



May 3, 2023

Honorable Ron DeSantis, Governor
State of Florida
The Capitol
400 South Monroe Street
Tallahassee, FL 32399-0001

RE: Veto Request - CS/CS/HB 637

Dear Governor DeSantis:

On behalf of the Alliance for Automotive Innovation¹ (Auto Innovators), I would like to respectfully ask that you consider vetoing CS/CS/HB 637, one-sided legislation drafted at the behest of the state automobile dealers association. This legislation will add unnecessary cost to the motor vehicle franchise statute at the expense of consumers and make Florida an outlier regionally and nationally in laws that govern the relationship between automobile manufacturers and their franchised dealers.

This letter highlights the many controversial provisions in the bill, which despite repeated attempts to negotiate and address concerns raised by the dealers association, remain in the legislation currently on your desk.

Undermines the free market by statutorily guaranteeing revenue for auto dealers

For background, over-the-air updates (OTAs) are remote software upgrades or fixes that can be delivered through wireless transmission to a vehicle for a variety of purposes, much in the way your iPhone may be updated or have new features installed on it from the convenience of your home. With this bill, the automobile dealer association is asking the state to prescribe through statute a specific cut of revenue (8%) that manufacturers must pay dealers for OTA revenue received from consumers who purchase an OTA upgrade—even if the dealer did not do anything to provide that service. Manufacturers want to compensate dealers if they helped a customer perform an OTA. We reject, however, the premise entirely that dealers should be compensated for products they did not develop, sales they did not make, services they did not perform, and assistance they did not provide.

¹ From the manufacturers producing most vehicles sold in the U.S. to autonomous vehicle innovators to equipment suppliers, battery producers and semiconductor makers – Alliance for Automotive Innovation represents the full auto industry, a sector supporting 10 million American jobs and five percent of the economy. Active in Washington, D.C. and all 50 states, the association is committed to a cleaner, safer and smarter personal transportation future. www.autosinnovate.org.

OTAs are an exciting new aspect of the vehicle ownership experience that is still in its infancy. Unfortunately, with this bill, the future of that ownership experience is in doubt in Florida, as paying dealers 8% of the gross revenue could be the difference between a product that is profitable and marketable and one that is not. Florida is poised to be the only state in the country with such an unreasonable state-mandated revenue shift. Consumers should not be caught in the wake of the state dealer association's aggressive legislative ambitions, nor should the state take it upon itself to redistribute revenue simply because one entity asked for it. Once again, and to the best of our knowledge, no other industry receives such favorable treatment under the law in Florida as proposed in this legislation.

Unnecessary bureaucratic overreach

This bill will clog up the Department of Highway Safety and Motor Vehicles (DHSMV) investigative process by requiring investigations any time a written complaint is brought by a dealer or state dealer association. DHSMV currently has discretion as to whether to investigate; this bill would remove that discretion. This is completely unnecessary and will subject manufacturers to fishing expeditions and unfounded allegations. It's one thing to give an agency the tools it needs to investigate claims, but it's totally different to remove agency discretion and mandate investigations even if they are a waste of time and resources.

This provision would also make Florida an outlier nationally. To the best of our knowledge, no other state grants the state automobile dealer association the ability to bring claims to the DHSMV (or relevant motor vehicle regulatory authority) that the DHSMV would then be required to investigate. The state dealer association is not a party to franchise contracts—those are between manufacturers and dealers. Yet the state association is asking to be granted special privileges through this requirement, and then use those special privileges to launch unfounded attacks on manufacturers using state resources. This would be unprecedented and has no place in serious public policymaking.

Makes vehicle buying needlessly frustrating

This bill would prohibit a manufacturer from linking a customer reservation to a VIN or other similar identifier. That makes a reservation far less useful to a customer because the manufacturer could not require or even incentivize the dealer to honor a reservation for a particular vehicle. This drags the vehicle-buying process backward and does not reflect the preferences of modern consumers that prefer to shop, customize, and have assurance that the vehicle they want will be available to purchase.

Once again, this provision would make Florida an outlier nationally. The three other states with laws that regulate vehicle reservations simply require manufacturers to assign reservations to dealers.

Solidifies two different regulatory systems for competitors in the same market

Automakers have repeatedly stated throughout debate on this legislation our commitment to the automotive franchise system. Unfortunately, the same cannot be said for this legislation put forward by the auto dealer association that seeks to tighten restrictions on traditional automakers while not doing the same for new electric vehicle market entrants that sell directly to consumers.

This bill will cement an unequal regulatory system by requiring some automakers to comply with restrictive, costly, and complex franchise laws (including this bill's provisions discussed above) while exempting others from such compliance. There is nothing free market about creating two different regulatory schemes for competitors that sell competing products.

Auto Innovators Urges Governor DeSantis to Veto CS/CS/HB 637

The laws governing the relationship between manufacturers and automobile dealers should strike a balance to ensure both entities remain profitable while preserving choice and competition for the benefit of consumers. This legislation, however, is patently one-sided and puts the sole interest of franchised automobile dealers ahead of everyone else.

This bill will make buying a vehicle more cumbersome. This bill will lead to a worse vehicle ownership experience because features available elsewhere may not be offered in Florida. This bill will make vehicles more expensive to own by continuing to add unnecessary costs to the motor vehicle franchise system. And this bill will lead to frivolous and unnecessary meddling in private contracts already agreed upon by manufacturers and their independent dealer network.

This is bad public policy, and for these reasons, we urge you to veto CS/CS/HB 637. Auto Innovators and our members are happy to discuss this with you or your administration at your convenience.

Thank you for your consideration of our views. If I can provide any further information, please feel free to contact me at wweikel@autosinnovate.org.

Kindest regards,



Wayne Weikel
Vice President, State Government Affairs