



**Kubota Tractor Corporation**  
1000 Kubota Drive  
Grapevine, TX 76051

March 6, 2018

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

FEDERAL EXPRESS  
and Email: [Linda.Herrick@Senate.ks.gov](mailto:Linda.Herrick@Senate.ks.gov)

**Re: Opposition to SB426 (farm equipment dealership agreements)**

Dear Senator Peterson:

On behalf of Kubota Tractor Corporation, we are writing to share our opposition to SB 426. SB 426 is an unnecessary intrusion into and impairment of the current and ongoing business relationship between a farm, light industrial, construction and yard and garden equipment manufacturer and their equipment dealer. SB 426 creates public policy that offers no benefits to the end users of Kubota Tractor Corporation's products in Kansas. In fact, the restrictions and modifications to dealer contracts would adversely affect Kubota Tractor Corporation's (KTC) ability to service the end user's equipment through our dealer networks.

KTC has historically distributed and warranted its farm, construction and turf equipment, like most manufacturers, through local independent dealers, many of whom are multiline dealers. KTC has always worked closely with, and is well known as having excellent relationships with its dealers, including succession issues, competitive circumstances and the payment for warranty work. These relationships often go back many years.

The proposed legislation would impair the contractual relationship between the farm, construction and turf equipment manufacturer and its dealers with respect to the terms they have agreed to. The bill would retroactively negate existing agreements concerning all aspects of the business, including succession, competitive circumstances and warranty repair reimbursement terms and procedures. 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.

The statute restricts a manufacturer's ability to work with its dealers outside the scope of

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legislation to achieve a mutually beneficial relationship. Individually, parties are best served when they have the ability to work out isolated disagreements instead of through sweeping, broad, generalized "one size fits all" solutions imposed by legislation.

The provisions of this bill which would restrict the manufacturer's ability to terminate, cancel, or fail to renew dealerships, add new dealerships, change market areas, change succession requirements or change mandatory arbitration clauses, such would unnecessarily, needlessly and illegally impair the existing contract framework of the Dealer Sales and Service Agreements that each manufacturer has negotiated with its dealers.

The contracts at issue in this case were entered into against the backdrop of the prior statutory framework; as a result, they provided negotiated answers to the statute's open questions. Manufacturers and dealers provided by contract how termination would be handled, how new dealerships would be added, which models of a line make would be sold to which dealers, and whether conflicts arising under the contract's provisions would be resolved by mandatory arbitration. The proposed amendments to the existing statute would impair manufacturers' pre-existing agreements with their farm equipment dealers and thus appear to violate the Constitutional protections against legislative impairment of private contracts and (possibly) agreements to arbitrate. Article I, Section 10, Clause 1 of the U.S. Constitution provides, in relevant part: "No State shall \* \* \* pass any \* \* \* Law impairing the Obligation of Contracts, or grant any Title of Nobility."

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

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce G. Shanahan", with a long horizontal flourish extending to the right.

Bruce G. Shanahan  
Deputy General Counsel  
Kubota Tractor Corporation