



January 16, 2020

Hon. Dick Mazza, Chair
Senate Committee on Transportation
Vermont State Capitol
115 State Street
Montpelier, VT 05633

RE: Oppose – Senate Bill 241

Dear Chairs and Members of Committee:

On behalf of the Alliance for Automotive Innovation (Auto Innovators), I am writing to express our strong opposition to Senate Bill 241, legislation that would facilitate two different sets of rules within state law for competitors in the same marketplace. Formed in 2020, the Alliance for Automotive Innovation is the singular, authoritative and respected voice of the automotive industry. Focused on creating a safe and transformative path for sustainable industry growth, the Alliance for Automotive Innovation represents automakers producing nearly 99 percent of cars and light trucks sold in the U.S., original equipment suppliers, as well as technology and other automotive-related companies.

Our automaker members work closely with their franchised dealers to operate as successfully as possible within the industry's existing distribution model. Nothing within the state's current laws precludes Tesla or Rivian or any other company from competing in the Vermont automobile market tomorrow under the same rules as every other auto manufacturer. These automakers do not want to play by the same rules, however. They want special treatment. In Vermont – 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.

Actually, under existing Vermont state law, there is no prohibition on a vehicle manufacturer selling directly to consumers, if they do not have any existing dealers in the state. There is, however, a statute that prohibits a manufacturer from owning and operating a service facility within the state (Title 9, Sec. 4086). This language presents an operational challenge for any new market entrant to sell directly, which effectively has ensured a level playing field across the marketplace.

Senate Bill 241 would change that.

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For years, the attention given to the issue of whether an automaker should be allowed to sell directly to the consumer focused on Tesla Motors. More recently, Rivian – a start-up electric truck manufacturer based in Michigan – has added their voice to this campaign. With Rivian's entrance 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 niche manufacturers presently asking for special treatment; it is the other, established automakers that currently sell in other parts of the world, but not within the United States that pose the real problem.

As drafted, Senate Bill 241 would remove the current statutory impediment relative to service facility and allow a clear, anti-competitive division to grow in the marketplace. New market entrants would be unbound from the franchise system and allowed to sell directly, while existing automakers would still be required by state law to use the current system.

Your predecessors in the General Assembly 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. Changing state law would not do anything to impact these underlying contracts that have already been executed. 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.

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: Senate Committee on Transportation