

Testimony of
Yvette Sanchez
In Opposition to
HB 7142
Transportation Public Hearing
Legislative Office Building,
Hartford, Connecticut
February 25, 2019

Good Afternoon Senator Leone, Representative Lemar, Senator Martin, Representative Devlin, and members of the Transportation Committee. My name is Yvette Sanchez. I am the comptroller for Gengras Motor Cars in East Hartford, and I am a resident of Hartford Connecticut. I started with Gengras 13 years ago as a billing clerk and through hard work and opportunity I'm now in upper level management.

On behalf of my 300 colleagues at Gengras and the members of the Connecticut Auto Retailers Association (CARA), I am here today to speak in opposition to HB 7142, An Act Concerning the Licensing of New and Used Car Dealers.

The 270 new dealerships throughout Connecticut offer good, high paying jobs to over 14,000 employees. They employ technicians, service advisors, sales staff, front office staff, marketing staff, financial staff, community relations staff, human resource people, and administrative staff. Gengras Motors and Connecticut's new car dealers offer competitive salaries, benefits, and job training. The direct sale model that Tesla would have you grant them outsources many of these jobs. On the other hand, the employees at Gengras and CARA's members work and live locally. CARA dealerships have a combined payroll of \$880 million.

The auto retailers also contribute to the local economy through the property taxes they pay on their locally owned auto dealerships. CARA dealerships paid \$310 million in state and local income taxes. In 2018, auto sales totaled \$10 billion dollars in Connecticut. This is 17 % of total retail sales in the state.

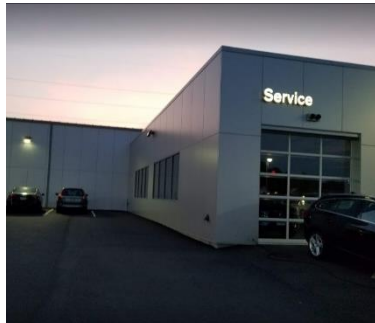
The direct sale model that Tesla wants to bring to Connecticut would, in fact, outsource many of these jobs and limit extra revenue potential for towns and the state. Additionally, unlike locally owned stores under the Dealership model of existing law, the Tesla/direct sale model stores are not owned but leased property in towns or in malls for display purposes only. Under the existing dealership model and law all the stores by design encompass large service facilities, body shops and auto and parts inventory square footage, so the property tax bills the dealerships pay is far greater than what Tesla pays.

Contrast this to a typical Tesla store a small rented boutique space in an existing retail building as with the illegal Tesla Gallery on Greenwich Ave in Greenwich or its Mount Kisco, NY store:



Tesla Retail Store 115 Kisco Avenue Mt. Kisco, NY

As opposed to the recently completed by Gengras Volvo store in North Haven for example that added millions of dollars to the towns grand list, all taxable to the city.



Gengras Volvo 375 Washington Avenue, North Haven, CT

Dealerships locally employ 53 people per store. This is stark contrast to Tesla which out-sources service and administrative jobs, therefore employing on average of only 10 people per store, as they do in Greenwich.

It is important to understand Tesla's outsourcing of jobs causes headaches for owners of Teslas who must wait months for parts for repairs as noted in a recent *Wall Street Journal* article.

BMW and Tesla are now selling about the same number of vehicles per year. BMW has 300 service locations vs. Tesla with barely 100, clearly, they can't service consumers. Service facilities are vitally important for such critical matters as safety recalls, warranty work, and locally sourced parts and services.

The direct sell model will result in job losses at the dealerships as jobs are exported overseas or out of state. The jobs that come with a dealership will not be seen in a Tesla shop. CARA

estimates that 10% of the existing 14,000 people in our state employed by dealerships would lose their jobs if a direct sell exemption is placed into law.

The direct sale bill will impact more than just Tesla, it will allow large EV-only Asian OEMs to also qualify for the exemption in the law. Numerous international auto manufacturers now exclusively produce electric vehicles including China's Tencent Holdings Limited that owns 5% of Tesla, Guangzhou Automobile Industry Group, Geely and India's Tata.

This proposed bill creates an unlevel playing field for Tesla and the other aforementioned manufacturers over the existing 32 OEMs and 270 franchised dealers.

A misconception that Tesla keeps spreading is about the loss of sales tax to Connecticut when a Connecticut resident purchases a Tesla. Under both Connecticut and New York state law, if a Connecticut consumer buys a car at the Tesla Mount Kisco store, the consumer, if a resident of the State of Connecticut, will pay the sales tax in Connecticut when the vehicle is registered. Connecticut's sales and use tax is paid on vehicles when the vehicle is registered at DMV.

On January 16, 2018, Tesla filed a brief in the pending litigation in Connecticut Superior Court, regarding the Connecticut DMV finding Tesla's Greenwich Gallery is illegally selling cars. Tesla testified: "It makes no difference to the place-of-sale analysis that Connecticut residents may pay Connecticut sales tax on their new Tesla cars. No one contests Connecticut's authority to tax goods sold to Connecticut consumers from outside the state. The place of taxation does not determine the place of sale for purposes of § 14-52. Vehicle purchasers always pay sales tax where they first register their cars, regardless of the place of sale."

The Connecticut Legislature and Department of Consumer Protection should be concerned that if Tesla goes out of business, and that is a real possibility, Connecticut consumers will be hurt. Without a dealer network to protect consumers when an OEM goes out of business the consumer is left with no warranty, no service, no parts and a car that devalues very quickly.

Once again, we cannot understand why the Legislature would consider special treatment for this company when they can sell in Connecticut today under laws that exist, and that other manufacturers need to comply with.

Thank you for your time. I encourage you to vote no on HB 7142.