



Department of Justice

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**JUSTICE DEPARTMENT WILL NOT CHALLENGE WASHINGTON, D.C.
AREA CREDIT UNIONS' SPONSORSHIP OF NEW CAR TENT SALE**

WASHINGTON, D.C. -- The Department of Justice today said that it would not challenge a proposal by some 20 Washington, D.C. metropolitan area credit unions to sponsor a tent sale at which car buyers could compare brands of new cars at a single site and purchase a new car at a price no higher than that which a credit union representative negotiated in advance with the selling dealer. The request to review the proposal came from the Pentagon Federal Credit Union.

The Department's Antitrust Division said that the group's proposal would not be challenged since the credit union negotiator will deal with each dealer on an individual, or one-on-one basis, and will not communicate any information to a dealer relating to what prices have been agreed to by other dealers. Under such circumstances, the credit union proposal would not involve its negotiator in any illegal pricing agreement amongst the dealers.

Anne K. Bingaman, Assistant Attorney General in charge of the Department's Antitrust Division, said the Department would be concerned if the participating car dealers agreed, either amongst themselves directly or indirectly as a result of price communications through the credit union negotiator, on prices to be charged at the tent sale. She said that any such agreement would constitute price-fixing which is a violation of the antitrust laws.

The Department also observed that to the extent that it reduced consumer search and anxiety with no adverse effect on price, the proposed tent sale would be procompetitive.

The Department's position was stated in a letter from Bingaman to counsel for the Pentagon Federal Credit Union.

The tent sale will be advertised as a "no haggle, no hassle" sales event. The price negotiated by the credit union and the dealer will be displayed on each vehicle at the sale. Credit union member purchasers, however, will retain the right to negotiate for a lower price and the dealer will retain the right to reduce the price from the level that it agreed to with the credit union representative.

While the sponsoring credit unions hope to provide financing for many of the cars sold to credit union members at the tent sale, a purchaser will be under no obligation to finance through his/her credit union. Purchasers may use other financial institutions, or manufacturer/dealer financing organizations to finance their tent sale purchases. They may also buy on a cash basis.

In order to protect their members from unscrupulous auto-dealer financing tactics, the sponsoring credit unions, will require participating auto dealers to enter a contractual commitment not to discuss financing terms with a potential purchaser until the purchaser has applied for credit union financing or notified the credit union that it has reviewed the credit union financing options and decided to go elsewhere. Thereafter, the auto dealer would be free to compete for the customer/credit union member's car financing business.

Bingaman stated that "the Department of Justice does not believe that the temporary delay that would be imposed on the initiation of auto dealer financing discussions with credit union members would have any anticompetitive effect in any car financing market."

Purchasers of new cars at the proposed tent sale would retain all of their current financing sources. They could seek financing from banks or other types of financing institutions without notifying their sponsoring credit union. They could pay cash, or they could obtain financing through the selling dealer (or a related financing company). In the latter situation, the customer's credit union would have to be given a right to compete or informed that the member did not want to use the credit union's financing company.

The Department takes no position on the asserted reason for the proposed special condition for initiation of auto-dealer financing discussions. Bingaman added, that under the circumstances, "the Department does not think it likely that the proposed delay on auto dealer initiation of financing discussions with tent sale car purchasers will have an anticompetitive effect in any car financing market."

Under the Department's Business Review Procedure, an organization may submit a proposed action to the Antitrust Division and receive a statement as to whether the Division will challenge the action under the antitrust laws.

A file containing the business review request and the Department's response may be examined in the Legal Procedure Unit of the Antitrust Division, Suite 215, Liberty Place, 325 7th Street, N.W., Department of Justice, Washington, D.C. 20004. After a 30-day waiting period, the documents supporting the business review will be added to the file.

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