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Car Buying, Made Simpler

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BODY:

MANY people dislike their state departments of motor vehicles. And with good reason. They are not organized to help consumers, but to help the state collect vehicle taxes. People stand in line for hours for the privilege of registering their cars and writing checks.

But it would not be difficult for motor vehicle departments to reinvent themselves by helping consumers buy their cars, too. After all, the departments already have the data that would reveal which dealers make the best deals, and they are capable of sharing this valuable information with the public.

Consumers buy 10 million new cars a year -- the largest purchases most of them will ever make after houses and college educations. Scholars have shown that in about 10 percent of these sales, dealers extract a profit exceeding \$2,500; in other sales, too, consumers often pay far more than they should. More price competition would produce immense economic benefits. We estimate them conservatively at more than \$1.5 billion a year.

Consider Joe, a hypothetical car shopper. Joe is a busy, price-conscious consumer who buys a new car only once every seven years. Joe is smart but dreads the prospect of haggling with aggressive, confusing salesmen who have the upper hand. Joe begins with the sticker prices on car windows and, from Consumer Reports, learns the dealer's wholesale costs. But he can learn each dealer's markup only by traipsing from showroom to showroom. Then he must bargain hard before he knows what each dealer will really charge him and how much he will get in trade for his '91 Taurus. Even after an exhausting search, Joe never knows for sure if he got a fair deal.

Suppose, however, that Joe could reduce both his search costs and the price he pays the dealer. Enter the motor vehicle department. With just a little help from the state, Joe can sit at a computer console in his home or at the public library and compare dealers' prices from the department data. He needn't visit a showroom until he feels armed and ready.

The price information that Joe needs is already in these government files because states now require dealers to immediately register a sale with the motor vehicle department. These reports, which are also used to collect taxes, show the price at which each car actually sold, not the meaningless sticker price.

A motor vehicle department could use this information to help consumers by telling them the average discount from sticker price for each type of car, or the average markup over dealer cost. It could also reveal the relationship between published "blue book" prices for used cars and actual trade-in allowances. The departments or consumer groups could even rank dealerships by their sticker discounts.

THE time is ripe to reinvent motor vehicle departments as consumer agencies. States are now adopting uniform electronic reporting standards for vehicle identification. Requiring dealers to report additional information -- for example, trade-in values -- should entail only minimal costs.

Motor vehicle departments are creating World Wide Web sites to provide consumers a variety of other information. The next step is for states to provide information on the Web about how much dealers charge for cars. Enlightened regulation might even require dealers to make this information available in the showroom for consumer inspection.

Even accurate data, of course, can be misleading unless carefully presented. Some buyers could be overwhelmed by too much information on too many variables. But expert intermediaries like Consumer Reports would surely find better ways to organize and present the data.

Because our proposal would bring competitive discipline to one of our largest consumer markets without additional government regulation, it should appeal not only to traditional liberals but also to genuine conservatives. Politicians take note: The Joes of the world will reward you for enabling them to shop for car prices at their computers, instead of having to wage war on the lots.

