

February 17, 2021

The Honorable Dereck Davis, Chair
House Economic Matters Committee
Room 231, House Office Building
Annapolis, Maryland 21401
Cc: Members, House Economic Matters Committee

Re: HB 659 Vehicle Laws – Manufacturers and Dealers – Prices Listed on Dealer Websites
Position: Favorable

Dear Chair Davis and Members of the Committee:

The Maryland Consumer Rights Coalition is a statewide coalition of individuals and organizations that advances financial justice and economic inclusion for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low income and working families throughout Maryland.

We are writing today in support of HB 659. HB 659 is a strong, much needed pro-consumer bill. It will help tens of thousands of Marylanders save time and money when shopping for a new car or truck, the first or second most costly purchase Marylanders ever make. When enacted into law, this bill will let consumers use the internet to obtain transparent, competitive prices for a new car or truck that will meet their family's needs, at a price they can afford.

AUTO MANUFACTURERS ARE DENYING CONSUMERS INFORMATION THEY NEED

Over the last 25 years, manufacturers have markedly narrowed the difference between a car's Manufacturer's Suggested Retail Price and the invoice price a dealer purportedly pays for a vehicle. This is due in part to the internet, which has given consumers the illusion they can learn what a dealer's cost is for a new car by discovering the "dealer invoice" cost. To combat the increase in information available to consumers, most manufacturers now give dealers secret incentives whose amounts and terms are closely guarded secrets, undiscoverable by the public. This denies consumers the information they need to intelligently negotiate a fair sales price.

But on top of this, manufacturers in recent years have devised new schemes that make car shopping so much harder. Many of them, including Toyota, VW, and Subaru (as well as luxury brands like Mercedes Benz, Cadillac, and Lexus) have established "Minimum Allowable Advertised Prices" ("MAAP") for their vehicles. If one of their dealers advertises a price on the internet below the manufacturers' unilaterally set MAAP price, the manufacturer punishes that dealer severely by taking away advertising monies or eligibility for other benefits they make available to dealers who kowtow to them on advertising. Because the punishment is so severe, dealers can't afford to disregard the manufacturer's MAAP when advertising their vehicles.

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So while the internet should be making car shopping much easier than it was in the old days, ironically, now it's harder than it used to be. Consumers used to see newspaper ads that announced "Toyota Camry for \$300 less than dealer invoice." No more.

Now, consumers looking on the internet for a good price for a Toyota Camry will find only very modest discounts from a Manufacturer's Suggested Retail Price. It looks like nearly all dealers are selling vehicles for the same or similar prices. In fact, dealers are willing to offer prices below the MAAP, something manufacturers to our knowledge never disclose on their websites.

To find out a dealer's actual pricing, a consumer now has to fill out a form giving their contact information to dealers, often including phone numbers and email addresses. So unless a consumer is willing to have their information put into a dealer's CRM (Customer Relations Management) software (which can lead to countless phone calls and emails from aggressive salespersons), they are out of luck.

We can and should let car dealers compete through honest advertising of their actual vehicle sale prices on the internet. This will help consumers efficiently identify dealers they should contact. Let's make the internet useful, and not misleading, for Marylanders shopping for new cars and trucks. This is especially important during a pandemic. HB 659 will prevent manufacturers from punishing dealers for honest internet advertising.

If dealers are allowed to compete on price on the internet, competition will lower prices for consumers. More Marylanders will be able to afford the vehicles they want.

MCRC urges the committee to give a favorable report on HB 659.

Best,

Marceline While
Executive Director