ALBIN, RANDALL & BENNETT
Certified Public Accountants ▪ Business Consultants

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Federal Trade Commission
Office of the Secretary
Constitution Center
400 7th Street, SW
Suite 5610
Washington, DC 20024

To Whom It May Concern:

My name is Bart Haag and I am a Certified Public Accountant that is lucky to consider franchised auto dealers throughout New England as friends, colleagues and clients. I am writing in response to the recent Auto Distribution Workshop hosted by the Federal Trade Commission on January 19, 2016. I am encouraged to hear that so many of the panelists at the workshop support the franchise system and believe its competitive environment creates a system that is most beneficial to consumers. The current system ensures the consumer gets the highest level of customer service, the best price on their purchase and provides them with the most consumer protection. What is often times overlooked and underappreciated are the benefits to the communities in which franchised dealerships operate. Without the current franchise system dealers would be pressured into making decisions that are not in the best interest of their customers or their communities.

A few statistics will help express the impact of franchised dealerships on the economies in their communities. As an example, according to statistics provided by the National Automobile Dealers Association, Maine currently has approximately 110 franchised auto dealerships. The vast majority of these dealerships are small businesses in rural communities. They employ over 12,000 people and have an average of 52 employees per location that earn an average of $48,000 per year. These are really good paying jobs for small communities with below average college graduations rates. The same demographic exists in each of the states in which we work.

During the downturn of 2008 and 2009 almost all of our clients retained all of their employees, despite incurring a significant financial cost. They did so because the jobs that were retained were imperative to the communities in which our clients live and work. Often times these are the same communities in which the dealer owner was raised. The manufacturers on the other hand laid off thousands of employees and terminated the franchise agreements of many dealerships resulting in lost jobs and devastated communities and families. These terminations were "financial" decisions and "had to be done" in order for the corporation to survive. Without the current franchise system many more dealerships and communities would have been impacted. Thanks to the current franchise system, dealers were able to manage their business and make decisions based on what was best for them, their families, their communities and their customers.

130 MIDDLE STREET • P.O. BOX 445 • PORTLAND, ME 04112-0445 • TEL: (207) 772-1981 • FAX: (207) 772-1982
WWW.ARBCPA.COM

Unfortunately, requirements of the manufacturers have a substantial effect on dealers. Capital requirements that are often times significantly higher than are necessary to manage the business are imposed by the manufacturers. This requires dealers of all sizes to retain a significant amount of their personal wealth in the dealership. This exposes them and their customers to unnecessary risks and also limits their ability to challenge the manufacturers for fear of losing.

Facilities requirements are another example of the financial strain manufacturers put on their dealers. The manufacturer requirements do not always take into account the communities in which the dealerships operate. For example, New Hampshire included in its franchise law that the manufacturers could only impose a facility upgrade once every ten years. This was necessary because of all the various image upgrades year after year imposed by the manufacturers. The manufacturers also often times have their own vendors they require the dealer to use when designing and furnishing their new facilities. This prevents the dealers from supporting local businesses and also often times results in a much higher cost to build.

Manufacturers control the location of dealership facilities. For example, a client had an approved location for a new facility. They built their new facility in compliance with town and manufacturer specifications. The property was located in a historical district and cannot be changed to adhere to the manufacturer's new requirements. The manufacturer's solution is for the dealer to go find a new property and build a new building, which is obviously not financially feasible for a small business owner. The manufacturer is using this leverage to prevent the dealer from admitting her brother as her business partner, despite the fact that they are partners in other dealerships together. Without the current franchise system and laws this client's customers would not be better served.

Manufacturers exert control over their dealers in countless other ways as well. For example, factory representatives push inventory on dealers in order to dump old product or undesirable product. If the dealer does not accept the inventory they are concerned that there will be manufacturer retribution in the future, like not receiving inventory when it is needed. Manufacturers also push dealers to utilize other services of the manufacturer like finance companies, extended service contract companies and other products. Again, the dealer could face retribution if they do not agree and instead choose a more local vendor that provides better service to his or her customers.

Whatever the outcome of the FTC's analysis we are hopeful that the participants appreciate the significant positive impact franchised auto dealers have on their communities. Dealers invest significantly in their communities both financially and personally. They lead their employees and organizations to do the same. A change in the franchise system taking this local control away would have a significant impact on communities throughout the United States.

Thank you for your consideration of these comments.

Yours truly,

Barton D. Haag