

Testimony for Public Hearing
Transportation Committee
February 6, 2015

Joseph Drouillard
57 Lathrop Ave
Pawcatuck, CT 06379

S.B. No. 198 – An Act Concerning the Purchase of Electric Vehicles

Good morning Transportation Committee members. My name is Joseph Drouillard. I am here today on my own will as an ordinary citizen in support of making the purchase of electric vehicles (EVs) as easy as possible for consumers.

I have been following the battle between Tesla Motors and the national and state automobile associations since the dispute first started in Texas. In an Austin Business Journal poll, readers were asked the question: “California-based Tesla wants to sell electric cars directly to consumers. Should it be allowed to bypass Texas dealership regulations?” Out of 1,944 respondents, 85% answered “yes” while 3% answered “not sure” and the remaining 12% answered “no”. Polls like this can often get the desired response from its respondents through clever wording. This is not the case with this particular poll. For those unfamiliar with the conclusion in Texas, Tesla was prohibited from executing its direct sales business model. In this instance, if Capitalism were working as intended, Tesla would be selling automobiles in Texas. Giving the dealer lobby in Texas the larger voice is the “perversion of democracy” that Tesla Motors CEO Elon Musk is often quoted as saying. It is frustrating to me that the deep-pocketed minority carries a larger voice than the majority, and that is my motivation to provide you with this testimony here today.

Since following this battle between Tesla Motors and state governments, I hear the same arguments from the auto dealer lobby. These, “the sky is falling down” arguments, are full of false assumptions and poor logical reasoning.

The most popular argument the auto dealers present is that auto dealers promote competition in the marketplace. I would have agreed with this argument 40 years ago before the popularity of imports when the Big 3 dominated domestic auto sales. The competing dealers would have to offer a lower price than their local competitors for identical models of car to make the sale. Nowadays, this is not the case. Enough competition exists between manufacturers that any dealership, whether franchised or manufacturer owned, would keep prices low. The other wild card that did not exist when the current law was enacted is the internet. The internet gives consumers the magnifying glass they need to ensure they are getting competitive pricing.

Personally, my favorite false argument the auto dealers are making is that allowing direct sales will cost the state thousands of jobs. First, this argument is based on an assumption that if the state allowed direct auto sales that all franchised dealerships would instantaneously shutdown. Second, and following the same assumption, manufacturers instantaneously opening their own dealerships would need the same workforce to sell and service their vehicles. The same staff from the franchised dealership would be needed for the manufacturer’s dealership. Let us be honest, they will not sell or service themselves. They are not Teslas. The only persons that would be in the unemployment line are the franchisees. The impact to the net amount of jobs would be negligible based on the false assumption. Lastly, and most importantly to this point, the National Automobile Dealers Association (NADA) statistics from 2013 show that the average sale price of a vehicle is only \$69 over invoice before payment of salesperson commission (invoice price is the price a franchised dealership pays for the car from the manufacturer).

What manufacturer will open dealerships, adding overhead costs, to profit only \$69 more per vehicle?

Based on this statistic, the established franchisees face no competition from the manufacturer itself.

Dealerships having NADA membership would like to suggest that Tesla play by the same rules as everyone else. Let us detail why Tesla's business model deviates from what is being called "traditional" and why the same rules are unfair for this particular manufacturer. You may have wondered how auto dealers could stay in business if they only profit, on average, \$69 per sale. This is because they rely on the consumer bringing their vehicle back for routine service. You know; the oil changes, tune-ups, air filters, and all of the other possible service scenarios required to maintain a vehicle having an internal combustion engine. Well, aside from tire rotations and brake service, EVs do not require this maintenance. They do not have oil, spark plugs, transmissions, air filters, or exhaust. This means there is little opportunity for manufacturers such as Tesla Motors, which only sell EVs, to profit from service. Additionally, Elon Musk fundamentally disagrees from making a profit from service. By selling direct, EV manufacturers are extremely motivated to produce vehicles with outstanding quality because when those vehicles need to come in for service, the manufacturer loses. This is one of the many reasons Consumer Reports recently rated Tesla Motors the highest of all manufacturers in service which took into account the duration, quality, cost, and satisfaction of services.

Another reason, and possibly the biggest reason, for deviating from the established model is that Tesla Motors is supply limited. Tesla's manufacturing capacity would not allow a franchised dealer to make the sales to guarantee profitability. What business-oriented person would become a franchisee without the guarantee of a profit? Would you open that business?

Now, with the revised verbiage proposed to state statute 14-52, I can see an argument that the new legislation is unfair for manufacturers having an existing franchised dealer network in the state. I would

have to agree with that argument. I would suggest changing the verbiage to allow any manufacturer to sell direct if the manufacturer owned dealership only sells new and/or used zero emissions vehicles.

The last point I want to make should be personal for every American. Tesla Motors is an American manufacturing business with huge growth potential. Elon Musk recently stated that he expects Tesla Motors to be selling over 3 million vehicles per year in as little as ten years from now. He also stated that the Fremont, California manufacturing plant will not be the only plant to sustain that volume of production. He also stated that Reno, Nevada will not be home to the only Gigafactory where the automaker will be employing 6,000 people in manufacturing its lithium ion batteries. He also expressed interest in locating factories on the east coast. If our state were to be the first state to relax its laws, and allow Tesla to employ its business model without restraint, this could make the State of Connecticut a top contender for the manufacturer to locate here in the future bringing thousands of high-paying jobs to the state. In a state with heavy reliability on defense spending, Connecticut should be hospitable to large-scale American manufacturing corporations as a diversification strategy.

I urge all members of the transportation committee to consider revising the verbiage to allow any manufacturer to sell direct if they only sell new and/or used zero emissions vehicles. I also urge all members of the State Senate and House to ask your friends, family, and constituents their opinion on this very important legislation. And please do not forget, let democracy prevail.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Josh Driscoll". The signature is written in a cursive, flowing style.