



March 14, 2022

Hon. Roland J. Lemar, House Chair
Hon. Will Haskell, Senate Chair
Joint Committee on Transportation
Legislative Office Building
300 Capitol Avenue
Hartford, CT 06106

RE: Oppose - Senate Bill 214

Dear Chairmen Lemar and Haskell, Ranking Members Carney and Somers,
and Distinguished Members of the Transportation Committee:

On behalf of the Alliance for Automotive Innovation (Auto Innovators), thank you for the opportunity to express our strong opposition to Senate Bill 214, legislation that would effectively establish two different sets of laws for competitors in the same marketplace. The Alliance for Automotive Innovation represents the automakers responsible for producing nearly 98 percent of all cars and light trucks sold in the U.S. each year, as well as major Tier 1 suppliers and other automotive technology companies.

The Future is Electric

Auto Innovators' members are committed to the decarbonization of the transportation sector and are working diligently to expand motor vehicle offerings of battery electric vehicles (BEV), plug-in hybrid electric vehicles (PHEV), and fuel cell electric vehicles (FCEVs) with ranges, price points, and vehicle types to satisfy all customers' needs. IHS Markit predicts there will be 130 such models for sale in the U.S. market by 2026, up from over 50 models today¹. This growing marketplace is the result of many years of research and development across the automotive industry. In fact, it is estimated that automakers will have invested \$330 billion on vehicle electrification between 2018 and 2023, a truly staggering amount of money all focused on making an electric vehicle future a reality.

Although EV sales still amounted to only a tiny percentage of overall U.S. vehicle sales in 2021, consumer interest is growing because these vehicles are reliable, efficient, safe, and particularly fun to drive. To realize an increasingly electrified future, Auto Innovators supports a comprehensive plan across all government levels, as outlined in a letter sent to President Biden² last year. The entire auto industry agrees that the future of transportation is electric.

¹Stephanie Brinkley, IHS Markit Forecasts EV Sales to Reach US Market Share of 7.6% in 2026, IHS Markit, <https://ihsmarket.com/research-analysis/--ihs-market-forecasts-ev-sales-us.html> (May 28, 2019).

²<https://www.autosinnovate.org/posts/communications/Auto%20Industry%20EV%20Policy%20Letter%20to%20President%20Biden%20March%2029%202021.pdf>

EV Manufacturers Can Sell Tomorrow

While the Committee deserves credit for scheduling this hearing on what is perceived by some as an important public policy question, the fact remains that not a single law needs to be changed for any manufacturer of electric vehicles to begin selling vehicles in the state. In Connecticut – as in every other state – automakers and dealers operate under a complex scheme of state franchise laws that regulate nearly every facet of the business relationship. Admittedly, some of these laws are onerous for manufacturers. Yet, in a marketplace where competition between brands is fierce, all participants at least engage under the same set of rules.

Your predecessors in the legislature established the rules under which our automaker members have built their businesses. Automakers have entered into contractual agreements with their authorized dealers based on these legal requirements. Therefore, it would be patently unfair for the state to have a long-established set of laws governing how certain manufacturers must distribute their products, but then let new manufacturers enjoy a competitive advantage by being exempted from those restrictive and complex laws. To be clear, our members do not shrink from added competition. Our automaker members have developed modern vehicles that are safer, cleaner, and more advanced than ever and they welcome new competitors to try and keep up. Our members simply believe that state laws that govern the sale of vehicles should provide a fair and level playing field for all, and not grant special privileges to new market entrants.

Same Product, Same Customers

When Tesla Motors first began petitioning this Legislature for special treatment, policymakers were told that Tesla could not possibly comply with the state's existing franchise laws because they were a small volume manufacturer that was selling a new technology. How things have changed in a few years! Tesla Motors now carries a market capitalization level that surpasses the next 10 automakers, combined. Clearly, they are small no more. While they are still selling a new technology, they are no longer alone in that effort. Every automaker is working to shift the auto-buying public away from internal combustion engines and toward electric propulsion. That means they are no longer unique. These new market entrants want to sell the same product to the same customers as every other automaker, and do not deserve special treatment.

More Than Just Tesla

For years, the attention given to the issue of whether an automaker should be allowed to sell directly to the consumer focused solely on Tesla Motors. More recently, Rivian and Lucid Motors have added their voice to this campaign. By adding these two new market entrants into this discussion, however, existing automakers' most basic argument on this issue has been proven valid. Automakers have long held that the biggest issue with this concept is not the one or two (or now three), niche manufacturers presently asking for special treatment; it is the other manufacturer that will follow. Behind these new entrants stands a line of other companies trying to break into the market, including Fisker, Canoo, Bollinger Motors, Lordstown, and Foxconn. And what of the numerous manufacturers that have been angling to enter the U.S. automotive market for years, such as BYD, NIO, Xpeng, Li Auto, and 16 other EV manufacturers selling elsewhere, but not yet here? Are all these companies to receive special treatment and advantages over existing automakers, the companies who have built a network of local distributors employing thousands?

Conclusion

Every automaker is shifting to an increasingly electrified product line to offer consumers. With state purchase incentives, expanded charging infrastructure, updated building codes, and preferential utility rate structures, the pathway to an electrified future is becoming more and more real. The fact remains, however, that automakers operate in one of the most competitive industries within our economy. Over the past 50 years, each new market entrant has conformed their business model to the automotive distribution laws of each state in which they were asking for the privilege to sell their product. They did not seek, nor were they preemptively granted, any special consideration to operate outside the existing system. Tesla Motors and other new automakers have no legitimate justification for this request, only that they would prefer to ignore the existing state laws that all other automakers are required to follow. They are doing so because they believe it will give them a competitive advantage over other automakers, which we believe to be patently unfair.

It is for these reasons that we respectfully ask Committee members to oppose Senate Bill 214, and to maintain a single set of laws to govern the sale of automobiles.

Thank you for your consideration of the Auto Innovators' position. Please do not hesitate to contact me, should I be able to provide any additional information.

Sincerely,



Wayne Weikel
Senior Director, State Affairs

cc: Members, Joint Committee on Transportation