



Auto Consumer Alliance
13900 Laurel Lakes Avenue, Suite 100
Laurel, MD 20707

**Testimony to the Senate Judicial Proceedings Committee
SB 742: Vehicle Laws – Manufacturers and Dealers –
Allocation of Vehicles
Position: Favorable**

The Honorable Will Smith
Judicial Proceedings Committee
2 East, Miller Senate Building
Annapolis, MD 21401
cc: Members, Judicial Proceedings Committee

March 2, 2023

Dear Chairman Smith and Committee Members,

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

We support **SB 742** because it will make the way cars are supplied by manufacturers to dealers – and available to the consumers who shop at those dealers -- more equitable and help see to it that a better selection of vehicles reaches more markets and more car buyers across our state. That reform should help many consumers get better access to in-demand vehicles at more dealerships in their area – and boost the price competition that helps consumers get a good deal on the cars they need.

To protect both Maryland small business and consumers, MD law (like the laws of other states) regulates in some detail the way manufacturers distribute incentives, rebates, and other benefits through their dealerships. But under current rules there is little transparency – and no guarantee of fairness – in the ways cars are made available for purchase by dealers from the car manufacturers. As a result, dealers can't be sure they're getting a fair opportunity to purchase the vehicles they need and consumers can't consistently be confident that dealers in their area will have the cars they want.

Under the current system, more favored dealerships, perhaps in more lucrative markets, may get preferred access to in-demand vehicles. Consumers sometimes find that such vehicles are difficult to find in their area – and if they're in the market for environmentally friendly or other in-demand vehicles they may need to travel some distance to find them and may not benefit from price competition among dealers they can easily reach that stock the same (or similar) vehicles. Such regional shortages are particularly a problem when new cars are in relatively short supply, as they have been in recent years.

Requiring manufacturers to be able to show that their system for allocating new vehicles “is reasonable and fair for all dealers” would help see to it that all dealers have a fair opportunity to obtain the vehicles they need and consumers really want.

This standard indeed mirrors and extends the language that Maryland law already uses to regulate several other aspects of motor vehicle sales. Section 15-207 of the Transportation Code requires, for instance, that any “performance standard, sales objective or program for measuring dealership performance” that impacts



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access to any incentive or reimbursement program “Be fair, reasonable and equitable.” [MD Code 15-207(e)(i)(1)]. It also requires that such standards be “reasonable considering all existing circumstances.” [15-207(i)(2)].

Putting the burden of proof on the manufacturers to establish, if a dispute arises, that their system of allocation meets this “reasonable and fair” standard should give the rule the strength it needs to make a difference for Maryland dealers and drivers. Here again, that burden of proof mirrors the existing standards that give car makers the burden of proof to establish that the performance standards and assigned market areas that govern other benefits are fair and reasonable.

Pennsylvania law has long had a very similar standard – one which prohibits car manufacturers from using “a system for the allocation of new vehicles which is not reasonable or fair to a new vehicle dealer.” Virginia, New York, and Utah also have laws mandating an equitable allocation of vehicles to dealers.

SB 742 is simply about fairness and transparency in car supplies – and it advances those values in a way that will benefit both Maryland dealers and drivers.

We support SB 742 and ask you to give it a FAVORABLE report.

Sincerely,

Franz Schneiderman
Consumer Auto