



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

[SFRO letterhead] May 26, 1995

The Honorable **Joan Lambert**
The State Assembly of Nevada
401 S. Carson Street
Carson City, NV 89710

Dear Ms. Lambert:

The staff of the Federal Trade Commission⁽¹⁾ is pleased to offer this response to your request for comment on Assembly Bill 205. This bill would redefine "new" and "used" vehicles and change the permitted functions of dealers in a way that could discourage the business of acting as a broker to arrange sales or leases of new cars and trucks. We believe that the bill's effects on alternt with this statutory mandate, the Commission and its staff work to

identify restrictions that hinder competition and increase costs without providing countervailing benefits to consumers.

The Commission has long been concerned about restrictions imposed on retailing methods that can be beneficial to consumers. In the retail automobile market in particular, the Commission has ruled that dealers in the Detroit area unreasonably restricted competition by agreeing to limit their hours of operation.⁽³⁾ The staff of the Commission has published economic research about automobile marketing.⁽⁴⁾ The staff has submitted comments to state governmental bodies nationwide about proposals to restrict competition among automobile marketers. The staff has

Nevada law authorizes licensed vehicle dealers to engage in a broad range of activities. Dealers in used vehicles can and apparently do help consumers arrange purchases of new vehicles, by performing brokering functions included in the statute's definition of "dealer." A.B. 205 would prevent used vehicle dealers from continuing to perform those functions with respect to new vehicles. New ve

New vehicle dealers may not promote those services as aggressively as other firms would. One aspect of brokering services that consumers are likely to find most attractive is the prospect of obtaining the lowest possible price. New vehicle dealers would not be expected to view that prospect with the same enthusiasm. Instead, new vehicle dealers might have incentives to keep retail prices high.

A.B. 205 would remove from the marketplace participants whose knowledge and experience enables them to help

(11) A.B. 205, §5, to amend NRS 482.322(1). A "dealer," as defined by NRS 482.020(1), means someone who, for compensation, sells, buys, offers, displays, negotiates or attempts to negotiate a sale or exchange of an interest in a vehicle or who induces or attempts to induce a person to buy or exchange an interest in a vehicle; or who receives or expects a commission, money, "brokerage fee" or other value from the seller or purchaser of a vehicle; or who is engaged in selling or buying or taking in trade vehicles for the purpose of resale, sale or offering for sale or consignment to be sold or otherwise dealing in vehicles, whether or not he owns them.

(12) A.B. 205, §4, to amend NRS 482.133; now, the definition simply connects the statutory definitions of "dealer" and "used vehicle".

(13) A.B. 205, §6, to add NRS 482.305(2).

(14) A.B. 205, §6, to amend NRS 482.350.

(15) New vehicle dealers could not buy and resell new vehicles (those with less than 2,500 miles) for which they lacked franchises, though.

(16) Credit union-sponsore