



Department of Justice

FOR IMMEDIATE RELEASE
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**JUSTICE DEPARTMENT CHARGES NATIONAL AUTOMOBILE DEALERS ASSOCIATION
WITH LIMITING PRICE COMPETITION IN CAR SALES TO CONSUMERS**

WASHINGTON, D.C. -- The Justice Department reached an agreement today with the National Automobile Dealers Association, an association which represents more than 80 percent of all U.S. franchised car dealers, that will put an end to the association's illegal efforts to limit price competition in car sales to consumers.

The Department said that if NADA had succeeded in its goal to lessen price competition, it could have substantially driven up the cost of new cars to consumers. For example, one of NADA's objectives was to eliminate direct manufacturer to consumer rebates that reduced the price at which cars were sold. These rebates saved consumers as much as one thousand dollars per car.

The Department's Antitrust Division filed a lawsuit in U.S. District Court in Washington, D.C., charging NADA with actively engaging in a campaign to lessen price competition in retail sales of automobiles, and engaging in a variety of different practices to accomplish its goal. At the same time, the Department filed a proposed consent decree, that if approved by the court, would resolve the suit and the Department's concerns about NADA's anticompetitive behavior.

Anne K. Bingaman, Assistant Attorney General in charge of the Antitrust Division, said, "NADA stepped well over the line by trying to keep various players in the auto industry from taking steps that

would reduce car prices for consumers. Trade associations must not be allowed to become a cover for cartel-like activity."

The complaint alleged that NADA:

- Tried to persuade car dealers to boycott or reduce their purchases from auto manufacturers that offered rebates to consumers.
- Tried to persuade member car dealers to stop "invoice advertising,"--advertising retail prices based on the dealer's wholesale cost. The Department said that NADA opposed invoice advertising because it believed that it led to lower retail prices.
- Called for its member dealers to reduce their inventories in order to pressure auto manufacturers to reduce discounts known as, "fleet subsidies"--high-volume discounted sales to fleet buyers, which often resold slightly used cars to consumers at prices substantially below the price of similar new cars at most franchised retail dealers.
- Urged its members to boycott auto brokers that buy cars at discount prices from some dealers and resell the cars to the public.

The proposed consent decree prohibits NADA from among other things:

- Urging or encouraging dealers to adopt specific prices or pricing systems or specific policies with respect to the advertisement of prices.
- Urging dealers to boycott businesses including manufacturers or auto brokers.
- Terminating from membership any dealer for reasons relating to the dealer's prices or advertising policies.

NADA is a trade association based in McLean, Virginia, whose 25,000 members account for about \$375 billion in sales of automobile products and services nationwide.

As required by the Tunney Act, the proposed consent decree, along with the Department's competitive impact statement, will be published in the Federal Register. Any person may submit written comments

concerning the proposed decree during the 60-day public comment period to Mary Jean Moltenbrey, Chief, Civil Task Force II, Antitrust Division, Department of Justice, Room 300, Liberty Place Building, 325 7th Street N.W., Washington, D.C. 20530.

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