

Federal Trade Commission
Auto Distribution Workshop, Project No. P131202
March 4, 2016

Comments of the Association of Global Automakers, Inc.

The Association of Global Automakers, Inc. (“Global Automakers”) appreciates the opportunity to comment on the Federal Trade Commission’s Auto Distribution Workshop (“Workshop”).

Global Automakers represents international motor vehicle manufacturers, original equipment suppliers, and other automotive-related trade associations. Our member companies have invested \$52 billion in U.S.-based production facilities, have a combined domestic production capacity of 4.5 million vehicles, and directly employ more than 97,000 Americans at more than 275 production, design, R&D, sales, finance and other facilities across the United States.

All Global Automakers members distribute their vehicles through a national network of independent franchise dealerships that, based on 2014 data, number more than 6,300. The new car dealer franchise business model is fully supported by our member companies and has helped them succeed in the U.S. market. However, the Association and its members recognize that the continuing success of this franchise model is being threatened by today’s overly prescriptive state dealer franchise laws which harm competition and consumers and chill innovation.

Our members recognize the substantial capital investment dealers make and understand their desire to protect this investment, but as the Commission’s Workshop documented, dealer franchise laws have evolved to the point that they are being used to eliminate any business risk and to effectively render dealers unaccountable for many of their contractual obligations to the manufacturer, while also uniquely inhibiting competition, innovation, marketplace growth, or new sales and service approaches that allow the consumer a variety of choices. The economists on the panels at the Workshop consistently stated that these state dealer laws are not pro-consumer. Instead, these economists concluded that the protective state automobile dealer laws hurt consumers by muting competition, inhibiting new entrants, increasing the cost of vehicles, parts and repairs, and forestalling innovative ways of marketing and servicing vehicles.

In addition, as Chairwoman Edith Ramirez stated in her opening remarks and as confirmed by many of the panels at the Workshop, the auto industry is experiencing an extraordinary time of innovation.

Our members are continually innovating and significant changes are occurring at a breathtaking pace. Consumers are demanding different ways to purchase, service and even use their vehicles, as reflected in the new sharing economy. Automated vehicles and other mobility preferences, fostered by advanced technologies, have turned automobiles into computers on wheels. In the face of all of this rapid change, especially the advent of digital commerce, are restrictive dealer franchise laws, which stifle change and alienate new generations of automobile owners who want to shop for and compare motor vehicles the same way they shop for other products.

Global Automakers thanks the Commission for holding this Workshop and shedding some light on these critical issues. As the state franchise law battles continue to wage in a number of states across the country, pitting new entrants and innovative sales and service approaches against vested interests and increasingly restrictive statutory barriers, we hope the Commission will continue to stay engaged, sharing its views with state legislators and other stakeholders on the competitive impact of these laws and related legislative efforts. This is not a zero-sum game for manufacturers, franchised dealers or their customers. In the future, Global Automakers looks forward to working with the Commission, dealers, economists and consumer groups to build an open, competitive and innovative automotive marketplace that serves the best interests of all stakeholders.