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July 26, 1990

James F. Rill, Esq.
Assistant Attorney General
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Department of Justice
Room No. 3101
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Washington, D.C. 20530

Dear Sir:

This firm represents the Automotive Service Association of Michigan, Inc. ("ASA"), a trade association which wishes to establish a "supplier discount coupon program" for the purposes and on the terms set forth below. This letter constitutes a request by ASA for a business review of its proposed supplier discount coupon program pursuant to 28 CFR §50.6.

Background

ASA is a non-profit corporation whose members are independent automotive service and repair shops located throughout Michigan. The association was initially incorporated (under a different name) in 1934 for the following purposes, among others: to foster the business interests of its members and to acquire, preserve and disseminate valuable business information to its members.

Within the automotive repair business, ASA members compete directly with each other, with automotive dealerships and with large chain service and repair facilities. While these larger competitors generally purchase auto parts in sufficient quantities to qualify for volume discounts from manufacturers and wholesalers, independent service and repair shops such as those represented by ASA have historically exhibited local purchasing and acquisition patterns. Suppliers selling parts to ASA members tend to be locally owned distributors. More often than not, for example, ASA members purchase their auto

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parts from local automobile dealerships.

Proposed Supplier Discount Coupon Program

ASA proposes to assemble, promote and disseminate a coupon book consisting of coupons authorizing price discounts offered by participating parts suppliers on purchases of specified auto parts. ASA would be responsible for soliciting participation by suppliers who may be willing to make such coupon(s) available for publication. ASA would then compile all such coupons, prepare the coupon book and inform the automotive repair industry as to its availability.

Purchaser Participation

ASA will make the coupon books equally available for purchase by ASA members and non-members alike at an identical price which has yet to be determined (estimated at approximately \$500.00 per book). ASA will use the proceeds of its coupon book sales first to offset the costs of establishing and administering the supplier discount coupon program. Any profits realized on coupon book sales will be used to fund ASA's consumer outreach and educational programs^{1/} or to fund ASA's lobbying efforts related to issues of general concern to the automotive repair industry. No profits on coupon book sales (if any) may be returned to any individual ASA member or used to fund ASA's member benefit programs, such as group insurance.

In addition, ASA will offer one coupon waiving the annual dues requirement for ASA membership. This coupon may be redeemed by existing ASA members, or it may also be redeemed by non-members who wish to join ASA, provided that the prospective member meets all of the other membership eligibility requirements established under the Articles of Incorporation and By-Laws of ASA (attached).

Supplier Participation

Participation by auto parts suppliers in the ASA supplier discount coupon program will be entirely voluntary. The

^{1/}For example, ASA sponsors many technical seminars designed to educate both ASA members and non-members concerning proper repair techniques. These programs have become especially significant in light of the new emissions, electrical and computer technologies used in modern automobiles.

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amount of the discount offered by any participating supplier will be decided solely by each individual supplier. In exchange for participation, suppliers can expect promotion and publication of the coupon book to the automotive repair industry and hope for increased sales volume from purchasers attracted by coupons made available through the supplier discount coupon program. ASA is aware that some suppliers may be willing to participate in a supplier discount coupon program such as that proposed. ASA has not, however, discussed any specific price discounts or actively canvassed potential parts suppliers who may be suitable and willing to participate in such a program.

Business Purpose

The primary business purpose of the proposed supplier discount coupon program is to provide for and inform automobile repair businesses of price discounts which would be otherwise unavailable to independent service and repair shops, and to thereby assist both ASA members and similarly situated non-members to compete more effectively with their larger competitors. It is contemplated that the large majority of the repair shops which will purchase coupon books will be smaller, independent repair shops which, because of the lack of quantity buying power, are unable to purchase automobile parts at the same wholesale rates as are afforded their larger competitors who engage in quantity purchasing from manufacturers and wholesalers.

Neither ASA members nor non-members purchasing coupon books will be required to purchase auto parts from participating parts suppliers; each will be free to purchase all or some of their parts requirements by means unrelated to the supplier discount coupon program.

All prices set for the resale of products purchased from participating suppliers through the ASA supplier discount coupon program shall be determined solely by the individual repair shop, and neither ASA nor any of its members shall have any part in determining the prices which any other member or non-member will charge their customers when reselling the products purchased through the supplier discount coupon program.

There are no operative documents, statements or collateral understandings relating to the proposed supplier discount coupon program. ASA has submitted this request in order to be sure that its proposed business activities are not contrary to

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the current policies of the Justice Department, and we feel it would be premature for our client to take any further steps toward implementing the proposed program prior to receiving a favorable response from the Department.

Should you have any further questions with regard to this matter, or should you require further information concerning ASA's proposed supplier discount coupon program, please contact us at your convenience. Thank you in advance for your time and consideration.

Yours very truly,

BARRIS, SOTT, DENN & DRIKER

By:


Daniel M. Share

DMS:ljs
Enclosures
cc: Mr. Dennis Liphardt
Dennis M. Barnes, Esq.