

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 342

(Delegate Burns, *et al.*)

Environmental Matters

Finance

Task Force to Study the Dearth of Minority Owned Automobile Dealerships in
Maryland

This bill establishes a task force to study the automobile industry in Maryland to determine why there are so few minority-owned dealerships in the State. The task force must determine the number of minority-owned dealerships in Maryland, compare the number of minorities who purchase automobiles to the number of minority-owned dealerships, and make recommendations on methods to increase the number of minority-owned dealerships. The task force must report its findings and recommendations to the Governor and the General Assembly by December 1, 2006.

The Department of Business and Economic Development (DBED) must provide staffing for the task force. The bill terminates December 31, 2006.

Fiscal Summary

State Effect: Any expense reimbursements for task force members and staffing costs for DBED could be handled with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: None applicable.

Background: The National Association of Minority Automobile Dealers (NAMAD), which represents 650 dealers nationally, is seeking to boost minority ownership of dealerships to 15%. It has recently signed an accord with Honda (U.S. division), Chrysler, and Audi, who have agreed to meet that goal. Under the agreement, the companies will work aggressively to identify, train, develop, and appoint minority dealers. Other vehicle manufacturers, including Ford, General Motors (GM), and Daimler Chrysler, have programs to encourage minority ownership of automotive retail operations, including dealerships. Minorities own 2.3% of Audi dealerships and almost 6% of GM dealerships. NAMAD estimates that ethnic minorities purchase 20% of all new and certified used cars (and related services) in the United States.

According to automotive publications, attempts to place minorities in dealerships in the 1990s often failed due to the location or pre-existing problems of the dealership. Other reported difficulties include a limited number of ownership changes that would allow minority ownership. In fiscal 2003, the Motor Vehicle Administration issued 897 new or renewed licenses for used and new automobile and motorcycle dealerships.

Missouri law requires the state motor vehicle commission to ensure that the community of dealer franchises reflects an adequate percentage of minority-owned businesses when approving licenses for dealer franchises in a metropolitan area with more than 1 million residents.

Additional Information

Prior Introductions: A similar bill was introduced in the 2003 session as HB 511, which created a Task Force to Study the Dearth of African American Owned Automobile Dealerships. The Environmental Matters Committee gave it an unfavorable report.

Cross File: None.

Information Source(s): Department of Business and Economic Development, *Ward Dealer Business*, National Association of Minority Automobile Dealers, Department of Legislative Services

Fiscal Note History: First Reader - February 11, 2004
n/ljm

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