



Bill van den Hurk, President  
Dave Rolf, Executive Director

Comments relating to the  
FTC One-Day Public Workshop Examining the  
U.S. Auto Distribution System  
Competition, State Regulations and Emerging Trends in the Industry, Project No. P131202  
Held January 19, 2016 at the Federal Trade Commission's Constitution Center offices  
400 7<sup>th</sup> Street SW, Washington D.C.

**The Hawaii Automobile Dealers Association, comprised of the 68 franchised new-car dealers in the State of Hawaii, who employ 4,215 men and women across the state and who account for almost 15% of the state's retail economy, respectfully submits these comments.**

Hawaii's motor vehicle industry franchise laws have provided a solid framework for the dealer-manufacturer relationship that has worked nicely for decades. These laws have also facilitated the creation of a network of state-based franchised auto dealers who meet customers' needs for personal transportation and meet the general driving public's needs for the repair and maintenance of their vehicles.

The franchise laws have helped in the resolution of issues between auto manufacturers and their franchised dealers --under statutes comprising a comprehensive Hawaii motor vehicle franchise law framework--without a need for litigation of the disputes.

Hawaii, during the past 40 years has had only two dealer-manufacturer disputes taken to court, and both were filed by franchised motorcycle dealers against their respective motorcycle manufacturers.

It's not that there are not any problems here between franchised new car dealers and their respective manufacturers.

One example that exemplifies the value of state-specific franchise laws is the dispute one dealer here in the islands had with an auto manufacturer.

The dealer sought, under Hawaii's unique building codes, to build a Hawaii culture-acknowledging dealership structure, with certain open-air aspects in its design. The dealer was able to get clearance to build the unique building from the highest levels—at the automaker's international headquarters.

The project was initiated, and work was underway, when the international automaker's management changed and the new officials at headquarters withdrew the previous permission to erect the unique Hawaii dealership building.

Hawaii's franchise laws, however, prohibit an automaker from making alterations to building requirements unless the alterations are reasonable.

The Hawaii dealer felt that it was unreasonable to ask that the building be changed since prior approval had been given by the automaker, and building construction was already underway.

The appropriate section in the Hawaii Motor Vehicle Industry Franchise Act was cited, and the issue was eventually amicably resolved between the dealer and auto manufacturer.

State franchise laws level the playing field between local state dealers and international automakers and minimize continuous litigation.

The Hawaii franchise laws were agreed upon by both manufacturers and dealers, and passed into law after a thorough vetting by the legislature, Hawaii government agency officials, and final review and signature by the governor. Today, both manufacturers and dealers must comply with licensing requirements under the laws.

The recent vehicle airbag recall illustrates the value to the general public of franchised dealers. Hawaii, Puerto Rico, and Florida, because of high humidity areas, have been designated as priority areas for airbag recalls. When dealers learned that registered vehicle ownership information had been discontinued by the State of Hawaii due to "contract reviews" with third-party companies that send out recall notices on behalf of auto manufacturers, dealers acted immediately on behalf of their customers, and contacted state officials to seek resolution of the problem, even going to the governor's office for assistance, because the issue involved vehicle safety.

In summary, state motor vehicle franchise laws have, with occasional modifications, helped create a framework for a nationwide motor vehicle distribution system that allows for the amicable resolution of dealer-manufacturer disputes and customer-manufacturer issues while taking into account the unique aspects of operations in the various states.

Respectfully submitted,  
David H. Rolf  
Hawaii Automobile Dealers Association  
110 Alakea St. Suite 2601  
Honolulu, Hawaii 96813  
Tel: 808 593-0031  
Website: [www.hawaiiautodealer.com](http://www.hawaiiautodealer.com)

