

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 631 (Delegate Burns)
Environmental Matters

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, 2007.

The Department of Business and Economic Development (DBED) must provide staffing for the task force. The bill terminates December 31, 2007.

Fiscal Summary

State Effect: None. 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: According to the U.S. Census Bureau, as of July 1, 2002, ethnic minorities made up 38.3% of the Maryland population. Ethnic minorities make up approximately 33% of the total U.S. population.

The National Association of Minority Automobile Dealers (NAMAD), which represents 650 dealers nationally, has no statistics on how many dealerships are owned by ethnic minorities in the State. However, NAMAD's 2003 dealer census, the last year for which data is available, indicates that ethnic minorities own an average of 5.56% of all auto dealerships in the United States. Different brands of automobiles have different percentages of minority-owned dealerships. These percentages range from 2.6% (Porsche) to 9.09% (MINI). NAMAD estimates that ethnic minorities purchase close to 30% of all new and certified used cars (and related services) in the United States.

NAMAD is seeking to increase ethnic minority ownership of dealerships to 15%. To that end, in 2004 it reached an agreement with 14 manufacturers to work towards parity in dealer ownership for all ethnic minorities. 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 2004, the Motor Vehicle Administration issued 715 new or renewed licenses for used and new automobile and motorcycle dealerships.

Although NAMAD has focused on automobile manufacturers in trying to increase minority ownership of automobile dealerships, at least one state has taken a legislative approach. 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: An identical bill, HB 342 of 2004, passed the House but received an unfavorable report from the Senate Finance Committee. A similar bill was introduced in the 2003 session as HB 511, but received an unfavorable report from the House Environmental Matters Committee.

Cross File: None.

Information Source(s): Department of Business and Economic Development, U.S. Census Bureau, National Association of Minority Automobile Dealers, Maryland Department of Transportation, *The Network Journal*, Ward's Dealer Business, Department of Legislative Services

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