation that protects the dealership franchise system due to the fact that many dealers have grown to a size that enables them to sufficiently challenge the OEMs - essentially suggesting they are now equals in negotiations and power. From my exclusive work with dealers over the past 10 years, I can say that is simply not the case. Regardless of dealer size and ability, here are just a few examples of where the franchised dealer is not in a position to negotiate on a level playing field with the OEM:

- Large groups (specifically publicly traded groups), have significant corporate exposure to any challenges against the manufacturer
- Franchised auto dealers are heavily credit dependent, which many of the related finance companies are involved in funding deals
- Smaller dealers have a significant portion of their individual wealth tied up in the dealership and don't have the ability to challenge the OEM
- Factory programs which only provide assistance money for meeting factory criteria on a per vehicle basis (e.g. General Motors Essential Brand Elements program)
- Technician certification programs

Allow me to propose a tangible example that may be useful. Let's look at a hypothetical situation of franchisor purchasing a franchise for a fast food restaurant in a city. Say the franchisor was unhappy with the franchisee for not selling enough filet-o'-fish sandwiches. What would happen if there were no laws and specific wording in the franchise agreements restricting the franchisor from opening up a restaurant owned by the franchisor next door and selling all filet-o'-fish sandwiches at half price or below cost? This would significantly impact the ability for the franchisee next door to survive, as all the customers would go to the new location purchase all meals, not just filet-o'-fish sandwiches. Eventually the original franchisee would close the business and the franchisor would be able to increase prices without the local competition. Currently, this is not a viable scenario in the dealership world as a result of state franchise laws that restrict dealerships from opening within certain boundaries (typically mileage and counties by state). If the state law was repealed, how would this type of scenario be prevented?

I appreciate your time and hope that some of the items listed above help continue the dialogue on the impact repealing the state franchise laws will have on current dealers.

Sincerely,

Jonathan Wilke