



JOHN DEERE

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S 224: Equipment Dealer Agreements

Position: John Deere opposes the enactment of S 224 which would amend the Vermont Machinery Dealerships Act

Background: For over 179 years, John Deere has committed itself to providing quality, innovative products and services to meet our customers' needs. For over a century, we have distributed these products through independent dealers who are authorized to sell John Deere equipment through a contractual arrangement. If S 224 is enacted, the proposed legislative language would significantly fracture our existing contractual process.

Rationale for Opposition:

- **Current Law:** Vermont Code Title 9, Chapter 107 currently provides adequate safeguards for equipment dealers.
- **Competitive Lines:** The competitive lines language in S 224 would allow a competing manufacturer to sell its equipment in a Deere dealership. Under our current contractual arrangement, Deere permits competitive lines of equipment to be sold under our John Deere logo and roof if that competitive line compliments John Deere's current line of equipment. We also allow competitive lines under a separate roof, with separate financing and separate sales force, if that competitive line supplants John Deere's current line of equipment. S 224 would allow a dealer to locate, represent and sell a competitive product under the John Deere Dealership's roof (i.e. John Deere / Mahindra Tractor) even if the equipment would supplant ours. If ultimately enacted, this provision of the legislation would destroy the competitive lines aspect and be detrimental to the customer.
- **S 224 Exemption:** The legislation is drafted in such a way that it would currently only exclude one construction and industrial manufacturer from the onerous provisions of S 224, ultimately putting other manufacturers at a competitive disadvantage. If one construction company is exempt from the bill then all construction companies should be exempt from the bill, or alternatively, no company should be exempt from the bill.

- **Equipment Customers:** With the proposed modifications to the Inventory Repurchasing current law provisions, S 224 would ultimately increase costs for equipment purchasers.
- **Private Right to Contract:** Deere supports the private right to contract between two approving parties without legislative intervention. S 224 interferes with this private right.
- **Market Coverage:** S 224 precludes a manufacturer from making necessary adjustments to market coverage when dealers enter or exit the business or to adjust for market demand for certain products. With this provision, S 224 is detrimental to the customer and their overall purchasing experience.
- **S 224 Provisions:** Certain contained, confusing provisions and terms are unprecedented, increasing the likelihood of litigation.
- **Possible Constitutionality Question:** Based upon the Senate deliberations and activity, there remains a question as to if the legislation overrides existing dealer agreements that have been entered into by two approving parties. Depending upon the final legislative outcome and specific language, there may also be a constitutional question if S 224 were to be enacted.

Summary: John Deere has developed a superior product, invested heavily in marketing their brand, and has driven business to dealer locations as promised in the contract. In their contract, the dealers promise John Deere to make their best efforts to sell and service Deere's products and services. The proposed legislation would significantly impair the contractual relationships between manufacturers and their dealers in complicated ways. A manufacturers' current dealer distribution network would be eroded. Litigation costs would increase, equipment purchase costs would increase and consumers could negatively be impacted. To date, a critical public policy reason has not been identified for injecting government into business to business contractual relationships and the legislation may be unconstitutional. Consequently, John Deere opposes the legislation.

Thank you for your time and consideration on this important legislation. For additional information, please contact:

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