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Impacts of the New Automobile Dealership Act of 1991

In August of 2013, the City of West Jordan commissioned a retail market study to determine which sections of the retail market were insufficient to meet the needs of city residents. This report determined the largest need going unmet in the city, by a significant margin, was motor vehicle sales and services. According to the study, current auto related business in the city only meet 13 percent of the projected total demand, which amounts to \$138,016,456 per year which is not spent at West Jordan businesses.

However, the city's efforts to attract new motor vehicle businesses have been stymied by Utah state law, which requires the prospective business owner of any potential new car dealership who wishes to locate a dealership within the same county or within 15 miles of an existing dealership of the same brand (see §13-14-102) to submit their business plans to a board comprised of competing car dealers for review (See §13-14-302).

Additionally, approval to open a new car dealership in Utah is granted by the Director of the Utah Department of Commerce, an unelected state official appointed by the Governor. (See §13-14-104.) The City has been in contact with several vehicle dealerships, finding some interest among established and well-known dealerships, but who are unwilling to share their confidential business plans with their competitors.

This situation is relatively unique to West Jordan. In the U.S., there are 289 cities with a population of 100,000 or more. West Jordan is one of only 10 of these cities, or 3.5 percent, without a new car dealer. The other 10 cities of this size without auto dealerships are located in large metropolitan areas such as Los Angeles, New York, and Miami. In Utah, there are 145 new car dealers, which is the equivalent of 20,006 people per dealer. At this rate, West Jordan should be home to five new car dealerships.

State statute, however, does not reflect current practice or mirror market demand. In Salt Lake County, the distance between dealerships from Salt Lake City to Murray is approximately 7 miles, and notably, the distance of dealerships from Murray to Sandy is also 7 miles. In addition, despite being home to approximately 47 percent of the County's population, the southwestern part of Salt Lake County is home to only 3 of the 47 new car dealers in the County.

The City is supportive of efforts to reduce governmental intervention in the free market by eliminating artificial barriers to entry erected by state law. These changes will allow the market the opportunity to function unhindered by burdensome regulations which have served to suppress the motor vehicle sales and services market since the adoption of the Utah New Automobile Dealership Act of 1991.