

Testimony of Leo Karl  
In Opposition to  
SB 3- An Act Concerning the Licensing of New and Used Car Dealers  
Transportation Public Hearing  
Legislative Office Building,  
Hartford, Connecticut  
March , 2016

Good Afternoon, Senator Maynard, Representative Guerrero, Senator Boucher, Representative O Dea, and members of the Transportation Committee. My name is Leo Karl. I am owner of the Karl Chevrolet Group. I am here today to speak in opposition to SB 3, An Act Concerning the Licensing of New and Used Car Dealers.

SB 3 is a far different bill then the Tesla bill that was debated here in 2015. This bill is far more expansive and will weaken the Connecticut Franchise Act. Last year Fisker Motors lobbied to obtain a corporate loophole, and this year SB 3 opens this loop hole even wider to any manufacturer who solely produces zero emission electric vehicles (ZEVs).

An exemption for one Original Equipment Manufacturer (OEM) will lead down a slippery slope and expose Connecticut dealers to further end runs by OEMs.

SB 3, if passed, would unfairly hurt locally owned dealerships. Without a law change, Tesla has the ability today to work within the current franchise system that local dealers have invested in, which creates price competition, maintains good paying local jobs in Connecticut, and advocates for consumers when there is a recall or defect. Allowing any manufacturer to skirt our existing state laws would clearly create an uneven playing field.

Dealers have invested millions in a franchise system and the physical dealership structures that go in that system through a deal with the manufacturers and regulators. This system protects the consumer if something goes wrong with the car, fosters local competition among dealers, and creates a balanced system between national manufacturers and local dealerships.

Tesla wants to skip the franchise system. They should not have their own rules that other dealers and manufacturers have always followed. Tesla could choose today to sell with local dealers under existing laws in Connecticut. However, they choose not to. It is important to note that Tesla agreed to one store in Virginia and now they are saying they will convert to a franchise in thirty months. Why are we here if Tesla is admitting they will create franchises in the future? Their decision in Virginia demonstrates they are willing and able to sell their product within the franchise system.

Supporting local dealers means local good paying jobs stay here, not online and not in California. Our 14,000 employees, mechanics, sales staff, and administrators support a safe driving environment. These are career jobs with advancement; the average salary is \$61,000. The 270 Connecticut auto dealers are independent, family run businesses, not big global companies. They vote, pay taxes, live locally, invest in their communities, and support local charities.

Tesla does not manufacture here; they would sell online instead of at a property tax paying dealership, and they prefer to outsource their repair work than have a dealership repair shop do the work. Essentially they want a system that will have no economic commitment locally.

Only dealers advocate for the consumer against manufacturers during recalls. In 2015, there was a record 50 million recalls. When it comes to recalls, warranties, and securing the lemon law, dealers have been advocates for consumers whenever problems arise or car companies fail. The GM ignition switch recall and the collapse of SAAB, Hummer, Scion are recent examples in which dealers advocated for consumers.

There is also the misconception that Connecticut Dealerships are not happy to sell Electric Vehicles (EVs). This is entirely untrue. Our dealership hosted a CHEAPR event last summer to showcase all the EVs that may be purchased. We have the EVS and the trained mechanics to work on these cars.

I urge you not to support SB 3. This is a bill that will damage a sector of Connecticut businesses for no reason. Tesla is able to sell in Connecticut now and should do so under the current laws that protect the consumers. This is a bill that will do a great deal of damage.

Thank you for your time.