



ASSOCIATION OF
EQUIPMENT MANUFACTURERS

AGRICULTURE
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Senator Petersen
Chairman, Senate Transportation Committee
Statehouse
300 SW 10th Avenue
Topeka, KS 66612-1586

March 14, 2018

Chairman Petersen and members of the Senate Transportation Committee:

My name is Stephanie See, and I am the director of state government and industry relations for the Association of Equipment Manufacturers (AEM), the North American-based international trade association representing over 950 companies in the off-highway machinery market. Our industry supports nearly 20,000 jobs in Kansas, and contributes more than \$2 billion to the state's economy. AEM members are household names in the State of Kansas like major lines of Deere, CNH, Kubota, and AGCO but also include many medium and small manufacturers like Great Plains in Salina and Kuhn/Krause in Hutchinson.

AEM is opposed to HB 426, as it is currently written. The legislation is an unnecessary intrusion into the business relationship between an equipment manufacturer and an equipment dealer, and is a solution without a problem.

This legislation is quite similar to legislation introduced in Oregon, which AEM and the Western Equipment Dealers Association (WEDA) are currently attempting to negotiate outside of the legislative process, at the request of the Oregon committee of jurisdiction. WEDA has brought this legislation to Kansas to force manufacturers to agree to its terms. There is no pressing need for this legislation this year.

Almost all equipment manufacturers distribute their products through independent dealers located throughout the world. Over the decades, these manufacturers and their dealers have developed close business relations that have stood the test of time and the

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marketplace. The contracts that have evolved are a function of the type of products, the nature of their markets and their combined experience.

These mutually agreed upon contracts share the duties and responsibilities in such a way that both parties can make their best contributions toward a long-term relationship that will succeed in supporting and serving the product users. Both parties need to be committed to work out isolated disagreements and conflicts that may arise and not seek wide sweeping legislative solutions.

This legislation would interfere with the established contractual relationship between the equipment manufacturer and its dealers with respect to the terms they have agreed to concerning competitive lines, transfer of ownership, warranty reimbursement, and changes in competitive circumstances. HB 426 appears to apply retroactively to existing dealer agreements. The attempt to have the legislature rewrite the terms in existing dealer agreements, long after the ink is dried, is in AEM's view an unconstitutional impairment of private contracts.

This is bad public policy that offers no benefits to users of our members' products in Kansas--in fact, the restrictions could adversely affect our members' ability to service the end user's equipment through their dealer networks.

We respectfully urge you to reject this legislation which is an overreaching interference in the contractual business relationship between a manufacturer and the equipment dealer and let the marketplace determine the established business relationship.

We appreciate the opportunity to weigh in on this important issue.

Respectfully submitted,

Stephanie See
Director, State Government and Industry Relations

Cc: Members of the Kansas Senate Transportation Committee

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