UNITED STATES OF AMERICA

FEDERAL TRADE COMMISSION

WASHINGTON, D.C. 20580

Interest and Experience of the FTC

The Proposed Franchise Act would make it more difficult for a brewer to enforce contractual arrangements designed to reduce wholesale prices and to increase wholesaler they actually receive, and are thus unlikely to purchase the supplier's product again.[21] For example, when a consumer does not enjoy a beer because it has not been stored at the correct [redacted]

loses all of that customer's potential future purchases, regardless of where they are made. The [redacted] incentives to provide sales-generating effort[25] or exclusive dealing requirements to focus dealer efforts on the supplier's – rather than a rival's – product.[26] As many economic studies have

[redacted]

found, such provisions tend to benefit consumers in the form of higher output, lower prices, and improved services.[27] Further, the U.S. Supreme Court has noted on numerous occasions how vertical contracts can intensify interbrand competition,[28] which benefits consumers with lower prices and improved quality.[29]

3. Increasing the Cost of Terminating a Wholesaler is Likely to Reduce

[redacted]

demand for their products.[31] Indeed, even in circumstances where a wholesaler breached the terms of its contract, the Proposed Franchise Act would likely cause a brewer to incur substantial wholesaler incentives,[35] it is better to let private parties determine whether it is in their interests to enter into contracts that contain exclusive territory provisions than to mandate such terms.

distribution, they are likely to grant wholesalers exclusive territories only if such contracts are

likely to increase output.

Respectfully submitted,

Maureen K. Ohlhausen, Director
Office of Policy Planning

Michael A. Salinger, Director
Bureau of Economics

Susan A. Creighton, Director
Bureau of Competition