

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE
Transcriber's Office

February 15, 2000 LB 1018

SENATOR BEUTLER: Okay.

SENATOR CUDABACK: Senator Bromm, would you yield to a question?

SENATOR BEUTLER: Let me...let me ask you this, just by way of hypothetical. In addition to automobile dealerships in terms of franchises, just in the area of automobiles alone, I'm familiar with at least two. One would be something like an AAMCO Transmissions franchise, a couple of which my father used to own. Another would be Midas mufflers' national franchising operations. Now, from time to time, in different areas for different reasons there might be the thrust towards vertical integration I suppose in any franchise system, so one has to make up one's mind about, I suppose, the benefits or dangers of vertical integration generally and then in the context of a particular industry and then in the context of a particular geographic area, I suppose. But just in...as a conceptual matter, if next year Senator Dickey had a bill to protect Midas muffler franchises what would your reaction be to that? And the legislation he's seeking will be generally similar to this that you see right here. I guess what I want to know is, how do we distinguish an automobile franchise from other types of franchises, and where are we going in the future maybe with some of this?

SENATOR BROMM: That's...that's awfully astute question, I think, Senator Beutler. To me, let me start and if I run out of your time I'll give you some time back. As it was...as I have heard this franchise effort described, for example, Ford Motor Company came into Omaha, called all the car dealers together and said we would like to acquire all the dealerships, we plan to do that, and then we will close some dealerships to become more efficient, and then we will operate the balance of them as company stores. You're talking about a product that is a unique product when you're talking about a Ford automobile. Yes, you could go buy a Chevy, you could go buy a Honda, but if you want a Ford you've got to buy it from a Ford...if you're going to buy a new Ford you've got to buy it from a Ford dealer. Where would that lead to if you actually went through that process and a bunch of stores were closed and you had a limited number of stores? I think you would then find a mechanism of pricing that