



July 16, 2021

**The Commonwealth of Massachusetts
Joint Committee on Consumer Protection and Professional Licensure
Bill Hearing, An Act further regulating business practices between motor vehicle dealers,
manufacturers, and distributors- S239**

**Testimony of Krisztina Pusok, Ph.D.
Director, American Consumer Institute, Washington, D.C.**

Chairperson and Members of the Committee, on behalf of the American Consumer Institute (ACI), I am writing to express our concerns regarding Senate Bill 239, a legislation seeking to make a collection of unwarranted changes to the Commonwealth's laws governing automobile franchising that would only limit consumer choice and raise costs for consumers.

S239 would impose a ban on automobile manufacturers offering subscription services for their products unless they are offered through existing dealers. Unfortunately, this would only limit consumer choice for a service that benefits consumers by allowing them to have access to different vehicles that they can switch between at their convenience.

The bill also seeks to expand an already overreaching franchise law that harms consumers through increased repair and purchase prices. Specifically, the bill ties the manufacturer's payments to what the dealer charges its non-warranty, retail paying customers, thus giving dealers an incentive to raise prices on consumers paying out of pocket, ultimately advancing the special interests of a limited number of dealers at the detriment of consumers.

Protectionist legislation, like this one, does not spare consumers the cost. In this case, the bill is designed to help dealerships, comes not only at the expense of manufacturers, but it is ultimately consumers who will be paying the higher prices.

The American Consumer Institute has extensively documented the effects that laws favoring automobile dealer franchises have on consumers. Our study (attached to this testimony as a documentation) shows that consumers pay over \$48 billion more each year because of these dealership protectionist laws. The study, which explores the effects of various state laws written to advantage dealerships, has important policy implications, the results showing that: a) protectionist laws are pervasive nationwide; and b) prices are being manipulated, leading to higher prices for vehicles and reduced consumer benefits. These findings corroborate previous research by the U.S. Federal Trade Commission showing that protectionist rules are increasing prices by nearly 8% and costing consumers more money to buy cars.

Given the above reasons, it is our assessment that this bill does NOT have a justified public policy and it is NOT in the interest and benefit of Massachusetts' consumers.

Please do not hesitate to contact me directly should you have any questions or need additional information at krisztina@theamericanconsumer.org.

Sincerely,

Krisztina Pusok
Director, American Consumer Institute