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D E A L E R

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The official publication of the Massachusetts State Automobile Dealers Association, Inc



2025 Massachusetts Economic Impact Report



2025 MSADA ANNUAL MEETING

Friday Oct. 10

Encore
Boston Harbor
Everett



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- I will attend the MSADA Annual Meeting on Friday, October 10 ☐ YES ☐ NO
- I will attend the Cocktail Reception ☐ YES ☐ NO
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More Than Numbers

Our latest Economic Impact Report shows that dealers are still driving retail in Massachusetts.

By Jeb Balise, MSADA President

Hundreds upon hundreds of bills get filed through the State House and Congress every year. It is an unfathomable amount of information to keep track of.

That is why it is important to stay involved with legislators on Beacon Hill and in Washington, D.C. If we do not engage in the issues being brought to their attention, if we do not bring our own needs into the spotlight, someone else is simply going to have an easier time making our lives difficult.

The statistics spelled out in our annual Economic Impact Report, available in this month's issue on page 51, is a key tool to show who we are and how large an impact we have on our Commonwealth. That we make up almost 20 percent of the retail economy in

this state is usually enough to perk up the ears of those unaware of that fact. But franchised auto dealerships also employ more than 25,000 people in Massachusetts across every part of the state and are responsible for creating billions of tax dollars for the state and federal government. We represent a large and quantifiable part of legislators' constituencies, and their agendas hit, or help, us in ways that we have to make sure they understand. Thank you to each dealer who provided the information upon which we built our report.

The bottom line is, our elected officials know the difference we make in their local economy when we show them the numbers.

The non-franchised retailers in the automotive world cannot make the same case that we can, and they do not provide the constituency that we do. Lawmakers can often be reasoned with, and a lot of times the flashy issue of the day simply needs proper illumination from a local economics perspective. I encourage you to reach out to your local representatives. They need to hear from us more often, so they can put faces to numbers.

Our participation in the annual NADA Washington Conference is soon upon us in September. This report is a vital piece of our conversations with our Members of Congress.

Finally, if you have not already done so this year, I also encourage you to donate to our state political action committee – the New Car Dealers PAC. It is a key way of keeping our agenda on the table, and it only takes a few minutes.

Contact Executive Vice President Robert O'Koniewski at (617) 451-1051 or rokoniewski@msada.org for assistance in becoming involved or giving to our PAC.



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Tell Us What You Really Think

By Robert O'Koniewski, Esq.

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It is no secret that vehicle manufacturers have issues with state franchise laws across the country.

The reasons for these laws are twofold: first, an attempt to maintain some sense of a level playing field between local small businesses, i.e. franchised car dealerships, who operate under an adhesion contract and their franchisor multi-national corporations (think David vs. Goliath) who all have a world-wide economic footprint, and, second, presentment of a robust competitive environment for local auto retail activity, that is both intra-brand and inter-brand, which can cross state lines, to the benefit of millions of consumers.

Depending on how the balance of power is in each state, especially in states with substantial manufacturer presence, these laws all vary – no two states' laws are the same; each reflects the legislative priorities in 50 separate jurisdictions.

Regardless of the statutory disputes as they may arise year-in and year-out, such matters are usually limited to niche debates at the state houses around the country. In recent years, however, many manufacturers have decided to ramp up the dealer-factory tension in more overt manners. These can manifest themselves in any number of ways – e.g., warranty reimbursement, parts pricing, vehicle surcharges, over-the-air updates, etc. – usually founded in an effort to reduce factory expenses to the detriment of the dealers.

This past month, the Alliance for Automotive Innovation took its hostility to a whole new level by taking these disputes outside the family and directly to a federal agency – one of considerable

legal heft that may be interested in certain economic relations in the marketplace, namely the U.S. Department of Justice – to air its version of dirty laundry right inside the Capital Beltway for all to see.

The Department of Justice, as part of a new government initiative under the Anticompetitive Regulations Task Force, set the stage when it put forth a request for comments on regulations that exist in the marketplace. With the focus on federal rules, the DOJ made no reference to state auto franchise laws in that request, however.

That did not hold back our friends at the Alliance. But just because one may have an opinion does not mean one needs to express that opinion, especially shouted from the highest mountain.

There really was no reason for the trade association representing the vehicle manufacturers to pick up the cudgel offered by the DOJ in its request and pummel not only the existence of state laws that provide consumers a vibrant, competitive marketplace but also a franchise system that has enabled scores of foreign and domestic manufacturers to be greatly successful financially on our U.S. shores for over a century.

But, come the end of the day, one really must question their sincerity in anything they say. For every time they talk about their partners the dealers, the manufacturers take a shot at something that is positively dealer-centric.

What is even worse, instead of hiding behind the full armor plate of the Alliance as all that association's members can do, Volkswagen has no il-

lusions of concealment, stepping right out there and saying to its VW and Audi dealers we do not like you, we do not respect you, we do not need you as we intend to bring Scout to market without you. For if VW really held their dealers in esteem, as they claim in all their annual award statements published in a newspaper of record, they really would have said “We have this great new product which we want to sell through our dealers so everyone can be successful with the rebirth of this brand.”

At the end of Roundup, I have included the NADA letter to the task force promoting the positive aspects of the franchise system; the original Alliance letter to DOJ attacking the system; the VW/Scout letter to DOJ that is even worse in its anti-franchise rhetoric; the NADA response to the Alliance; and, in the classic keep digging and do not put down the shovel, the Alliance response to NADA that doubles down on its original letter.

I urge everyone to read for themselves the contents of those letters. They are much more illuminating than the various media stories that barely scratch the surface of the disputes at hand. Come the end of the day, one can conclude for oneself whether our franchisor “partners” are merely saying out in the open what they really think all along, the franchise system be damned.

Mass. AG’s Junk Fees Rule Takes Effect On Sept. 2; ComplyAuto Webinar on Aug. 6

Massachusetts Attorney General Andrea Campbell, on March 3, issued a new set of regulations, under the state’s Consumer Protection Act, to target certain businesses’ junk fees that ultimately boost the total price of a product beyond the advertised price. Such businesses the Attorney General seeks to regulate include ticket sellers, hotels, car rentals, food and grocery deliveries, gyms, and landlords, just to name a few.

The purpose of the regulations, 940 CMR 38.00, is to establish standards, by defining certain unfair and deceptive acts and practices governing the imposition of fees in connection with the marketing,

solicitation, and sale of products as well as trial offers, subscriptions, and contracts with “negative option features”.

The regulations are scheduled to take effect on September 2, 2025. While motor vehicle dealers are mostly exempt, the rule still poses real compliance risks in certain matters.

On Wednesday, August 6, at Noon ET, ComplyAuto, our MSADA endorsed compliance partner, will conduct a complimentary webinar for MSADA members to explain dealers’ obligations under the new rules. Check out our MSADA Bulletin #108, issued on July 30, for the registration details.

From how you advertise prices online to how you present F&I products and trial offers, the Attorney General’s Office is raising the bar on price transparency. This webinar breaks down exactly what is required under the new rule, what still applies to dealers, and how to avoid unfair and deceptive practices.

The webinar will cover:

- Pricing disclosures,
- Optional product language,
- Website compliance, and
- How to protect your store from costly enforcement.

More about the AG’s regulations:

AG Campbell first proposed the draft regulations in December 2023 in a form that comprehensively captured more businesses and their various practices, including the disclosure of dealership pricing, advertising, marketing, and sales practices related to vehicles, services, and after-market products. Your MSADA lobbied extensively against the broad reach of the draft regulations, especially their duplication of current state and federal rules and statutes as well as their unworkability.

The new regulations issued on March 3 exempt auto dealerships and vehicle manufacturers as far as their activities are covered under the AG’s motor vehicle regulations at 940 CMR 5.00, including motor vehicle advertising, sales requirements, and repairs and services. Any activity involving subscriptions, trial offers, and recurring fees will be governed under

today’s rule at 940 CMR 38.05.

When presenting a trial offer, the AG’s regulations require businesses to clearly disclose: any charges a consumer may incur as a result of accepting a trial offer; any products for which charges may be incurred as a result of accepting a trial offer; instructions for consumers to reject or cancel a trial offer before being charged; the calendar date by which a consumer must reject or cancel a trial offer to avoid being charged; and the calendar date on which a consumer will be charged if the consumer fails to reject or cancel a trial offer.

Further, prior to the purchase of a product involving a recurring charge or subscription, the AG’s regulations require businesses to clearly disclose: what consumers will be charged for and if any charges will increase after a certain period, including trial periods; if charges will occur on a regular basis unless cancelled by a consumer; and instructions on how to cancel a recurring charge or subscription.

The AG’s regulations also require businesses to implement simple processes for consumers to cancel subscriptions and other recurring charges, including ensuring that consumers are able to cancel subscriptions just as easily as they are able to enroll in them.

Given the varied extent to which dealers’ practices occur across the spectrum, dealerships should consult with competent counsel to review their own business practices to assess whether your own activities may be regulated under the new rules.

In Bulletin #108, one can access the junk fees regulations, a guidance document from the AG regarding the regulations, and a refresher on the existing motor vehicle regulations, at 940 CMR 5.00, under which dealerships presently operate.

TIME Dealer of the Year Nominations Process Open; Deadline: Aug. 8

The highest honor bestowed on a dealer each year at the NADA convention (Las Vegas, February 3-6, 2026) is the TIME Magazine Dealer of the Year (TDOY) Award.

The process begins with nominations from each state. At MSADA we consider the state nominee so important that he or she is also designated as the “Massachusetts Dealer of the Year”.

Please help by nominating candidates for selection as the Massachusetts Dealer of the Year.

Qualities we are looking for in a nominee include:

- **Community service:** This can be civic, political, educational, or philanthropic. The more personally involved the dealer is, the better.
- **Industry leadership:** This can be state or national association leadership, or involvement in dealer councils.
- **Quality businessperson:** This means success as a dealer measured by awards, commitment to customer service, and profitability. But success is measured relative to dealership size by using benchmarks. Both large and small dealerships have been finalists or won the national TDOY.

The national judges also will be looking at:

- Be a franchised new-car dealer.
- Be a member of NADA and MSADA.
- Be the actual operating head of the dealership as designated in the franchise paragraph of the factory agreement or the owner’s designated agent with full authority for business operations for a minimum of one year with recognition by the sponsoring dealer association as the dealership’s voting representative.
- Have an ongoing presence in the dealership offices, actively managing the dealership.
- Have at least a five-year record of active participation in affairs of the nominee’s state dealer association.
- Agree to be available for participation in Dealer of the Year activities during the year following selection.

A dealer may nominate him/herself or another dealer. Since your association’s leadership does the selection at the state level, the members of the MSADA Executive Committee are not eligible (President Jeb Balise, Vice President Steve Sewell, Treasurer Jack Madden, Clerk Charles

Tufankjian, NADA Director Scott Dube, Immediate Past President Chris Connolly, and At-Large Member Bill DeLuca), nor are the TDOY Recipients for the last four years (2025, George Haddad; 2024, Thomas Murphy; 2023, Gary Rome; and 2022, Joseph Shaker).

Please give this your careful consideration and respond promptly via e-mail to MSADA Executive Vice President Robert O’Koniewski at rokoniewski@msada.org.

Nominations must be received at our office by Friday, August 8, 2025. Thank you for your assistance on this matter.

Annual Meeting – Oct. 10, Encore Boston Casino

We will be holding our annual meeting on Friday, October 10, at the Encore Boston Hotel and Casino, in Everett. We are in the process of developing our speakers line-up, running 1-5pm after our Noon welcome reception. The day will conclude with our cocktail reception, 5-8pm. Please use the registration information that we have emailed to you, or the registration form included on page 2, to sign up. We look forward to seeing you on October 10.

Our PACs - NADAPAC & NCDPAC

We appreciate the contributions we receive from our member dealers who answer our calls for donations to our PACs.

Each year MSADA expresses itself politically through NADA’s federal PAC, NADAPAC, and through our state PAC, the New Car Dealers Political Action Committee (NCDPAC). We depend on contributions from our dealers to keep these PACs strong, as we need to have an active voice in Washington and on Beacon Hill. Contributions to our PACs are an inexpensive insurance policy. Since by law we cannot use our membership dues or other association revenues for political contributions, the PACs help us to remain strong politically as we advocate for our dealers’ interests in the political process.

If you have not yet given to the PACs this year, please contact me at rokoniewski@msada.org and we can make sure your contributions happen. Thank you.

MSADA Endorsed Vendor Services

Your Association has engaged several vendors this year for newly agreed upon endorsed services:

- **Merchant Advocate** works with retailers to analyze the credit card fees those businesses are charged and assessed in processing transactions. The savings can be considerable, as Merchant Advocate uncovers duplicate or unsubstantiated fees from the credit card companies. Over the last several years, they have saved retailers across the country over \$400 million.
 - **Plug In America**, through its PlugStar program, works with dealerships to train personnel, including salespersons, to be able to best address your customers’ needs and questions regarding electric vehicles. They presently work with dealerships in over 30 states to assist dealerships in the transition to EV sales and servicing.
 - **ComplyAuto** works with dealers’ compliance efforts on privacy and cybersecurity platforms, FTC Safeguards Rule, advertising, AI-powered sales, workplace safety and OSHA-related rules, and HR policies and employee training.
 - **Sprague Energy** works with businesses to analyze their electric and gas charges in an attempt to provide them with reduced charges for such services. Sprague works with a number of Massachusetts dealerships currently in those efforts.
- In addition, we want to remind you of several vendors who have been long-time partners of your Association:
- **Ethos Group**, who can improve your F&I products, services, and compliance.
 - **Reynolds & Reynolds**, who, through its LAW Library program, is our partner for forms sales and compliance.
 - **Withum** (formerly O’Connor & Drew), who is our accounting partner.
 - **American Fidelity**, who can assist you with health and other insurance-based benefit products for your employees.

Check out the ads for most of these companies in this month’s *Auto Dealer* magazine.





May 27, 2025
 By *regulations.gov*
 U.S. Department of Justice
 Anticompetitive Regulations Task Force
 950 Pennsylvania Avenue, NW,
 Washington, D.C. 20530

Re: Public Comment to Anticompetitive Regulations Task
 Force; Docket No. ATR-2025-001

Dear Anticompetitive Regulations Task Force:

The National Automobile Dealers Association (NADA) represents over 16,000 franchised automobile and truck dealerships that sell new and used motor vehicles and engage in service, repair, and parts sales. Together they employ more than 1,100,000 people nationwide, yet most are small businesses as defined by the Small Business Administration.

NADA supports the Justice Department's efforts to advocate for the elimination of anticompetitive regulations that undermine free market competition. Franchised car dealers, and the laws that protect them, enhance the competitiveness of the market for new automobiles and benefit consumers. Despite anonymous attacks on the franchise system, all empirical evidence points to its beneficial nature.¹

I. The Franchise Model is the Best New-Car Sales Model for Consumers.

The modern dealer franchise model is the most cost-effective means of distribution for new vehicle sales—more cost effective than direct-to-consumer distribution channels. The franchise model creates salutary intra-brand competition and allows for customer-by-customer price optimization—benefits that result in lower prices for consumers. Franchise laws also align the interests of consumers and dealers when it comes to warranty repairs, enhance safety through the recall system, create greater accountability to the customer, allow customers to receive support and service after the bankruptcy of a manufacturer, and provide local economic benefits.

A recent study conducted by Oliver Wyman shows conclusively that the franchise model is the most cost-effective means to distribute new motor vehicles to consumers.² After extensive analysis of market data, the study concluded as follows:

¹ See Anonymous, Comment on Anticompetitive Regulations Task Force Request for Information (Apr. 14, 2025), <https://www.regulations.gov/comment/ATR-2025-0001-0047>; Anonymous, Comment on Anticompetitive Regulations Task Force Request for Information (May 7, 2025), <https://www.regulations.gov/comment/ATR-2025-0001-0058>. Because the comments are anonymous, it is unclear if the commentators have a commercial interest in the direct sales model.

² *Automotive Cost of Distribution*, OLIVER WYMAN (2024), <https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2024/sep/automotive-cost-of-distribution.pdf>.

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[S]ome OEM executives and industry observers have publicly asserted that the traditional dealer model for mass market vehicles in the US is significantly more expensive on a per vehicle basis, when compared to a DTC [Direct-to-Consumer] approach like Tesla's. Our research emerged in response to this oft repeated assertion. After an intense analytical examination supported by actual US auto sales and distribution cost data, this study found the assertion to be incorrect. In fact, it is the traditional franchised dealer channel that has a lower net cost of distribution than the DTC and agency-like (hybrid) channels when operating at mass market scale in the US.³

Oliver Wyman's approach considered two often overlooked factors:

- First, some of the supposed advantages of selling directly to consumers are not tied to that sales channel—they apply no matter how the product is sold. For instance, spending less on advertising, keeping inventory low, or foregoing ornate sales locations are decisions made before choosing through which channel to sell, so the cost savings from those choices should not be credited to the sales channel itself. As Oliver Wyman explained, a proper comparison of the various channels would hold these “upstream” costs constant; but many of the assertions that a vertically integrated distribution system is more cost-effective than the franchise dealer model are based on the fact that direct sellers often simply choose not to incur these costs, a choice the manufacturers who use the dealer system could make as well.
- Second, as Oliver Wyman also explained, the franchise model delivers value that the direct-to-consumer sellers do not, including customer-by-customer price optimization. One major strength of the traditional franchised dealer model is the ability to tailor deals to each customer. Dealers have the tools and flexibility to work with buyers—offering a wider range of financing options, accepting trade-ins, and being more flexible on the final price—to help make the sale fit the customer's specific needs. In fact, the largest “value” benefit of the direct sales model to the cost of distribution was the elimination of intra-brand competition, because stores in the same geographic location no longer had to compete with each other when prices were effectively fixed.⁴ But, as the study points out, intra-brand competition “almost invariably” benefits the customer.⁵ The study concluded that the franchise model is, on a net basis, more cost effective than direct-to-consumer approach.⁶

A lower cost of distribution of the franchise model combined with the benefits of intra-brand competition create a competitive marketplace that benefits manufacturers, dealers, and

³ *Id.* at 3.

⁴ *Id.* at 13.

⁵ *Id.* at 16.

⁶ *Why US Auto Dealerships Remain a Cost Effective Choice*, OLIVER WYMAN (last visited May 22, 2025), <https://www.oliverwyman.com/our-expertise/insights/2024/sep/why-us-auto-dealerships-remain-cost-effective-choice.html>.

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consumers alike. In fact, intra-brand competition can reduce consumer costs by as much as 4% to 5% per vehicle.⁷

In addition to providing economic benefits to manufacturers and consumers, there are other public policy reasons for states to enact laws supporting automobile franchises.⁸ Franchise laws operate to ensure that there is a healthy economic alignment between those that advocate for and perform warranty work and the consumer. New car warranties are a key component to vehicle ownership. However, manufacturers see warranty work as a cost while dealers view warranty repairs as an opportunity to perform remunerative work and deliver customer satisfaction.⁹ This puts dealers firmly on the side of the consumer. Many of these laws also require that manufacturers file the details of their warranty coverage with the state and ensure that manufacturers and dealers perform their warranty obligations.

The unique relationship that dealerships have with both their customers and their auto manufacturers allow them to play a vital role in helping to ensure their customers' safety. Current franchise agreements are structured such that manufacturers compensate dealers for recall repairs; thus, dealers have an independent financial incentive to do this work which benefits consumers. Additionally, it is in the dealer's interest to ensure that customers remain satisfied with the operation of their vehicles—and this can be achieved, among other ways, by handling recalls and technical service bulletins expeditiously as they arise. Vehicle owners often ignore recall notices if they think the repair is not critical; dealers, however, routinely confirm that vehicles brought in to them for service are up to date on all recall repairs.

In contrast, warranty repairs and recalls represent a cost for the manufacturers. As a result, the manufacturer's economic incentive is to do the minimum (subject to concerns about safety liability and consumer loyalty). Accordingly, the franchised model has a distinct advantage in ensuring the completion of warranty and recall work.

In addition to providing essential warranty and recall work throughout the life of a vehicle, independent franchised dealers also service vehicles in the circumstance in which the vehicle's manufacturer goes out of business. As was witnessed during the 2008-2009 recession, this became a great concern for owners of Saab, Fisker, and Suzuki vehicles, among others. Given the financial investment associated with purchasing a vehicle, it is exceedingly valuable for

⁷ T. Randolph Beard, et al., *Spatial Competition in Automobile Retailing*, APPLIED ECONOMICS, 53(22), 2554–2566 (Jan. 17, 2021), <https://doi.org/10.1080/00036846.2020.1863322>.

⁸ NADA made similar policy arguments while participating in the Federal Trade Commission's Auto Distribution Workshop. See *Auto Distribution: Current Issues and Future Trends*, FED. TRADE COMM'N, (Jan. 19, 2016), <https://www.ftc.gov/news-events/events/2016/01/auto-distribution-current-issues-future-trends>.

⁹ Tesla has admitted as much, stating in its securities law disclosures that one of the reasons it wants to vertically integrate its vehicle distribution is that “by owning [its] sales network [it] will avoid the conflict of interest in the traditional dealership structure inherent to most incumbent automobile manufacturers where the sale of warranty parts and repairs by a dealer are a key source of revenue and profit for the dealer but often are an expense for the vehicle manufacturer.” Tesla Motors Inc., *2014 Annual Report (Form 10-K)* at 8 (Feb. 26, 2015) https://www.annualreports.com/HostedData/AnnualReportArchive/t/NASDAQ_TSLA_2014.pdf.

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consumers to have a reliable and efficient source of service for their vehicles. As a result of these concerns, states require independent franchised dealers because dealers serve as a backstop for customers if their vehicle manufacturer ceases to exist. When this occurs, the dealer is more likely to stay in business and will still be around to perform needed repairs and routine maintenance. Many dealerships sell multiple brands and consequently will have available trained technicians and expertise in both locating parts and servicing vehicles, even if the manufacturer has ceased operation. For example, many former dealers of the shuttered brands mentioned above continued to service their customers' cars and trucks. Dealers thus ensure the availability of service solutions independent of the manufacturer, providing additional protection to consumers and increasing consumer confidence.

Independent franchised dealers fuel local economic activity, creating jobs and economic opportunity for local residents and generating significant tax revenues. Collectively, the nation's more than 16,000 dealers employ over one million people, offering high paying jobs with good benefits and attractive opportunities for personal advancement and professional development. And local dealers hire local people for jobs that cannot be outsourced. When the going gets tough, a vertically integrated manufacturer could opt to close a local retail outlet and move on, which will be significantly less likely with a local dealer.

Many state franchise laws were borne out of necessity because manufacturers have a long history of taking advantage of that superior position and behaving opportunistically relative to their dealers. Examples abound, including: (1) threats of termination or a shorter-term franchise agreement on renewal based on a dealer's failure to meet sales performance targets that were not realistically attainable; (2) pressure to upgrade facilities without any evidence of a positive return on investment; (3) pressure to accept slow-moving inventory; (4) requiring a dealer to compete when other dealers in the same market are given preferential pricing ("two-tiered pricing"); (5) requiring a dealer to join, and contribute financially to, a cooperative advertising association even when the advertising is of little or no benefit in the dealer's market; and (6) pressure to accept unordered parts and essential special tools whether needed or not.

The existence of federal antitrust laws is, ironically, one of the reasons why state franchise laws are so necessary. The federal antitrust laws significantly constrain collective dealer activities. Individual dealers may complain, criticize, second-guess, and vent about their manufacturers. Dealers acting as a group, however, are subject to extensive antitrust restrictions on their activities—and have no effective bargaining mechanism once the massive investment is made in a retail establishment. Dealer groups may not, for example, agree to refuse to sell an unpopular car or decline to participate in an exploitative manufacturer program. Dealer groups may not require better financial arrangements as a condition of using a manufacturer's captive finance company. Lastly, and most importantly, no group of dealers may jointly refuse to accept a manufacturer's unilateral revisions to its franchise contract. If these antitrust law-based restrictions did not exist, dealers would be in a position to exercise collective economic self-help to address manufacturer overreach and abuse. However, they do exist, and dealers' only viable option, as a result, is seeking redress in state legislatures.

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II. Franchise Laws are an Appropriate Exercise of State Power in the Context of Federalism.

State franchise laws do not “hinder progress and consumer choice”; rather, they serve legitimate public policy aims and allow state voters to make a choice of business model that best serves the public. Ours is a federalist system of government, and one of the important aspects of that system is that the states retain the authority to determine what level of regulation is appropriate for a given market within their borders. Our system establishes a prudent approach. In such a large and diverse country, there are many variables from state to state, including: the needs, wants, and habits of consumers; political philosophies; the nature of the markets and the market participants themselves; prevalent market behaviors; and the list goes on and on. On many matters, one size does not fit all.

In fact, significant variations exist among the states on a host of issues addressed by the state franchise laws. Some states have determined that the direct sales model is preferable for their constituent consumers and their local markets while others have concluded the opposite. These choices are reserved for the decision making of the duly elected state legislatures. At the same time, although there are variations among the states in the specific franchise law provisions they have enacted, it is also significant that, at a higher level of abstraction, there is no disagreement among the states that some form of regulation of this market is needed. All fifty states have enacted auto distribution franchise laws, including states that are large and those that are small, those that are rural and those that are urban, and those that are politically liberal and those that are conservative. The fact that the legislative bodies to whom this decision has been committed—bodies that on many other matters may vote very differently—have unanimously determined that regulation is required speaks volumes about the appropriateness of these laws from a consumer and public interest perspective.

III. The Franchise Model Does Not Create Any of the Harms That Its Opponents Assert.

Opponents of the franchise system make unsupported assertions that are undermined by all available evidence. Anonymous commenters argue that dealer franchise laws reduce competition, act as an inefficient “middleman,” inflate vehicle prices, hinder the sale of electric vehicles, create “geographical monopolies,” stifle innovation, are unfair to manufacturers, and “fleec[e] manufacturers and consumers” through warranty repair.¹⁰ None of these assertions withstand scrutiny—they are simply conjured out of thin air.

As shown above, the franchise system creates a net benefit in terms of both economic efficiency and benefits to the consumer. As Oliver Wyman points out, “[t]he concept of dealers as middlemen, somehow adding an unnecessary step in the distribution process, and thus creating inefficiency, does not hold up when one considers the critical activities for which they are responsible. . . . The major differences between the channels are a shift in who is responsible for

¹⁰ Anonymous, Comment on Anticompetitive Regulations Task Force Request for Information (Apr. 14, 2025), <https://www.regulations.gov/comment/ATR-2025-0001-0047>.

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performing each activity.”¹¹ A key assertion made by anonymous detractors, that “forcing consumers through a dealership middleman and not allowing direct sales adds unnecessary costs,” is demonstrably false.

Similarly, the argument that “significant costs imposed by the franchise system are passed directly onto consumer in the form of higher prices” should be inverted. The logic that costs are passed on to consumers is sound, but the assumption that the franchise system imposes costs is false. In fact, the cost *savings* associated with the franchise system, the most cost-effective distribution channel, are passed onto consumers in the form of *lower* prices. Indeed, intra-brand competition resulting from the franchise system creates a more competitive marketplace than the direct sales model, reducing prices for consumers. According to Cox Automotive Q1 2025 report, the average new vehicle sells for 96% of MSRP. And as discussed above, intra-brand competition can reduce consumer costs by as much as 4% to 5% per vehicle. Therefore, assertions that the franchise model raises prices for consumers is also demonstrably false.

Moreover, the public record contains ample data demonstrating that consumers are generally very happy with their experiences acquiring automobiles. For example, the Sales Satisfaction Index compiled by renowned market research firm J.D. Power shows that overall customer satisfaction with all dealers (both those where they bought and those they interacted with but did not buy from) is high, scoring 789 on a 1,000-point scale in 2021. Further, satisfaction with those dealers where buyers purchased their vehicle is even higher, scoring 841 on the same scale. Similarly, the 2021 Cox Automotive Car Buyer Journey Study indicates that a full 78% of new car buyers are highly satisfied with their experience at their dealership of purchase.¹² (And when additional data Cox provided to NADA is considered, which includes both moderately satisfied and highly satisfied customers, the combined overall satisfaction percentage jumps to 93 percent).¹³

Commentor’s arguments that franchise laws create “geographical monopolies” is similarly misguided. State-level Relevant Market Area (RMA) laws, for example, are simply business-to-business regulations that create a process of review whereby independent third parties are allowed to examine a manufacturer’s choice of placing a new retail outlet into a same brand dealer’s current area. These laws do not impact consumers and, in fact, are wholly invisible to any new vehicle purchaser. RMA laws simply do not grant any market power, and we are unaware of any dealer with market power sufficient to charge monopoly rents. In fact, as noted above, the franchise model *reduces* prices to consumers through intra-brand competition between local competitors.¹⁴

Opponents of the franchise model also continue to perpetuate the myth that franchise dealers are inferior to direct sellers when it comes to vehicle choice and the sale of electric vehicles. The

¹¹ OLIVER WYMAN at 12.

¹² 2021 Car Buyer Journey Study Released, COX AUTO. (Jan. 18, 2022), <https://www.coxautoinc.com/market-insights/2021-car-buyer-journey-study/>.

¹³ NADA, Comments on FTC Proposed Combatting Auto Retail Scams Trade Regulation (Sept. 12, 2022), <https://www.regulations.gov/comment/17TC-2022-0046-8368> at 14-15.

¹⁴ See Beard, *Spatial Competition in Automobile Retailing* at 12.

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inconvenient truth, however, is quite the opposite. Franchise manufacturers offer much greater vehicle choice at lower prices, and franchised dealers are on track to sell more electric vehicles than direct-selling manufacturers in 2025.¹⁵

The anonymous commentators' remaining arguments are easily rebutted by evidence and logic. Franchise laws stifle innovation? Sixteen thousand locally-owned companies are far more innovative than a handful of manufacturers, as evidenced by the thousands of dealers and vendors who participate in the NADA Show and the entrepreneurship of events such as Autovate.¹⁶ Manufacturers are "shackled" by franchise laws? The cost effectiveness of the franchise model proves otherwise.¹⁷ Franchise laws "fleece" manufacturers and consumer through warranty repair? As discussed above, franchise laws align manufacturers and consumer interests—vertical integration would hurt the consumer and be *anti-competitive* because the power imbalance between the manufacturer and consumer is stark. In short, the anonymous submissions attacking the franchise model are not supported by facts or logic, and reflect a complete misunderstanding of the auto-retail market.

IV. Conclusion

As the Anticompetitive Regulations Task Force conducts its important work in advocating for the elimination of anticompetitive laws and regulations, it should recognize that the dealer franchise model is part of the solution, not the problem, and that it reduces the net cost of distribution and provides countless benefits to consumers.

Respectfully submitted,



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¹⁵ *Electric Vehicle Sales Report Q1 2025*, COX AUTO. (Apr. 11, 2025), <https://www.coxautoinc.com/wp-content/uploads/2025/04/Q1-2025-Kelley-Blue-Book-EV-Sales-Report-04-11-25.pdf>.

¹⁶ See *NADA Show*, NAT'L AUTO. DEALERS ASS'N, (last visited May 22, 2025), <https://www.nada.org/nada-show>; *Autovate: Driving the Future*, AUTOVATE (last visited May 22, 2025), https://autovate.org/?utm_source=chatgpt.com.

¹⁷ Indeed, Oliver Wyman found that it would be prohibitively expensive for an OEM to replicate the dealer model: "Should the OEM decide to abandon its dealership network, the estimated network replication cost for any of the "Detroit 3" legacy US OEMs is between \$25 billion and \$45 billion in fixed capital costs alone (inclusive of land, facilities, furniture, fixtures, and equipment), in addition to substantial working capital costs to maintain national inventory levels (with legal and other transition expenses ignored)." OLIVER WYMAN at 16.

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Submitted via Regulations.gov

DOJ Anticompetitive Regulations Task Force
Docket No. ATR-2025-0001
AnticompetitiveRegulations@usdoj.gov

Scout Motors Inc. Anticompetitive Regulations Task Force Submission: State Law Prohibitions on Direct-to-Consumer Vehicle Sales

State motor vehicle franchise laws are anti-competitive. These laws restrict consumer choice, stifle innovation, and lead to higher prices for both motor vehicles and servicing those vehicles in the United States. The United States government should take all steps necessary to eliminate these burdensome restrictions on competition.

* * * * *

In this moment of American revitalization, we have critical decisions to make. Do we keep propping up a system of state motor vehicle dealer franchise laws that are some of the most anti-competitive in the U.S., only serving to protect entrenched special interests? Laws that arbitrarily limit who can sell motor vehicles, restrict consumer choice, and usurp private contracts between independent business entities? Or do we finally return power to where it belongs: with the American worker, the American consumer, and the American entrepreneur – staying true to the ideals that have always made this country great: freedom, fairness, and the fight to earn success.

Here is the hard truth: Right now, the automotive retail system is not competitive nor does it reward bold innovation. Across too many states, government-mandated intermediaries are standing between American-made vehicles and the American families who want to buy them. Outdated legacy state motor vehicle franchise laws—written decades ago in response to yesterday’s circumstances—have mutated into legal shields for established franchise dealership networks, barring any other business model from existing, let alone competing with these networks.

If we make it our goal to leverage true market competition to efficiently make and sell vehicles in America, then we will unlock prosperity—real prosperity—for communities, workers, and the next generation of builders and dreamers. But if our goal is to protect yesterday’s business model from innovative competition, then it’s the American consumer and worker who will pay the price.

Scout Motors believes in a different future. One where automotive retailers compete on the strength of their business models, not the connections of their lobbyists. One where consumers get to choose what works best for them, without artificial barriers, red tape, or inflated markups. Because America prospers when we unlock competitive dynamics, when innovation is rewarded—and the fruits are passed on to the working families who get more for their dollar.

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State laws governing the retail sale of automobiles are broken, and without United States government intervention, the American consumer and the American worker will continue to be harmed.

Scout Motors Inc. Urges the Department of Justice to Stop Direct-to-Consumer Sales Bans

Scout Motors Inc. ("Scout Motors") was established in 2022 as an independent American startup to revitalize the iconic Scout vehicle brand through the introduction of all-new, electrified, off-road capable trucks and sport utility vehicles. Today, Scout Motors has grown to over 900 employees who are committed to building the next great American motor company, with vehicles engineered in Detroit, MI and produced in Blythewood, SC at an all-new \$2B manufacturing facility expected to create 10,000 jobs in the state.

Innovation is central to our operating strategy, and like Tesla, Rivian, and Lucid before us, Scout Motors made the strategic business decision to sell directly to our customers, with production of the first vehicles targeted for launch in 2027. However, a patchwork of existing and pending state automotive dealer franchise laws threatens Scout Motors' ability to sell and service these vehicles—approximately 200,000 are planned to be produced every year on American soil—in all fifty states.

This threat is not speculative or hyperbolic. Franchised automotive dealer groups have been vocal in waging "long term battles" against manufacturers seeking to sell vehicles directly to consumers and working "to not let them in."¹ The National Automobile Dealers Association and related state-based dealer franchise groups are weaponizing these laws to directly exclude Scout Motors from the market. They are promising to "challenge . . . all attempts to sell direct in courthouses and statehouses across the country" because they want to lock Scout Motors out of the new vehicle distribution and service markets regardless of whether the legacy dealer franchise sales model makes sense for Scout Motors or its customers.² State laws that dictate who can and cannot sell vehicles to consumers are anticompetitive. Full stop.

Academics, economists, free market advocates, and consumer protection organizations all believe that it is bad public policy to dictate a business's distribution model as it stifles innovation and competition. As stated by former South Carolina Attorney General Charles M. Condon, "[i]f a manufacturer cannot sell his own product, but must constitutionally pass that product through

¹ Statement of John Devlin, Pennsylvania Automotive Association, CBT News, "Why Pennsylvania dealers are keeping an eye on OEMs and lawmakers," Mar. 31, 2023, available at <https://www.cbtnews.com/why-pennsylvania-dealers-are-keeping-an-eye-on-oems-and-lawmakers-john-devlin-paa/>.

² Reuters, "Auto dealer groups to challenge Scout Motors' decision to sell directly to US consumer," Oct. 25, 2024, available at <https://www.reuters.com/business/autos-transportation/auto-dealer-groups-challenge-scout-motors-decision-sell-directly-us-consumers-2024-10-25/>.

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‘middle man,’ then our understanding of the free market system is way off base.”³ Unsurprisingly, the only group that supports these laws—the franchise dealers themselves—is the one group that reaps significant profits at the expense of the American consumer and the American worker.

Scout Motors does not seek a regulatory handout or special treatment; rather, Scout Motors seeks to remove artificial and protectionist barriers to open competitive markets where new entrants and innovators can compete with incumbent participants to provide the public with an efficient, transparent, and cost-effective car buying experience.

We applaud this Administration’s recognition of the harm that comes from imposing regulatory and legal barriers that exclude new market entrants. President Trump and the Department of Justice’s initiatives to root out anti-competitive federal and state laws and regulations are critical to revitalizing the economy and ensuring that the United States remains the gold standard for innovation, competition, and entrepreneurship.⁴ No sector of the economy features more anti-competitive laws stymying innovation, economic growth, and consumer welfare than the auto industry and its amalgamated state dealer franchise laws. We urge the Department of Justice and this Administration to probe these protectionist, anticompetitive schemes and to open the automotive industry to fair competition and innovation. These schemes are in direct conflict with the possibility of free and open markets where all can compete.

Dealer Franchise Laws are a Decades-Old Relic, Ill-Fitting of Today’s Automotive Market

Dealer franchise laws were first established nearly 70 years ago to ensure that local automotive dealers, operating under a franchise model with powerful automotive manufacturers, were able to sell automobiles to the American consumer without imposing onerous manufacturer terms, such as forcing dealerships to accept inventory regardless of demand. But those market dynamics have long since shifted, and today’s automotive industry is virtually unrecognizable from these early days—both in terms of dealer bargaining power and technological advances in distribution models—rendering many dealer franchise laws obsolete.

For many decades, the U.S. automotive industry was dominated by the Big Three automakers—Ford, General Motors, and Chrysler (now Stellantis). These manufacturers historically contracted with a network of franchise dealers to sell and service their vehicles, turning the franchise dealer into the direct customer interface. Ford, General Motors, and Chrysler’s business model then spawned a host

³ Letter from South Carolina Attorney General Charles M. Condon to South Carolina Senator W. Greg Ryberg regarding Office of the Attorney General Opinion on H.4450, a Bill to “Prohibit Ownership, Operation, or Control of Competing Dealerships By A Manufacturer or Franchisor Except Under Certain Circumstances....,” April 5, 2000. Attorney General Condon further opined that the bill was “anti-competitive, anti-free market and anti-consumer. It is pro-protectionist, pro-special interest and unconstitutional.”

⁴ Executive Order 14267, “Reducing Anti-Competitive Regulatory Barriers,” 90 Fed. Reg. 15629 (April 9, 2025).

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of state laws that sought to limit competition, ostensibly to protect motor vehicle dealers—typically, small businesses with limited financial resources.⁵

However, the U.S. automotive market has evolved over the last decade, with several new, smaller entrants seeking to break through by innovating not only how they design their vehicles but also how they market, sell, and service their vehicles. While the Big Three controlled the U.S. market in the early days, the U.S. now has well over a dozen major manufacturers, with no single manufacturer commanding more than 17% market share.⁶ The franchise dealer players have also changed. Early franchisees may have been small, family-owned businesses, but today's franchisees are dominated by a collection of powerful conglomerates, each owning tens (if not hundreds) of dealerships. Over one hundred U.S. franchisees gross over one billion dollars in annual revenue.⁷

Moreover, the way in which Americans purchase products, including vehicles, has changed significantly—consumers now buy everything from electronics to appliances to houses online and direct from the manufacturer. And, in states that don't have restrictive dealer franchise laws, customers are buying vehicles online and direct from the manufacturer as well. Years ago, customers had no choice but to rely on neighborhood sales locations to not only facilitate vehicle sales but also to serve as a showroom and inventory holding depot. But with the advent of the internet and new e-commerce technologies, customers can now browse inventory, select options, and complete the final transaction without ever leaving their home. For this reason, Scout Motors and other direct-to-consumer manufacturers seek to introduce a modern, cost-effective, and online customer experience that is less reliant on the costly brick-and-mortar infrastructure and ideally a smaller margin.

Protectionist dealer franchise laws are, unfortunately, a uniquely American problem and have given rise to a powerful lobby deeply integrated within the state governing bodies controlling the market. These laws are now used to thwart competition as captured regulators work at the behest of the franchise dealership lobby to freeze out new market entrants trying to innovate. As a result, unnecessary vehicle mark-ups paid by the consumer line the coffers of monopolistic franchise dealers.

⁵ *New Motor Vehicle Bd. V. Orrin W. Fox Co.*, 439 U.S. 96, 100-01 (comparing three U.S. automotive manufacturers controlling 95% of all passenger cars sold in the U.S. against over 40,000 independent franchisees distributing these cars on their behalf).

⁶ Cox Automotive Presentation, "Q1 2025 Cox Automotive Industry Insights and Sales Forecast Call," p.19, Mar. 26, 2025, available at <https://www.coxautoinc.com/wp-content/uploads/2025/03/Q1-2025-Cox-Automotive-Industry-Insights-and-Sales-Forecast-Call-presentation.pdf>.

⁷ Automotive News, "2025 Top 150 Dealership Groups," Mar. 31, 2025, available at <https://www.autonews.com/top-150-dealership-groups-2024/> (subscription required).

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Many Anticompetitive State Dealer Franchise Laws Unnecessarily Ban or Restrict Direct-to-Consumer Sales

A patchwork of restrictive laws in select states govern how, and from whom, customers can purchase new vehicles. While every state law is different, there are generally three types of states: open, closed, and limited access. Open states allow electric vehicle manufacturers to sell directly to customers. Closed states prohibit all direct sales from the manufacturer to the customer without the use of an intermediary franchise dealer. And limited access states allow select electric vehicle-only manufacturers to sell directly to consumers.

The Electrification Coalition reports that 19 “open” states allow direct sales.⁸ That number is at risk of dropping as franchise dealers are actively lobbying state legislatures to further restrict competition. These lobbying efforts seek to prevent new competition in open and limited access states for new manufacturers that receive funding from, or otherwise have a relationship with, legacy automakers. For example, California law AB 473, sponsored by the California New Car Dealers Association, amended the state’s motor vehicle franchise law in late 2023 and now argues that the amended franchise law prohibits Scout Motors from engaging in direct sales apparently only because of its corporate affiliates. Scout Motors disputes that the language in AB 473 prohibits it from engaging in direct sales. Any attempt to ban direct sales based on corporate affiliation alone is a blatant, unnecessary restriction on competition and capital formation that is far removed from the purported rationale for dealer protection laws from decades ago.

In addition to direct-to-consumer sales bans, the dealers’ grip on franchise dealer laws goes beyond lobbying for, and drafting, favorable legislation. In some states, entrenched dealers have the power to decide who can and cannot enter the market. Many state laws impose onerous geographic market allocations amongst dealerships by allowing legacy dealerships to protest any new franchise that encroaches on their historic territory.⁹ Other laws prohibit an automobile manufacturer from exercising its contractual right of first refusal when a franchisee seeks to sell or transfer its rights under the franchise agreement.¹⁰ And some states go so far as to give franchisees direct regulatory authority: the very definition of “regulatory capture.” Take the Louisiana Motor Vehicle Commission, the body charged with enforcing state law regarding the distribution and sale of motor vehicles, as a prime example. Here, the Commission is comprised of 18 members, 15 of whom must be franchise dealer licensees of the Commission. As a result, new market entrants that seek to disrupt the established franchise dealer model have no chance of receiving fair regulatory treatment from regulators who have strong incentives, including financial incentives, to protect their businesses from

⁸ Electrification Coalition, “Freedom to Buy: What’s In My State,” available at <https://electrificationcoalition.org/work/state-ev-policy/freedom-to-buy/whats-in-my-state/> (last accessed May 23, 2025).

⁹ F.L. CODE ANN. § 320.642(3)(b) (allowing an existing franchisee the right to protest a new franchise agreement if 25% of the legacy franchisee’s sales occurred within 12.5 miles of the new franchisee’s proposed location).

¹⁰ S.C. CODE ANN. § 56-15-70 (barring franchisor right of first refusal).

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competitive pressure. So much so that last year, the U.S. Court of Appeals for the Fifth Circuit ruled that the Commission, in launching an investigation into Tesla as a licensed fleet owner, violated Tesla's constitutional right to due process.¹¹

Anticompetitive State Dealer Franchise Laws Harm Consumers

State laws that prohibit or impede direct sales are, by definition, anti-competitive. Protecting franchise dealers from their brand manufacturers makes sense in some instances when, without such protection, manufacturers can take advantage of the franchise dealers' efforts to advertise, market, and show vehicles but then undercut the dealers in price, acting as a free rider to the dealer's investment. But there is no similar justification for forcing new manufacturers to adopt the antiquated dealer franchise model at the outset, especially when the new manufacturer has not asked any dealership to place any investment in distributing its vehicles, developed a more efficient alternative, and will not sell any vehicles also offered for sale by a franchised dealer.

The DOJ's Antitrust Economic Analysis Group itself has recognized that "[p]erhaps the most obvious benefit from direct manufacturer sales would be greater customer satisfaction, as auto producers better match production with consumer preferences ranging from basic attributes on standard models to meeting individual specifications for customized cars."¹² These efficiencies, therefore eliminate the estimated 8.6% mark-up that the franchise dealer model adds to the cost of a new vehicle.¹³ Another independent organization calculated the annual harm to consumers at \$48 billion on new car sales.¹⁴ Franchise dealer added costs are not only harmful to the consumer but also serve as a barrier to entry for new vehicle manufacturers that must eliminate excessive costs to remain competitive with legacy manufacturers that already have a stronghold.

Likewise, the Federal Trade Commission ("FTC") has repeatedly opposed state bans on direct sales. As an example, the FTC stated the following when commenting on a proposed Michigan bill relaxing a then-existing direct sale ban: "In our view, current [direct sale bans] operate as a special protection for dealers—a protection that is likely harming both competition and consumers."¹⁵ In fact, this

¹¹ *Tesla v. Louisiana Automobile Dealers Association, et al.*, No. 23-30480 (5th Cir. 2024).

¹² DOJ Economic Analysis Group Competition Advisory Paper, "Economic Effects of State Bans on Direct Manufacturer Sales to Car Buyers," p. 4, May 2009, available at <https://www.justice.gov/sites/default/files/atr/legacy/2009/05/28/246374.pdf>.

¹³ *Id.* at p. 6.

¹⁴ American Consumer Institute Center for Citizen Research, "Corporate Welfare: How Automobile Dealership Franchise Regulations Cost Consumers an Additional \$48 Billion Annually," March 2018, available at <https://www.theamericanconsumer.org/wp-content/uploads/2018/03/ConsumerGram-2018-FINAL-1.pdf>.

¹⁵ FTC Letter to Senator Darwin Boomer re: Senate Bill 268, May 7, 2015, available at https://www.ftc.gov/system/files/documents/advocacy_documents/ftc-staff-comment-regarding-michigan-senate-bill-268-which-would-create-limited-exception-current/150511michiganautocycle.pdf; FTC – Competition Matters, "Direct-to-consumer auto sales: It's not just about Tesla," May 11, 2015, available at <https://www.ftc.gov/enforcement/competition-matters/2015/05/direct-consumer-auto-sales-its-not-just-about-tesla>.

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protection directly translates to increased consumer costs. According to the U.S. Bureau of Labor and Statistics, franchised dealers were able to “expand profits from new-vehicle sales during the recent [post-COVID 19] economic expansion,” contributing to new-vehicle consumer inflation.¹⁶

Beyond cost efficiencies, many consumers are searching for an alternative to the franchise dealer model. According to one survey, a 2024 Harris Poll Survey, 86% of consumers are concerned with hidden fees during vehicle purchases, 76% do not trust franchise dealers to be truthful and honest about pricing, and 84% say that franchise dealers lack pricing transparency.¹⁷ While some customers may prefer to use a franchise dealer for sales and service, survey results show that many do not, which is further evidenced by the fact that car sales and repairs are one of the most reported types of consumer complaints across the country.¹⁸ Notably, the FTC’s 2024 Consumer Sentinel Network Report documents hundreds of thousands of consumer complaints against auto dealers, which are often prime targets for state and federal law enforcement actions relating to fraudulent and deceptive practices in selling, financing, and leasing new motor vehicles.¹⁹ As the FTC noted in 2022: “In the last ten years alone, the FTC has brought more than 50 law enforcement actions related to automobiles and helped lead two nationwide law enforcement sweeps that included 181 state-level enforcement actions in these areas. Despite these actions, complaints from consumers related to automobiles remain in the top ten complaint types received by the FTC, with more than 100,000 complaints from consumers annually over the past three years.”²⁰

The franchise dealer model also poses potential problems for electric vehicle manufacturers. Franchise dealers derive a significant percentage of their profits from service and warranty repairs; however, electric vehicles require less maintenance than conventional internal combustion engine vehicles. As a result, some dealers may be less incentivized to market and sell electric vehicles to consumers that want them. A 2023 Sierra Club survey highlights dealers’ anti-electric vehicle sentiment, finding that 66% of dealerships nationwide did not have a single electric vehicle for sale and 45% of those dealerships reporting that they would not offer an electric vehicle for sale regardless of automaker allocation and supply chain constraints.²¹

¹⁶ U.S. Bureau of Labor and Statistics, “Automotive dealerships 2019-22: dealer markup increases drive new-vehicle consumer inflation,” April 2023, available at <https://www.bls.gov/opub/mlr/2023/article/automotive-dealerships-markups.htm>.

¹⁷ Auto Remarketing, “Survey shows customers have little trust in dealerships,” Mar. 5, 2024, available at <https://www.autoremarketing.com/ar/retail/survey-shows-customers-have-little-trust-in-dealerships/>.

¹⁸ Better Business Bureau, “U.S. and Canada BBB 2024 Statistics,” available at <https://www.bbb.org/content/dam/iabbb/marcom-assets/bbb-complaints-stats/2024AnnualStatsOverall-ByComplaints.pdf> (last accessed May 23, 2025).

¹⁹ FTC Press Release, “FTC, Multiple Law Enforcement Partners Announce Crackdown on Deception, Fraud in Auto Sales, Financing and Leasing,” Mar. 26, 2015, available at <https://www.ftc.gov/news-events/news/press-releases/2015/03/ftc-multiple-law-enforcement-partners-announce-crackdown-deception-fraud-auto-sales-financing>.

²⁰ Notice of Proposed Rulemaking, “Motor Vehicle Dealers Trade Regulation Rule,” 87 Fed. Reg. 42012, 42017 (July 13, 2022).

²¹ Sierra Club, “A Nationwide Study of the Electric Vehicle Shopping Experience,” May 2023, available at <https://www.sierraclub.org/sites/www.sierraclub.org/files/2023-05/SierraClubRevUpReport2023.pdf>.

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Case in point, Florida and New York have similar populations yet New York more severely restricts direct-to-consumer sales. As a result, in 2020, 80% more electric vehicles were sold in Florida as compared to New York.²² Allowing franchise dealers to ban electric vehicle manufacturer direct sales while also refusing to carry those electric vehicles hinders the customer's ability to choose his or her preferred vehicle technology. As explained by the Wall Street Journal Editorial Board, "[c]ar dealers don't want to give up a system that allows them to charge some customers more than others. But more competition and greater transparency would improve the car market by increasing the confidence of consumers that they are getting a square deal."²³

Customers Benefit from Direct-to-Consumer Sales Models

Allowing vehicle manufacturers to innovate in how they advertise and sell vehicles fosters competition, which serves to make markets more efficient and, in turn, benefits consumers. There are advantages to both dealer distribution and direct manufacturer distribution, but as recognized during FTC's January 19, 2016 workshop on automobile distribution, "[c]onsumers are best off when manufacturers are free to choose the distribution method that works best for them"²⁴

Scout Motors is deploying a business model, through an app-based platform, that will foster direct manufacturer-to-customer engagement and allow for customization, limit idle inventory, and streamline registration, financing, and servicing that we estimate can reduce the retail price of each vehicle by \$7-10K as compared to the typical franchise dealer approach. Our approach also seeks to respond to the voice of customers that want an online buying experience, shorter transaction times, and flexibility in service solutions.²⁵

By employing a business model that does not push sales commissions, large inventories, and price negotiation, Scout Motors is providing its customers with a different option—purchasing a standard product at a set price. Such competition will only lead to further consumer benefits through innovation by traditional dealerships in response. In fact, according to data compiled by the National Automobile Dealers Association, in states that have allowed at least one direct seller to enter the market, franchise dealerships saw sales revenue increase nearly 80% between 2012 and 2021. During that same time, dealerships in states that did not allow direct sales only increased sales revenue by

²² Electrification Coalition, "Freedom to Buy: What's In My State."

²³ Wall Street Journal, "Freeing EVs from the Dealer Cartel," Nov. 13, 2022, available at, <https://www.wsj.com/articles/freeing-electric-vehicles-from-the-car-dealer-cartel-texas-lucid-lawsuit-11667858844>.

²⁴ Dan Crane, "The Anticompetitive Effects of Direct Distribution Prohibitions in the Automobile Industry," p.5, January 19, 2016, available at https://www.ftc.gov/system/files/documents/public_events/895193/panel_3_-_crane.pdf.

²⁵ Scout Motors market analysis shows that it takes, on average, 810 minutes to purchase a vehicle from a franchise dealer as compared to 10 minutes when buying online directly from the manufacturer.

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61%.²⁶ Competition is good for business, for both new entrants and incumbents—and ultimately the consumer.

State Spotlight: Florida Limits Dealer Competition and Price Transparency

In 2023, Florida Governor Ron Desantis signed H.B. 673 into law, which strengthens protections for franchise dealers by limiting competition and restricting a manufacturer's ability to curb franchise dealer price mark-ups.²⁷ Notably, the law amended Florida Statute Chapter 320 to prohibit manufacturers from selling its vehicles directly if that manufacturer is a "common entity"—broadly defined to include two separate entities having the same ultimate corporate parent holding an arbitrary 30% or greater ownership stake—of another vehicle manufacturer that, prior to the enactment of the law, has sold vehicles through a franchise dealership. As a result, brands like Rivian, Lucid, and Tesla, which sold direct prior to passage of H.B. 673, are able to continue to do so, while new market entrants that have legacy manufacturer investment partners are not. Such a provision will no doubt limit corporate investment into new companies by legacy automakers even if these new companies sell vehicles wholly distinct from the legacy automaker's fleet, potentially resulting in fewer new market entrants for consumers to choose from.

Beyond direct sale restrictions, the law further limits a manufacturer's ability to require or incentivize its franchise dealers to limit dealer profit margins added on top of the Manufacturer's Suggested Retail Price ("MSRP") and restricts the manufacturer's discretion in allocating new vehicles to its franchise dealers. As a result, consumers have less price transparency while, at the same time, manufacturers are virtually powerless to reign in dealer fees. Like many state dealer franchise laws, these provisions benefit franchise dealers at the expense of an open and competitive market.

State Spotlight: Washington Picks Winners and Losers

"Limited Access" dealership franchise laws are also equally anti-competitive. In at least 12 states, dealer franchise laws allow direct sale for a limited number of companies, sometimes just a single company, while barring new entrants into the state from selling directly.

In 2014, the Washington State Legislature adopted a law allowing only a single auto manufacturer, Tesla, to sell directly to consumers. Under this law, Tesla's business in Washington has grown—they operate ten retail centers where consumers may test drive and purchase vehicles and six service centers where owners can bring their vehicles for repair.

²⁶ Electrification Coalition, "Freedom to Buy," available at <https://electrificationcoalition.org/freedom-to-buy/> (last accessed May 25, 2025).

²⁷ AutoBody News, "Florida Bans Direct-To-Consumer Car Sales for Legacy Brands," June 20, 2023 available at <https://www.autobodynews.com/news/florida-bans-direct-to-consumer-car-sales-for-legacy-brands>.

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Tesla's growth in Washington over the last decade is clear evidence of consumer demand for innovative products and the direct sales and service model. However, as new automakers like Scout Motors, as well as Rivian and Lucid, have organized and sought to do business in Washington, they have been rebuffed by the Legislature. Proposed legislation in 2021 to open the state to direct sales was defeated. Subsequent attempts in 2024 and this year were defeated as well. Unless the law in Washington is changed, franchise dealers are insulated against competition from Rivian, Lucid, Scout Motors, and any new automotive company that attempts to enter the marketplace.

* * * * *

Scout Motors applauds the DOJ's efforts to root out anti-competitive regulations—through both this opportunity for public comment and other proactive regulatory actions²⁸—and urges the Department to focus its attention on the myriad state laws that insulate franchise dealers from competition that would serve massive financial benefits to U.S. consumers, the U.S. auto industry and U.S. manufacturing. This competition means lower prices for consumers and more jobs for American workers. The legacy market dynamics that once required direct sale bans no longer exist and now only serve to create barriers to the natural innovation and adaptation you would anticipate in a normal competitive marketplace. Scout Motors is not anti-dealer; instead, we are opposed to artificial regulatory barriers that result in state-selected winners and losers. There is no reason companies utilizing direct sales models and franchise dealer models cannot both operate in the same market, competing with one another. This is not a radical position; organizations across the political spectrum oppose direct sale bans, from libertarian free trade advocates²⁹, to public interest non-governmental organizations³⁰, to academics.³¹

²⁸ For example, DOJ Antitrust Letter to Iowa Representative Henry Stone re: comments on Iowa Senate Study Bill 1113 address the construction of new power grid infrastructure, Mar. 24, 2025, available at <https://www.justice.gov/atr/media/1394696/dl>.

²⁹ Brief of Amicus Curiae Americans for Prosperity Foundation-Texas In Support of Plaintiff's Motion for Summary Judgment, *Lucid Group USA, INC. v. Monique Johnston, et. al*, No. 22-cv-01116-RP, ECF No. 22 (W.D. Tex., 2023) ("Texas's Direct-Sale Prohibition is pure economic protectionism lining the coffers of a powerful interest group at the expense of consumers and the free market").

³⁰ Sign-on Statement to State Government Leaders About the Anti-Consumer Effects of Laws Prohibiting Direct Distribution of Automobiles, Feb. 17, 2015, available at <https://www.antitrustinstitute.org/work-product/aai-lends-support-to-statement-to-state-government-leaders-about-the-anti-consumer-effects-of-laws-prohibiting-direct-distribution-of-automobiles/> ("[direct sale bans] have negative consequences for the entire automotive industry—including . . . what innovative new technologies can reach the market.").

³¹ Open Letter by Academics in Favor of Direct EV Sales and Service, April 14, 2021, available at <https://laweconcenter.org/wp-content/uploads/2021/04/Direct-Sales-Nationwide-Academics-Letter-4.14.pdf> ("There is no credible consumer protection argument in favor of prohibiting direct distribution. Consumers should be given the choice of how they buy their cars.").

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Competition fosters innovation, and innovation strengthens markets. Scout Motors looks forward to working with the DOJ to find solutions that will foster healthy competition in the automotive industry.

Regards,

Blair Anderson
Vice President, Government and Regulatory Affairs
Scout Motors Inc.



May 27, 2025

Submitted via Regulations.gov

United States Department of Justice
Anticompetitive Regulations Task Force

RE: Anticompetitive Effects of Statutes Governing Automobile Franchise Laws
Docket No. ATR-2025-0001

Dear Members of the Anticompetitive Regulations Task Force:

The Alliance for Automotive Innovation ("AFAI") is a trade association that represents automobile manufacturers, distributors, and suppliers of automotive technologies and components. Our members are longstanding participants in the motor vehicle industry who have been engaged in the distribution and service of new motor vehicles and related products throughout the United States for many decades. We have been made aware of your notice inviting public comment on state and federal laws and regulations that create barriers to competition and negatively affect consumers, particularly those in industries that have the greatest impact on American households like transportation, and we appreciate the opportunity to comment on this important initiative.

As you may be aware, state laws require most motor vehicle manufacturers and distributors (particularly the legacy brands) to distribute their products and provide warranty service on motor vehicles only through a network of authorized dealers. Virtually every state has enacted a series of motor vehicle franchise laws that regulate nearly every aspect of the relationship between motor vehicle manufacturers and their authorized dealers. While the stated purpose of these statutes is to protect consumers, many of these statutes also significantly restrict competition in this industry and can actually harm the consumers they purport to protect. Following its 2018 Roundtable Discussion Series on Competition & Deregulation, the Antitrust Division of the Department of Justice issued a report stating that "[t]hese regulations have been shown to cause higher retail prices and higher distribution costs, at the expense of both consumers and manufacturers – particularly U.S. carmakers."¹ While this and other reports have addressed various provisions in these state regulations, this submission will focus on two state statutory issues that have a direct and significant effect on American consumers: (1) state laws restricting the establishment of new motor vehicle dealerships and (2) state laws governing the performance of warranty service.

¹ U.S. Department of Justice Antitrust Division. "Roundtable Discussion Series on Competition & Deregulation (2018)", p. 176. Available at: <https://www.justice.gov/atr/page/file/1120641/dl?inline>.

State Laws Restricting the Establishment of New Motor Vehicle Dealers Hinder Competition and Negatively Affect Consumers

Virtually every state has enacted a statutory framework that significantly limits the ability of automotive manufacturers to establish new dealerships to serve consumers and the general public. Under these statutes, manufacturers generally are required to provide written notice of their intention to establish a new dealership to existing dealers of the same brand that are located within the statutorily-defined “relevant market area,” and provide existing dealers located within that area the right to file a legal action challenging the proposed new dealership.

While dealers take the position that these statutes are necessary to protect their investments, these provisions, by their very nature, significantly hinder inter-brand and intra-brand competition in this industry at the expense of consumers. Specifically, by permitting existing dealers to challenge the proposed establishment of a new dealer within the “relevant market area,” these statutes essentially provide existing dealers a geographical area where they are free from competition by other dealers of the same brand. Dealers may sell into other dealers’ area, but the distance from consumers acts as a disincentive to invest resources to do so. This is particularly concerning given the overbreadth of these statutes. For example, California has enacted a statute that allows existing dealers to challenge the addition of a new competitor within a 10-mile radius (as measured by air distance) from their location.² While this radius could make some sense in rural parts of the state, it is extremely limiting to competition in densely-populated markets like Los Angeles where automotive companies need multiple dealerships in a small area to meet consumer needs. Other states have enacted statutes that permit dealers to challenge proposed new dealerships at varying distances from their locations based on the population in the applicable county.³ Accordingly, these statutes permit existing dealers to challenge (and halt) the establishment of new dealerships needed to serve consumers and compete with rival brands, even in situations where the proposed dealership is located a significant distance away from their locations, and in some cases, in an entirely different community and market.

These statutory frameworks further impede competition by providing for an automatic stay of the proposed new dealership during the length of the legal action. Under common legal principles, court orders enjoining a party from taking some action (like establishing a competing business) generally are granted only after the complaining party (1) presents evidence that it has a substantial likelihood of success on the merits and (2) provides a bond securing the value of the injunction. That is not the case here. Instead, these state regulations expressly provide that the opening of the proposed new dealership is automatically stayed for the duration of the case—potentially including all appeals—without any hearing on the likely merits of the challenge or any bond whatsoever. These statutes therefore make it extremely difficult for manufacturers to adjust their dealer networks to account for changes in customer needs, and instead allow dealers to protect

² Cal. Veh. Code §§ 507, 3062.

³ See, e.g., N.Y. Veh. & Traf. Law §§ 462(15), 463(cc)(1); and Wash. Rev. Code §§ 46.96.140, 150.

themselves from increased competition and delay the establishment of a new dealership for several years—even if a dealership is needed to serve the public—without regard to the effects on consumers.

Warranty Reimbursement Statutes Discourage Price Competition and Incentivize Higher Prices for All Service Work on Motor Vehicles

New vehicles sold in the U.S. are covered by manufacturer limited warranties that typically cover vehicle parts for a number of years or specified mileage and entitle owners to receive repairs free of charge. Over the past several decades, nearly every state has enacted a statutory framework that regulates the performance of warranty service on motor vehicles and mandates the compensation dealers are entitled to receive from manufacturers for completing warranty repairs. Under these statutes, warranty service generally must be performed by an authorized dealership, and many states have enacted statutes making it unlawful for a manufacturer to authorize any person other than a franchised dealer to perform warranty repairs on a motor vehicle.⁴ Accordingly, authorized dealers effectively have a monopoly when it comes to the performance of warranty service on consumer vehicles despite the manufacturer being the warrantor.

In addition to making authorized dealers the sole source for warranty work, virtually every state has enacted statutes governing the amount of compensation that manufacturers must pay to dealers for completing such work. These statutes generally require manufacturers to pay their dealers for any parts and labor used for warranty service at the same rates those dealers charge to retail consumers for non-warranty repairs. Under these statutes, a dealer's "warranty labor rate" and "warranty parts markup rate" typically are determined by allowing dealers to select a sample set of repair orders for non-warranty work reflecting what the dealers have charged retail consumers for similar repairs. Manufacturers then are required to accept the dealer's average retail "labor rate" and "parts markup rate" based on those repair orders and compensate the dealer at those same rates for warranty service going forward. Many states even limit manufacturers' ability to protect themselves from unreasonable rates declared by a dealer pursuant to the state statute.⁵

While these statutes may have some logical appeal at first glance (compensating dealers for warranty work at the same rates they charge for non-warranty repairs), these statutes also have several unintended yet significant adverse effects on competition and consumers. In particular, warranty work often is the largest single source of income for a dealer's service department and one of the most significant profit centers for a dealership overall. For this reason, the statutes outlined above operate to discourage dealers from engaging in competition—including price competition—for customer-paid service work. Instead, because the amount of money a dealer receives for warranty work is based on the price it charges retail consumers for non-warranty work, these

⁴ See, e.g., Colo. Rev. Stat. § 12-6-120(1)(n); La. Rev. Stat. § 332:1261(A)(1)(t)(i); N.Y. Veh. & Traf. Law § 463(2)(q); and Wisc. Stat. § 218.0116(1)(w).

⁵ See, e.g., Cal. Veh. Code § 3065.2(d).

statutes actively incentivize dealers to charge retail consumers higher prices for labor and parts for completing non-warranty repairs on their vehicles.⁶ A 2010 article in the *Journal of Economic Perspectives* by economists Francine Lafontaine and Fiona Scott Morton expressly noted that these statutes “give incentives to dealers to increase their ‘list’ prices for repairs.”⁷ These statutes have even led to a new market entrant in the motor vehicle industry: companies that advertise services designed to maximize warranty labor and parts rate increases for dealers and their service departments.⁸

Warranty Reimbursement Statutes Inflate the Amount of Time It Takes for Dealers to Complete Repairs and Further Increase the Expense of Service Work

Repair service is by no means a loss leader for auto dealers. As noted in a *Wall Street Journal* article in 2023, “Service, body and parts account for 10% to 15% of dealers’ revenue but 30% to 35% of gross profit.”⁹ Automakers combined purchased roughly \$28.2 billion of parts and labor from dealers for warranty in 2024 (\$14.57 billion for parts and \$13.63 billion for labor).¹⁰ In light of that volume, state laws that push warranty costs higher will have significant impacts on automakers and the consumers that purchase automobiles.

These competitive concerns and issues have intensified in recent years given the latest trend in the area of warranty compensation legislation—state regulations requiring manufacturers to compensate dealers not based on the time they spent performing the repair, but instead based on the time prescribed in advance by an unrelated third party, known as “third-party time guides.” Generally speaking, the amount of compensation a dealer receives for warranty labor is determined by multiplying the dealer’s warranty labor rate by the hours it takes for the dealer to complete the repair. To address this second variable, most manufacturers have established a uniform “time guide” that sets forth the amount of time it should take a qualified technician to complete a specified warranty repair. These manufacturer time guides are developed through substantial research regarding dealer repair times, including actual time studies and repair times clocked by technicians in settings similar to a dealership such that a dealer’s technicians should be able to meet or beat the manufacturer time allowance. This rigorous process helps ensure that dealers receive

⁶ This strong incentive for dealers to maximize their warranty compensation rates is further evidenced by the statutes in several states that expressly permit a dealer to submit one set for repair orders for calculating its warranty labor rates and a completely separate set of repair orders for determining its warranty parts markup rate. See, e.g., Mont. Code Ann. § 61-4-213(1)(c)(ii); Ohio Rev. Code Ann. § 4517.52(B)(1); and W. Va. Code § 17A-6A-8a(d).

⁷ Lafontaine, Francine, and Fiona Scott Morton, “State Franchise Laws, Dealer Terminations, and the Auto Crisis,” *Journal of Economic Perspectives*. Vol. 24, No. 3, Summer 2010, pp. 233-250, p. 240.

⁸ See, e.g., <https://www.dynatronsoftware.com/filesmart-warranty-labor-and-parts-rate-increase/>; <https://www.dealeruplift.com/retail-warranty-reimbursement/>; and <https://www.withum.com/industries/dealerships/warranty-reimbursement/>.

⁹ Lee, Jinjoo, “A Sweetheart Deal on Car Dealers After Auto Strikes,” *The Wall Street Journal*, Oct. 29, 2023.

¹⁰ NADA DATA. 2024 Annual Financial Profile of America’s Franchised New-Car Dealerships, p. 11. Available at: <https://www.nada.org/media/4695/download?inline>.

fair and reasonable compensation for the amount of time they spend on a particular warranty repair. Manufacturers also make available review processes so that dealers can request changes to the manufacturer's time guide if a dealer believes that a particular time allowance is unreasonable or inaccurate.

Instead of basing warranty compensation on the manufacturer's time guide or even the actual time spent by the technician on a certain repair, however, several states have enacted statutes requiring manufacturers to compensate dealers for warranty labor based on the number of hours allotted to a particular repair as set forth in any "third-party time guide" that a dealer unilaterally chooses to use in its service department.¹¹ One state, Illinois, has even has enacted a statute providing that if the manufacturer does not agree to use the third-party time guide selected by a dealer in that state, then the dealer's "fair" compensation for warranty work will be determined by simply taking the amount of time allotted for the repair in manufacturer's time guide "multiplied by 1.5," regardless of how long the repair actually takes.¹² That statute caused manufacturers' warranty costs for labor to increase 50% overnight.

These statutes raise several concerns. Third-party time guides are not substitutes for manufacturer warranty time guides because the two are different products written for different audiences to be used for different purposes. Third-party time guides are designed to assist independent repair facilities in providing time and cost estimates to their customers. Independent repair facilities perform service on several brands, on vehicles of all different ages, and they often do not have special time saving tools that dealers would have. Third-party time guides also are not based on time studies of actual repairs, but instead only on estimates of how long the guides' publishers believe it will take for an independent repair facility to perform a repair based simply on a written description of the repair procedures. For these reasons, applying a third-party time guide's time allowances to warranty work at a dealership would overestimate the amount of time it takes for a trained dealer technician to complete a specific warranty repair. Some states have even gone so far as to prohibit manufacturers from requiring dealers to show that they even use the claimed third-party time guide for charges to retail customers.¹³

AFAI estimates that if every state in the country were to adopt a law allowing dealers to demand to be compensated for labor hours via a third-party time guide or a multiplier, then the result would be a combined cost increase to manufacturers of more than \$5 billion per year in overpayments to dealers—payments for hours of labor that were not worked.

These state regulations—alone and in combination with the statutes addressed in the previous section—have several adverse effects on competition and consumers. As set forth above, these statutes provide dealers with a significant financial incentive to utilize the third-party time guide

¹¹ See, e.g., N.Y. Veh. & Traf. Law § 465(1); Minn. Stat. § 80E.041(4)(a).

¹² 815 Ill. Comp. Stat. 710/6(b).

¹³ See, e.g., North Dakota HB 1515, already signed into law and taking effect on August 1, 2025.

that provides the highest allotment of time to perform various repairs. These statutes significantly increase the expense incurred by manufacturers in complying with their consumer warranty obligations—an expense that necessarily must be passed on to customers. A federal court even recognized that the increased manufacturer costs are “not merely hypothetical [and] to shift the costs onto consumer is a rational business measure.”¹⁴ The court also said, “there is no reason to think that it quite mattered to the legislature which group on either end of the stream—manufacturers or consumers—absorbs the costs, as long as dealers are reimbursed for warranty repairs at the level that the legislature deemed appropriate.”¹⁵

As referenced above, these time guides also are used by dealers to provide time and cost estimates for retail consumers who need non-warranty repairs to their vehicles. Because third-party time guides contain more than number of hours it should take a dealership to perform a specified repair, these time guides also result in retail consumers paying for more hours of labor than are actually worked, which substantially increases the cost of vehicle repairs for consumers whose vehicles are out of warranty but who still want their vehicle serviced by an authorized dealer.

Unlike most purchasers of a service or product, automakers cannot choose to take their business elsewhere should they find that the cost of the product or service (in this case warranty repair) is unreasonable. Nor can automakers readily add new dealerships to spur competition. That means that it is critical that state laws not be structured to allow for unreasonably high compensation demands because market forces cannot push back if there is unreasonable cost created.

The Anticompetitive and Anti-Consumer Effects of Warranty Compensation Regulations

There is no doubt that state regulations governing warranty compensation limit competition and result in consumers paying substantially more for service work. As set forth in detail above:

- Warranty service generally must be performed by authorized dealers, and thus authorized dealers have little to no competition in the warranty service market;
- State statutes that determine a dealer’s warranty compensation rates based on the amount of money the dealer charges to retail consumers discourage price competition for service work and instead directly incentivize dealers to charge higher prices to consumers; and
- State statutes incentivizing the use of third-party time guides by authorized dealers, despite these guides being developed for independent, non-franchised repair facilities, encourage dealers to inflate the time and resulting expense charged for retail repairs.

¹⁴ *Volkswagen Group of America, Inc. v. Illinois Secretary of State Alexi Giannoulias*, 732 F.Supp.3d 914 (N.D. Ill. 2024) at 931.

¹⁵ *Id.* at 934.

The impact of these regulations on consumers, however, goes far beyond the amount of money they are spending on vehicle repairs at their local dealership. While warranty service is often thought of as “free,” its cost is built into the prices consumers pay for new motor vehicles. As set forth above, these statutes also significantly increase the costs incurred by manufacturers in complying with their consumer warranty obligations. This impact cannot be understated. During the 2016 Federal Trade Commission’s Workshop on state regulations effecting motor vehicle distribution, David Sappington, Professor of Economics at the University of Florida, presented evidence that between 2008 and 2012 alone, the warranty reimbursement statutes in the State of Florida caused the warranty payments of just four automotive manufacturers to increase by more than \$80 million.¹⁶ Extrapolating this data to all automotive companies and every state over the past several decades, it is no exaggeration that these statutes have increased warranty expense for automotive manufacturers by hundreds of millions or even billions of dollars. As Prof. Sappington noted, this expense necessarily will be passed on to consumers, which means that franchise laws governing warranty payments cannot be assumed to be in the best interests of consumers.¹⁷

As the FTC also heard at its 2016 workshop, “it is not apparent that we really need government intervention here to force these manufacturer and dealer teams to agree upon warranty terms that will serve consumers.”¹⁸ “Consumers are eventually going to pay some or all of this increase, and so it’s not at all clear that these laws really are working in the best interests of consumers.”¹⁹ “And, therefore, other than serving to transfer wealth from manufacturers to dealers, it’s not clear what role these rules are playing. And so, in fact, these rules have the substantial potential to distort market outcomes to the detriment of consumers.”²⁰ AFAI agrees, and as detailed above, state laws have become more protectionist since the 2016 FTC workshop, and the trend continues.

Concerning bills that would add more anti-consumer warranty reimbursement laws are pending in state legislatures today.²¹

Conclusion

AFAI appreciates the opportunity to comment on this important issue. Based on the foregoing, AFAI respectfully requests that the Anticompetitive Regulations Task Force evaluate state automobile franchise laws—particularly those governing the establishment of additional dealerships and compensation for warranty service—and the effect of those laws on consumers and competition. AFAI also respectfully asks the Task Force to advocate for the elimination or revision of harmful

¹⁶ U.S. Federal Trade Commission, January 19, 2016 Workshop Transcript, Auto Distribution: Current Issues and Future Trends, p. 59. Available at:

https://www.ftc.gov/system/files/documents/public_events/895193/auto_distribution_transcript.pdf.

¹⁷ *Id.*

¹⁸ *Id.* at 58.

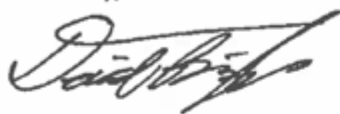
¹⁹ *Id.* at 59.

²⁰ *Id.* at 60.

²¹ See, e.g., Massachusetts H. 4019, New Jersey A. 4380/S. 3309, and Rhode Island H. 5590/S. 885.

franchise regulations, and advocate against adoption of new similar regulations. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "David E. Bright", with a stylized flourish at the end.

David E. Bright
Senior Attorney



July 1, 2025

John Bozzella
President and CEO
Alliance for Automotive Innovation
1050 K St NW #650
Washington, DC 20001

VIA E-MAIL

Dear John:

We are writing to express our strong objection to the Alliance's May 27, 2025 [submission](#) to the Department of Justice Anti-Competitive Regulations Task Force. Those comments undermine your stated commitment to the franchise system and call into question much of what we have worked together to achieve during recent years.

While dealer representatives and the Alliance are bound to have good faith disagreements regarding some policy issues, including elements of particular franchise laws, your comments go much further than highlighting policy disagreements; they invite the U.S. Department of Justice (DOJ) to scrutinize and actively oppose "harmful" state-level franchise laws generally, and even to seek their repeal. These are the laws that form the very backbone of the franchise system. To submit public comments to the DOJ arguing that franchise laws cause higher retail prices and higher distribution costs at the expense of consumers and OEMs, in addition to being demonstrably incorrect, is inconsistent with the support you and your members have professed for the franchise system and franchised dealers. Simply put, it constitutes a broadside attack on our members and erodes trust between dealers and manufacturers.

Had the Alliance simply highlighted its concerns regarding warranty and relevant market area laws, the submission would still have been problematic because those policy disagreements, if not addressed through direct dialogue with dealers and dealer associations, should be resolved in the state legislatures. But your comments go much further than simply highlighting those two issues. They go as far as to "request[] that the Anticompetitive Task Force evaluate state automobile franchise laws . . . and the effect of those laws on consumers and competition" and "advocate for the elimination or revision of harmful franchise regulations, and advocate against the adoption of new similar regulations." These statements are nothing short of an invocation of federal authority to attack the franchise system writ large.

We are also alarmed by the Alliance's favorable citation of the conclusion that franchise laws "cause higher retail prices and higher distribution costs, at the expense of both consumers and manufacturers[.]" As you are aware, a recent [study](#) conducted by Oliver Wyman shows conclusively that the franchise model is the most cost-effective means to distribute new motor vehicles to consumers. This study was presented to, and favorably received by, your members.

As for your disagreements with relevant market area (RMA) and warranty laws, DOJ led anti-trust investigations against franchise laws are not the appropriate means to air those disagreements. The Alliance's irresponsible invitation that the DOJ address what the Alliance calls "harmful" laws, even if particular laws are singled out, poses a general threat to the franchise system.

Moreover, the Alliance's unsupported assertions that RMA and warranty laws hurt consumers and are anti-competitive are contradicted by available evidence.

- State RMA laws do not grant an incumbent dealer the right to veto a new store within an RMA. Rather, the RMA provisions merely provide incumbent dealers with a right to protest a new store as part of a proceeding that balances the interests of the dealer, the manufacturer, and the public. As opposed to providing dealers an area that is "free from competition," these laws focus on the very criteria that you acknowledge should govern the addition of new points near existing stores – namely, the presence (or absence) of market demand and unmet consumer needs. If the manufacturer can demonstrate that it makes economic sense for both consumers and dealers to add a new dealer in a specific market, that point will be added. And in practice, when a manufacturer attempts to make such a demonstration, they usually succeed. Far from "hindering competition," RMA laws ensure that when dealer network decisions are made, there is an appropriate balancing, administered by an independent fact finder, of the public interest (including the impact on competition) and the legitimate economic interests of the various market participants.
- In arguing that warranty laws "inflate" the time and expense to complete repairs, the Alliance overlooks why these protections became necessary in the first place. The laws evolved to redress a significant abuse of OEMs' advantage in bargaining power that has resulted in many manufacturers understating the time required to make repairs, artificially reducing parts costs when a warranty repair becomes a recall, and imposing unnecessary administrative burdens to secure preapproval of clearly diagnosable vehicle failures. These actions result in OEMs significantly underpaying dealers for work they are required to perform.
- The Alliance also argues that warranty laws create incentives that harm consumers when in fact the opposite is true. Far from discouraging price competition and increasing time for service repairs, franchise laws operate to ensure that there is a healthy economic alignment between those that advocate for and perform high-quality warranty work and the consumers who require the completion of such work. Warranty repairs and recalls represent a cost to the manufacturers. As a result, the manufacturer's economic incentive is to do the minimum (subject to concerns about safety liability and consumer loyalty). Contrarily, the franchised model furthers the public interest by incentivizing the completion of warranty and recall work.

But these policy disagreements are beside the point. It is the broader sweep of the Alliance submission to the DOJ that is completely at odds with the discussions we have had with the Alliance and individual OEMs over the last several years, and what you have communicated on many occasions regarding the manufacturers' and the Alliance's commitment to the franchise

system. The timing of this public submission is particularly unfortunate, given that we have worked hard to build communication and trust with the Alliance and we have fought many battles together (including, most recently, the successful disapproval under the Congressional Review Act of EPA's waivers to CARB).

The relationship between dealers and OEMs is symbiotic, and we are both stronger when we can work together to confront common challenges facing the industry. We are proud of the progress we have made together. And although we won't agree on everything, faith in the franchise system is the foundation on which everything else is built. Indeed, that faith is stated as the first of the foundational franchise principles that NADA issued two years ago—principles that Alliance members embraced. Sadly, the Alliance submission to the DOJ created cracks in that foundation.

Sincerely,



Michael J. Stanton
President and CEO
NADA



William A. Sepic
Chairman
ATAE

cc:

NADA Board of Directors and all ATAEs
Duncan Aldred, General Motors
Steve Center, Kia Motors America
Mark Chaffin, Mitsubishi Motors NA
Adam Chamberlain, Mercedes-Benz USA
Tom Donnelly, Mazda North America
Joachim Eberhardt, Jaguar/Land Rover
Andrew Frick, Ford Motor Co.
Kjell Gruner, Volkswagen Group of America
Jeff Kommor, Stellantis
Sebastian Mackensen, BMW of North America
Randy Parker, Hyundai Motor America
Timo Resch, Porsche
Luis Rezende, Volvo Car USA
Vinay Shahani, Nissan North America
Mark Templin, Toyota Motor
Jeff Walters, Subaru of America, Inc.
Lance Woelfer, Honda/Acura



July 10, 2025

Mike Stanton
President & CEO
National Automobile Dealers Association
8484 Westpark Drive
Suite 500
Tysons, Virginia 22102

Re: Your letter of July 1, 2025 to Auto Innovators

Via Email

Dear Mike,

We received your letter of July 1 regarding comments that Auto Innovators submitted to the U.S. Department of Justice's Anticompetitive Regulations Task Force. I appreciate you taking the time to explain your views and the importance of the franchise system.

Auto Innovators continues to be a strong supporter of the franchise model. State laws that require all manufacturers to distribute the vehicles that they make solely through independent dealers are important because it is fundamentally critical that every automaker be governed under the same rules. This consistent position has guided automaker advocacy on franchise law. Our advocacy on franchise has defended the franchise model. We have opposed direct sales. We have also taken steps to oppose onerous franchise legislation that would undermine the competitiveness of that system.

In January of this year, the Kansas Attorney General's Office contacted Auto Innovators about our views on direct sales and whether we interpreted the state's law to prohibit them. Our reply included a legal analysis of why the statute *did not* permit direct sales as a matter of law and explained why the public policy of the state should be to prohibit direct sales. The Kansas Automobile Dealers Association submitted a similar letter, and we were both pleased to see the Attorney General issue an opinion shortly thereafter that concluded direct sales are prohibited in Kansas.¹

That joint success on direct sales is far from unique. Manufacturer and dealer associations have worked together to combat direct sales legislation in several states, including but not

¹ Kansas Attorney General Opinion No. 2025-7 (2025).

limited to recent work in Arkansas,² Connecticut,³ South Carolina,⁴ and Washington.⁵ In Texas, we have worked together to block direct sales bills going back to 2013. In 2017, proponents of direct sales in Texas tried to entice our members with a bill to allow all manufacturers to own dealerships. We rejected that offer, stuck with our dealer partners, and defeated that bill together.⁶

An important reason for those successful legislative outcomes is that the franchise model has worked very well for manufacturers, dealers, and consumers for generations. It can and should continue to do that for future generations. However, neither manufacturers nor dealers can take our shared future success for granted. Our respective members compete with new market entrants that have chosen to forgo the franchise model and sell directly to consumers — the same consumers for whose business your members and ours must compete. That is the market in which we must operate.

The reality is that franchise laws advanced in the states must be measured against whether they unreasonably impede our ability to compete against those new market entrants. However, many of these bills create unnecessary costs that must be passed onto our consumers, which undermines our joint ability to compete. We recognize there are some elements of franchise law that have merit and address specific problems in a fair, reasonable, and appropriately tailored manner. Yet, we see a troubling trend of franchise bills that take the success of the franchise model for granted and seek to add unreasonable costs and undermine our collective competitiveness. This comes at a time when affordability is a major concern for consumers.

As you know, warranty has been the most contentious issue between Auto Innovators and some state dealer associations this year. Every state in the country has a law on warranty reimbursement. Many of those laws are the result of careful negotiations designed to ensure that warranty work is profitable and that state laws are harmonious. However, several recent warranty bills have called for automakers to pay dealers for hours of labor that were not worked. Such bills call for either multipliers of manufacturer warranty time guides or they allow dealers to demand to be paid a flat rate time based on estimates in a third-party time guide. Those bills are based on the flawed premise that a dealer cannot do a warranty repair faster than an independent repair shop can do a non-warranty repair. Nine state dealer associations proposed such a bill this year.⁷ We appreciated the associations that worked with us to find an agreeable compromise on their legislation. We are also witnessing a steady

² Arkansas SB 395 (2023).

³ Connecticut HB 5044 (2023).

⁴ S. Carolina HB 3777 (2025).

⁵ Washington HB 1721 (2025).

⁶ Texas HB 4236 and SB 2093 (2017).

⁷ Connecticut, Hawaii, Massachusetts, Missouri, New Jersey, North Carolina, North Dakota, Oregon, and Rhode Island.

progression of states prohibiting manufacturers from objecting to the reasonability of parts and labor rates that a dealer can demand the manufacturer pay for warranty.

A bill in New Jersey that awaits Governor Murphy's signature, S. 3309, is a perfect example of the type of franchise bill that is one-sided and unreasonable. It both allows dealers to demand to be paid for far more hours of labor than were actually worked and at whatever rates a dealer can establish using the statute's formula to calculate those rates—even if the rate is demonstrably unreasonable. We cited this bill in our letter to the Justice Department because it is an example of costly overreach that harms consumers and undermines the competitiveness of the franchise system relative to direct sale competitors.

Since the passage of the warranty repair escalator bill in Illinois, warranty repair has been an issue of growing concern for automakers. We committed to work cooperatively on this issue with your organization and with your members. Indeed, it was a focus of discussion during our most recent summit. There, our organizations agreed to convene a task force of dealers and automakers to explore the development of a workable solution to warranty repair issues that would obviate the need for these harmful state bills. We remain disappointed that that task force never got off the ground.

Of course, we are cognizant that these legislative disputes will continue next year and in years after. Auto Innovators leads the defense against these costly bills, and we have an obligation to our members to defend against them. That includes negotiating these bills with state dealer associations, which is often amicable and successful. Indeed, we have high praise for many state dealer associations and their members for their thoughtful approach to legislation and their recognition that manufacturers and dealers rely upon each other for mutual success. But our advocacy also includes calling attention to what has become a troubling pattern in franchise legislation, which is what we did in our letter to the Justice Department. We do not take the mutual success of manufacturers and dealers for granted, and we must vigorously oppose bills that would undermine our members' competitiveness.

Our members do not seek franchise fights. We would prefer to work with dealer associations to protect the franchise model by opposing direct sales bills. We would prefer the legislature be the last resort not the first option to settle business-to-business disagreements. We would prefer to focus on items that will be mutually beneficial for manufacturers *and* dealers rather than ideas to benefit one business partner at the expense of the other. We want our shared industry to be more competitive.

Our association looks forward to continuing this conversation with you.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Bozzella', with a stylized flourish at the end.

John Bozzella
President & CEO

cc: Bill Sepic, ATAE

IN PARTNERSHIP WITH



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PlugStar.com connects consumers and certified dealers to drive EV sales. Designed to enhance the EV shopping experience, the PlugStar program provides dealers with tools, knowledge, and ongoing support through education, certification and resources. Plug In America, the organization behind PlugStar, represents America's deepest pool of EV drivers and is the national leader in EV consumer education.

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- How to bust common myths
- Consumer incentives
- Where to find relevant information after the training



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SIGN UP TODAY

LEGISLATIVE SCORECARD

43

JULY 2025

BILL#	SPONSOR	SUBJECT		STATUS
S201 H406	Sen Crighton Rep Hunt	Amendments to Ch. 93B, the auto dealer franchise law.	SUPPORT	In Joint Committee on Consumer Protection; no hearing scheduled yet.
H398	Rep Howitt	RTR Law amendment to fix consumer notice requirement.	SUPPORT	In Joint Committee on Consumer Protection; no hearing scheduled yet.
S271 H342 H365	Sen O'Connor Rep Chan Rep Finn	Creates process to appeal improperly issued Class 1 license.	SUPPORT	In Joint Committee on Consumer Protection; no hearing scheduled yet.
S202 H424	Sen Crighton Rep Lewis	Modernize on-line vehicle purchase process.	SUPPORT	In Joint Committee on Consumer Protection; no hearing scheduled yet.
S266	Sen Moore	Amends definition of heavy-duty trucks in RTR law.	SUPPORT	In Joint Committee on Consumer Protection; no hearing scheduled yet.
S291 H474	Sen Velis Rep Walsh	Open safety recalls notifications.	SUPPORT	Joint Committee on Consumer Protection held public hearing on 4/14/25. H4284, redraft of H474, reported favorably and referred to House Ways and Means.
S228	Sen Feeney	Protects consumer choice in vehicle service contracts.	SUPPORT	In Joint Committee on Consumer Protection; no hearing scheduled yet.
S797 H1260 H1285	Sen Moore Rep McMurtry Rep Philips	Creates process to increase the insurance reimbursed labor rate paid to auto body repairers.	SUPPORT	In Joint Committee on Financial Services; no hearing scheduled yet.
H1293	Rep Puppolo	Protects consumer choice in vehicle service contracts.	SUPPORT	Joint Committee on Financial Services held public hearing on 5/13/25.
H3406 S2185	Rep Puppolo Sen Moore	Creates process to delay ACT.	SUPPORT	Joint Committee on State Administration held public hearing on 7/22/25.
H2386 H3535 H3572	Rep Muradian Rep Muradian Rep Soter	Creates process to delay ACC II and ACT.	SUPPORT	Joint Committee on Telecommunications, Utilities and Energy held public hearing on 5/14/25.
S2360 H3603	Sen Cronin Rep Arciero	Eliminates initial state inspection for new vehicle.	SUPPORT	Joint Committee on Transportation held public hearing on 5/13/25. H3603 reported favorably and referred to House Ways and Means.
H3690	Rep Howitt	Limit doc prep fee to \$400.	OPPOSE	Joint Committee on Transportation held public hearing on 5/13/25. Reported favorably and referred to House Ways and Means.
H3676 H3677 S2371 S2374	Rep Gregoire Rep Gregoire Sen DiDomenico Sen DiDomenico	Establishes requirements for e-titles and e-signatures on RMV and sales docs.	SUPPORT	Joint Committee on Transportation held public hearing on 5/13/25.
H78 H80 H104 S29 S33 S45	Rep Farley-Bouvier Rep Hogan Rep Vargas Sen Creem Sen Driscoll Sen Moore	Mass. Consumer Data Privacy Act	OPPOSE	Joint Committee on Advanced Information Technology, the Internet and Cybersecurity held public hearing on 4/9/25. Redraft S2516 reported favorably on 5/12/25, referred to Senate Ways and Means.



Released: July 2025

Covering data thru June 2025

Massachusetts Auto Outlook™

Comprehensive information on the Massachusetts new vehicle market

% Change In
New Retail Market:
YTD '25 thru June
vs. Year Earlier



Light trucks

+6.8%



Cars

-2.7%

Massachusetts New Retail Light Vehicle Registrations

	Light Trucks	Cars	Total
YTD '24 thru June	114,169	23,166	137,335
YTD '25 thru June	121,905	22,539	144,444
% change	6.8%	-2.7%	5.2%
Jun-24	17,264	3,436	20,700
Jun-25	18,451	3,403	21,854
% change	6.9%	-1.0%	5.6%
May-25	24,310	4,439	28,749
Jun-25	18,451	3,403	21,854
% change	-24.1%	-23.3%	-24.0%

Data sourced from Experian Automotive. Historical figures have been updated.

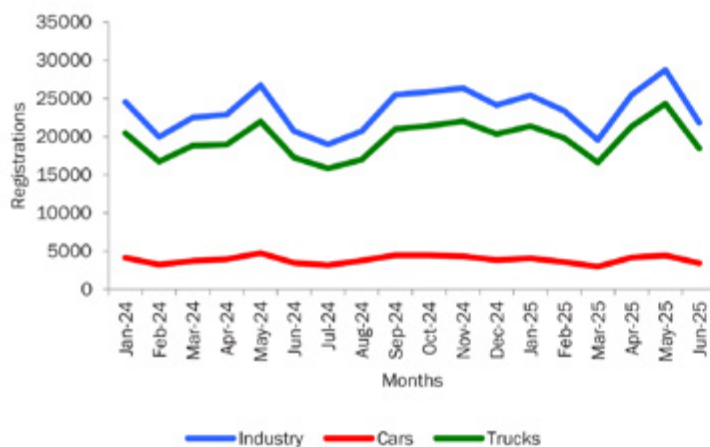
QUICK FACTS

New retail light vehicle registrations in the state increased 5.2% during the first six months of this year versus year earlier. U.S. market was up 6.4%.

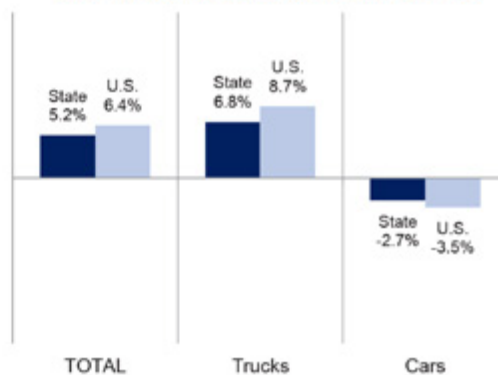
June registrations this year increased from year earlier, but declined 24% from May of 2025.

Registrations increased by more than 16% for six brands: Rivian, Ram, Genesis, Kia, GMC, and Porsche (see page 3).

Monthly New Retail Light Vehicle Registrations in State



Percent Change in State and U.S. New Retail Light Vehicle Markets YTD '25 thru June vs. Year Earlier



The graph above compares the change in new retail car and light truck registrations in both the state and U.S. markets. Data sourced from Experian Automotive.

Data Information

Data presented in Auto Outlook measures new retail vehicle registrations in Massachusetts. Monthly recording of registrations occurs when vehicle title information is processed, which June differ from date of sale. Title recording can occasionally be subject to processing delays by governmental agencies. For this reason, the year-to-date figures will typically be more reflective of market results.

Massachusetts Auto Outlook

Change in New Retail
Light Vehicle Registrations
YTD '25 thru June vs.
Year Earlier

**DOMESTIC
BRANDS**
 **UP
5.6%**

**EUROPEAN
BRANDS**
 **UP
0.7%**

**JAPANESE
BRANDS**
 **UP
4.2%**

**OTHER ASIAN
BRANDS**
 **UP
15.2%**

Massachusetts New Retail Car and Light Truck Registrations by Make						
	YTD thru June			YTD Market Share (%)		
	YTD '24	YTD '25	% chg.	YTD '24	YTD '25	Chg.
TOTAL	137,335	144,444	5.2%			
Acura	1,478	1,415	-4.3%	1.1	1.0	-0.1
Alfa Romeo	115	54	-53.0%	0.1	0.0	0.0
Audi	2,811	2,718	-3.3%	2.0	1.9	-0.2
BMW	4,196	4,180	-0.4%	3.1	2.9	-0.2
Buick	638	520	-18.5%	0.5	0.4	-0.1
Cadillac	852	961	12.8%	0.6	0.7	0.0
Chevrolet	8,614	8,819	2.4%	6.3	6.1	-0.2
Chrysler	278	225	-19.1%	0.2	0.2	0.0
Dodge	468	431	-7.9%	0.3	0.3	0.0
Ford	9,384	10,477	11.6%	6.8	7.3	0.4
Genesis	624	786	26.0%	0.5	0.5	0.1
GMC	3,488	4,088	17.2%	2.5	2.8	0.3
Honda	16,721	18,958	13.4%	12.2	13.1	0.9
Hyundai	7,439	8,231	10.6%	5.4	5.7	0.3
Infiniti	444	470	5.9%	0.3	0.3	0.0
Jaguar	78	58	-25.6%	0.1	0.0	0.0
Jeep	6,610	6,234	-5.7%	4.8	4.3	-0.5
Kia	5,482	6,589	20.2%	4.0	4.6	0.6
Land Rover	1,086	1,166	7.4%	0.8	0.8	0.0
Lexus	3,812	4,202	10.2%	2.8	2.9	0.1
Lincoln	654	672	2.8%	0.5	0.5	0.0
Maserati	61	32	-47.5%	0.0	0.0	0.0
Mazda	4,978	5,018	0.8%	3.6	3.5	-0.2
Mercedes	2,799	3,166	13.1%	2.0	2.2	0.2
MINI	460	463	0.7%	0.3	0.3	0.0
Mitsubishi	656	691	5.3%	0.5	0.5	0.0
Nissan	5,672	4,930	-13.1%	4.1	3.4	-0.7
Polestar	67	92	37.3%	0.0	0.1	0.0
Porsche	626	732	16.9%	0.5	0.5	0.1
Ram	1,611	2,109	30.9%	1.2	1.5	0.3
Rivian	374	496	32.6%	0.3	0.3	0.1
Subaru	9,622	10,020	4.1%	7.0	6.9	-0.1
Tesla	5,037	5,087	1.0%	3.7	3.5	-0.1
Toyota	23,159	23,612	2.0%	16.9	16.3	-0.5
Volkswagen	4,618	4,192	-9.2%	3.4	2.9	-0.5
Volvo	2,022	2,178	7.7%	1.5	1.5	0.0
Other	301	372	23.6%	0.2	0.3	0.0

Top ten are shaded yellow. Other Asian brands include Genesis, Hyundai, Kia, and VinFast.

At Auto Outlook, we strive to provide accurate analyses based upon the data available to us. Auto Outlook can make no representation or warranty with respect to the accuracy or completeness of the data we provide or the projections that we make based upon such data. Auto Outlook expressly disclaims any such warranties, and undue reliance should not be placed on any analysis. Auto Outlook undertakes no obligation to revise any forecasts or analyses, whether as a result of any new data, the occurrence of future events, or otherwise.



Released: July 2025

BRAND RESULTS



**Percent Change in Registrations
YTD '25 thru June vs. YTD '24
(Top 30 selling brands)**

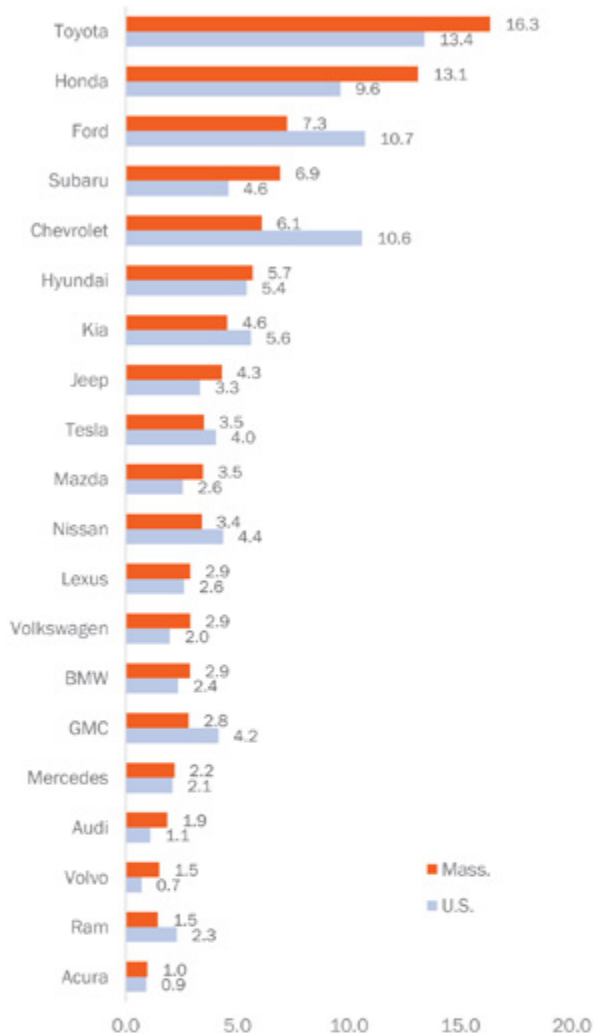


Year-to-date registrations increased by more than 16% for Rivian, Ram, Genesis, Kia, GMC, and Porsche.

Data sourced from Experian Automotive.

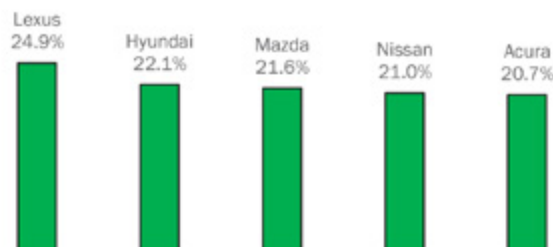


**State and U.S. Market Share - YTD '25
(Top 20 selling brands in state)**



Brands On the Move

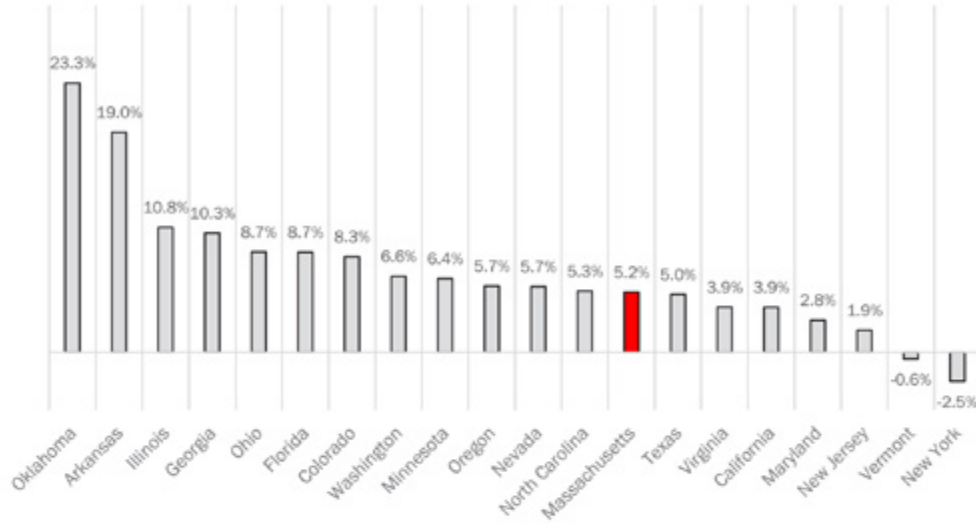
Largest % increase in registrations during past 3 months (Apr '25 thru Jun '25) vs. preceding 3 months (Jan '25 thru Mar '25) Among top 20 selling brands



Massachusetts Auto Outlook

MARKET COMPARISON

Percent Change in New Retail Light Vehicle Registrations - YTD 2025 thru June vs. YTD 2024

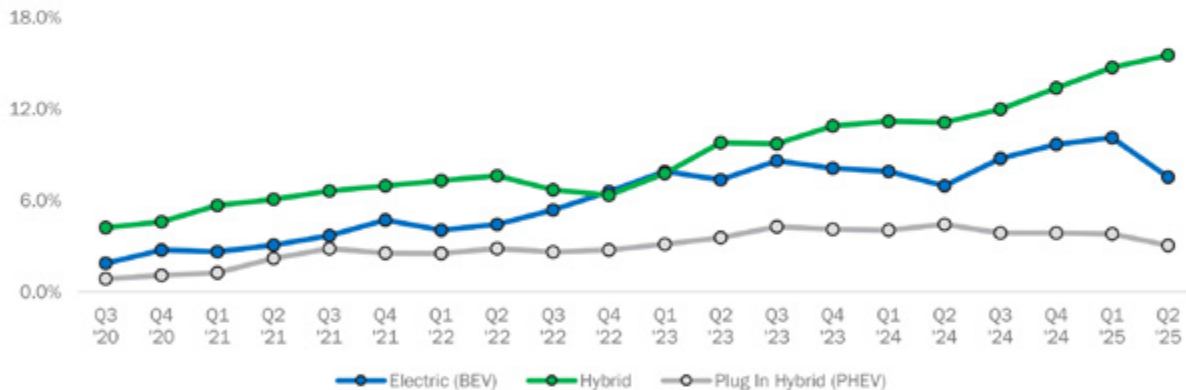


Observations and Key Facts

- Massachusetts registrations increased **5.2%** in the first half of this year, about average compared to other markets. The Oklahoma market improved by **23.3%**.
- BEV market share in the state was **8.8%** vs. **8.9%** in the Nation. BEV penetration was highest in California - **21.5%**
- Toyota was the best-selling brand in the state and was the leader in 11 of the other 19 markets. Highest share for Toyota was in Oregon (23.2%).

HYBRID AND ELECTRIC VEHICLES

Quarterly Alternative Powertrain Market Share (Includes hybrid and electric vehicles)



The graph above shows hybrid powertrain and electric vehicle market share in the state. Data sourced from Experian Automotive.

Massachusetts New Light Vehicle Registrations by Powertrain Type

Powertrain Type	Registrations					Market Share				
	Months			YTD thru June		Months			YTD thru June	
	Jun-24	May-25	Jun-25	YTD '24	YTD '25	Jun-24	May-25	Jun-25	YTD '24	YTD '25 Chg. in share
ICE	16,344	21,393	16,064	105,988	104,986	79.0%	74.4%	73.5%	77.2%	72.7% -4.5
BEV	898	1,860	1,643	10,197	12,640	4.3%	6.5%	7.5%	7.4%	8.8% 1.3
Hybrid	2,516	4,533	3,597	15,320	21,883	12.2%	15.8%	16.5%	11.2%	15.1% 4.0
PHEV	942	963	550	5,830	4,935	4.6%	3.3%	2.5%	4.2%	3.4% -0.8

Massachusetts Auto Outlook

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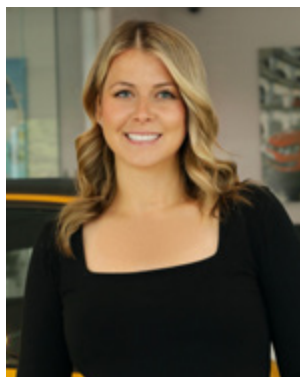
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NORTHAMPTON

TommyCar's Kayla Sheridan Named One of *Automotive News*' 40 Under 40

On July 14 *Automotive News* named Kayla Sheridan, Marketing Director of TommyCar Auto Group, as a 40 Under 40 honoree. This annual program honors 40 high achievers at new-car dealerships who are under 40 years old.



Automotive News received nominations from across the U.S. and identified outstanding performers in a large field of high-quality talent at dealerships. This year's honorees are a diverse group with a broad range of titles and backgrounds. Ally, a leading digital financial services company, is the exclusive sponsor of this recognition program.

"Our 40 Under 40 program celebrates dealership employees who stand out with their leadership and their results," said Jamie Butters, executive editor of *Automotive News*. "The individuals on this 14th annual list have demonstrated significant business achievements that have improved their stores and their communities."

As Marketing Director at TommyCar Auto Group, Kayla Sheridan has played a pivotal role in shaping the brand's voice, driving strategic campaigns, and deepening engagement with customers across Western Massachusetts and beyond.

"Kayla's recognition is incredibly well-deserved," said Carla Cosenzi, President of TommyCar Auto Group. "Her passion, leadership, and unwavering commitment to our customers and team have made a lasting impact. Kayla continues to set the standard for excellence in every initiative she leads, and we couldn't be prouder to see her honored among the best in our industry."

Mark Hollmer authored the following profile of Ms. Sheridan that ran in the July 14 edition of *Automotive News*:

After four years as an account executive for a wireless communications retailer with limited growth opportunities, Kayla Sheridan began to look for a new job. It was 2012 and an ad for a marketing and events coordinator position at TommyCar Auto Group caught her eye.

"I saw so much room for growth here," Sheridan said. "It's challenging; every day is different and it's super-fast-paced. I really dove into a completely new industry and fell in love with it."

Sheridan is marketing director for TommyCar, a dealership group in western Massachusetts selling Nissan, Hyundai, Volkswagen, Volvo, and Genesis vehicles at five stores. She's worked in her latest role since 2022 following years of increasing respon-

sibility coordinating promotional events and handling marketing and advertising campaigns.

Sheridan concentrates on data-driven marketing, which she said helps make more informed and cost-effective decisions about how to best spend marketing dollars. This, she said, helped reduce TommyCar's advertising cost to sell one vehicle by more than half. Sheridan said the approach made the overall sales process more efficient.

Sheridan also introduced initiatives such as the TommyCar Walkaround Contest, a quarterly event where sales reps showcase their skills describing a vehicle's finer points for a cash prize. Sheridan developed and manages the dealership group's internship program, which helps spot future leaders who want to learn more about marketing, public relations, and the automotive industry.

She's also focused on improving TommyCar's customer loyalty program and helps shepherd charity events such as the Tom Cosenzi "Driving for the Cure" Charity Golf Tournament, named for the TommyCar founder who died of brain cancer in 2009.

Sheridan, a married mom of a daughter and son, enjoys family time outside of the office and walks roughly four miles a day. And she continues to look forward to helping TommyCar succeed.

"I would always want to stay on the marketing side," she said. "I love it. I have such a passion for it."


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BOSTON

Asbury Automotive Group Completes \$1.45B Purchase of Herb Chambers Companies

By John Huetter, *Automotive News*

The nation's fifth-largest public auto retailer now owns another top private dealership firm, as Asbury Automotive Group Inc. on July 21 completed the \$1.45 billion deal to buy Herb Chambers Cos., marching into fresh territory and absorbing a luxury-laden portfolio.

"Herb redefined the car-buying experience in New England, making 'Herb Chambers' a household name, synonymous with reliability and service," Asbury CEO David Hult said in a statement. "The HCC team is well known for its guest-centric focus and community involvement, and we are proud to welcome the team to the Asbury family."

Signed on February 14, the mega-acquisition marks the largest this year tracked by *Automotive News* and gives Asbury New England roots in Massachusetts and Rhode Island with 33 dealerships and three collision centers, plus billions more in expected annual revenue, the company said in an April 29 first-quarter earnings investor presentation.

The final purchase price of \$1.45 billion included \$750 million for goodwill, or the intangible value of dealerships; about \$610

million for the real estate and leasehold improvements; and about \$85 million for "new vehicles, used vehicles, service loaner vehicles, fixed assets, parts and supplies," according to a regulatory filing.

Longtime dealer Chambers told *Automotive News* in an emailed statement that his team's well-being remains top priority and that Asbury "stood out as the ideal steward."

"Over the past decade, I've been approached by several companies interested in acquiring my organization," said Chambers, who is in his 80s. "Their leadership — especially under David Hult — is, without a doubt, the best in the industry."

The blockbuster deal grows Asbury's portfolio from 30 percent luxury to 34 percent luxury, according to its first-quarter investors report, giving the retailer new premium brands including two Cadillac stores, three Alfa Romeo, three Maserati dealerships and one each selling Rolls-Royce and Lamborghini.

The deal also includes a Bentley store — Asbury's second — plus two Audi, two Porsche, two Mercedes-Benz, two BMW, two Land Rover, and one Jaguar dealership.

Domestic brand stores changed hands, too, including two Ford, two Chrysler-Dodge-Jeep-Ram stores with one selling Fiat, and one Chevrolet.

The sale tallies more than 50 franchises. Asbury said it will net 31 dealerships because it must sell two Lexus dealerships to comply with the manufacturer's cap, according to Asbury spokesperson Morgan Irwin. The Herb Chambers group has two Lexus stores, and Asbury plans to keep them, Hult told *Automotive News* on April 29. It's unclear if Asbury has sold those stores yet.

Asbury paid for the deal through a combination of its credit facility capacity, a mortgage and cash.

Hult, who grew up in New England, said during the April 29 earnings call that the group had wanted to get into that part of the country for awhile.

Ahead of the closing, initially expected in the second quarter, Hult on June 12 told *Automotive News* that he and Chambers had discussed transition. "Even though we haven't closed on Chambers yet, there's a lot of communication going on now to discuss integration," Hult said.

Chambers agreed to a special advisory post within Asbury, the company said, and he'll keep ownership of Mercedes-Benz of Boston, in Somerville, Mass. If Chambers decides to sell that within five years of Asbury closing on the broader deal, Asbury will buy it. It has no obligation to do so after.

After heading a successful office equipment enterprise, Chambers purchased his first automotive dealership selling Cadillacs and Oldsmobiles in New London, Conn., in 1985, before expanding into Providence, R.I., and eventually Massachusetts, many in the Boston area.

The Herb Chambers acquisition is the latest in a series of major deals for Asbury, which bought Park Place Dealerships in Texas in 2020, Larry H. Miller Dealerships across seven states and Stevinson Automotive in Colorado in 2021, and Jim Koons Automotive Cos. in the mid-Atlantic in 2023.

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HOLYOKE

Gary Rome Hyundai Receives Two Prestigious Hyundai Awards

On July 10, Gary Rome Hyundai received the Hyundai Board of Excellence Award and named Hyundai Dealer of the Year for 2025, two of the highest distinctions Hyundai Motor America bestows upon its dealerships.

The Hyundai Board of Excellence Award recognizes a select group of Hyundai dealerships nationwide that demonstrate exceptional performance across customer satisfaction, sales, and overall dealership operations. Achieving this status signals a relentless dedication to delivering an outstanding ownership experience for Hyundai customers.

The Hyundai Dealer of the Year Award is Hyundai Motor

America's highest dealership honor, typically awarded to only one dealership per region each year. This award distinguishes Gary Rome Hyundai as a benchmark in operational excellence, customer service, and brand representation, setting the standard for Hyundai dealerships across the country.

According to Hyundai, the awards highlight the unwavering commitment of Gary Rome Hyundai's entire team to put customers first, ensuring every visitor receives unparalleled service and care. They also reflect the dealership's integral role in representing the Hyundai brand in the Western Massachusetts community and beyond.

NORWELL

Team Audi Norwell Wins Audi Quattro Cup

On July 14, Audi Norwell's two-person team of Todd Cassler and Deric Peterson won this year's Audi Quattro Cup played at Blue Hill Country Club, in Canton. This regional event was made up of the Boston area Audi Dealers with guests from 10 local Audi Dealerships competing in this amazing event. Team Audi Norwell will go on to compete in the US Finals at PGA West LaQuinta Golf Resort in October. The winner of the national tournament will go on to compete in the World Audi Quattro Cup Championship in Muscat, Oman. Congratulations, Todd and Deric, and good luck in October.



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2025 Massachusetts Economic Impact Report

based on Data thru December 31, 2024

The Economic Impact of Franchised New Car Dealerships on the Massachusetts Economy



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INTRODUCTION

**2024
Economic
Impact Study**

President's Message

This Automotive Industry Economic Impact Study has been conducted to show the significant contribution our industry makes to the Massachusetts economy.

The Massachusetts State Automobile Dealers Association was formed in 1940 to represent the interests of new car and truck dealers in the state. The primary purpose then and now has been to make it as easy as possible for dealers and their customers to buy, sell, and maintain automotive vehicles.

Dealers provide tens of thousands of jobs to Massachusetts residents, and are an important component of the state's economy. Massachusetts franchised new vehicle dealers are very proud of their contributions to economic growth and development throughout.

James E. Balise, Jr.
Balise Automotive Group
MSADA President

Robert O'Koniewski, Esq.
Executive Vice President

Introduction

This report provides an in-depth analysis of the economic impact of Massachusetts new car and truck dealers on the State's economy. It includes estimates of direct and indirect employment, personal income, and tax collections generated by Massachusetts automotive dealers. Also included is a review of dealership financial statistics and operations. This report was prepared by Auto Outlook, Inc., an independent automotive market analysis firm, and was sponsored by the Massachusetts State Automobile Dealers Association.

Massachusetts State Automobile Dealers Association

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PRIMARY CONCLUSIONS

**2024
Economic
Impact Study**

Massachusetts Franchised New Vehicle Dealers Vital contributors to the state's economy in 2024:



- Total jobs in Massachusetts attributable to franchised new vehicle dealerships52,500
- Number of jobs per new vehicle dealership 63
- Total earnings for Massachusetts residents attributable to dealership operations \$4.7 billion
- Average salary for dealership employees. \$95,400
- Total state and local taxes collected or paid \$1,2 billion
- Total federal payroll taxes collected or paid \$693.9 million
- Total dealership sales (dollars). \$30.4 billion
- Number of franchised new vehicle dealerships 427
- Total dealership expenditures on products and services from other state businesses. \$918.0 million
- Total dealership contributions to charitable causes \$21.4 million
- Total dealership advertising expenses. \$239.1 million

Average Dealership Profile - 2024



Total sales: \$71.1 million.

Expenditures of products and services from other Massachusetts businesses: \$2,150,000

Advertising expenses: \$560,000

Contributions to charitable causes during 2024: \$50,200.

Average dealership new and used vehicle sales during 2024: 1,338 units.

EMPLOYMENT AND PAYROLL

2024
Economic
Impact Study

Employment totals for new vehicle retailing industry - 2024 (Direct: at dealerships; Indirect: elsewhere in economy)

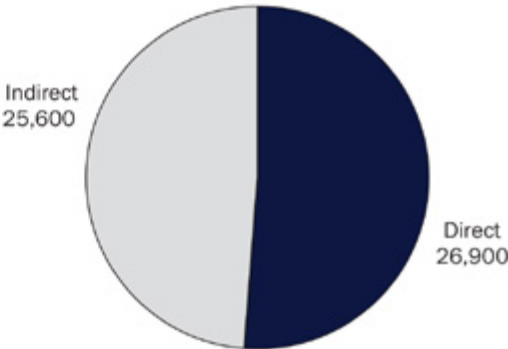


Total employment at
new car dealerships:
26,900

In 2024, Massachusetts new vehicle dealerships directly employed a total of 26,900 individuals.

An additional 25,600 individuals were employed due to the indirect impact of dealership operations.

Automobile dealership operations accounted for 16% percent of total retail employment in the state. (This included both direct and indirect employment.)



Dealership Contribution to Retail Employment in Massachusetts - 2024	
Total employment resulting from auto dealerships	52,500
Total retail employment in Massachusetts	327,200
Dealership percent of State retail employment	16.0%

Employee compensation due to new vehicle retailing industry - 2024



Total compensation at
new car dealerships:
\$2.8 billion

In 2024, the average Massachusetts dealership paid \$6.6 million to its employees (including fringe benefits). Including both direct and indirect sources, the new vehicle retailing industry resulted in nearly \$4.7 billion of total compensation to Massachusetts residents!

Industry Total	Direct	Indirect	TOTAL
Payroll	\$2,566,270,000	\$1,719,400,900	\$4,285,670,900
Fringe Benefits	\$243,390,000	\$163,071,300	\$406,461,300
TOTAL	\$2,809,660,000	\$1,882,472,200	\$4,692,132,200

Average Dealership Payroll	Direct
Payroll	\$6,010,000
Fringe Benefits	\$570,000
TOTAL	\$6,580,000

TAXES AND MARKET SUMMARY

**2024
Economic
Impact Study**

Estimated tax revenue generation - 2024



Total state and local taxes collected or paid by new car dealerships:

\$1.2 billion

In 2024, new franchised automobile dealerships in Massachusetts collected or paid more than \$1.2 billion in state and local taxes, an average of \$2,868,000 per dealership. Federal payroll taxes for the industry approached \$700 million.

Tax Category	Average Per Dealer	Industry Total
State sales tax collected	\$2,350,000	\$1,003,450,000
State and local payroll taxes	\$315,000	\$134,505,000
Real estate and other local taxes	\$203,000	\$86,681,000
Massachusetts Total	\$2,868,000	\$1,224,636,000
Federal Payroll Taxes	\$1,625,000	\$693,875,000

New Retail Car and Light Truck Registrations in Massachusetts - 2011 thru 2024

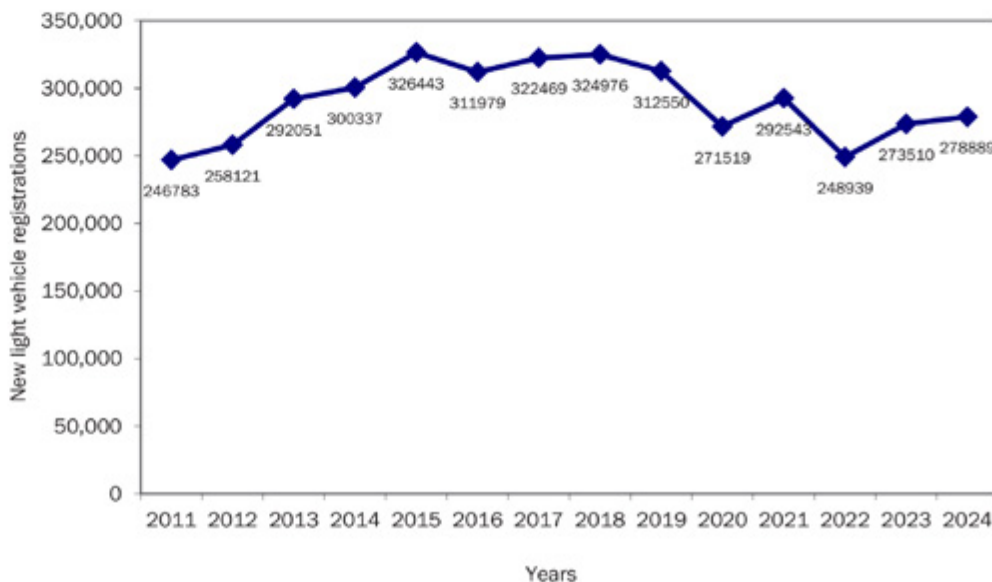


New retail registrations in state during 2024:

278,889

As shown on the graph, combined new retail car and light truck registrations in the state declined sharply in 2020 due to the pandemic, improved in 2021, and then fell 14.9% in 2022 as supply chain issues impacted vehicle production. Registrations increased in 2023 and 2024 as vehicle inventories recovered.

Data sourced from Experian Automotive.



DEALERSHIP SALES AND ADVERTISING

2024
Economic
Impact Study

Departmental Sales (dollars) - 2024



Total sales by new car dealerships in 2024:
\$30.4 billion

Total sales for franchised new vehicle dealerships in Massachusetts during 2024 exceeded \$30 billion. Average dealership sales were \$71.1 million, with \$38.4 million resulting from new vehicle sales.

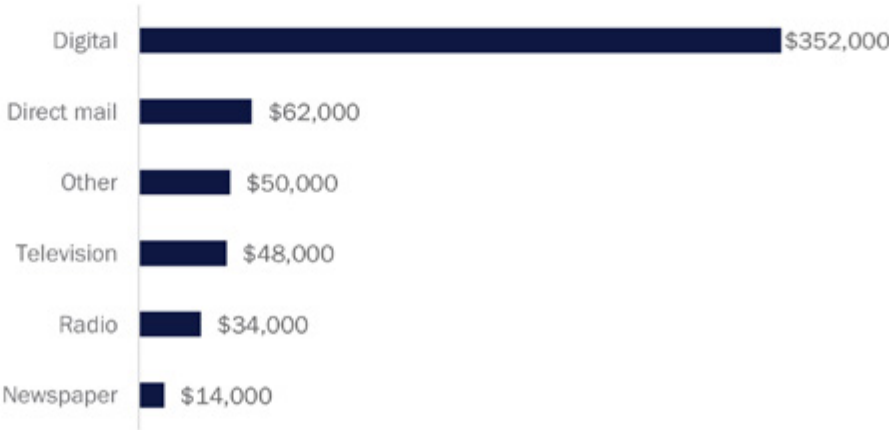
Department	Average Per Dealer	Auto Retailing Industry Total
New vehicle	\$38,400,000	\$16,396,800,000
Used vehicle	\$19,150,000	\$8,177,050,000
Service and parts	\$9,960,000	\$4,252,920,000
Other	\$3,590,000	\$1,532,930,000
Total	\$71,100,000	\$30,359,700,000

Dealership Advertising (dollars) - 2024



Total dealership advertising expenses:
\$239.1 million

Average dealership advertising expenses in 2024 were \$560,000. Total for the industry was \$239.1 million. The majority of expenditures were devoted toward digital media.



ELECTRIC VEHICLES

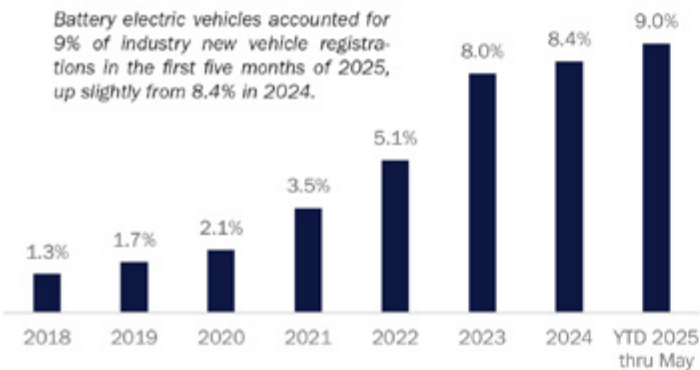
2024
Economic
Impact Study

Massachusetts franchised new vehicle dealerships:
Leading the way for electric vehicle sales



Battery electric vehicle (BEV) sales in Massachusetts increased steadily between 2018 and 2023, but increases levelled off in 2024 and 2025. Franchised dealerships are accounting for a significantly larger share of the market:

BEV Share of Massachusetts New Retail Light Vehicle Market



Franchised Dealership Share of State BEV Market in 2018: **19.4%**

Franchised Dealership Share of State BEV Market, YTD '25 (May): **57.3%**

Data sourced from Experian Automotive.

Dealerships are making large scale investments to prepare for the sale and service of electric vehicles:

Average number of electric vehicle chargers installed at new vehicle dealerships by the end of 2025:

4.2

Total estimated dealership expenses during 2024 and 2025 to prepare for the sale and service of electric vehicles:

\$102,134,130

EV-related expenses by category (2024 and 2025 combined):

Department	Average Per Dealer	Auto Retailing Industry Total
Chargers	\$102,000	\$43,554,000
Building modifications	\$50,400	\$21,520,800
Charging infrastructure	\$47,850	\$20,431,950
Special equipment	\$24,840	\$10,606,680
Service training	\$9,100	\$3,885,700
Sales training	\$5,000	\$2,135,000
TOTAL	\$239,190	\$102,134,130

Background and Methodology

Dealership financial data (and other information cited in the report) was collected from a detailed survey sent to all new vehicle automotive retailers in Massachusetts. Economic impact is separated into two main categories: direct and indirect. Direct impact comprises economic activity at automotive dealerships themselves, such as dealership employment and compensation to employees. Indirect impact occurs away from the dealership, and takes into account the extended contribution dealerships and their employees make to the Massachusetts economy.

The indirect economic impact of automotive retailers was estimated by Auto Outlook, Inc. Auto Outlook, Inc. is a regional automotive market analysis firm providing market research services to automotive dealers. Jeffrey Foltz, the President of Auto Outlook, Inc., obtained a Masters Degree in Economics from the University of Delaware and has conducted many research projects analyzing state and regional economies.



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Tax Changes for Auto Dealerships Under the OBBB



By Dalton Meyers

ALBIN RANDALL & BENNETT

Auto dealers are facing a significant tax-policy makeover following enactment of the One Big Beautiful Bill (OBBB) on July 4, 2025. While core provisions of the Tax Cuts and Jobs Act remain intact, new rules around vehicle financing, depreciation write-offs, and electric-vehicle incentives reshape the sales pitch for dealerships nationwide. Here is an expanded overview of what dealerships need to know and how to turn these tax changes into new opportunities.

New Above-the-Line Car-Loan Interest Deduction

Starting January 1, 2025, individual buyers may deduct up to \$10,000 of interest on new-vehicle loans directly “above the line,” reducing adjusted gross income even if they claim the standard deduction. To qualify, the car, SUV, or truck must be a new vehicle, must have final assembly occur in the United States, have a gross vehicle weight rating under 14,000 pounds, and be purchased outright (leasing does not count). Income phase-outs kick in at modified adjusted gross income (MAGI) above \$100,000 for single filers and \$200,000 for joint filers, phasing out fully at \$150,000/\$250,000.

Dealer Takeaway: Use simple amortization examples in CRM and pre-approval letters to demonstrate tax savings on customer loan payments.

Enhanced Depreciation for Commercial Buyers

The OBBB makes permanent 100 percent bonus depreciation for qualifying business assets acquired after January 20, 2025, and raises the Section 179 expensing limit to \$2.5 million (phasing out at \$4

million). Heavy SUVs, pickups, and vans with GVWR over 6,000 pounds remain eligible if used predominantly for business purposes. A small-business owner can now deduct the entire purchase price of a work truck in the first year, rather than depreciating over five years. With a \$2.5 million cap, multiple vehicles or equipment purchases can be bundled into a single tax-year transaction.

Dealer Takeaway: Tag qualifying business vehicles and train staff on first-year write-offs versus five-year depreciation.

Sunsetting Federal EV Credits

The federal new-EV tax credit of up to \$7,500 for new electric vehicles—and \$4,000 for used EVs—will expire on September 30, 2025. The credits for both commercial and residential EV charging installations end June 30, 2026. Dealerships should prioritize stock of credit-eligible EV models assembled domestically and priced under income thresholds. Craft “Last Chance for Federal Savings” promotions running August through September, underscoring model eligibility and credit expiration dates. As federal credits sunset, state and utility rebates (such as point-of-sale discounts or HOV-lane stickers) become primary levers. Equip staff with an updated matrix of regional incentives to guide buyers through total-cost-of-ownership comparisons.

Dealer Takeaway: Highlight expiring federal EV credits in marketing, tag eligible models online, and send targeted emails on deadline and local incentives.

Regulatory and Market Dynamics

The OBBB removes penalties for missing Corporate Average Fuel Economy (CAFE) targets, potentially slowing mandated fuel-efficiency gains. However, state-level emissions standards and possibly new zero-emission vehicle mandates could continue to drive OEM product road maps. Dealers should monitor state policies in major markets for evolving compliance requirements. Educate buyers on

fuel-economy trade-offs, especially where lower CAFE pressure could slow efficiency improvements in gas-powered models. Upsell services such as extended warranties or maintenance packages that address shifting reliability concerns in new powertrain technologies.

Dealer Takeaway: Stay current on policy changes, provide quick-reference MPG vs. EV range cards, and bundle maintenance plans to reassure buyers on new technology reliability.

Operational and Sales Strategy

To capitalize on OBBB provisions, dealerships will want to analyze and flag inventory so that finance and sales teams instantly recognize vehicles eligible for interest deductions, bonus depreciation, or tax credits. Arm your digital marketing with dynamic taglines highlighting the potential benefits available and retarget site visitors who have browsed qualifying vehicles. Train every touchpoint – from showroom greeters to F&I managers – to ensure consistent messaging about deadlines, eligibility criteria, and savings examples. Role-playing sessions can help staff explain complex rules in plain language.

Dealer Takeaway: Integrate OBBB-eligibility flags in inventory, use dynamic taglines and retargeting, and hold regular huddles to refresh staff talking points.

The Road Ahead

The One Big Beautiful Bill reshapes core incentives that link vehicle purchases to federal tax policy. Dealers who proactively weave new interest deductions, business depreciation perks, and the impending sunset of EV credits into their sales narratives will build stronger value propositions, deepen customer trust, and seize a competitive edge. By updating inventory systems, refining marketing campaigns, and arming teams with clear, accessible savings examples, dealerships can turn policy complexity into showroom opportunity and accelerate sales momentum well into 2026 and beyond.



What Auto Dealers Need to Know About the One Big Beautiful Bill Act

By Kristin Reese-Scalabrino

WITHUM

On July 4, 2025, President Donald Trump signed the One Big Beautiful Bill Act (OBBBA) into law after the House approved the Senate-revised bill with a vote of 218-214. The bill includes a variety of tax items that will impact auto dealer business taxes, personal income taxes, and estate and gift taxation.

This article highlights several pertinent areas of the OBBBA that will impact auto dealership businesses and owners. The new law is seen as a welcome relief for auto dealers, with many of the sunseting Tax Cuts and Jobs Act from the first Trump term permanently extended under OBBBA.

Section 168(k) “Bonus” Depreciation

The bill permanently extends 100% bonus depreciation for qualified property acquired after January 19, 2025. For the first taxable year, dealerships can elect to apply the 40% bonus depreciation (for taxable year ending on December 31, 2025) or 100% bonus depreciation. Depreciation laws vary by state. Many states, such as Massachusetts, Rhode Island, New Jersey, New York, California, and New Hampshire, do not conform to Section 168(k) bonus depreciation.

Section 179 Deduction

The OBBBA also increases the maximum allowable Section 179 deduction to \$2.5 million in the 2025 taxable year. The deduction will be reduced by the amount by which the cost of the qualifying property exceeds \$4 million. As dealerships expand their operations, open new stores, and renovate existing stores, the increased 179 deduction allows dealers to immedi-

ately expense 100% of the cost basis of the asset placed in service. As Section 179 deductions are generally allowed by most states, electing 179, as opposed to taking bonus depreciation, may allow for less state income taxes to be paid.

Updates to Section 163(j) and Adjusted Taxable Income (ATI)

For tax years beginning after December 31, 2024, the calculation of ATI will return to EBITDA, allowing the addition of depreciation and amortization expense. This is a highly anticipated provision in the bill for auto dealers. The addition of depreciation and amortization will allow some dealers the ability to take advantage of bonus depreciation, as their floor plan financing will no longer exceed the limitation.

The OBBBA also modifies the definition of “motor vehicle” to include towable

fer program will be significantly impacted by the termination of these credits.

Dealers should contact their customers to notify them of the changes to the clean vehicle credits and encourage them to complete their EV purchase before the credits expire.

The following clean vehicle credits terminate for vehicles acquired after September 30, 2025.

- Section 25(e) tax credit for previously-owned clean vehicles;
- Section 30(d) tax credit for new clean vehicles; and
- Section 45(w) tax credit for qualified commercial clean vehicles – the credit for vehicles owned and placed in service by the dealership terminates for vehicles acquired after September 30.

The Section 45(w) requirement that the vehicles only be acquired, not placed in

THE NEW LAW IS SEEN AS A WELCOME RELIEF FOR AUTO DEALERS, WITH MANY OF THE SUNSETTING TAX CUTS AND JOBS ACT FROM THE FIRST TRUMP TERM PERMANENTLY EXTENDED UNDER OBBBA.

trailers and campers. This allows the floor plan interest for these trailers and campers to be deductible. Before enactment, interest on trailers and campers was not included as floor plan financing interest.

Dealerships should still evaluate the Section 163(j) interest limitations to determine if bonus depreciation is allowed for the year.

Termination of Various Clean Energy Credits

While prior proposals terminated various energy credits immediately, the final bill gives some extension to the allowable energy credits introduced under the Inflation Reduction Act. Dealers that sell a high quantity of electric vehicles and have been participating in the IRS credit trans-

service, by September 30, 2025, provides some potential planning opportunities. By utilizing the word acquire, dealerships would only have to legally purchase and obtain vehicle ownership by that date.

The Section 30(c) alternative fuel vehicle refueling property credit (charging stations) terminates for property placed in service after June 30, 2026. The credited property must still be installed in qualifying areas to be allowed. Placed in service generally means installed and ready for use, instead of merely showing ownership of the property.

Some dealerships may utilize certain energy-efficient properties with store renovations or new construction. The credits associated with this energy-efficient property have changed:

- Section 179D Energy-Efficient Building Deduction terminates for property in which the construction begins after June 30, 2026.
- Section 45Y Clean Electricity Production Credit and Section 48E Clean Electricity Investment Credit terminate for wind and solar facilities placed in service after December 31, 2027.

Dealers installing solar or other energy-efficient properties should work with their contractors to ensure the property will be installed and placed in service before December 31, 2027.

Pass-Through Entity Tax

Even though prior proposals recommended limitations in pass-through entity tax deductions, the final bill does not limit the use of state-level pass-through entity tax as a SALT cap workaround. Dealerships can still participate in these state tax workarounds as they have been previously.

Reporting Requirements for 1099s and W-2s

The bill increased the 1099 information reporting threshold for certain payments to persons engaged in a trade or business and payments of remuneration for services to \$2,000 per calendar year (up from \$600). The threshold will be indexed for inflation in calendar years after 2026. To align with the provision for no tax on overtime, dealer employers will be required to separately state the qualified overtime compensation paid to employees on their annual Form W-2.

Individual Tax Provisions

The bill makes permanent certain provisions from the Tax Cuts and Jobs Act (TCJA) permanent:

- The reduced individual income tax rates, which were set to expire on December 31, 2025, are made permanent.
- Effective January 1, 2025, the standard deduction for single/married filing single is \$15,750, Head of household is \$23,625, and married filing jointly is \$31,500.

- Section 199A Qualified business income deduction is set permanently at 20%.
- Mortgage interest is limited to the first \$750,000 of qualified home acquisition debt. Home Equity Line of Credit interest remains non-deductible.

SALT Deduction

The bill temporarily increased the maximum state and local tax deduction for tax years 2025 through 2029 to \$40,000 (indexed for inflation for 2026 through 2029). The deduction will phase out as the taxpayers' Modified Adjusted Gross Income (MAGI) is over \$500,000, only allowing the minimum deduction amount of \$10,000. After 2029, the SALT limitation decreases again to \$10,000.

No Tax on Overtime

The bill provides a temporary deduction of \$12,500 for single filers (\$25,000 for married filing jointly) for qualified overtime compensation received. The deduction will start to phase out when Modified AGI exceeds \$150,000 (\$300,000 MFJ) and will be eliminated entirely when Modified AGI exceeds \$275,000 (single) or \$550,000 (MFJ). The overtime pay must be separately stated on the individual's W-2 form and still would be subject to FICA withholding, including social security and Medicare.

Car Loan Interest Deduction

For years 2025 through 2028, the bill allows a deduction of up to \$10,000 per year for interest paid on a qualifying car loan, provided the final assembly is in the United States. This deduction applies whether the individual itemizes or takes the standard deduction. Dealerships may see an increase in car sales resulting from this allowable deduction.

There are several conditions necessary to qualify:

- The vehicle must be brand new (original use starts with the taxpayer).
- The loan must be a first-lien car loan (leases are not eligible) incurred after 12/31/2024.
- The vehicle must be for personal use.

- The vehicle must have its final assembly in the United States.

The deduction will start to be phased out for taxpayers with Modified AGI of \$100,000 (\$200,000 MFJ) and will not be available for taxpayers with MAGI that exceeds \$150,000 (\$250,000 for MFJ).

Charitable Deductions

The new law includes provisions related to cash donations to qualified charitable organizations. For taxpayers who do not itemize, the bill provides a permanent deduction beginning in 2026 of \$1,000 for single filers or \$2,000 MFJ. Donations to donor-advised funds are not eligible for this deduction. For taxpayers who itemize, the bill limits the cash charitable deduction available to those cash contributions that exceed 0.5% of the taxpayer's contribution base starting in the 2026 taxable year.

Estate and Gift Tax Provisions

The bill permanently increased the estate tax exemption and lifetime gift exemption amounts to \$15 million for single filers and \$30 million for joint filers in 2026. After 2026, the exemption will be indexed for inflation.

Alternative Minimum Tax Exemption

The bill makes permanent the higher exemption amounts under the TJCA. For tax year 2025, the exemption amounts are \$88,100 for single filers and \$137,000 for joint filers. The income thresholds for phaseout of the exemption revert to pre-TJCA levels of \$500,000 (\$1 million MFJ). The income thresholds will be indexed for inflation after 2026. The phaseout is increased to 50% of the amount by which a taxpayer's AMT income exceeds the applicable exemption phaseout threshold. Dealership owners and other high-income taxpayers may be subject to the Alternative Minimum Tax and should consult with tax advisors to plan for this.





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FTC Clarifies Safeguards Rule for Auto Dealers

By Attorneys Tom Vangel, Jamie Radke, and Lindsey McComber, Harris Beach Murtha Cullina PLLC

In June, the Federal Trade Commission released FAQs clarifying the requirements of the Safeguards Rule to help automobile dealers comply with the Rule and the Gramm-Leach-Bliley Act. The FAQ document answers questions about how to alter dealership practices to comply with the Safeguards Rule and outlines the requirements for dealers to ensure that third-party service providers comply with the Rule. The release of this FAQ document reflects a continued interest by the FTC to protect consumer privacy and suggests that the agency is keeping a close eye on the automotive industry.

The FTC's Safeguards Rule took effect in 2003 and requires financial institutions to maintain safeguards to protect customer information. It also requires that financial institutions explain their information-sharing practices to their customers to ensure that their sensitive data is protected. The Rule has been revised twice in the last five years. In 2021, the Safeguards Rule was amended to ensure that the Rule "keeps pace with current technology." In 2023, this Rule was further amended to require that financial institutions report certain data breaches and security incidents involving customer information to the FTC.

Under the Rule, financial institutions are required to develop, implement, and maintain an information security program with administrative, technical, and physical safeguards designed to protect customer information. Automobile dealers who finance or facilitate the financing of automobiles for consumers are considered financial institutions for the purposes of the Safeguards Rule. Dealers that lease automobiles for longer than ninety days are also considered financial institutions, as leasing is considered to be a financial activity regulated by the Rule.

In the FAQ document, the FTC explains that "customer information" is any record "containing nonpublic personal information about a customer of a financial institution that is handled or maintained on or on behalf

of the financial institution or its affiliates." This definition includes anyone who applies to a dealership for credit or gives any non-public personal information to determine whether they qualify for financing. It also includes any information that is derived from this personally identifiable financial information, including a list identifying all customers who financed automobiles with the dealer.

The FTC clarifies that certain records would not be considered customer information and therefore do not fall under the Safeguards Rule: (1) names and addresses that are collected from everyone; (2) general sales data reports or other aggregate information about automobile sales; and (3) service or maintenance records for automobiles that were sold, leased, or generally serviced by the dealer.

The FAQ document also outlines what elements meet the Rule's requirement to "develop, implement, and maintain a comprehensive written information security program that is sufficient to protect customer information." As outlined by the FTC, a written information security program that is sufficient to protect consumer information would:

- designate a qualified individual to oversee and implement the program;
- base the program on a written risk assessment that identifies reasonably foreseeable internal and external risks to customer information and assesses the safeguards the dealer currently has in place;
- design and implement safeguards to control risks;
- require regular monitoring and test how well the safeguards are working;
- adopt policies and procedures to ensure dealer personnel can enact the information security program;
- oversee service providers and require them to implement and maintain safeguards;
- keep the information security program

current and assess whether material changes to a dealer's business necessitate a change to the information security program;

- create an incident response plan;
- require a designated Qualified Individual to report to the Board of Directors or other governing body; and
- notify the FTC about breaches.

The final element for the information security program stems from the most recent amendment to the Rule and requires businesses to notify the FTC about data breaches and security incidents that involve customer information. The FAQ document explains that a "notification event" requiring reporting to the FTC would include a security breach involving the unauthorized acquisition of at least five hundred consumers' unencrypted information.

In the event of a notification event, dealers are required to notify the FTC as soon as possible but no later than thirty days after discovery. This amendment is similar to Massachusetts law which also requires a business that experiences a breach of the personal information of any Massachusetts resident to notify the affected customers and the Attorney General as soon as practicable following the discovery.

The release of this FAQ document signals that the FTC may be focusing on protecting consumer privacy within the automotive industry in the coming years. This continued interest should serve as a reminder that Massachusetts dealers must ensure that their cybersecurity practices are compliant with the FTC Safeguards Rule as well as Massachusetts law.



Tom Vangel and Jamie Radke are partners and Lindsey McComber is an associate with the law firm of Harris Beach Murtha Cullina PLLC in Boston who specialize in automotive law. They can be reached at (617) 457-4072.



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OSHA Reduces Penalties for Small Businesses & Safety-Conscious Employers



**By
Hao Nguyen,
Esq.**

**SENIOR PRODUCT
AND REGULATORY
COUNSEL,
COMPLYAUTO**

The U.S. Department of Labor has announced updates to OSHA's penalty framework that could result in substantial savings for employers. This is the most employer-friendly shift in OSHA enforcement policy in years, placing an emphasis on fixing issues quickly and a history of hazard mitigation efforts. These changes became effective on July 14, 2025.

Definition Shift to Capture More Small Businesses

OSHA has reduced business size requirements and updated its sliding scale of penalty reductions for violations. Most notably, OSHA now allows businesses with 25 or fewer employees nationwide to receive a 70% penalty reduction. Before this update, this reduction was capped at 10 or fewer employees. Employer size is calculated on the basis of the maximum number of employees for an employer across all locations nationwide, regardless of whether the workplace falls under federal OSHA or a State Plan jurisdiction. This means you must aggregate employees across all locations, not just the number of employees at the site where a citation is issued.

Incentives for "Quick-Fix" Hazard Corrections

OSHA has introduced a new "Quick-Fix" penalty reduction that offers a 15% decrease in penalties when employers promptly correct certain violations. To be eligible, the hazard must be fully abated

within five calendar days of the inspection. In limited cases where immediate correction is not practical, OSHA may allow up to 15 days, so long as the employer notifies the agency within the first five days and ensures no employees are exposed to the hazard during that period. The correction does not need to happen while the inspector is present, but it must be properly documented and verified.

Getting Credit for a Clean History

OSHA is strengthening its incentive for employers with a strong compliance history by increasing the available "history" penalty reduction from 10% to 20%. To qualify, a business must either have never been inspected by OSHA or a State Plan or must have undergone an inspection within the past five years without receiving any serious, willful, repeat, or failure-to-abate violations.

Quick Tips for Dealers Today

To capitalize on this recent change, dealers should review their safety processes to ensure that they can benefit from OSHA's new stance on penalties.

1. Avoid a penalty altogether. The best way to reduce OSHA penalties is to avoid them in the first place. While these new reductions can soften the financial blow, they do not erase the cost of noncompliance, including operational disruption, reputational damage, and potential citations. Investing in proactive safety measures now is far cheaper than paying fines later.

2. Strengthen safety systems. Update workplace safety protocols to ensure that all staff are trained in the various workplace safety requirements and empower them to be able to mitigate risks and correct potential violations as they observe them. Also, train them in accessing the database and other pertinent information should any of the documentation be required.

3. Verify your employee count. Determine whether you qualify for the 70% small business reduction by reviewing your total headcount. OSHA requires you to count employees across all locations nationwide. If you are near the 25-employee threshold, track staffing changes closely throughout the year.

4. Review your inspection history carefully for two key reasons. First, a clean record over the past five years may qualify you for a 20% penalty reduction. Second, it allows you to proactively address any gaps before an OSHA inspector finds them. Make sure you have documentation that reflects a strong safety record so you can demonstrate your commitment to workplace safety when an inspector arrives.

Some Other Important Details

- **State Plans May Vary.** Not all states will implement these changes immediately, so check with your State Plan to receive the most up-to-date information.
- **Application of Changes.** The new policies are effective immediately. Penalties issued before July 14, 2025, will remain under the previous penalty structure. Open investigations in which penalties have not yet been issued are covered by the new guidance.
- **OSHA Still Has Discretion.** Keep in mind that OSHA retains full discretion in enforcement decisions, especially in cases involving repeat or egregious violations.

The takeaway: Investing in safety today can significantly reduce the financial impact of future violations.

QUESTIONS? If you do not have a process in place or wish your existing processes were more relevant to your dealership, contact the experts at ComplyAuto to discuss how these changes impact you by sending an email to info@complyauto.com.



Demystifying Arbitration

By Shane Arrington, Matt Chacey, and Chip Zyvoloski, Reynolds LAW Document Services

Going to court can be costly, time consuming, and public – all things that can be harmful to any business. Arbitration does not offer a guarantee to remedy those three things, but it can be a valuable option for those seeking faster results, cost-effectiveness, and a more discreet process.

Arbitration resembles a private court, where a third party decides an outcome. These decisions are typically binding and will be upheld in state and federal courts. It is important to note this is different than mediation, where a neutral third party helps parties fix issues amongst themselves with an outcome that's generally not binding.

Arbitration is not a given; it occurs because parties intentionally have an arbitration agreement in place or agree to arbitrate if a dispute occurs. You can find a stand-alone arbitration agreement or clause in many consumer contracts.

The agreement defines key elements of the arbitration process, including its own set of rules and procedures. Some examples of rules relate to the number of arbitrators, selection process, background requirements, evidence that may be introduced, inclusion of a class action waiver, and expenses the parties will pay.

Parties will usually share the cost of the arbitrator. Some additional costs could include room rentals for the hearing(s) and various administrative fees. Each party is responsible for fees related to their own lawyers. The parties are not expected to cover the legal expenses of the opposing side unless the agreement, the arbitration organization, and the law allows. Arbitration organizations may have additional rules to consider.

Arbitrators are typically retired judges, attorneys, or other people with experience resolving legal disputes. Some may have experience in business law, and consumer lending and transactions. One of the advantages of arbitration is that the parties have an active say in who decides these

disputes. Therefore, parties will jointly agree to a single arbitrator or follow the rules of the arbitration organization when they cannot agree to one. This is crucial as arbitrators make important decisions throughout the dispute and its outcome.



COMPANIES CAN PROTECT VALUABLE SECRETS THAT WOULD BE PUBLIC RECORD IN A LAWSUIT. ARBITRATION HELPS AVOID THE NEGATIVE PUBLICITY OF MAJOR COURT TRIALS BY OCCURRING OUT OF THE PUBLIC EYE.

During arbitration, parties will give opening statements and present evidence. The arbitrator assesses those statements and evidence to render a decision. Arbitration is typically faster than court trials by streamlining the entire process. For example, parties that arbitrate experience relaxed rules regarding what evidence can be introduced into the proceeding. This saves parties time, money, and energy in the discovery phase.

Once the hearing concludes, the arbitrator issues a decision that is rarely appealable to a court. Despite the limited rights to appeal in courts, arbitrator's decisions are readily enforceable upon the issuance of the decision in those very same courts.

For companies, the private nature of arbitration helps ensure several objectives

are met. Companies can protect valuable secrets that would be public record in a lawsuit. Arbitration helps avoid the negative publicity of major court trials by occurring out of the public eye. Finally, it lets companies protect their reputation and goodwill, while avoiding the higher costs of those headline-grabbing court trials.

Still, arbitration has drawbacks and limitations for companies to consider. Most awards are final and difficult to appeal. If a party is unhappy with the outcome of an award, they may have to accept awards that otherwise were appealable in litigation.

While arbitration can be cheaper than litigation, it is not always less expensive – especially in complex cases. Arbitrator fees, which are paid by the parties, can be significant. The longer arbitration continues, the more the parties will need to pay the arbitrator. This stands in stark contrast to judges, who are publicly funded.

Finally, with limited discovery, it also can be harder for parties to fully investigate their case. Because the proceedings are private, no public records or legal precedents are established in prior arbitrations. This means a company would need to arbitrate every matter on a case-by-case basis, even if the company resolved an identical arbitration under identical facts before.

Dealers should consider the benefits and limitations of arbitration for use in their contracts. We encourage you to discuss these with your legal counsel and determine if arbitration is right for you and your unique business.

LAW® understands arbitration is not suitable for all dealerships. Therefore, we offer documents with and without arbitration provisions to meet your needs. Contact your Reynolds and Reynolds Document Services Consultant or Compliance Consultant today. For additional information, check out LAW553.com.

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- ✓ **Policy Development**
We work with auto dealers' existing policies, or can create them from scratch to develop all required documentation for the FTC Rule.
- ✓ **Risk Assessment**
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Supercharge Your Retirement – Cash Balance Plans for Dealer Principals



**By
Dave
Clayman**

CEO, TWELVE
POINTS WEALTH
MANAGEMENT

As a successful automotive dealer principal, you have fine-tuned every part of your operation — from inventory management to customer satisfaction, marketing to manufacturer relationships. But one critical system might still be under-optimized: your retirement plan.

Many dealer principals hit a wall once they max out their 401(k) and profit-sharing contributions. If you are in that boat, you are not alone. You, however, are certainly not out of options. In fact, a lesser-known but incredibly powerful solution could put your long-term financial engine into overdrive: the cash balance plan.

Whether you are trying to reduce your tax liability, accelerate your retirement savings, or retain top talent, cash balance plans offer a flexible, high-octane strategy to which more and more high-income entrepreneurs are turning.

What Is a Cash Balance Plan?

A cash balance plan is a type of defined benefit retirement plan that blends characteristics of traditional pensions and modern 401(k) plans. But while 401(k)s limit your annual contributions to around \$70,000, as of 2025 (\$77,500, if you are over 50), a cash balance plan allows much higher contributions — typically \$100,000 to over \$300,000 per year, depending on your age and income.

Here is how it works. Each year, your business makes a contribution to the plan on your behalf (and, optionally, for select employees). That contribution is tax-deductible, and the funds grow tax-deferred

until withdrawal. It is an ideal tool for high-income earners seeking meaningful ways to reduce taxable income while building significant retirement wealth.

Importantly, these plans are employer-sponsored and employer-funded but highly customizable. With a good plan design and proper actuarial support, you can tailor the structure to prioritize benefits for owners and leadership while offering fair — but limited — participation for other employees.

Why Cash Balance Plans Work for Auto Dealerships

Cash balance plans are not for every business, but for automotive dealerships they often fit like a glove.

Dealerships tend to have consistent and

WHILE 401(K)S LIMIT YOUR ANNUAL CONTRIBUTIONS TO AROUND \$70,000, AS OF 2025 (\$77,500, IF YOU ARE OVER 50), A CASH BALANCE PLAN ALLOWS MUCH HIGHER CONTRIBUTIONS — TYPICALLY \$100,000 TO OVER \$300,000 PER YEAR, DEPENDING ON YOUR AGE AND INCOME.

substantial profits, stable ownership structures, a long-term vision for succession or sale, and high-performing key executives who deserve to be retained.

These characteristics make cash balance plans especially advantageous. The plans reward consistent profitability and allow flexibility in directing contributions to business owners and key personnel. Better yet, the ability to combine them with existing 401(k)/profit-sharing plans

makes them even more attractive from a retirement and tax perspective.

Real-World Example: Turbocharging Wealth While Retaining Talent

Let's take a real case study from one of our clients in New England. A dealer principal earning \$600,000 annually had already maxed out her 401(k) and profit-sharing plan contributions. By adding a cash balance plan, she was able to contribute over \$250,000 more each year and reduce her annual tax bill by six figures. Over 10 years, she accumulated a retirement nest egg of almost \$3 million in her cash balance account. Even better? She offered partial plan participation to two top managers as part of a retention strategy, helping her solidify a strong leadership bench and avoid costly turnover.

That is the kind of smart, strategic planning that separates high-performing business owners from the rest.

More Than Tax Savings: A Versatile Strategic Tool

While the immediate tax benefits of a cash balance plan are often what draw business owners in, its strategic flexibility is what makes them stay. Here are just a few of the long-term planning advantages:

- **Succession and Exit Planning:** When passing the dealership to the next generation or preparing for a sale, having a robust retirement plan already in place can streamline the process and reduce overall tax friction. Additionally, if part of your exit plan involves phased withdrawal or buyout, the cash balance plan can serve as a transitional income vehicle.
- **Retention of Key Executives:** Offering cash balance plan benefits to essential leaders in your dealership creates a “golden handcuff” effect — increasing loyalty, boosting morale, and lowering costly leadership turnover.
- **Adaptable for Changing Business Needs:**



WHETHER YOUR DEALERSHIP IS FAMILY-OWNED, PRIVATE-EQUITY BACKED, OR ON THE PATH TO A FUTURE SALE, ALIGNING YOUR RETIREMENT AND BUSINESS STRATEGIES CAN OPEN THE DOOR TO GREATER FINANCIAL FREEDOM.

Contrary to common misconceptions, cash balance plans are not rigid. They can be adjusted, paused, or terminated if your business environment changes, such as during a downturn or after a sale. With the help of a skilled third-party administrator, you maintain flexibility while reaping the benefits during high-income years.

What You Need to Know Before You Start

Cash balance plans are governed by the Employee Retirement Income Security Act (ERISA), and they require actuarial oversight and annual funding commitments. However, do not let that scare you away; an experienced team can ensure the setup and administration are straightfor-

ward and efficient. You will need:

- A retirement plan advisor to help design and implement the plan;
- An actuary to certify the required contributions annually;
- A TPA (third-party administrator) to handle compliance, reporting, and participant notices; and
- A CPA who understands how to integrate the plan into your broader tax strategy

With this professional team, your cash balance plan becomes a powerful extension of your financial engine — not a burden.

Take the Wheel: Your Next Steps

If you are already maxing out your 401(k) and profit-sharing contributions or if you are looking for ways to reduce

taxable income while investing in your future, a cash balance plan deserves serious consideration.

It is not just about saving more; it is about planning better. Whether your dealership is family-owned, private-equity backed, or on the path to a future sale, aligning your retirement and business strategies can open the door to greater financial freedom.

Let's start the conversation. The road to a more powerful retirement begins with a single shift, and we are here to guide the way. Contact Twelve Points Business Advisors to explore how a customized cash balance plan could supercharge your financial strategy.



Starting a Good Habit While Ending a Bad One

By Ryan Anzalone

ETHOS GROUP

As cars, technology, and clients evolve, so must we. The adage of “It is the way things have always been done” needs to be eliminated. It can be difficult to begin a new habit or a new way of doing business. It can be equally difficult to end an old one. A good thing about a habit is that you can do it without thinking. A bad thing about a habit is that you do things without thinking.

However, as with most things in business and in life, consistency is key. The book *Atomic Habits* by James Clear states, “Changes that seem small and unimportant at first will compound into remarkable results if you’re willing to stick with them for years. Habits are the compound interest of self-improvement.”

True change only happens when the desired habit, outcome, or KPI we are looking for is congruent with the individual’s personality. If you are an advisor who loves multitasking, helping people, or being busy, but your open RO list is staggeringly long or you have communication issues with your clients, you have prioritized accomplishment over admin.

Long-lasting, good habits will never stick by simply adding a new goal or objective to hit. It will ultimately miss because you have not attempted to change who you are. You are treating the symptom without addressing the cause. You make all advisors clean up their messy desks, only to have them right back to where they were days later.

To truly motivate others and ourselves, we need to make the new habit part of our identity, not something forced upon us. You can create real, positive change when you decide not to be “this,” but instead say internally, “I am this.”

Easier said than done. We are not trying

to get overly philosophical here. However, there are ways to change our basic motivation beyond just the stick or the carrot. If you have not already, a great way to face reality and get the most out of yourself is to find out what inspires, motivates, leads, and guides you. It can be difficult to admit this.

We are confined only by the walls we put up for ourselves. One of the best ways to knock down these walls is through self-reflection, and a great way to perform this is by filling out a Predictive Index (P.I.) test. This will help uncover a person’s strengths, weaknesses, and predictions about their current and future behaviors. Since people do not come with an owner’s manual, how to motivate and lead depends greatly on the leader, not just the person.

Suppose the personality traits say:

- I am nervous to show the menu.
- I do not have the confidence to overcome objections.
- I am always late.
- I am uncomfortable with confrontation.
- I would not be able to afford it.
- I am bad at remembering names or calling people back.

These statements, once they have become persistent bad habits, are now etched into a person’s identity. The individual internally believes that this is who they are or that it is a result of how their peers perceive them. As Steven Covey discusses in his book *7 Habits of Highly Effective People*, an outsider’s perception in a social mirror is often an exaggerated distortion and not an accurate inner reflection. The individual needs to know their self-image, not the distortion from the social funhouse mirror.

Self-actualization can be uncovered from completing the P.I., helping you to find ways to motivate, inspire, cultivate, and grow good habits. This changes the way we see ourselves, and eventually those negative habits begin to evaporate.

For me, I was always somebody who saw

myself as someone who was just bad with names. So I relegated myself to just having that as a personality trait. “Oh well, I’m just bad with names.” It was not until I decided to find better habits to change this negative trait that I was able to internally see myself differently. Now I make it a point to intentionally repeat the individual’s name, find ways to associate it with something personal for me, or use their name at the end of each sentence. The hardest part is simply owning the fact that I forgot their name from the previous encounter. That way, I am no longer avoiding that person because I could not remember his or her name. Once I ask for the second embarrassing time, I never forget.

Once you know more about yourself and begin creating better habits, you can start setting your personal or professional goals. Align those new habits with your new goals. Make sure those goals are specific, measurable, and personally action-based. Goals should be realistic, always have an end date, and include consistent review dates for evaluations and tracking.

Then you can mold the new habit to mirror both the desired departmental goal and your personal goal. Goals are a transference of energy into action. What will be your action? With this realization, you will begin to create real, positive change within yourself and the department.

With your good habit, you begin to create an environment that is professional, pleasant, productive, and efficient. Ultimately, the good habits practiced at your dealership are the sum of all the wanted behavior you celebrate, minus all the bad habits you tolerate. You become what you repeat.



For more information on how Ethos Group can help your dealership develop more leaders in your F&I office, sales management tower, and your sales floor in 2025, please contact Drew Spring at dspring@ethosgroup.com or (617) 694-9761.



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+39

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Dealer Retention Rate



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Cybersecurity Platform, FTC
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AI-powered sales, F&I,
and advertising compliance
engine



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policies and employee training



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MARKET BEAT

Patrick Manzi
NADA Chief Economist

New Light Vehicle Sales Reach 15.3 Million Unit SAAR in June

New light-vehicle sales in June 2025 totaled a SAAR of 15.3 million units. The June 2025 SAAR represents an increase of 2.3% compared to June 2024. Sales in June 2024 were impacted by a major dealership-software outage that limited sales a year ago, so the year-over-year increase appears stronger than it was. According to J.D. Power, roughly 173,000 sales were pulled ahead into March and April 2025 as consumers flocked to dealerships to purchase new vehicles before auto tariffs took effect. June 2025 sales results and sales in the coming months will likely be lower due to that pull-ahead volume. Without these tariff-induced pre-buy purchases, June 2025 sales results likely would have been closer to a 16.0 million-unit SAAR.

Auto tariffs have caused vehicle-production shifts and disruptions. Because of these disruptions and the strong sales performance in March and April 2025, new light-vehicle inventory has fallen month-over-month recently. New light-vehicle inventory on the ground and in transit totaled 2.57 million units at the start of June, and total inventory levels are likely to be flat or down slightly once final data are available. Inventory hit a high this year in February at 2.78 million units, but it is unlikely we will see inventory that high again this year. According to Omdia (formerly Wards Intelligence), new light-vehicle inventory is forecast to decline to 2.3

million units by the end of August before rising back to roughly 2.5 million units by year-end.

According to J.D. Power, average incentive spending per unit should total \$2,727 in June 2025. As inventory becomes scarcer, we expect to see OEMs pull back on their incentive spending in coming months. J.D. Power also notes that the average monthly payment on a new-vehicle finance contract should total \$747 in June 2025, up \$22 year over year and the highest on record for the month of June.

Looking ahead to the second half of the year, we will be closely watching the resilience of the American car buyer. Our outlook is for sales to decline in the second half of the year after the strong performance in the first half. We expect consumers may wait on the sidelines until there is more certainty with trade policy and its effects on new light-vehicle prices and vehicle availability. Overall, we expect lower North American new light-vehicle production, lower new-vehicle inventory levels and a slower sales pace compared to the first half of the year and compared to our pre-tariff expectations. Our forecast for new light-vehicle sales for all of 2025 is 15.3 million units.



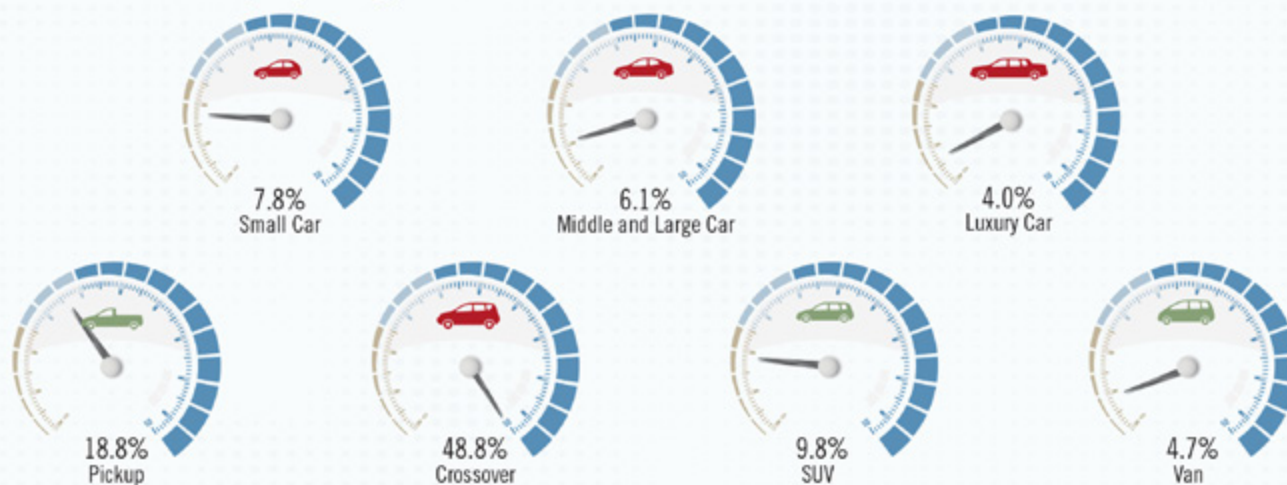
U.S. Light-Vehicle Sales

(Seasonally Adjusted at Annual Rates)

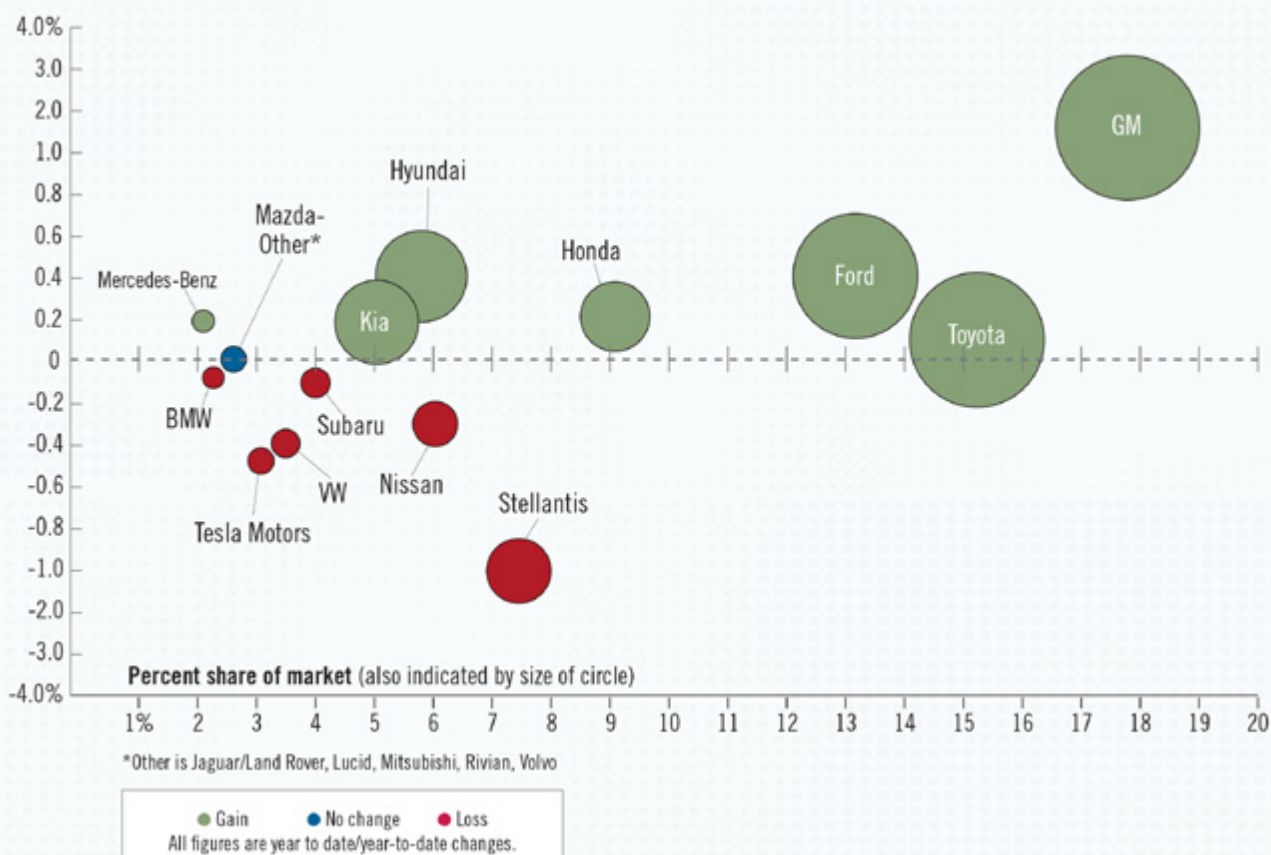


	June 2025	Y/Y %	Jan - June 2025	YTD/YTD %
Total Car	2.54M	-6.6%	2.85M	-2.7%
Total Light Truck	12.80M	4.3%	13.44M	6.6%
Domestic Light Vehicle	11.96M	2.5%	12.46M	3.5%
Import Light Vehicle	3.38M	1.8%	3.83M	9.1%
Total Light Vehicle SAAR	15.34M	2.3%	16.29M	4.8%

Market Share, by segment



Market Share, by manufacturer



The Numbers Do Not Lie – International Nameplate Dealers are Driving America's Economy Forward



By Cody Lusk

President & CEO,
American
International Auto
Dealers Association

Every year, AIADA, along with our manufacturer partners at Autos Dive America, produces a report detailing the tremendous impact international nameplate brands and their retailers have on the American economy. From taxes, to sales, to payrolls, we seek to quantify the enormous, positive impact our businesses have on this country and the daily lives of all Americans.

The full report can be found at www.AIADA.org, but there are plenty of stand-out data points worth highlighting. Key findings in this year's report include:

- In 2024, for the 2nd year in a row, international automakers produced MORE vehicles in the U.S. than the Detroit 3 - 4.9 million cars and trucks in total.
- More than half of all U.S. dealership jobs are created by international nameplate dealers and funded with a \$47 billion payroll.
- AIADA's members are responsible for 58 percent of all new vehicles sold in the United States.
- International automakers exported 795,500 U.S.-built vehicles to more than 130 countries and territories across the globe last year.

Why does AIADA take the time to collect and publish these numbers year after year? Simply put, there is a serious knowledge gap in Washington when it comes to the auto industry. Too many policymakers still cling to outdated concepts of what makes a vehicle American. They are quick to legislate, but slow to understand that today's highly globalized auto industry is fundamentally different from what they remember from decades past. They do not



drive cars; they do not buy cars; and they do not understand how interwoven so-called "foreign" automakers have become in our communities and our economy.

It is our job, as a dealer association, to share this good news and raise awareness about our substantial investments. Dealers can help with that mission by reaching out directly to their representatives in Congress. And this year, as Congress has granted itself the longest "August recess" since 1971, you have plenty of opportunity to do so. When lawmakers return to their districts, they are not taking it easy. They are working to meet with as many constituents as possible. When you use AIADA's Dealer Visit program to offer up your dealership and employees for a ready-to-go meet and greet session this summer, they will jump at the opportunity.

In addition, AIADA recently launched District Dialogues, a new program to facilitate in-district meetings with legislators' offices for interested dealers. District Dialogues offer a great way to connect with the legislator's team "on the ground" in your state or district. These staff are often the most plugged in to what is happening locally, with a finger on the pulse of the community. They need to hear from business leaders about the challenges they face from the policies crafted in Washington.

Want to get started? Just let us know you are interested, and AIADA will handle all of the planning and scheduling. All you

need to do is show up bearing the message that you represent an industry that Americans rely on every day for safe, reliable, and affordable transportation. As a dealer, you are a source of good jobs, popular vehicles, and critical tax revenue. And as a constituent, you are worthy of your Representative's time and attention.

By sharing this year's economic impact report with your legislators, you will be protecting your stores and your employees from bad policies, short-sighted tariffs, and unnecessary red tape. Of course, not everything AIADA members contribute to their communities can be easily quantified. The numbers do not show the food drives, the fundraisers, and the vehicles you donate for the Fourth of July parades. This report cannot capture what it means to a busy parent and know you drop off a vehicle in the morning and a needed repair will be completed before dinner time. And as much as we talk about jobs numbers, only you fully understand what stable, full-time employment means to your people.

Your stores are more than a sum of impressive investments; they are the result of decades of hard work and dogged commitment. I am proud to be a part of this industry, and I am proud that wherever you find AIADA's members, in every corner of the United States, your businesses and employees are making their communities stronger and safer.





By Scott Pearson

Chairman, American Truck Dealers

SCOTT PEARSON IS OWNER AND PRESIDENT OF PETERBILT OF ATLANTA.

Our D.C. Advocacy Continues

Advocating for our ATD members' economic interests in Washington does not begin and end with our annual June fly-in. Our advocacy efforts are a year-round activity.

It was great to have the Trump Administration and the Republican Congress join together to revoke the waivers provided by the Biden Administration to the California Air Resources Board for the Advance Clean Trucks (ACT) rule and the heavy-duty omnibus NOx emissions (HDO) rule. Depending on how the litigation challenging those results plays out, heavy- and medium-duty truck dealers and manufacturers can rest easy, for now and hopefully for the long-run.

By the same token, the One Big Beautiful Bill Act that Congress passed and President Trump signed provides dealers with some certainty regarding tax matters as they move forward with their business operations. Positive certainty can hopefully lead to growth in the economy with added demand for our trucks built unencumbered with onerous, irrational ZEV mandates.

All that does not mean our tasks are complete. There are Trojan horse-like right-to-repair proposals being pushed in Congress, including by vehicle manufacturers, which may not have dealers' best interests in mind. Further, as Congress begins to craft reforms for the Highway Trust Fund, we continue with our efforts to repeal the federal excise tax, the largest excise tax on the federal books which serves to retard potential new-truck sales due to its financial impact on final pricing.

Although truck dealers were just in D.C. for our annual fly-in, NADA is preparing for its annual Washington Conference, September 8-10. Many state ATD leaders make it a point to also attend the Conference. Check out the registration materials at www.nada.org if you wish to visit Members of Congress in September with our auto dealer colleagues.

Finally, registration is now open for our ATD Show in Las Vegas next year, February 3-5. See the info below to sign up today.

Registration & Housing Now Open for ATD Show 2026!

By Maryann Malesardi

NADA, Senior Manager, Event Marketing

Put the pedal to the metal: registration and housing are now officially open for ATD Show 2026!

Join us at the luxurious Wynn Las Vegas, February

3-5, 2026 — that's right, ATD Show 2026 starts on Tuesday! You spoke, ATD listened!

Register today to connect with fellow truck dealers and managers, OEM representatives, and industry leaders for three dynamic days of education, networking, and business solutions designed to move your dealership forward. And don't forget to bring your crew! Together, we're driving success.

Las Vegas is an exciting backdrop for both ATD Show 2026 and NADA Show 2026. And only ATD Show registrants get access to it all!

And, with a high-octane NADA welcome reception at Grand Prix Plaza, one of Las Vegas' hottest new venues, you'll want to race to register!

Visit atdshow.org to secure your spot and book your hotel.

See you at the Wynn Las Vegas!

American Truck Dealers Urge Congress to Oppose So-Called "Right to Repair" Legislation

On July 2, members of the board of the American Truck Dealers (ATD) sent a letter to Senate Commerce Committee Chairman Ted Cruz (R-Texas), Ranking Member Maria Cantwell (D-Washington), House Energy and Commerce Committee Chairman Brett Guthrie (R-Kentucky), and Ranking Member Frank Pallone (D-New Jersey) voicing ATD's strong opposition to H.R. 1566/S. 1379, the "Right to Equitable and Professional Auto Industry Repair (REPAIR) Act".

The so-called "Right to Repair" bills are overly broad, ignore serious vehicle privacy, intellectual property, and further inhibit an industry already facing significant challenges.

The letter to Congress states:

"...[F]ederal law has long recognized the difference between light- and heavy-duty vehicles. Medium- and heavy-duty trucks are purpose-built, highly customized vehicles sold almost exclusively to commercial and government entities—not to individual consumers. By contrast, light-duty vehicles are mass-produced for the public and designed primarily for passenger use. H.R. 1566/S. 1379 is overbroad as it would regulate a heavy-duty vocational truck such as a school bus, refuse hauler, or cement mixer the same as a family sedan.

"Supporters of H.R. 1566 and S. 1379 claim this legislation will enhance consumer repair access, but

heavy-duty trucks are not consumer products. No evidence we are aware of has been presented indicating that independent repair shops are being denied the information or tools needed to repair medium- and heavy-duty trucks. In fact, service information is readily available from manufacturers, and the industry has long participated in the National Automotive Service Task Force, which provides a reliable mechanism for resolving disputes over repair data access.

“This legislation is overbroad, unnecessary, and adds needless red tape at a time when the truck industry is already facing economic challenges from regulations that have increased costs and decreased commercial truck sales. We urge Congress to reject H.R. 1566/S. 1379.”

ATD Truck Beat: Commercial Truck Sales Down 5.9% Through Q2

By Patrick Manzi, NADA Chief Economist

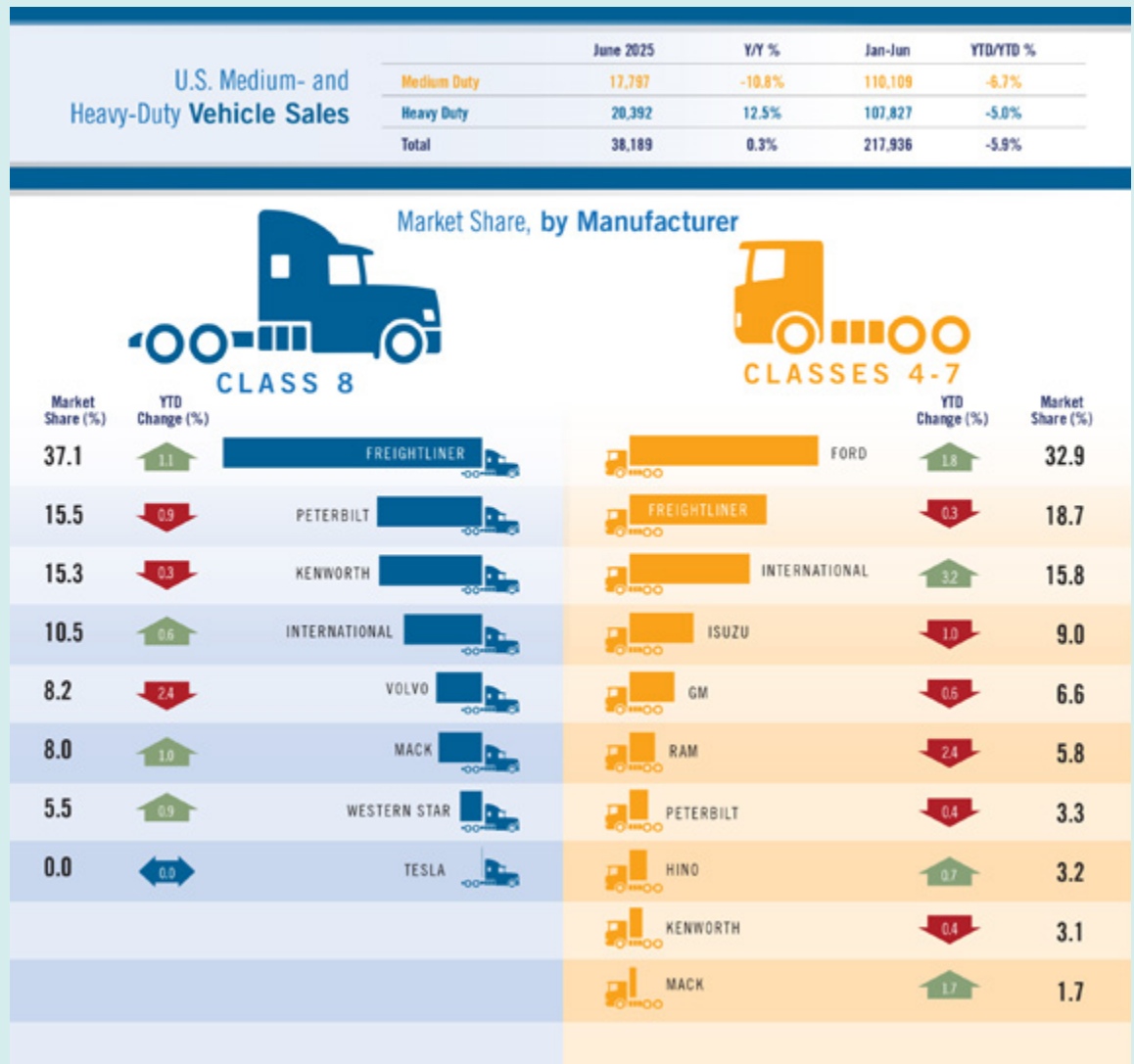
Despite a solid performance in June, heavy-duty truck sales were down year-over-year through the second quarter. Class 8 truck sales topped 20,000 units in June 2025, up 12.5% compared to June 2024. However, through the first half of the year, Class 8 truck sales were down by 5% compared to the same period in 2024. Medium-duty truck sales also were down year-over-year through the second quarter, with sales down 6.7% compared to the same period last year. Overall, total commercial-truck sales through June 2025 totaled 217,936, a decline of 5.9% year-over-year.

According to ACT Research, Class 8 truck orders fell to a 16-year low in June, totaling 9,400 units and representing a decline of 36% year-over-year. The decline in orders was driven by record-high inventories for Class 8 trucks, low 2025 Q1 profits for publicly traded for-hire fleets, and general market uncertainty surrounding the implementation of tariffs on a variety of goods, including the potential for

tariffs hitting new Class 8 trucks. Orders will likely remain low throughout the summer until the excess Class 8 inventory is sold or there is a significant uptick in freight demand. On the medium-duty side, orders for Class 5-7 trucks fell 42% year-over-year in June 2025 to 11,900, the weakest net order total since the pandemic, ACT research says.

As we mentioned in our last report, broad tariffs will impact truck pricing and sales. According to *Transport Topics*, Volvo Trucks North America and Mack Trucks announced price hikes starting in May following 25% tariffs on imported steel and aluminum. The two OEMs also announced that any added costs incurred from additional tariffs also would be passed onto customers.

As this is a very fluid environment with trade policy changing rapidly, it is a challenge for dealers to provide pricing to customers beyond the short term. Our outlook for commercial truck sales has been reduced significantly since the start of the year, with heavy-duty sales forecasts being trimmed by 30,000 units and our medium-duty forecast reduced by 24,000 units. Our full year sales outlook is 233,000 units for medium-duty trucks and 222,000 units for heavy-duty trucks.



ATA Proposes Ditching Gas Tax for Vehicle Registration Fee

Money would replace gas tax revenue collected for the highway trust fund, lobby group tells Congress

By John Gallagher, *FreightWaves*

As Congress begins work on the next highway bill set to go into effect next year, the American Trucking Associations said it's ready to transition from a gas tax to an annual vehicle registration fee to help pay for maintaining and improving roads and bridges.

"We're looking seriously at advocating for a registration fee that applies to everybody – trucks, cars, electric vehicles," ATA President Chris Spear told the lawmakers at a Senate Commerce Committee subcommittee hearing on July 22.

"You already register your vehicle at the state [motor vehicle agencies], you simply pay for what you normally would pay in fuel costs at the pump. You get rid of the gas tax, the tire tax, and put it in a registration fee."

Spear said the cost of the annual fee could be roughly \$200 to \$250 for cars, with payments spread out over the course of the year. "It would be more for the trucking industry, but that's fine, we're willing to do that," he said. "It would capture everyone, and it's fair."

Speaking on behalf of small carriers and owner operators, Lewie Pugh, executive vice president of the Owner-Operator Independent Drivers Association, told the subcommittee that while he supports a registration fee to capture electric vehicles – which do not pay fuel taxes to pay for infrastructure – OOIDA is not yet ready to abandon fuel taxes.

"I think we need the intestinal fortitude to raise the gas tax, because it hasn't been raised" since 1993, he said. "You pay it at the pump, and it works. Why create something new, other than having electric vehicles pay an additional registration fee."

Congress has for years been making up for gas-tax shortfalls in the Highway Trust Fund (HTF) by transferring money from the Treasury Department's general fund. But with the HTF estimated to be depleted by 2028, lawmakers are considering alternative payment options by the trucking industry to keep it viable, including weight-based user fees.

Used Trucks in a Time of Transition

The market for both new and used trucks has been impacted by a freight recession that's lasted far longer than anyone would have predicted

By Jack Roberts, *HDT News*

If you're thinking about buying or selling used trucks, timing has never mattered more. The used truck market in 2025 is defined by hesitation, softening prices, aging inventory, and uncertain demand. Understanding where the market stands now could help you make smarter decisions in the months ahead.

But first, how did we get here?

The 2020 Covid-19 pandemic triggered a massive economic crash, but it was soon boomtimes for trucking as people stuck at home spent money on goods that they normally would have spent on services such as dining out and vacation.

The boom didn't last, however. When consumers could spend on services again, they did with a vengeance. The trucks that fleets and owner-operators bought to take advantage of the hot spot market meant there was more capacity than there was freight, creating a freight recession.

In 2024, there were promising signs that the worst was past, and freight levels and rates were finally on the road to recovery. But Donald Trump's re-election to the White House and his ensuing trade war changed the game, as ever-changing tariffs added layers of uncertainty that snuffed out any signs of a resurgent freight market.

The Truck Sales Market

The market for both new and used trucks has been impacted by a freight recession longer than anyone would have predicted.

"In 2022, we were optimistic that the freight market would be driving strong carrier profitability into 2025," says Kenny Vieth, president and chief analyst, ACT Research. "It was already slowing down in '22 when we made that prediction. And we knew freight volumes would be down in 2023. But typically, freight market downturns last about six to eight quarters. And, lo and behold, this one is about to enter into its 13th quarter. Our expectation back in 2022 was that carrier profitability would be peaking in 2025. And that has absolutely not come true."

Vieth says the North American trucking industry has reached a generational low point for carrier profitability. As a result, fleets do not have the money to invest in new equipment, and many fleets are holding onto equipment longer.

"New truck buying activity continues to be soft," confirms David Kriete, president and CEO of Kriete Truck Centers, based in Milwaukee, Wisconsin. "We aren't experiencing a lot of cancellations but are seeing fleets postpone or defer purchases given the state of uncertainty that exists right now. We don't expect changes to this stalemate until freight rates stabilize (or increase), truck pricing stabilizes, interest rates normalize, and the noise concerning tariffs calms."

'A Whiplash Truck Market'

While used-truck sales have held steady for the first half of the year, Kriete says, they're now slowing due to general economic uncertainty gripping the U.S.

"The ports have been red hot for years, and a major source of trucking growth the past several years," Kriete says. "But this has really slowed down in the last five months. Once some firm direction is established at the federal level, we expect these fluctuations to smooth out as well. Regionally, demand for new and used trucks in California is expected to significantly pick up following the CRA announcements."

He's referring to the Congressional Review Act, which Congress used to revoke Environmental Protection Agency waivers

for California's Advanced Clean Cars II regulation, Advanced Clean Trucks regulation, and its Heavy-Duty Low-NOx Omnibus rule.

"It's really a whiplash truck market these days," says Charles Bowles, director of strategic initiatives at Commercial Truck Trader, an online marketplace for buying and selling new and used trucks. Every day, things seem to be changing in terms of regulations and tariffs. It makes predicting the future very tricky. The used truck market lately has done some recovery over the past few months. But I don't know if that trend will continue."

Holding Trucks Longer

The shimmering mirage of a freight recovery that is always just out of reach has impacted the North American used truck market in other ways, according to Steve Tam, vice president and analyst at ACT Research.

2020 began with a robust economy. Many fleets, encouraged by the economic outlook at the time, bought new trucks at the peak of the market, then or during the pandemic boom. But those fleets were challenged to make large truck payments as freight rates fell.

"We've seen a fair amount of loan defaults and repossessions since then," Tam says. "But the banks really do not want to own trucks. So, they've done everything they have been able to keep them out there on the road."

At the same time, Tam notes, profit margins for publicly traded fleets are below 3%, something the industry hasn't seen in over a decade. All of this means many fleets are hanging on to equipment longer than normal.

"The publicly traded fleets are being very stingy with their capital," Tam says. "While some fleets are taking on new trucks, they're doing so well below normal replacement levels. And all of this is stretching the average age of used trucks on the market today."

Bowles also sees this in the used-truck data on Commercial Truck Trader: used trucks on the market today generally have higher mileage on them.

According to Bowles, over 2.5 million prospective truck buyers log onto the Commercial Truck Trader website every month, giving the company deep insights into buyer intent.

"Lower-mileage vehicles — trucks with fewer than 500,000 miles on them — are garnering premium prices," he says. "But they are harder to find because people tend to hold on to those models longer."

Used-Truck Demand and Pricing

"We still see significant demand for used trucks," Bowles says. "But it is down for many reasons."

From April to May, Commercial Truck Trader saw a drop in

demand for both new and used trucks:

- 5.5% decrease for used sleeper cab trucks
- 13% decrease for used daycabs
- 11.2% decrease for new trucks

"And those are leading indicators," he says. "In terms of truck sales, it generally takes two or three months for trends to fully materialize. But right now, we are seeing a definite softening in demand for both new and used daycabs and sleepers."

According to the American Transportation Research Institute's Operational Costs of Trucking Report, released in July, used Class 8 sleeper prices fell steeply during 2023 but stabilized last year at an average price of \$59,300.

This price point is 4.8% higher than the pre-pandemic average price of \$56,000 for used sleepers, ATRI said.

"Market pricing has been pressured down," Kriete says. "For the first time in almost five years, supply far outnumbers demand. As such, OEMs and their dealer networks must flex pricing to meet demand."

Still, to Kriete, the current resale trends are not unique in times of low demand and high supply.

"The 'premium' brands, with their key market segments, are holding their value and de-

manding the highest market pricing," Kriete says. "This includes Volvo in the sleeper market, and Mack in vocational applications where it has consistently and historically held the highest resale values."

Should You Buy Used Trucks Now?

Used truck prices are slowly percolating higher, Tam says, but the increase is subtle enough that it shouldn't affect fleets in the market for used trucks.

"The overall trend is that used-truck prices are increasingly subtly," he explains. "So it makes sense for a lot of buyers to wait three or even six months before buying a truck, because you're not going to be paying dramatically more for the same vehicle than you would today. So, buyers right now tend to have an immediate need for a vehicle. But if you don't, it's not going to hurt you to wait a little while longer and see how freight rates and the economy shake out."

ACT Research analysts think used-truck prices will rise as capacity tightens — good news for sellers, not so much for buyers.

"The one lever the industry can pull to impact the used truck market is the number of vehicles that go into the fleet," Tam says. "And right now, that number is slowing down. OEMs and new truck dealers don't want to hear that. That's not where they want things to go. But it's kind of the medicine the industry needs to take right now."





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Legislative Grind Continues in D.C.



SCOTT DUBE, PARTNER AT MCGOVERN HYUNDAI RT. 93, REPRESENTS NADA'S MASSACHUSETTS MEMBERS ON THE NADA BOARD OF DIRECTORS. HE CAN BE REACHED AT SDUBE@MCGOVERNAUTO.COM.

Through NADA and dealers' advocacy efforts, we recently received positive results on two major issues – (1) the revocation of the three waivers CARB received from the Biden Administration regarding ZEV mandates for cars and medium- and heavy-duty trucks as well as the heavy-duty omnibus low NOx emissions rule and (2) the passage of the One Big Beautiful Bill Act with its beneficial tax provisions for businesses such as dealerships.

Our legislative efforts just do not end there. Presently, NADA is in the process of organizing our upcoming Washington Conference for September 8-10, where we will have a full slate of outstanding issues to discuss with our Members of Congress.

Further, what would our industry be without on-going disputes between dealers and manufacturers regarding franchise law matters, including direct sales and warranty reimbursement.

Finally, registration is now open for the 2026 NADA Show, February 3-6, in Las Vegas.

Check out the balance of this column for updates on all these matters.

Dealer Franchise Laws Mentioned at Recent Senate Judiciary Hearing

At a recent U.S. Senate Judiciary Subcommittee on Antitrust, Competition Policy and Consumer Rights hearing, entitled "Deregulation & Competition: Reducing Regulatory Burdens to Unlock Innovation and Spur New Entry", a Justice Department official made a brief but important mention critical of dealer franchise laws.

While the focus of the hearing was health care, the beef industry, and other matters, Roger Alford, Principal Deputy Assistant Attorney General in the Antitrust Division of the Department of Justice (DOJ), responded to a general question from Subcommittee Chair Sen. Mike Lee (R-Utah) at the end of the hearing where he agreed with much of Assistant Professor Daniel Francis's (NYU Law) testimony that was critical of state dealer franchise laws:

"So, as you look at the sort of deregulation projects that one can envision, you have a four-box matrix, you have fed-

eral laws, you have federal regulations, you have state laws, and you have state regulations. ...Professor Francis had identified some of the most important issues are with respect to state laws.

We also routinely engage in advocacy at the state level, to try to address concerns typically in the context of encouraging the enactment of laws that are pro-competitive rather than anti-competitive. But I do think you're right, that we do need to talk with the state agencies, and with the state legislatures to see if we can make the case for a modification of some of those state laws.

...I think Professor Francis mentioned is there a role for Congress to try to deal with things that would create the preemption that you need to deal with truly anti-competitive regulations and it's not just about healthcare, as you said, it's agriculture, its housing, its franchise dealer laws, there's a whole variety of different examples of state laws that are problematic."

Below are some excerpts from Professor Francis's written testimony that highlighted franchise laws and direct sale restrictions (pages 90-93):

"In automobile markets, many states have enacted laws that prevent manufacturers from selling at retail or significantly restrict their ability to do so. The purpose of these laws is to protect dealers from competition from manufacturer-owned outlets, pumping up their profits at consumers' expense" (p. 91).

"Direct sale restrictions in the automotive industry may be popular with dealers, but they plainly disserve consumers and the economy...Congress should open the channels of interstate commerce to manufacturers that want to sell directly to consumers and allow working families across the country to benefit" (p. 93).

Besides the DOJ official's response to the question above and the Professor's written testimony, there were no other references to state franchise laws, written or oral, during the hearing.

What NADA has done: NADA continues to tout the benefits of the franchised dealer model and combat misinformation regarding state dealer franchise laws. NADA recently submitted comments to the DOJ's Anticompetitive Regulations Task Force noting it should recognize that the dealer franchise model is part of the solution, not the problem, and that it reduces the net cost of distribution and provides countless benefits to consumers.

What's next: NADA will continue to educate policymakers that preserving state dealer franchise laws is our top priority. During the August recess, it is important for dealers to remind their members of Congress of the importance of state dealer franchise laws, and in particular Senate Judiciary Committee members.

Go deeper: See a recent article from South Carolina's *Post and Courier* at <https://www.nada.org/media/17551/download?inline>, which states: "Alford said the department will work within state legislatures and with attorneys general to bring changes, but, *if necessary, it will seek congressional action to preempt state laws.*" {emphasis added}

Talking Points for *Auto News* Story on NADA/Alliance Letter to DOJ

Note: These talking points for the *Automotive News* story on the Alliance letter to the DOJ are not meant to encourage on-record conversations with the media or the public. However, if you find yourself in an off-the-record conversation that cannot be avoided, here are some talking points to help guide you:

- NADA is extremely disappointed with the Alliance for the misguided and factually incorrect comments they provided the DOJ.
- The comments are inconsistent with the conversations NADA has had with OEM leadership.
- They also undermine the Alliance's previously stated commitment to the franchise system.
- The franchise system is, and will continue to be, the most consumer friendly, competitive and efficient way to sell and service vehicles.
- This was recently detailed in an exhaustive study by Oliver Wyman.

EV Mandate Riders Included in Government Funding Bill

The U.S. House Appropriations Interior, Environment, and Related Agencies Subcommittee passed its Fiscal Year 2026 funding bill with language that would stop the Environmental Protection Agency from spending funds to implement, administer, or enforce its EV mandates on light-duty, medium-duty and heavy-duty vehicles until September 30, 2026.

Section 458 would prohibit funds to implement EPA's "Multi-Pollutant Emissions Standards for Model Years 2027 and Later Light-Duty and Medium-Duty Vehicles" rule, and Section 459 would prohibit funds to implement EPA's "Greenhouse Gas Emissions Standards for Heavy-Duty Vehicles—Phase 3" rule.

The Trump Administration has already initiated a rulemaking to undo EPA's EV mandates; however, inclusion of these EPA riders in the final spending bill as passed by Congress would ensure the mandates have no force or effect until September 30, 2026. Earlier this week, this legislation passed the House Appropriations Committee by a vote of 33-28 and now awaits House consideration.

Volkswagen/Scout Update

What's new: NADA has spoken with the new North American head of the Volkswagen Group, Kjell Gruner, and

advised him of our position on Scout and the seriousness and rigor with which we will pursue and support defense of the franchise system. An additional meeting with Mr. Gruner is planned for later this summer.

The California New Car Dealers Association (CNCDA) has filed a lawsuit with the Superior Court of California against Volkswagen Group and Scout Motors Inc. seeking to block the company's plans to sell vehicles directly to consumers in the state. The lawsuit asserts that Volkswagen is illegally competing with its dealer partners through its affiliate, Scout Motors. The case is proceeding according to the expected legal process, and a formal OEM response may come as soon as July.

CNCDA's lawsuit follows legal action taken by Florida VW and Audi dealers in Miami-Dade County Circuit Court earlier this year to block Scout's direct-sales attempt in the state.

Why it matters: The franchise system is the best and most efficient way to deliver the customer experience that today's marketplace demands. Volkswagen Group and Scout Motors' efforts to circumvent that system are bad for consumers, dealers, manufacturers, and potentially illegal.

What's next: NADA will continue to work with state and metro dealer associations to protect the franchise system and stand behind our Volkswagen and Audi dealers across the country.

Sony Honda Mobility Update

What's new: On June 6, NADA met with Honda's Lance Woelfer, VP, Automobile Sales, and Jennifer Thomas, head of Corporate Affairs, to share our position with regard to Afeela. This work is ongoing, and NADA will keep Directors informed as events warrant.

This spring, the California New Car Dealers Association (CNCDA) announced it was investigating Sony Honda Mobility's direct-to-consumer distribution plan regarding its Afeela 1 electric sedan to see if the joint venture between the Japanese giants violates state franchise law. CNCDA took similar steps late last year with VW/Scout, which subsequently led to legal action.

Also, this spring, CNCDA sent a cease-and-desist letter to Sony Honda Mobility and American Honda Motor Co. demanding they stop taking deposits on Afeela vehicles from California residents and warning of the potential of upcoming litigation.

Earlier this year, Sony Honda Mobility announced the starting prices for its Afeela vehicles and its intentions to sell those vehicles directly to consumers. They have launched pop-up experiential showrooms in California.

Why it matters: Like the consequences with the Scout brand, any direct-sales model would, to say the very least, undermine any automaker's relationship with its franchised dealers, all of whom have made significant investments in their current and any future brands.

NADA has made it clear to Honda that any misguided attempt to bypass or undercut its U.S. dealers will be chal-

lenged in statehouses and courthouses across the country – with NADA’s full support.

What’s next: NADA will pursue this issue with the same seriousness with which it is approaching the VW/Scout brand issue.

NADA Priorities, the “PART Act” and “FET Repeal Legislation”, Mentioned in Congressional Hearings

PART Act Plug: During a recent Senate Committee on Commerce, Science, and Transportation hearing, Sen. Amy Klobuchar (D-Minnesota) highlighted the NADA-backed “Preventing Auto Recycling Theft” (PART) Act (S. 2238), which she and Sen. Bernie Moreno (R-Ohio) recently reintroduced to combat catalytic converter theft.

FET Reference: During a recent Senate Surface Transportation, Freight, Pipelines, and Safety Subcommittee hearing, Sen. Bernie Moreno (R-Ohio) stated that the 12% federal excise tax (FET) was holding back fleet turnover and that a reduction of the FET would allow for higher sales of new heavy-duty trucks. The Modern, Clean, and Safe Trucks Act of 2025 (H.R. 2424) would repeal the FET and help incentivize the replacement of older trucks with new safer and cleaner trucks. Please urge your members of Congress to cosponsor H.R. 2424.

CAR Coalition Commissions Survey on Right to Repair and Puts up Billboards in Missouri

The Consumer Access to Repair (CAR) Coalition recently released a national survey that claims 83% of Americans support the so-called “right to repair” REPAIR Act (H.R. 1566/S. 1379). The Coalition also took out billboards in Missouri thanking Sen. Josh Hawley (R-Missouri) for introducing the REPAIR Act in the Senate.

While the Senate bill currently only has 7 cosponsors, it picked up Sens. Tom Cotton (R-Arkansas) and Cory Booker (D-New Jersey) this month. The House bill has 31 cosponsors and REPAIR Act supporters are working to add members of the House Energy and Commerce Committee, the committee of jurisdiction for the legislation. No Massachusetts legislators are cosponsors presently. NADA will be lobbying in opposition to the REPAIR Act during the Washington Conference in September.

2025 NADA Chairman Tom Castriota on Dealer Wins, Tariffs, and AI’s Impact

By Ashby Lincoln, *CBT News Inside Automotive*

The automotive industry is facing major shifts in affordability, regulations, and technology. In the July 7 edition of *Inside Automotive*, Tom Castriota, 2025 NADA Chairman and owner of Castriota Chevrolet, shares key insights on recent dealer wins, challenges like tariffs and EV mandates, and how AI and advocacy will shape the industry’s future.

The rollback of California’s aggressive zero-emission vehicle (ZEV) mandate marks a significant victory for dealers and OEMs who faced struggled to meet the 35% EV sales target for model year 2026. This legislative success involved close collaboration between NADA, government officials, and the administration, culminating in the signing of related congressional acts at the White House.

Tariffs continue to present a significant challenge for the industry. While the NADA supports the administration’s goals to rebuild U.S. manufacturing and strengthen strategic industries, the association is actively pushing for a transitional “bridge” period to help dealers and manufacturers adjust before tariffs fully impact vehicle prices.

Affordability remains a pressing concern as the average new-vehicle price approaches \$49,000. Many households earning around \$65,000 annually cannot comfortably afford these prices, especially given current interest rates pushing monthly payments up to \$900. This economic reality limits its potential growth in new-vehicle sales volume. Although some dealers advocate for prioritizing profitability per vehicle over volume, OEMs focus on increasing production utilization, aiming for sales well above current levels near 13 to 15 million units.

Chinese EVs pose a global challenge due to significant government subsidies, creating an uneven playing field. Castriota acknowledges that many U.S. dealers would welcome affordable Chinese brands but warns that these heavily underwritten imports threaten domestic OEMs and the established dealer networks.

The rise of direct-to-consumer sales models, like Volkswagen’s Scout, raises legal and franchise system issues. NADA stands firmly behind state franchise laws and supports ongoing lawsuits in key states, serving as the voice of dealers in protecting the franchise system’s integrity.

Looking ahead, Castriota emphasizes the growing importance of AI for dealer competitiveness. NADA plans to train members on effective AI applications to improve operations while maintaining compliance and service quality.

Dealer-led grassroots advocacy also plays a crucial role in securing bipartisan legislative support. Castriota highlights influential allies like Senator Bernie Moreno, who strengthen dealer representation at the federal level.

The full interview video is available at: <https://www.cbt-news.com/2025-nada-chairman-tom-castriota-on-dealer-wins-tariffs-and-ais-impact/>.

WEBINAR: One Big Beautiful Bill Act – Key Tax Changes Auto Dealers Should Know

On July 24, NADA conducted a webinar with expert dealer CPAs and NADA staff discussing the key tax provisions important to dealers in the “One Big Beautiful Bill Act”. You can watch the recording at www.nada.org.

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