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Center for Automotive Research Study Finds FTC Proposed Rulemaking on Auto Retail Would Increase Consumer's Time and Costs When Purchasing a Vehicle.

ANN ARBOR, Mich. – June 6, 2023 – The Center for Automotive Research (CAR) has released a comprehensive study that highlights the potential adverse effects of the Motor Vehicle Dealers Trade Regulation Rule (16 C.F.R. § 463) ("Trade Rule") proposed by the Federal Trade Commission (FTC). The study reveals that if finalized as currently proposed, the Trade Rule would have unintended consequences for consumers and franchised light-duty vehicle dealerships across the country.

The Trade Rule, which was published on July 13, 2022, urges stakeholders to present data, including cost implications and benefits before the FTC issues a final rule. CAR's study aims to shed light on the potential impacts of this proposed regulation.

According to CAR's estimations, the Trade Rule, if implemented in its current form, would necessitate an additional two hours to complete the vehicle purchasing process. This extended timeframe would be divided into one hour during the sales process and an additional hour dedicated to reviewing financial disclosures and documentation required to comply with the rule.

CAR's research suggests that the impact on consumers goes beyond just additional time; there are also financial implications to consider. The extended purchasing process would likely result in costs passed on to consumers.

CAR also examined the dealer compliance costs that would arise from the proposed rule. The study estimates that each dealership location would face median upfront compliance costs of USD 46,950, i.e., a total upfront cost of USD 2,184,348,750 for automobile dealers nationally. These costs encompass various factors such as updated training, investments in IT systems, as well as planning and preparation. Additionally, CAR projects that recurring annual costs for dealers would average approximately USD 50,958 per location, totaling USD 2,370,820,950 annually for automobile dealers nationally. These incremental annual costs include ongoing training, IT spending, and compliance reviews.

The full study conducted by CAR is available for review and can be accessed via the following link:
<https://www.cargroup.org/publication/federal-trade-commission-notice-of-proposed-rulemaking-2022/>.

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The Center for Automotive Research is a nonprofit organization; its mission is to produce independent research, convene stakeholders, and analyze critical issues facing the mobility industry and its impact on the economy and society.