



Testimony to the Senate Judicial Proceedings Committee
SB 178 -- Vehicle Laws – Manufacturers and Dealers – Advertisements
Position: Favorable

January 28, 2020

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

Dear Chairman Smith and Committee Members,

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 work for safety, transparency, and fair treatment for Maryland dealers, drivers and car buyers.

We strongly support **SB 178** because it will enhance the ability of consumers to get accurate price information online and in advertisements and to benefit from vigorous, public price competition among dealers.

Unfortunately, this kind of transparency and price competition is often not available to car buyers today because many major carmakers have instituted Minimum Allowable Advertised Price (MAAP) rules that set a minimum price dealers can publish online or in print advertising. If dealers advertise a lower price, they can lose critical advertising support, participation in awards programs and other supports they need to compete in a low-margin, competitive marketplace.

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

Some 2019 pricing examples underscore the size of the gap:

<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	\$1,718
2019 VW Jetta (Darcars)	\$22,954	\$20,454	\$2,500

Many of the leading car makers now impose such MAAP rules. The list includes luxury brands like Mercedes, Lexus, and Infiniti and mid-priced brands like Toyota, Mazda, Nissan, Subaru and VW.



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As the language of the 2019 Toyota Dealers Marketing Covenant explains, the MAAP price has a broad reach, and is required in nearly all advertising and online. 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, Edmunds.com, KBB.com, 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.*

Toyota dealers that violate these rules can lose marketing support worth 1.5% of the MSRP of their monthly sales and other important supports.

The Internet should be a great tool to help consumers get better price and other information before they buy. And consumer advocates routinely advise car shoppers to pull prices from a variety of dealerships online and use online price comparison tools that let you see the prices available in your area for a car model before stepping into a showroom. Yet few consumers are aware that the MAAP rules make price competition very limited online and often cause the price information they find there to be sharply misleading.

These rules distort the price information available to consumers and car shoppers and can punish the car dealers that want to compete to offer good deals to their customers. They stand in the way both of price transparency and of the kind of price competition that can help consumers find better prices – and help dealers and automakers sell more cars.

Car manufacturers do have an interest in maintaining the value of their brands. But that interest does not properly extend to coercing dealers into publishing 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.

SB 178 will protect access to accurate prices and promote price competition by barring manufacturers from punishing or withdrawing support for a dealer for publishing a legal and valid sale or lease price or coercing dealers into advertising a price other than the purchase price. As a consumer-friendly reform, this bill 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 SB 178 and urge the committee to give it a FAVORABLE report.

Sincerely,
Franz Schneiderman
Consumer Auto