



June 6, 2018

The Alliance of Automobile Manufacturers would like to express our strong opposition to SB 159, related to motor vehicle dealer franchises. The Alliance is a trade association of twelve passenger car and light truck manufacturers including BMW Group, FCA US LLC, Ford Motor Company, General Motors, Jaguar Land Rover, Mazda, Mercedes-Benz, Mitsubishi Motors, Porsche, Toyota, Volkswagen, and Volvo.

The Alliance respectfully urges you to oppose SB 159 until a compromise agreement can be reached with the Delaware Automobile Dealers Association. While the bill was being considered in the Senate, some progress was made and a deal was nearly reached. However, the current version of this bill does not reflect that progress. Leadership has urged both parties to continue to meet to discuss language for final consideration. The Alliance remains available for conversations to occur and remains hopeful that a compromise can be reached.

As you are considering this bill, keep in mind that according to a [recent study](#)<sup>1</sup>, American consumers collectively pay \$47.5 billion more per year on the purchase of a new automobile due to regulations that limit dealership competition.

As currently written, SB 159 would give unreasonable and unnecessary special treatment to car dealerships at the expense of consumers by:

- Jeopardizing special discount programs for military and recent college graduates
- Limiting choice of financial products to customers
- Diminishing accountability for “sloppy work” on warranty repairs by allowing dealers to ignore procedures on work and claim submissions
- Prohibiting manufacturers from recovering the increased cost of doing business in the state caused by bad public policy
- Creating a compensation system that is out of whack with other states for when dealers have a used car that the manufacturer has instructed not to sell because of a recall—requiring payment to dealers at an unreasonable 18% APR
- Providing for state mandated payment for car dealers when they voluntarily close their business
- Preventing manufacturers from requiring exclusive sales space for their franchise
- Requiring payment of incentives to dealers who do nothing —

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<sup>1</sup> Pociask, Steve, *Corporate Welfare: How Automobile Dealership Franchise Regulations Cost Consumers an Additional \$48 Billion Annually*, American Consumer Institute Center for Citizen Research, March 2018



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- Diminishing dealers' accountability by making it costly and difficult for manufacturers to evaluate their performance in representing the brand and meeting consumer demand
- Overruling the "turn and earn" vehicle allocation system that sends vehicles to the dealers who are selling them the fastest-- the logical way to meet consumer satisfaction and demand
- Requiring manufacturers to pay for loaner vehicles--typically a dealer incentive
- Preventing manufacturers from requiring dealers to disclose to consumers when an extended service contract is backed by a third party and not the manufacturer - leading to consumer confusion about the protection they are buying and encouraging consumer deception.

Thank you for your time and consideration of the Alliance's position on this bill. Please feel free to contact me for more information.

Sincerely,

Renée Gibson  
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Alliance of Automobile Manufacturers  
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