

MINUTES OF THE MEETING
BUSINESS AND LABOR COMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

February 26, 1985

The meeting of the Business and Labor Committee was called to order by Chairman Bob Pavlovich, on February 26, 1985 at 12:45 p.m. in Room 312-2 of the State Capitol.

ROLL CALL: All members were present with the exception of Representative Schultz, who was excused by the chairman.

SENATE BILL 407: Hearing commenced on Senate Bill 407. Senator Bob Williams, District #15, sponsor of the bill, explained this bill was requested by the Senate Business and Industry Committee due to a recent takeover by Tenneco. Tenneco has been cutting off local dealers in order to eliminate intra-company competition. These dealers are approached, the transaction is made is less than 15 minutes and there are no appeal rights. Senate Bill 407 provides that termination, cancellation, nonrenewal or substantial alteration of a farm implements dealership agreement by the grantor must be for good cause and upon adequate notice. This bill is effective on passage and approval, added Senator Williams.

Proponent Blake Wordal, representing the Montana Hardware and Implement Association, stated dealers are an integral part of our community. The J. I. Case merger is an example of what is happening in this business. Recently, a Belgrade business that has operated for 3 generation was cancelled. A recent study showed that in the next few years a 42% increase or 3,800 dealers will be lost. Senate Bill 407 places the burden of providing good cause on the grantor. This bill is modeled after the Wisconsin "good faith" law. Six dealers will be cancelled on March 1, 1985 if this legislation is not passed. Mr. Wordal distributed to committee members Exhibit 1 which is attached hereto.

Representative Gene Ernst, District #29 offered his support of the bill.

Representative Ellerd asked Blake Wordal what Senate Bill 407 will stop Tenneco from doing if passed. Mr. Wordal explained that it will not stop them from anything, but will allow dealers to come to better terms in a buyout and give them more negotiating power.

Representative Simon asked Blake Wordal what the terms of the current franchise agreements are. Mr. Wordal stated

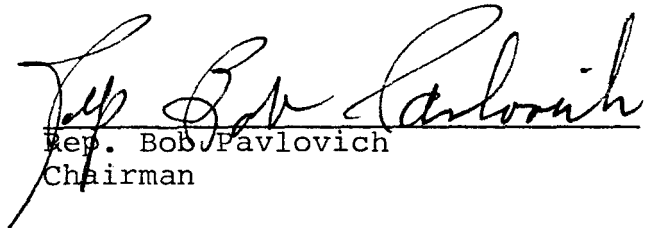
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that the terms vary from state to state, but currently provide that the contract may be cancelled at any time.

There being no further discussion by proponents and no opponents to the bill, all were excused by the chairman and the hearing on Senate Bill 407 was closed.

ACTION ON SENATE BILL 407: Representative Wallin moved DO PASS on Senate Bill 407. Second was received and a unanimous vote resulted. Senate Bill 407 DO PASS.

ADJOURN: There being no further business before the committee, the meeting was adjourned at 1:05 p.m.


Rep. Bob Pavlovich
Chairman

DAILY ROLL CALL
BUSINESS AND LABOR COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date February 26, 1985

NAME	PRESENT	ABSENT	EXCUSED
Bob Pavlovich	✓		
Les Kitselman	✓		
Bob Bachini	✓		
Ray Brandewie	✓		
Jan Brown	✓		
Jerry Driscoll	✓		
Robert Ellerd	✓		
William Glaser	✓		
Stella Jean Hansen	✓		
Marjorie Hart	✓		
Ramona Howe	✓		
Tom Jones	✓		
Mike Kadas	✓		
Vernon Keller	✓		
Lloyd McCormich	✓		
Jerry Nisbet	✓		
James Schultz			✓
Bruce Simon	✓		
Fred Thomas	✓		
Norm Wallin	✓		

STANDING COMMITTEE REPORT

February 26

19 65

SPEAKER

MR.

BUSINESS AND LABOR

We, your committee on

SENATE

having had under consideration Bill No. 407

third

blue

reading copy (.....)
color

CANCELLATION, TERMINATION FARM IMPLEMENT DEALERSHIP ONLY
FOR GOOD CAUSE

SENATE

Respectfully report as follows: That Bill No. 407

DO PASS

12 Great Falls Tribune Sunday, February 24, 1985

Implement dealers told 'bloodletting' overdue

By PATRICK DAWSON
Tribune Correspondent

BILLINGS — Tenneco's takeover of International Harvester's farm equipment division has some dealers waiting for the ax to fall, but it only reflects the larger, dismal picture of American agriculture, according to a Tenneco spokesman.

Tenneco, which also owns J.I. Case farm equipment, has been cutting off local dealers in order to eliminate intra-company competition in regional trade shows.

"The bloodletting that we've seen is long overdue," said Jim Stevens of J.I. Case. "There were too many high expectations. We can't expect a full house dealt with every hand."

Stevens is Twin Cities group manager for Case, which, along with IH has 470 dealers in the Midwest and Northern Plains farm country.

He told the Montana Hardware and Implement Dealers Association meeting here Thursday that tractor sales in Montana have "dropped 25 percent a year for the last three years."

Case, he said, has identified "about eight or so conflict areas in Montana" — localities that stand to lose a company dealership. Tenneco, he said, can't afford to keep existing IH and Case dealers competing where sales volumes are low.

"The rug is going to be pulled because of lack of sales," Stevens said. "Some other areas not now served need representation. We don't want to decimate the dealers in Montana, but any manufacturer is only as good as the dealer."

The domestic farm equipment business has been in a steady decline since its banner year of 1979, when 32,250 combines were sold, compared to 12,750 in 1983.

Farm equipment revenues dropped from \$13 billion in 1979 to \$8 billion in 1983. Joint losses of \$275 mil-

lion forced the IH takeover by Tenneco, Stevens said. The only bright spot in IH itself, before its farm division divestiture, was the truck division, which made money. Construction machinery was the money-maker for Case.

Tenneco, which acquired IH last fall, will reduce its dealerships by 50 percent by the end of 1985 from 1979 levels, Stevens said.

"If you have any doubts about whether you should be in this business, get out now," Stevens warned the dealers.

The machinery men also were shown the results of a nationwide agricultural dealership survey taken last July which reported the industry at its lowest level in 50 years.

There are 300,000 U.S. farms with "purchasing power," according to the report. There are 8,800 farm equipment dealers, an excess capacity of 3,800 dealers, based on an ideal ratio of 60 farms per-dealer.

Of the dealers responding to the survey, 43 percent said they were losing money. Ninety-two percent said farmers in the coming years will buy only to replace machinery and will not upgrade or add to their fleets.

The main reasons for the slump in business, said those surveyed, is "fewer farmers" and too many dealers in their area.

Sales of parts brought the most profit to dealers in the survey, while service shops were least profitable.

Since the bottom dropped out of the grain trade, costly new equipment inventories piled up, forcing dealers to take losses for discounting; and premium used equipment flooded the market at bargain prices.

National dealer organization leaders pointed to low farm commodity prices and high interest rates as the main reasons for low sales of new and bigger machines to farmers.

VISITOR'S REGISTER

HOUSE

Business + Labor

COMMITTEE

BILL

Senate Bill 407

DATE _____

2-26-85

SPONSOR

Senator Williams

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.