

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580



Interest and Experience of the FTC

Comments should be filed with the FTC by October 1, 1992. Comments should be filed with the Commission by October 1, 1992.

The Proposed Franchise Act would make it more difficult for a brewer to enforce contractual arrangements designed to reduce wholesale prices and to increase wholesaler

they actually receive, and are thus unlikely to purchase the supplier's product again.²¹ For example, when a consumer does not enjoy a beer because it has not been stored at the correct

loses all of that customer's potential future purchases, regardless of where they are made. The wholesaler, on the other hand, loses only the future sales to that customer that would have been

incentives to provide sales-generating effort²⁵ or exclusive dealing requirements to focus dealer efforts on the supplier's – rather than a rival's – product.²⁶ As many economic studies have

found, such provisions tend to benefit consumers in the form of higher output, lower prices, and improved services.²⁷ Further, the U.S. Supreme Court has noted on numerous occasions how vertical contracts can intensify interbrand competition,²⁸ which benefits consumers with lower prices and improved quality.²⁹

3. Increasing the Cost of Terminating a Wholesaler is Likely to Reduce

Wholesaler's Incentives to Provide Dealer with Improved Services


demand for their products.³¹ Indeed, even in circumstances where a wholesaler breached the terms of its contract, the Proposed Franchise Act would likely cause a breaver to incur substantial

wholesaler incentives,³⁵ it is better to let private parties determine whether it is in their interests to enter into contracts that contain exclusive territory provisions than to mandate such terms.

distribution they are likely to grant wholesalers exclusive territories only if such contracts are

likely to increase output.

Respectfully submitted,



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