

Testimony of
David Dickerson
Vice President, State Government Relations
National Marine Manufacturers Association

Before the
Vermont House of Representatives
Committee on Commerce and Economic Development
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Hello, and thank you for the opportunity to testify today regarding S 136. I am here on behalf of the 1,500 boat, engine, and accessory manufacturers who make up the National Marine Manufacturers Association (NMMA).

S. 136 presents the committee with the decision of whether state government should to intervene in non-franchise contracts between two businesses to regulate their relationship regarding warranty reimbursements.

This bill is unique because it deals with the marine industry.

Boats are not cars or farm machinery and the contracts between marine dealers and boat manufacturers are significantly different from such franchised relationships.

There is no franchise agreement between boat dealers and boat manufacturers. Each party is able to negotiate individualized contracts, including reimbursement rates for warranty work and parts. Unlike with franchised arrangements, dealers have many marine manufacturers from which to choose, many of whom offer very comparable models of boats. Because of the recession, as many as 40 percent of boat dealers went out of business nationally. Dealers today are in a significantly stronger negotiation position as boat manufacturers compete to be represented by the reduced number of best performing dealers in any market.

Many marine manufacturers already include in their contracts the changes called for in this bill. Some do not. These decisions are based on individualized relationships, business performance and other factors. However, it is up to dealers to select those brands that give them the best overall financial return. Mandating reimbursement is but one small part of the overall financial equation between dealers and manufacturers. Frankly, the profit on some brands is much greater than others, so the overall profit on sales must be balanced with other provisions of the contract.

Many manufacturers offer dealers the opportunity to earn the highest levels of reimbursement based on sales and customer satisfaction. Dealers with strong market share and high customer satisfaction are all-the-more valuable to manufacturers.

S 136 oversimplifies the dealer-manufacturer relationship and calls for government mandates to provide unwarranted protections to private businesses by fixing the price of services between two businesses. Again, the manufacturer-dealer relationship is based on contracts that provide dealers the ability to change to other brands as they see fit and is not encumbered by the franchise business model that include a multitude of mandates and requirements under law and contract. For these reasons, NMMA asks that you vote against passage of S 136.

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