

## Written Testimony, Dan West, Director of Public Policy (Rivian)

Connecticut: SB 127 regarding Direct Sales – PRO

Mr. Chairman, honorable members of the committee, thank you for the opportunity to testify in support of SB 127, an Act to allow manufacturers of exclusively all electric vehicles, or EVs, to sell their own line-makes directly to consumers, a process we refer to as “direct sales.” My name is Dan West, and I am the Director of Public Policy for Rivian Automotive, LLC, an independent US manufacturer of all electric adventure vehicles™.

The issue of direct sales is of paramount importance to expanding the EV market in Connecticut. At present, approximately 80 percent of EVs in the US are sold via direct sales, and states that allow direct sales often see per-capita EV adoption rates that are several times higher than states that prohibit direct sales, even in the absence of other incentives.

The importance of direct sales to the state cannot be overstated. Connecticut has a long way to go to achieve its EV adoption goal of 500,000 registered EVs in the state by 2030. As of right now, the state is less than 3 percent on its way toward achieving that goal. So the state must do all it can to accelerate EV adoption, and allowing direct sales of EVs is the most effective, budget-neutral and market-friendly way to do this.

Beyond accelerating Connecticut’s EV adoption rates, direct sales enables new companies like Rivian to invest in the state. This legislation would allow Rivian to apply for a dealer license and to operate and be regulated as a dealership. In the process, we would hire local contractors and employ construction workers to design and build retail locations. We would also hire local staff, invest in the local community, and pay taxes. Current law deters this investment.

Additionally, when we are not permitted to operate in the state, Connecticut residents are forced to travel to neighboring states to test drive a Rivian vehicle or speak to a product specialist—and the vehicle sales tax may be paid in the neighboring state. It’s a net loss for the state economy, an unnecessary burden on Connecticut consumers, and discouraging for the next generation of American automotive innovation.

We are often asked why we will use direct sales rather than the dealer franchise model. Dealerships rely on high inventory and frequent servicing to be profitable—an approach that doesn’t work for EVs from manufacturers like Rivian. Direct sales is essential for our product and customer service strategies for several reasons:

- **Connectivity:** With owner permission, EV manufacturers remain connected to the vehicle for over-the-air software and security upgrades, performance diagnostics, and more. Operating through a dealership precludes this, to the detriment of customer safety.
- **Customer Education:** While internal combustion vehicles have been on the market for over 100 years, modern EVs have only been commercially available for 10, and customers still require much more education due to misconceptions and knowledge gaps. Auto dealerships are not well equipped to provide this education and are reluctant to upgrade for EV infrastructure, due

to the relatively small numbers of EVs currently in production (sales are roughly 1% or less of the 17 million new cars and trucks sold each year).

- Last year, GM offered a buyout to Cadillac dealerships who don't wish to invest in the EV transition: [one in five](#) of them accepted the offer costing GM between half a million to one million dollars to purchase back those franchises.
- [A 2019 study by](#) the Sierra Club found that "74% of auto dealerships nationwide do not have a single EV on their lot for sale," and even when they did, "consumers were still not being given important information about charging, battery range, and financial incentives."
- **Affordability:** Removing an intermediary from the sales process ensures cost savings for consumers. [A 2009 study](#) by the US Department of Justice Antitrust Division found dealership distribution adds a 7%-10% increase to the manufacturer suggested retail price (MSRP) for consumers.
- **Maintenance Fees:** Dealerships generate over half of their revenue from servicing and maintenance of internal combustion equipped vehicles. EVs, with fewer moving parts and almost zero routine maintenance requirements, do not serve this part of the dealership business model.

Direct sales creates a better marketplace for consumers by providing choices. Consumers can purchase an EV from the likes of Rivian, or they can purchase a traditional vehicle from their local dealer. This legislation will not harm existing dealers. Over the past decade, when Tesla really came into the market, national dealership sales steadily rose, from \$676 billion in 2012 to over \$1 trillion in 2019. In Florida, which has been open to direct sales this whole time, dealership sales increased 42 percent between 2012 and 2019.

The matter of direct sales is supported by [diverse interests](#), such as the environmental Sierra Club and conservative Americans for Prosperity, who have joined together in advising state governments to allow greater competition and consumer choice for EVs. The libertarian Cato Institute has [described](#) dealer protections as "inhibit[ing] innovation and free-market competition by using regulatory schemes designed for entirely different contexts and different eras."

The Federal Trade Commission has also [weighed in](#) in favor of direct sales as serving consumer interests, open markets, and competition, finding no policy justification for dealer protectionism.

In sum, allowing direct sales is good for consumer choice, good for Connecticut's economy, good for Connecticut's environment, and does not harm existing local businesses. Thank you for consideration of this issue and the opportunity to provide this testimony.