

Date: February 10, 2022

To: Members of the Economic Matters Committee

From: Peter Kitzmiller, President
Travis Martz, VP General Counsel

Re: House Bill 274 (Delegate Qi)
Manufacturers and Dealers – Prices Listed on Dealer Website

POSITION: OPPOSE

The Maryland Automobile Dealers Association represents 300 franchised new car and truck dealers across the State of Maryland. We respectfully **oppose HB 274** and ask for an **unfavorable** report.

Manufacturers and dealers in Maryland (and other states) have developed co-operative advertising programs in which manufacturers and dealers contribute to a fund to advertise vehicles. Some of these programs have rules that deal with advertised price. MADA strongly believes that a number of manufacturers will pull their co-operative advertising programs if they cannot enforce these advertising guidelines.

- Maryland will be the ONLY state in the country to prohibit MAP pricing guidelines on dealer websites
- Some manufacturers WILL pull their co-op advertising money from MD dealers (it happened before in 2007 when Maryland passed legislation governing manufacturers payment to salespeople. Honda, GM and Ford all stopped paying incentives to Maryland salespeople and the General Assembly had to come back next year and have the law changed)
- The loss of millions of dollars of advertising funding will cost dealership jobs and make Maryland dealers less competitive with surrounding states
- These unintended consequences will not help Maryland consumers – MAP pricing has no impact on what customers pay for a vehicle
- More advertising means more competition and information available to customers.

Dealer Website Advertising:

- **These MAP pricing rules have NO IMPACT on the price a consumer pays for a vehicle**
- A dealer can advertise their vehicles for any price they want to on their website
- However, if it is below the manufacturers stated MAP pricing guidelines the dealer will simply lose the co-op money from the manufacturer

Why do some manufacturers have Minimum Advertising Price (MAP Pricing) rules:

- They believe that certain types of advertising (below invoice etc.) hurts/de-values their Brand
- They do not want to contribute their money to advertising which they feel devalues their brand
- The manufacturers/dealers have the right to protect their brand. These MAP pricing rules exist in many other industries from watches/jewelry to golf clubs
- **EXAMPLE:** When jewelry stores advertise new Rolex watches on the internet, their sites always say “Click for Price”. The same can be found for Titleist and Ping golf clubs. This is because these manufacturers have MAP pricing guidelines to protect their Brands.

Passage of this bill will prevent manufacturers from enforcing advertising guidelines which they have implemented to protect and enhance their brands. Maryland will be the only state in the country with this legislation. Some manufacturers will end their co-op advertising programs and pull their funds out of Maryland. This will result in the loss of millions of dollars a year to Maryland dealerships. This is not money that flows to the dealership; bottom line – it is used for advertising. In many cases these manufacturers co-op funds make up to 50% of a dealership's advertising budget. Those lost funds cannot be replaced by the dealership and it will result in significantly less advertising putting Maryland dealers at a competitive disadvantage with out-of-state dealers who will continue to have access to these funds.

Once again, we would ask for an **unfavorable report on HB 274**.