



February 23, 2022

The Honorable C.T. Wilson
Chair, House Economic Matters Committee
Room 231
House Office Building
Annapolis, Maryland 21401

HB 931: Vehicle Laws - Manufacturers and Dealers Incentives
Position: Unfavorable

Dear Chairman Wilson:

The Alliance for Automotive Innovation opposes HB 931, which will likely result in the elimination of many manufacturer sponsored incentive programs for consumers. The bill also opens the door to nuisance litigation with no corresponding consumer benefit. Focused on creating a safe and transformative path for sustainable industry growth, the Alliance for Automotive Innovation represents the manufacturers producing nearly 99 percent of cars and light trucks sold in the U.S.

Automakers and dealers rely on each other for success. Typically, as issues arise, we seek to address dealer concerns short of legislation. Unfortunately, one dealer in Maryland insists on bringing proposals that do not benefit the industry as a whole and instead threaten to harm other dealers as well as consumers.

Elimination of Consumer Incentives

Consumer incentives are discounts that car manufacturers offer to consumers through dealerships to boost sales, which benefits all parties involved. Manufacturers and dealers are able to attract additional customers, while buyers can take advantage of good savings. Manufacturers and dealers offer consumers a variety of incentives to spur vehicle sales, including cash back at time of purchase, finance incentives, lease pull-ahead or cash applied to the down payment. The specific details of an incentive may differ from manufacturer to manufacturer, but they all benefit consumers.

HB 931 threatens the elimination of these incentives because it requires a manufacturer that offers an incentive to a discreet group of consumers, e.g. active-duty military, veterans, nurses, etc., to then offer that same incentive to every consumer. By requiring targeted and budgeted incentives to be broadly applied, the bill creates the possible need for automakers to drastically alter, or even eliminate, these consumer-friendly programs. For example, an incentive program

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for veterans could not be offered under this bill because not every car buyer in Maryland is a veteran, and the bill requires any consumer incentive to be available to all consumers.

HB 931 also seeks to capture “affiliates” under the bill’s requirements. While manufacturer affiliates may share common branding with the automaker, they are, in fact, separate corporate entities and were never intended to be captured under a state’s vehicle franchise laws. They may also compete against other independent firms, which means that affiliates who would be captured by a franchise law would be disadvantaged. There is no reason to include affiliates in this bill.

Increased Litigation

HB 931 also raises due process concerns with the final paragraph that essentially says a manufacturer is presumed to have violated the law based on nothing other than a dealer allegation without support. This provision will open the door to nuisance lawsuits from dealers that appears specifically designed for dealers to abuse the discovery process to seek information from automakers. We fail to see the corresponding public policy goal of this provision.

The Alliance for Automotive Innovation respectfully asks the members of the Committee to report the bill unfavorable. For more information, please contact our local representative, Bill Kress, at (410) 375-8548.

Sincerely,



Josh Fisher
Director, State Affairs
Alliance for Automotive Innovation