



Serving Georgia's Franchised Motor Vehicle Dealers

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William F. Morie  
President

March 4, 2016

Federal Trade Commission  
Office of the Secretary  
Constitution Center  
400 7<sup>th</sup> Street, SW  
Suite 5610  
Washington, D.C. 20024

RE: Auto Distribution Workshop, Project No P131202

Dear Members of the Commission:

The Georgia Automobile Dealers Association submits the following comments in response to the January 19<sup>th</sup> workshop examining the dealer franchise system. GADA appreciates that an attempt was made to present many perspectives including those of automobile manufacturers, dealers and economists, however, the overriding tone of the workshop was far from objective. Although there were several panelists representing the dealers' perspective, a majority of the speakers were blatantly opposed to the automobile franchise system and the laws that regulate this time-tested system of distribution. Moreover, at least one of the speakers seemed to question the states' authority to regulate in this area.

The Federal Trade Commission has articulated its own strategic goals as protecting consumers and maintaining competition. A thoughtful, unbiased, fact based consideration of the franchise system demonstrates that these goals are bolstered by distribution of vehicles through local franchised dealers. In 1992, the overwhelming need for laws governing the distribution of motor vehicles was recognized and approved by the citizens of Georgia through a state constitutional amendment as follows:

The distribution of tractors, farm equipment, heavy equipment, new motor vehicles, and parts therefor in the State of Georgia vitally affects the general economy of the state and the public interest and public welfare. Notwithstanding the provisions of Article I, Section I, Paragraphs I, II, and III, or Article III, Section VI, Paragraph V(c) of this Constitution, the General Assembly in the exercise of its police power shall be authorized to regulate tractor, farm equipment, heavy equipment and new motor vehicle manufacturers, distributors, dealers and their representatives doing business in Georgia including agreements among such parties, in order to prevent frauds, unfair business practices, unfair methods of competition, impositions, and other abuses upon its citizens.

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The need for franchise laws has also been aptly expressed by the Georgia General Assembly:

- (1) The distribution and sale of motor vehicles within this state are vital to the general economy of this state and to the public interest and public welfare;
- (2) The provision for warranty service and repair of pre-delivery transportation damages to motor vehicles is of substantial concern to the people of this state;
- (3) The maintenance of full and fair competition among dealers and others is in the public interest;
- (4) The maintenance of strong and sound dealerships is essential to providing continuing and necessary reliable service to the consuming public in this state and to provide stable employment to the citizens of this state.

The franchise system clearly benefits consumers by leveling the playing field among suppliers in the market, ultimately increasing competition. Franchised dealers compete fiercely with one another on pricing. When a consumer is car shopping, the consumer has the option to visit several dealerships (in person or virtually) and negotiate price in search of the best deal. When complied with, franchise laws, such as those intended to prevent a manufacturer from discriminating among dealers, help to ensure that a small dealer can compete with a large dealer, thereby offering a consumer MORE choices. It is hard to imagine how any statement that a market with many suppliers is not competitive could be viewed as accurate or unbiased.

Consumers also benefit from choice and the convenient availability of service. Where would consumers be without dealers to provide warranty and recall service? With millions of vehicles being recalled, the consumer need for dealers has never been greater. Consumers depend on local dealers to answer their questions about warranty or recalls and to advocate to the manufacturer when a warranty issue arises. Dealer service departments field these types of inquiries every day. The idea that these services do not benefit consumers is preposterous.

A recurring theme in the testimony of the panelists that disfavor franchise laws was that there no longer a need for franchise laws. The panelists seem to believe that dealers have equal bargaining power to worldwide manufacturers. Nothing could be further from the truth. Dealers today continue to experience disparity in bargaining power and are subject to abuses by manufacturers. Many of them often avoid raising issues for fear of retaliation. Once a dealer has invested millions of dollars to support a particular franchise, the dealer becomes, in a very real sense, the economic captive of the manufacturer. This an economic reality recognized by 50 state legislatures through adoption of franchise laws.

Lastly, the franchise system and its dealers are a driving force in local economies and communities. A recent economic impact report commissioned by GADA demonstrates that franchised dealers in Georgia provide direct employment to nearly 35,000 people. Indirect employment attributable to local dealers is estimated to be as high as 75,000 people. In 2014, the average franchised dealership in Georgia collected and paid nearly \$3 million in state and local



taxes. As an example of community involvement provided by local dealers GADA members raised \$97,000 for hunger relief in Georgia communities. There is no disputing that local dealers are a vital part of the economy here in Georgia and throughout the country.

GADA proudly supports its members and the Georgia Franchise Practice Act. It is our sincere hope that the FTC will look beyond theories and statements that have no basis in reality before drawing any conclusions about the current, longstanding approach to distribution of motor vehicles.

Sincerely,

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William F. Morie  
President

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Lea B. Kirschner  
VP/General Counsel

cc: GADA Board of Directors