



**Testimony to the House Economic Matters Committee  
HB 659 -- Vehicle Laws – Manufacturers and Dealers –  
Prices Listed on Dealers Websites  
Position: Favorable**

February 17, 2021

The Honorable Dereck E. Davis  
House Economic Matters Committee  
251 Lowe House Office Building  
Annapolis, MD 21401  
cc: Members, House Economic Matters Committee

**Honorable Chair Davis and Members of the Committee:**

I'm a consumer advocate and Executive Director of Consumer Auto, a non-profit group that works with consumer-friendly auto dealers and consumer advocates to foster safety, transparency, and fair treatment for Maryland drivers, car buyers, and dealers.

We strongly support **HB 659** because it will enhance the ability of consumers to get accurate price information online and to benefit from vigorous price competition among dealers.

With the pandemic causing more car buyers (like buyers of nearly every other product) to shop online, it is more important than ever for consumers to be able to see accurate and competitive prices online. Unfortunately, this kind of transparency and competition is often not available today -- because many major carmakers have instituted Minimum Allowable Advertised Price (MAAP) rules that set a minimum price dealers can publish online. If dealers list a lower price, they can lose the ability to participate in awards and incentive programs and access other supports they need to compete in a low-margin marketplace.

These MAAP rules effectively prohibit some dealers from publicizing their own deep discounts – and can require dealers to publish prices on their website that can be \$1,500, \$2,000 or more HIGHER than the actual prices available in the showroom.

**HB 659** would allow real price transparency and competition online by simply prohibiting car manufacturers from punishing dealers for listing a valid price offer online.

Some 2019 examples underscore just how sharply MAAP rules now distort price information:

<u>Car Model</u>	<u>MAAP Price</u>	<u>Showroom Price</u>	<u>Price Gap</u>
2019 Toyota Corolla LE (Fitzgerald Auto)	\$17,628	\$15,910	<b>\$1,718</b>
2019 VW Jetta (Darcars)	\$22,954	\$20,454	<b>\$2,500</b>



What's particularly pernicious for consumers here is that very few car shoppers know that these large price gaps exist – or that they may need to go to the showroom or make a specific inquiry about a specific car model to the dealer to see its true cost. And given the public health crisis caused by the pandemic, of course many fewer people are now learning that cost by making what may be a risky trip to the physical showroom. After car sales dropped sharply last spring as the pandemic arrived, the industry rapidly adapted by shifting more of the car sales process online. As David Ghrist, the General Manager of Toyota of North America, noted earlier this month: “If the pandemic did one thing for the industry, it was to push us farther and faster into online sales.” Fully 90% of Toyota buyers now conduct some of their car-buying online and 10% never set foot in a showroom.<sup>1</sup> As consumers become more comfortable shopping for cars online, most analysts expect the shift to online shopping to endure long after the pandemic is behind us.<sup>2</sup>

Yet the move to online car shopping has done nothing to stop the spread through the industry of rules that distort the price information car buyers can see online. The list of car makers that now impose these MAAP rules now includes not just luxury brands like Mercedes, Lexus, and Infiniti but mid-priced brands like Toyota, Mazda, Nissan, Subaru, Hyundai, and VW.

As the language of the 2019 Toyota Dealers Marketing Covenant explains, the MAAP price has such a broad reach that it applies to just about any place a consumer is likely to see a price quote online – including online price comparison tools like [autobytel.com](http://autobytel.com) and [edmunds.com](http://edmunds.com) that many car buyers now use to start their car-screening searches.

This is what Toyota tells its dealers:

- *MAAP applies to all advertised dealer prices.*
- *1. Dealer website(s).*
- *2. All Media (print, digital, TV, radio, direct mail, outdoor, social, etc.) and includes third-party sites (e.g., [Autobytel.com](http://Autobytel.com), [Edmunds.com](http://Edmunds.com), [KBB.com](http://KBB.com), [Truecar.com](http://Truecar.com), and other similar websites).*
- *3. Email blasts (dealer owner base or other).*
- *a. Only a unique, one-to-one, single communication (e.g., a sales consultant communicating with one customer via an individual email, response to an electronically generated lead via email or phone, etc.) is excluded from MAAP.*

Car manufacturers, and their lobbyists, often argue that MAAP rules advance useful ends like preventing misleading car advertising or promoting competition. But there is little evidence that they actually accomplish such goals. And by sharply limiting online price competition, they tend to push up the prices consumers pay for cars.

---

1 <https://www.nbcnews.com/business/autos/auto-industry-2020-was-horrible-year-it-ended-better-expected-n1252892>

2 <https://www.freep.com/story/money/cars/mark-phelan/2020/04/10/coronavirus-covid-19-online-car-sales/5120203002/>



As the popular radio show and auto blog “Earl Stewart on Cars” explains:

*The manufacturers’ official reason for this rule is to prevent their dealers from advertising prices lower than they will sell the car for. In other words, bait and switch advertising. This sounds like a good and noble reason, but the facts are that bait, and switch advertising exists as prevalently today as it did before the rules for Minimum Advertised Price (MAP) advertised were established. What this rule accomplishes is to decrease price competition between car dealers which has the predictable consequence of increasing the price paid by the consumer.<sup>3</sup>*

The Internet should be a great tool to help consumers get better price and other information before they buy a car – and that function is more important than ever today. But MAAP rules distort that information sharply and can punish the car dealers that want to compete to offer good deals to their customers. Prohibiting their enforcement will help both consumers and the consumer-friendly dealers that want to compete for their business.

Car manufacturers do have an interest in maintaining the value of their brands. But that interest does not properly extend to coercing dealers into listing misleading price information. They also have a valid interest in preventing fraudulent price offers from dealers. But nothing in this legislation allows dealers to engage in fraud – or changes the rules on fraudulent price offers.

**HB 659** a consumer-friendly reform that has won support from the has the support of the Maryland **Attorney General’s Office** and leading consumer rights groups including the **Maryland Consumer Rights Coalition**, the **Consumer Federation of America**, and the **Center for Auto Safety**.

**We strongly support HB 659 and urge the committee to give it a FAVORABLE report.**

Sincerely,

Franz Schneiderman  
Consumer Auto

---

3 <http://oncars.blogspot.com/2020/01/auto-manufacturers-mandate-dealers-to.html>