

February 14, 2020

Members of the Senate Transportation & Energy Committee
Colorado State Capitol
200 E. Colfax
Denver, CO 80203

Dear Transportation & Energy Committee Members,

I am sorry I cannot be there in person to testify, so instead I am writing this letter in strong support of SB167 allowing for the direct sale of electric vehicles.

I spent 20 years of my career working with car dealers in a variety of capacities, including as a factory representative and as a vendor and have set foot in literally thousands of dealerships across the nation, so I'm in a unique position to comment on how the dealer system impacts the adoption of EV sales.

I'm sorry to say that the franchised dealer system, as it operates today, is one of **the biggest barriers** to EV adoption. As a recent Sierra Club report describes¹ (and endless anecdotes on social media), the franchised dealer system is inherently designed to discourage the sale of EVs. Usually there is a lack of knowledge and/or product available, and at worst there is outright hostility to EVs and deception. While there are a handful of dealers who do a decent job selling electrics, unfortunately they are the rare exception and not the rule.

The laws in place to protect franchised dealers were specifically designed to ensure that dealers were protected from having to compete directly with their own manufacturers, not all manufacturers, but in more recent years the laws have been bastardized so as to force any new auto manufacturer to use a business model developed more than a century ago. Can you imagine telling Apple that they may not own and operate their own stores?

Furthermore, dealers make some wild claims to justify their obsolete business model. For example, the dealers say they are there to protect consumers should a manufacturer go out of business, but there is not one dealer in the U.S. that has a full complement of SAAB or Daihatsu parts in stock. How does that protect the consumer? Thankfully consumers have eBay to help find auto parts, satisfying a need with zero involvement of a dealer. Another claim CADA makes is that dealers keep car prices lower due to competition, however a study from George Mason University found that the cumbersome dealership system actually adds about 10% to the cost of a vehicle. In fact, the report stated "State legislatures...actively impede alternative distribution models, reducing consumer choice."²

Franchised dealers like to describe themselves as the ultimate entrepreneurs. The CADA website even says it "fights for entrepreneurial freedom in the legislative process," all the while enjoying significant governmental protection. Tim Jackson, President of CADA, has said repeatedly in testimony and in the media that "*consumers living in Colorado simply do not want to purchase low or zero emissions vehicles.*"³

¹ <https://www.sierraclub.org/articles/2019/11/auto-industry-barely-trying-sell-electric-cars-despite-consumer-interest>

² <https://www.mercatus.org/publications/regulation/auto-franchise-laws-restrict-consumer-choice-and-increase-prices>

³ <https://i2i.org/how-far-will-california-drive-colorado-public-policy/>



The data tell a different story, however. New car sales declined 2.8% last year in Colorado, while Tesla, the only manufacturer allowed to sell directly (thanks to a loophole), saw a 24.7% increase. The majority of these sales was just one model. Could it be that the franchised dealer system is a natural impediment?

If the consumers really don't want EVs, as CADA claims, then these paragons of entrepreneurship have nothing to worry about with direct sales of EVs. If, however, there is indeed significant public demand, then these uber-entrepreneurs should finally be forced to prove the value they claim to have and finally adapt.

The role of government is not to prop up business models that are becoming obsolete, nor to "actively impede alternative distribution models." As CADA often says, let the market decide. If the current dealer business model can't stand on its own without state protection after more than 100 years, shouldn't other models be given an opportunity to try? Please vote yes on SB167.

Regards,

A handwritten signature in blue ink, appearing to read "Jim Burness".

Jim Burness
CEO
National Car Charging