



## TOWNLINE EQUIPMENT SALES, INC

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**Kubota.**



January 14, 2016

**Dear Chairman Mullin and Members of the Senate Economic Development, Housing and General Affairs Committee:**

My name is Matt Marrazzo. My brother and I own and operate Townline Equipment Sales Inc., with locations in Pittsford Vermont and Plainfield New Hampshire. Founded in 1971, we're a second generation family owned tractor and construction equipment dealership with 31 employees. I am writing to briefly offer three examples of why you should support S.224. These examples include protection against brand purity demands, fair warranty reimbursement and the fact that we're not asking for any protections that equipment dealers in other states don't already have.

### **Protection against Brand Purity Demands**

In 2010 and 2011, we developed a succession plan to pass the business from our parents to my brother and me. In any transaction like this, there needs to be a willing buyer and a willing seller, but in our industry, there is a third party that must approve: the equipment manufacturer. When we developed our plan, we sat down with each of our major equipment manufacturers to ask for their approval to transfer ownership. One manufacturer would not allow us to transfer ownership under our current contract without eliminating competitive product lines provided by another manufacturer. The manufacturer who made this request was the same manufacturer that we invested \$3 million in a new facility for five years earlier.

With help from the existing New Hampshire dealer law, we were able to win our battle against this manufacturer. If we did not have our dealer law to rely on, we would have had to give up one of our product lines, costing us millions of dollars in revenue and at least 10 local jobs. It's critical for Vermont to update the existing dealer law with language that protects dealers against brand purity. In the markets that we serve in Vermont, we must be able to sell and service multiple brands of equipment to consumers who want local choice of product offerings. Many of these major manufacturers allow companies like Home Depot and Lowe's to sell their brands side by side with their competitors, why should local equipment dealers be treated any differently?

## **Warranty Reimbursement**

Our customer base is very broad: farmers, homeowners, construction businesses, municipalities, individuals, corporations. We have more than two dozen different target customer groups; their needs vary, but their expectation is the same: quality. No matter who the customer is, when they are spending anywhere from \$10,000 to \$200,000 on new equipment, they expect a quality product and sufficient warranty against any unforeseen product defects.

We didn't make the product, but it is my company's responsibility to perform the work if something goes wrong. A manufacturer's defect is not the dealer's fault, but we correct the error. It's part of the business relationship between the manufacturer and the dealer, and if we were reimbursed fairly for our costs, it would not be a problem. However, many companies refuse to reimburse us fairly for the warranty work we do. They aren't legally required to do it. From our locations in Vermont and New Hampshire, we lost \$95,000 last year alone in warranty work performed where we were not paid market value for the services that we provided on behalf of our manufacturers.

The rules for reimbursement are vague and allow manufacturers to avoid our actual costs. For example, when a warranty call comes in from a customer, we often go out to them or truck their equipment to one of our locations. Remember, the equipment we sell doesn't fit in the back of a pick-up. These are often large pieces. Our manufacturers don't pay our trucking costs or travel time costs. Manufacturers also often pay for parts at cost or a small percentage above cost, not at our retail rate. With the large investments that dealers have to make in facilities, transportation and skilled service technicians, performing large portions of required warranty work for free is unreasonable.

## **We're Not Asking for Anything New**

The changes we're asking for in S.224 are changes that are already law in other states---- even other New England states including New Hampshire and Maine have most of the provisions we're asking for. In fact, these are very modest changes compared to what New Hampshire passed with SB126 in 2013. In New Hampshire, we were able to expand the definition of a motor vehicle to include tractors and equipment in the auto dealer law. We were also able to pass protections against brand purity obligations, unreasonable facility upgrades, obtain warranty reimbursement for trucking and travel time, prohibit changing dealer's relevant market areas without valid reasons, and requiring transparency and uniformity when performance standards are used to measure dealers. Simply put, we're not asking for anything new or unreasonable in S.224. We're asking for improvements to the law that have already been made and have withstood Supreme Court challenges in other states.

In conclusion, we want to thank you for listening and learning about the proposed dealer law changes in S.224. As dealers, we want to be able to offer our customers the best variety and value for the types of equipment and services we provide, but we can only do that when we have fair and reasonable business relationships with the manufacturers of the products that we represent. For these reasons, we urge you to support passing S.224.

Sincerely,



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