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UNITED STATES OF AMERICA
 FEDERAL TRADE COMMISSION
 CHICAGO REGIONAL OFFICE

V900025

COMMISSION AUTHORIZED

April 6, 1990

The Honorable J.B. Banks
 Missouri Senate
 Suite 319
 State Capitol Building
 Jefferson City, MO 65101

Dear Senator Banks:

The staff of the Federal Trade Commission's Chicago Regional Office and Bureau of Competition are pleased to have this opportunity to respond to your request for comments regarding Senate Bill 568 ("SB 568").¹ The bill would limit the ability of car dealers to hold sales away from their registered premises and would prohibit brokers from arranging new car sales.² We believe that SB 568 would likely reduce competition by limiting innovative automobile marketing methods and deprive consumers of the savings that they could realize through such marketing methods.

INTEREST AND EXPERIENCE OF THE STAFF OF THE FEDERAL TRADE COMMISSION

Our interest in this legislation stems from the Commission's mandate to enforce the consumer protection and antitrust laws of the United States. The Federal Trade Commission is charged with promoting competition and protecting consumers from unfair methods of competition and unfair or deceptive acts or practices.³ In fulfilling this mandate, the staff of the Federal Trade Commission often submits comments, upon request, to federal, state, and local governmental bodies to help assess the implications for competition and consumers of pending policy issues. In enforcing the Federal Trade Commission Act, the

¹ These comments are the views of the staff of the Chicago Regional Office and Bureau of Competition of the Federal Trade Commission. They are not necessarily the views of the Commission or any individual Commissioner.

² SB 568 would also add three sections defining classic car, historic car, and recreational vehicle dealers. We express no comment on these definitional sections.

³ See 15 U.S.C. § 41 et seq.

Commission has gained substantial experience in analyzing the impact of both private and governmental restraints on competition.

During recent years, the Commission has been involved in issues relating to restrictions that might tend to limit alternative types of retailing that can be beneficial to consumers. The Commission has addressed the competitive implications of time and place restrictions in various retail markets. For example, the Commission has promulgated a Trade Regulation Rule on Ophthalmic Services to eliminate restraints on the commercial practice of optometry.⁴

The Commission has also addressed restrictions occurring in the auto industry. For example, the Commission ruled that automobile dealers in the Detroit area violated the antitrust laws by agreeing to limit their hours of operation.⁵ In addition, the Commission staff has conducted and published economic research concerning automobile marketing.⁶

The Commission staff has recently submitted comments to a number of state governmental bodies nationwide concerning various proposals to restrict certain types of competition among automobile marketers. The staff commented on California legislation that would have limited car sales at temporary

⁴ See Trade Regulation Rule on Ophthalmic Practice, 54 Fed. Reg. 10,285 (March 13, 1989), appeal filed, California State Board of Optometry v. FTC, 1989-2 Trade Cas. (CCH) ¶ 68,738 (D.C. Cir. 1989) (effective date of rule stayed, filed August 15, 1989). The rule bans certain restrictions on the practice of optometry such as limitations on establishing branch offices, prohibitions on lay associations, prohibitions on commercial locations and bans on trade names.

⁵ Detroit Auto Dealers Ass'n, Inc., FTC Docket 9189 (February 22, 1989), appeal filed, sub nom. Barnette Pontiac Datsun, Inc. v. FTC, Nos. 89-3389, 3390, 3391, 3392 (6th Cir. filed May 8, 1989). (The Commission decided that an agreement by area dealerships limiting hours of operation unreasonably restricted competition.)

⁶ See Robert P. Rogers, The Effect of State Entry Regulation on Retail Automobile Markets, Federal Trade Commission, Bureau of Economics Staff Report (January 1986). (The Report concluded that state laws restricting the number of automobile dealers in a given area were costly to consumers.)

locations⁷ and on proposed Wisconsin regulations that would have limited off-site automobile sales and affected dealer licensing.⁸ The Commission staff submitted comments on an Illinois bill that would have strengthened market area restrictions on franchised automobile dealerships and that would have extended those restrictions to manufacturer-franchised auto service centers;⁹ on a bill that would have prohibited brokers from selling new and used cars and that would have expanded Illinois's dealer licensing provisions;¹⁰ and on a bill that would have prohibited Illinois car dealers from holding sales outside of their local markets.¹¹ The Commission staff submitted comments on a Michigan bill that would have prohibited brokers from participating in automobile sales.¹² In addition, the Commission staff has submitted comments on other states' legislative initiatives concerning automobile sales.¹³

⁷ Letter from Jeffrey Klurfeld, Director, San Francisco Regional Office, to the Honorable Quentin L. Kopp, California Senate (January 5, 1990).

⁸ Letter from C. Steven Baker, Director, Chicago Regional Office, to Thomas L. Gais, Dealer Section, Wisconsin Department of Transportation (November 3, 1989).

⁹ Letter from C. Steven Baker, Director, Chicago Regional Office, to the Honorable James R. Thompson, Governor of Illinois (September 8, 1989). Governor Thompson amendatorily vetoed the provisions of the legislation relating to car dealerships and automobile service centers.

¹⁰ Letter from C. Steven Baker, Director, Chicago Regional Office, to the Honorable Aldo A. DeAngelis, Illinois Senate (March 21, 1989). Governor Thompson vetoed that legislation.

¹¹ Letter from John M. Paterson, Director, Chicago Regional Office Trade Commission, to the Honorable Woods Bowman, Illinois House of Representatives (April 24, 1987).

¹² Letter from Mark Kindt, Director, Cleveland Regional Office, to the Honorable Dick Posthumus, Michigan Senate (September 29, 1988).

¹³ See letter from Paul Davis, Director, Atlanta Regional Office, to the Honorable Gwen Margolis, Florida Senate (March 29, 1988); letter from Paul Davis, Director, Atlanta Regional Office, to the Honorable David C. Waldrop, Jr., South Carolina House of Representatives (March 21, 1988); letter from Marcy Tiffany, Director, Los Angeles Regional Office, to the Honorable Richard Katz, California State Assembly (January 29, 1988); letter from
(continued...)

SUMMARY OF THE PROPOSED LEGISLATION

SB 568 would limit the ability of car dealers to hold car sales away from a dealer's licensed premises (known variously as off-premises sales, off-site sales or tent sales).¹⁴ The bill would prohibit a person from selling seven or more cars at any place away from that person's bona fide established place of business unless a majority of the local dealers participate in the sale.¹⁵

In addition, SB 568 would define the term "broker" and prohibit brokers from arranging new car sales.¹⁶ The term "broker" is defined expansively in the bill and, consequently, SB 568 may ban many automobile marketing techniques, such as those discussed below, that are permissible under current law.

AUTOMOBILE MARKETING METHODS

Various techniques can be used to assist consumers in finding licensed automobile dealers willing to sell at discounts. One source is credit unions that sponsor automobile sales conducted through licensed dealers. The credit unions encourage these sales to promote opportunities to provide automobile financing. Since cars are sold in volume, the credit unions may

¹³ (...continued)

Jim Moseley, Director, Dallas Regional Office, to the Honorable William P. Clements, Jr., Governor of Texas (June 1, 1987).

¹⁴ SB 568, §§ A, 301.559.6, 301.566.

¹⁵ SB 568 provides an exception to the majority participation requirement for sales of fewer than seven cars. The scope of this exception, however, is not entirely clear. We do not know whether dealers are allowed to hold as many off-site sales as they wish without the participation of a majority of dealers so long as the dealer sells fewer than seven cars or whether a dealer is permitted to sell a total of six cars at off-site sales over a particular period of time.

SB 568 also expands the coverage of the current requirement that a majority of dealers participate in the sale from only sales held in a city or town to include off-site sales held in unincorporated areas.

¹⁶ SB 568, §§ A, 301.550 (3) (definition), 301.559.5 (prohibition).

be able to obtain substantial savings for their members.¹⁷ Credit union sponsored fleet sales may in some cases stimulate business for existing dealerships.¹⁸

Car rental companies, such as Hertz, Avis, and Enterprise Leasing are a primary source of automobiles for sales conducted on credit union premises. The fleet dealers seek to sell their used rental cars. Low overhead sales offered in conjunction with credit unions enable fleet dealers to turn over their inventories efficiently.¹⁹ Marketing techniques such as fleet sales may in some cases provide cost savings and services for consumers. For example, consumers who purchase used cars at fleet sales may be able to obtain benefits that may not be available to other used car purchasers. Cars purchased at fleet sales generally carry a 12-month or 12,000 mile power-train warranty.²⁰ Other used cars may carry shorter term warranties or none at all. Some fleet dealers have national service networks through which consumers can have the purchased cars repaired. In addition, some fleet dealers contract with local dealerships and automotive repair firms to perform service under these warranties.

¹⁷ For example, in 1986, credit unions surveyed by the Illinois Credit Union League estimated that consumers paid an average of \$1,118 less for a used car at a credit union sponsored fleet sale than those consumers would have paid to a "conventional" used car dealer. The Michigan Credit Union League asserts an estimated average savings of \$900 per vehicle. Hertz Corporation asserts an estimated savings of approximately \$1,000 per car in 1987.

¹⁸ Credit unions may offer special financing terms and rates for a fleet sale. Credit unions may pre-approve members for the financing terms and typically keep these terms open for thirty days after a fleet sale. Consumers may be given the option to purchase a car that was not available at the fleet sale from a dealership under the sale's financing terms. Consumers who exercise these options may provide an additional source of customers for dealers.

¹⁹ This process may also enable companies to charge lower prices to consumers who rent cars.

²⁰ We understand that Hertz Corporation, for example, provides a 30-day warranty on mechanical problems in addition to the typical 12 month or 12,000 mile power-train warranty.

Other marketing techniques, such as automobile buying clubs and referral services, may make new cars available to consumers at discount prices. These services generally charge an annual membership fee and arrange new car purchases for members at guaranteed prices with participating dealers. An August 1988 survey of six automobile buying services by Changing Times magazine concluded that customers purchasing cars through these services would have realized substantial savings on each purchase, no matter which service was picked.²¹

According to the Missouri Credit Union League, many Missouri credit unions participate in new car sales programs with Missouri car dealers. Under these programs, participating dealers make approximately 50% of their stock available to credit union members at fixed discounted prices. To heighten interest in the programs, the credit unions provide their members with pre-approved financing at reduced rates. Members wishing to purchase a new car can go to their credit union to see a list of prices and model availability and then purchase a new car from a participating dealer at the discounted price.²²

The credit union members benefit by purchasing new cars at discount prices, by receiving lower financing rates than otherwise may be available and by saving search and negotiation costs. The credit unions benefit by receiving financing opportunities and may additionally gain more members as consumers discover that these purchase opportunities are available through credit unions. Finally, the dealers receive a supply of customers for their new cars.

OFF-SITE SALES RESTRICTIONS

SB 568 would impose requirements that could reduce or eliminate off-site automobile sales. We understand that SB 568 is intended, in part, to strengthen and clarify off-site automobile sales restrictions enacted by House Bill 1512 during

²¹ Taking the Hassle out of Car-Buying, Changing Times, August 1988, at 37.

²² According to the Missouri Credit Union League, these sale prices are available to credit union members for two to three days and are usually held on a Thursday and Friday or from Thursday through Saturday.

the last legislative session.²³ We also understand that Hertz, Avis and Enterprise Leasing have obtained injunctions against enforcement of the current off-site sales restrictions. We are not familiar with the merits, or the precise status, of this litigation and its present effect on off-site sales. We therefore focus our comments on the restrictions on automobile marketing methods proposed by SB 568.

The amendments in SB 568 would require that the Missouri Commission of Motor Vehicles be given ten days advance notice of an off-site sale involving seven or more vehicles. The bill requires that this notice include the location, date, duration and class of dealers participating and also the names of all motor vehicle dealers in that class that operate in the city, town or unincorporated area.²⁴ The sale may not be held unless the Commission of Motor Vehicles gives its approval in writing. Although we focus on the restrictions as they pertain to automobiles, the bill would also place these restrictions on off-premises sales or shows involving other vehicles, such as motorcycles, recreational vehicles and boats.²⁵

²³ Mo. Rev. Stat. § 301.566 (Supp. 1989) ("Motor vehicle sales or shows held away from licensed place of business, allowed when.") provides:

A motor vehicle dealer may participate in any motor vehicle show or sale, and conduct sales of motor vehicles thereat, away from his usual, registered place of business if the event is conducted for not more than ten days, and if a majority of the motor vehicle dealers within a class of dealers described pursuant to subsection 3 of section 301.550 in a city or town participate in the event. The commission shall consider such events to be proper in all respects and as if each dealer participant was conducting business at his usual business location.

(added by House Bill 1512, § 9 (1988), effective January 1, 1989).

²⁴ Missouri's statutory scheme divides dealers into classes, including franchised new car, used car, and motorcycle dealers. Mo. Rev. Stat. § 301.550.3 (Supp. 1989).

²⁵ The legislative summary of SB 568, prepared for the bill's sponsor, indicates that the intent is to cover boat dealers (attached). Boat dealers need not be licensed as motor vehicle dealers under the bill. Mo. Rev. Stat. § 301.550.3 (as it would be amended by SB 568, § A). We are therefore unable to determine whether the literal terms of SB 568 would necessarily require this result.

For a dealer to conduct or participate in a show or sale away from a dealer's regular place of business, the bill requires that a majority of the dealers of the relevant class of vehicles located in the city, town, or unincorporated area "where such dealer is located participate in the event." Although the phrase, "where such dealer is located," would seem to mean the usual registered place of business of the dealer intending to participate in an off-site sale, we assume that the requirement is intended to refer to the place where the sale is to be held and to require that a majority of the dealers near the sale's site participate.²⁶

We read the requirement that a majority of dealers in the prescribed location "participate" in the sale as calling for actual participation and not merely the opportunity to participate. Potential sponsors of off-site sales could be deterred from offering these kinds of sales even if the bill only required that a majority of local dealers be given an opportunity to participate. This deterrent effect, however, is magnified when actual participation is required because the requirement would prevent an off-site sale from being held even if a majority of the relevant dealers do not object but simply choose not to take part in a proposed sale.

²⁶ The Missouri Senate Weekly Bill Status Report summary that was prepared for the bill's sponsor apparently interprets the majority participation requirement as referring to the location of the sale.

The alternative interpretation, *i.e.*, that the bill refers to the location of the dealer wishing to participate in an off-site sale, could produce anomalous results. Under this interpretation, the bill would require that a majority of the dealers in Moberly participate before a Moberly dealer could hold a sale in Marshall. On the other hand, if a city, town or unincorporated area had only one dealer, that dealer could apparently hold an off-site sale virtually anywhere so long as the Commission of Motor Vehicles has received the required ten day notice. Even if the requirement were to be interpreted to refer to the location of a participating dealer, the likely anticompetitive effects discussed in our comments would remain substantially the same.

The likely effect of the contemplated restrictions would be to eliminate many car sales events at sites other than car dealerships even though such sales may enhance the efficiency of distribution and result in savings that may be passed along to consumers.²⁷ The transaction costs associated with obtaining majority participation may deter dealers from holding off-site sales or from even attempting to do so.

The requirements of the Missouri Commission of Motor Vehicles laws, at least as this bill would amend them, would seem to impose almost insuperable obstacles to organizing these sale events in larger towns and cities. As the number of dealers in an area increases, the difficulties associated with securing participation by a majority of dealers are also likely to increase. For example, obtaining the participation of a majority of the dealers in Kansas City or St. Louis in a large public sale would seem impractical. Moreover, even if a majority wished to participate, it might well be difficult or impossible to find a facility adequate to support the event. These difficulties could eliminate many car and boat shows that might otherwise be held.

The proposed restrictions on off-premises sales might also reduce automobile sales competition in some locales. Off-premises sales conducted by dealers from other markets may in some small communities provide the only effective competition to local dealers. Although the established dealers in a particular market might not be able to prevent the entry of a new competitor, those dealers might have incentives to hamper the sales efforts of occasional competing dealers, such as fleet owners. SB 568's majority participation requirement would provide a mechanism through which established dealers in a given region could frustrate attempts by outside competing dealers to hold off-site sales.

²⁷ For example, a fleet dealer such as a car rental company may need to hold such sales to turn over inventory. A traditional dealer may wish to hold an off-premises sale to reduce inventory of overstocked cars. An off-premises sale may also be desirable if customers are supplied to the seller -- such as credit union members at a credit union-sponsored sale. Off-premises sales provide a low-overhead mechanism for bringing sellers and customers together and the reduced overhead costs can result in savings for consumers.

PROHIBITION OF AUTOMOBILE "BROKERS"

SB 568 may also prohibit credit unions, buying clubs, and other organizations from sponsoring new car sales to their members. The bill's definition of "broker" is expansive and would likely encompass many of the car sales activities in which these organizations now engage.²⁸ In effect, the broker provisions would limit the sale of new cars to dealers, new car auctions, and actual owners of new cars and thereby inhibit competition in new car sales. For example, some new car dealers may enter into agreements with buying clubs to sell cars to a club's members at reduced prices. In return, each participating dealer receives a ready supply of customers and is able to increase his sales volume. Under SB 568, these arrangements may be eliminated because the organization may be illegally acting as a broker if it receives "valuable consideration" for its role in these agreements. Thus, credit unions that receive financing opportunities and buying clubs that receive membership fees may be prohibited from arranging these car purchase opportunities by the brokering provisions of SB 568. Consequently, the brokering restrictions could reduce the availability of services that may save Missouri consumers substantial sums in their new car purchases.

CONCLUSION

SB 568 may reduce competition among car sellers and raise the prices that Missouri consumers pay for new and used cars. The proposed restrictions on off-site car sales would likely limit the number of such sales and therefore the availability of cars. These restrictions could effectively insulate some local dealers from a form of competition that, without the

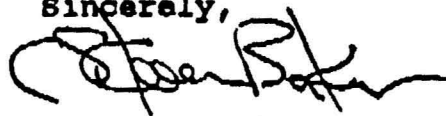
²⁸ SB 568 defines a broker as "a person who, for a fee, commission, or other valuable consideration, arranges or offers to arrange a transaction involving the sale, for purposes other than resale, of a new motor vehicle, and who is not:

- (a) A dealer or bona fide employee of a dealer when acting on behalf of a dealer;
- (b) A motor vehicle auction, as defined in subdivision (8) of this section;
- (c) A distributor or bona fide employee of a distributor when acting on behalf of a distributor; or
- (d) At any point in the transaction the bona fide owner of the vehicle involved in the transaction."

restrictions, could induce them to offer better service and lower prices. Likewise, the restrictions on new car brokering would likely eliminate valuable sources for new cars and discourage innovative sales techniques that may save Missouri consumers substantial amounts in their new car purchases.

We appreciate this opportunity to comment.

Sincerely,



C. Steven Baker
Director
Chicago Regional Office

TAKING THE HASSLE OUT OF CAR-BUYING

BUYING SERVICES GET AROUND THE DRUDGERY OF SHOPPING AND HAGGLING—AND SAVE YOU MONEY, TOO.

Michael Hein of Kenosha, Wis., and Rosemarie and Richard Cubinski of Valley Stream, N.Y., have discovered a fast, economical way to buy a new car that beats schlepping around to auto dealerships and haggling with salespeople.

Hein's 1988 Plymouth van and the Cubinski's new Ford station wagon were both purchased through Brooklyn, N.Y.-based Car/Puter International Corp., one of several discount services, for more than \$1,000 under the sticker price.

Buying services like Car/Puter make arrangements with dealers or brokers to sell to their members at a discount, which is usually a few hundred dollars over what the car cost the dealer. Skilled hagglers may be able to beat the price. But shopping for a car takes prodigious effort, and an increasing number of new-car buyers would rather pay a buying service a small membership fee and eliminate the drudge work. And because dealers are skilled at getting the upper hand in any negotiations, going through a service ensures that you'll get a guaranteed price—and have the added clout from the service to back you up in a dispute.

But you have to be prepared to do a little work. You are usually provided with a price sheet, given access to a price



Michael Hein of Kenosha, Wis., saved more than \$1,000 on his new van—and never had to negotiate with a dealer.

CAR-BUYING SERVICES

guide or quoted an average price, but it still takes a little savvy to get the best deal. Before you sign out, you'll want to compare the car-buying services in your area for prices and service. And you'll need to know the dealer cost for the models and options you are interested in before you venture into any arrangement to buy a new car—and that means doing some homework *before* you approach a service.

Some car-buying services sell price sheets for new cars, but the services are best at helping you actually purchase a car. If you're still trying to pin down the right model, you'll be better served by going elsewhere for prices. Edmund Publications in West Hempstead, N.Y., puts out several editions each year that list the dealer cost and suggested retail price for domestic and foreign cars and trucks. You should be able to find them at most newsstands or bookstores for \$3.95 apiece. Nationwide Auto Brokers of Southfield, Mich. (800-521-7257 or, in Michigan, 313-559-6661), will send you the dealer cost and retail prices for any car you choose at \$9.95 each. Consumer Reports Auto Price Service (P.O. Box 570, Lathrup Village, Mich. 48076)

THE SERVICES HAVE WAYS OF ENSURING THAT DEALERS STICK TO THE PRICES THEY HAVE GUARANTEED.

charges \$11 per car, \$20 for two, \$27 for three and \$7 for each additional printout.

RATING THE SERVICES

Once you know the car you want and its price, you're ready for a buying service. To find out what you actually get, *Chicago Times* looked at six prominent services—the American Automobile Association (AAA), Amway, Car/puter, Nationwide Auto Brokers, United Buying Services and USAA Buying Services—that arrange discount purchases for the buyers of new cars.

We asked each to shop three new cars for us: a two-door hatchback Ford Escort LX, a four-door Chevrolet Corsica and a Chrysler New Yorker Landau sedan. For comparison, we did some figuring on our own and came up with \$8,170 for the dealer cost and \$9,130 suggested retail for the Escort; \$11,797 and \$13,325, respectively, for the Cor-

sica; and \$19,496 dealer cost at \$22,712 retail for the Chrysler New Yorker. Prices include freight as well as such popular options as automatic transmission, air-conditioning, a stereo, cassette radio, power windows, power door locks and, in the case of the Chrysler, leather seats. Advertising fees at other dealer charges were not included in our figures.

The range of services differs from company to company. (And within some services, prices can vary from one outlet to another). Each differed in the way handled referrals to dealerships. They also differed in the way they bill you. Most base the cost of domestic cars on the dealer, or factory, invoice amount which is what the manufacturer bills the dealership for the car and options, plus 3% fee and freight. Some also tack on dealer-preparation charges and advertising costs, which can run as high as \$20 (Imported cars are usually discounted from the retail, or sticker, price.) Some offered very little price information beforehand but would review the cost before a member placed an order. All had methods for ensuring that dealers stick to the guaranteed prices. And they

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there to back you up if you should have any trouble getting exactly the car you want from a dealer who, for example, wants you to add undercoating or fabric protection—neither of which you need. And we would have realized substantial savings on each purchase no matter which service we picked.

AMERICAN AUTOMOBILE ASSOCIATION. A number of AAA affiliates have set up buying-service plans for members. AAA Peninsula Motor Club in Tampa, which serves Florida's west coast and panhandle, started its own service last fall in response to members' pleas for help with new-car purchases. The unit developed a computer program and contracts and signed up more than 160 local showrooms. Since November, it has sold more than 1,350 vehicles, some to "snow birds"—six-month residents from the North.

AAA Peninsula runs a toll-free number (800-323-8282 in Florida), which is staffed seven days a week, at least eight hours a day (five hours on Sunday). A phone call gets you a referral to one of the dealerships. AAA Peninsula doesn't quote prices but will give you the average saving for the car you are seeking with standard equipment to use as a benchmark. The saving on our Ford Escort LX was \$920 off the expected retail price; on the Chevrolet Corsica, \$920; and on the Chrysler New Yorker, \$2,300. Peninsula AAA follows up each purchase and intervenes if there are problems.

In another typical variation, the Potomac chapter of AAA in the Washington, D.C., area offers a referral program. Members are sent a buying-service "certificate" that directs them to a contact at a participating dealership. AAA Potomac requires that its dealers also be certified by AAA to provide service. An AAA chapter in Houston follows a similar plan for referrals.

The AAA's national headquarters doesn't keep track of which chapters offer buying services, but your local AAA can probably tell you if a service is available anywhere in your area. AAA membership fees, which range from \$17 to \$56, may cover the use of a buying service, as they do in the Houston, Peninsula and Potomac clubs. Some clubs with buying services will accommodate members from other AAA affiliates.

AMWAY AUTO NETWORK. (7575 E. Fulton Rd., Ada, Mich. 49355, 800-544-7167). Best known as a marketer of health and personal-care products, Amway is also in the car and truck referral business.

WE ASKED EACH BUYING SERVICE TO PRICE THREE CARS, AND YOU WOULD HAVE SAVED MONEY AT EACH ONE.

For a \$24.95 annual registration fee, Amway will refer you to one of more than 4,000 dealers who have agreed to a "guaranteed maximum price" up to \$150 over the invoice amount for a domestic model. Certain cars, such as the Cadillac Allante, Chevrolet Corvette, Buick Reatta, Ford Probe and most convertibles, are excluded from the guarantee. Imports are sold at a percentage off the sticker price. You can also purchase a price sheet for \$12.95 per car.

Amway's price for the Escort was \$8,320; for the Corsica, \$11,948. The Chrysler New Yorker is on Amway's limited-car list because it is in great demand. The company told us that if it could find a participating dealer willing to sell the car, it would cost \$19,701. These prices do not include advertising costs, taxes and tags.

Note: Amway's guarantee is for "ordered" domestic vehicles, not those sold off the lot, which means that even if you find the exact car you want at the dealership, the dealer doesn't have to sell it to you. You may have to wait for a vehicle to be ordered and shipped, which can take up to eight weeks.

Amway is the only service of the six that also offers a guaranteed price on leased cars. The capitalized cost—the basis for determining the monthly payments—is fixed at no more than \$800 over the invoice amount.

Amway's program is available in 29 states and the District of Columbia. There are no programs in the remaining states because of restrictive brokering laws there.

CAR/PUTER INTERNATIONAL CORP. (1603 Bushwick Ave., Brooklyn, N.Y. 11207, 800-221-4001 or, in New York, 718-455-2500). When you order a car through Car/Puter, you get a printout of the basic car with some extras, which you can fine-tune by adding or deleting options. A printout costs \$21; if you are a member of one of the more than 40 organizations—auto clubs, credit card issuers and national associations—that have agreements with the company, it may cost you nothing.

After you send in a nonrefundable \$500 deposit, your car will be delivered from one of more than 450 dealers signed up with the service. If you don't

live near one of the dealers in the program, shipping will cost an additional \$150 to \$210.

Prices start at \$39 above the invoice amount and range up to \$500. You can apply the cost of the printout to your purchase. Imports usually go for discounts off the sticker price, which is converted to a fixed amount over the invoice on the printout. Car/Puter will arrange the purchase of most imports, except Honda, some Toyota and limited-production and exotic models.

Car/Puter's charges for the Escort were \$8,420; for the Corsica, \$11,908; and for the Chrysler New Yorker, \$19,956. These prices include advertising costs.

NATIONWIDE AUTO BROKERS. (17517 W. 10 Mile Rd., Southfield, Mich., 48075, 800-521-7257 or, in Michigan, 313-559-8661). Nationwide's printout lists the invoice amount and retail price for the base car and every available option. If you call with your request before 3 P.M., they'll mail you a price printout the same day at a cost of \$9.95. You check off the equipment you want on the form and send it back with a deposit of \$100 for delivery of a custom-ordered car in Michigan. If you want to custom-order a car and you live outside Michigan, you must put down a \$500 deposit. On our test orders the cost of the Escort was \$8,220; the Corsica, \$11,969 and the Chrysler New Yorker, \$19,795, including advertising costs.

Note that the prices of Nationwide's cars rise according to the location, because of possible shipping charges. For example, delivery to New Jersey would add \$185 and delivery to California would tack on \$250. Again, it pays to shop for the car-buying service in your area that can offer you the best price.

UNITED BUYING SERVICE (UBS). There are a number of UBS offices around the country that offer referral services. Each is an independent company. Some are open to all comers; others are open only to employees of companies signed up with UBS. Check the telephone directory for a local listing for UBS, or with your employer to find out whether your company is enrolled.

In the Washington, D.C./Baltimore area, a call to United Buying Service (301-657-1920 or 301-792-9070) entitles you to a certificate of referral, which you take with you to a local dealership signed up with UBS. The service relies on the dealership to follow the agreed-upon prices in its *Official Price Book*, which is also used by some UBS offices in other

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 New York Stock Exchange; symbol MON.

CAR-BUYING SERVICES

cities. For most domestic cars that's usually \$100 over the UBS price.

UBS cost for the Ford Escort was \$8,434, the Chevrolet Corsica was \$12,058, and the New Yorker was \$20,002. The prices work out to be \$81 higher than the invoice amount on the Ford Escort, \$260 on the Chevrolet Corsica and \$506 on the Chrysler New Yorker Landau.

One UBS purchaser of a 1988 Plymouth Voyager minivan described his car-buying experience this way: "The salesman wrote up the ticket using the dealer cost figures for every option, listed in the UBS guide right at his desk, and charged \$100 of dealer profit. And that was it. It's a very pleasant, inexpensive way to buy a car: no haggling, no negotiation, no hassle."

UBS says that you can mail them the completed paperwork so they can check to make sure the dealer charged the official prices. And they are willing to review a dealer's prices with you before you sign a sales agreement. If you are overcharged, UBS will get you a refund. Note that UBS is also in the business of selling mailing lists, so if you don't want your name to show up on them, request to have it removed.

USAA BUYING SERVICES. USAA Building, 9800 Fredericksburg Rd., San Antonio, Tex. 78288, 800-531-8905). USAA Buying Services is available to military officers who are USAA members and to a small number of eligible government workers. USAA has signed agreements with the dealers in 52 metropolitan areas. For a \$75 fee, participants are referred to participating local dealers, who price their cars at an average of 1% or \$100 over the invoice amount. Prices vary from city to city.

In Dallas, for instance, a USAA member can purchase the Escort for \$8,251, the Corsica for \$11,799 and the Chrysler New Yorker for \$19,789. These prices do not reflect any local advertising costs, taxes, titles or dealer preparation charges. You might be able to do better if you shop elsewhere, but the USAA prices are still less than the cars' retail prices.

USAA customers can purchase an \$8.95 computerized price list to acquaint themselves with the price of a car before venturing into the showroom. Company officials contend that you needn't buy one to use the car-buying program because dealers are required to show customers the actual invoice sheet on domestic vehicles.

—BY ED HENRY

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