



Statement for the Record for Tesla Motors, Inc.

**Testimony of
James Chen
Vice President of Regulatory Affairs and Deputy General Counsel
Before the
House and Senate Committees on Transportation**

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Good morning. My name is James Chen and I am the Vice President of Regulatory Affairs and Deputy General Counsel for Tesla Motors, Inc. I would like to thank Chairmen Guerra and Leone and the other members of the Transportation Committee for allowing Tesla the opportunity to testify today and provide support for Committee bill 3. And thanks also to Senate Majority Leader Duff's for his public support of electric vehicles (EVs), the competitive marketplace, and consumer choice.

I. Background

Tesla is an American manufacturer of all EVs. Founded in 2003 by five Silicon Valley engineers seeking to end our country's dependence on oil, particularly foreign oil, in the light duty transportation sector, this U.S. company's core mission is to catalyze the mass market for EVs.

From the outset, Tesla's plan has been to capitalize the costs of our innovative new powertrain technology in higher end products with a goal of aggressively driving down costs as we iterate further the technology in subsequent product offerings. Starting with the market-inspiring Tesla Roadster in 2008; a two-seat sport car, capable of 245 miles of range on a single charge, with a zero to 60mph time of 3.7 seconds and a starting price of \$109,000, we moved quickly to our next offering – the award-winning Model S. Released in 2012, less than a year after the conclusion of the Roadster program, the Model S is capable of achieving over 300 miles of range under the old EPA city/hwy driving cycle test (Model S is rated at 270 miles of range on the updated EPA test that also takes into account air conditioning usage, cold weather operation and high speed driving). With a starting price of \$70,000, Tesla was able to take out nearly half of the cost of this next iteration vehicle, while providing vastly improved utility (i.e., seating for five adults and two children in optional rear facing child seats, class-leading storage, Supercharging capability, etc.) and performance (0-60mph times of as little as 2.8 seconds, improved range, and a dual motor all-wheel drive powertrain). The Model S has won numerous awards, including being named MotorTrend Magazine's 2013 Car of the Year; Automobile magazine's and Yahoo Automotive's automobile of the year; and recently, being referred to by Consumer Reports as "the best car they ever tested" scoring 103 out of possible 100. In the third quarter of last year, Tesla released the Model X, a cross-over vehicle with the seating for up to seven adults and other compelling features. By the end of next year, Tesla will release the Model 3, the first car based on our third generation platform, with a starting price of \$35,000 with at least 200 miles of real world range. Scheduled for start of production in 2017, this third generation electric vehicle, planned less than a decade after introduction of Tesla's first ever vehicle, will represent the market entry of a long range, all electric vehicle at 1/3 the price of the

Roadster. Once achieved, this aggressive technology innovation and release will represent a feat in engineering and price reduction that no other automobile manufacturer has ever matched.

II. Connecticut Actions

State-by-state automotive franchise laws were enacted decades ago to prevent a manufacturer from unfairly opening stores in direct competition with affiliated franchised dealers who had already invested time, money and effort to promote their businesses. These laws were created to protect, for example, the Ford dealer from direct competition and other abuses by its sole supplier, Ford, the manufacturer. Understandably, Connecticut's franchise laws were enacted without contemplating a new manufacturer such as Tesla, and the current statutes may be interpreted to prohibit manufacturer direct sales, whether a manufacturer establishes independent franchised dealers or not.

These laws are being exploited by franchised dealers to prevent car companies with non-traditional sales models, such as Tesla, from entering the market. Tesla has no, nor has ever had any, franchise dealers, anywhere. Instead, Tesla has always sought to sell its vehicles directly to consumers. Due to the constraints of the Connecticut franchise laws, Connecticut consumers must travel to Massachusetts or New York to learn more about Tesla EVs and the purchase process.

Moreover, Tesla continues to invest in Connecticut. The Company purchases nearly \$3M per year in parts and components from Connecticut-based businesses. We also have opened a service center in Milford, which has recently received updates and charging upgrades. It currently employs 12 employees and has five open positions. Tesla has installed four Supercharger stations throughout the state in Darien, Milford, West Hartford and Greenwich, which allow up to 200 miles of range replenishment in as little as 30 minutes.

Other states, such as Massachusetts and New Hampshire, recognized early on that franchise laws should not stifle inter-brand competition and innovation. These states updated their laws or affirmed existing laws to expressly recognize and clarify that Tesla's technology and business were welcome in their states. We are calling upon Connecticut to do the same.

III. Proposed Legislation

Chairman Tony Guerra has filed Committee bill 3, amending the language of the motor vehicle franchise law to effectively open up direct sales in the state of Connecticut for manufacturers who do not already have franchise agreements with independent dealers. Connecticut consumers are not harmed by this amendment; Tesla's sales model still provides them with all the same warranty, liability, and consumer protections provided by the law. There simply is no legitimate reason to exclude manufacturer owned and operated stores, except to protect the monopolistic business interests of existing dealers from legitimate inter-brand competition.

We at Tesla ask that you support the legislation introduced by Chairman Guerra. Consumers have responded positively to our cutting edge, environmentally friendly technology, as well as to our direct sales model. This change will signal that Connecticut welcomes new business and a competitive business environment that benefits the consumer.

Thank you for the opportunity to provide this testimony. I welcome any questions about the legislation or Tesla.