

February 29, 2016

Hon. Andrew M. Maynard, Senate Co-Chair

~~Hon. Antonio Guerrero, House Co-Chair~~

Committee on the Transportation

Legislative Office Building, Room 2300

Hartford, CT 06106

RE: Oppose Senate Bill 3

Dear Mr. Chairmen and Members of Committee:

On behalf of the Alliance of Automobile Manufacturers (Alliance), I am writing to you today to express our strong opposition to Senate Bill 3, legislation that would unfairly create two different sets of rules within state law for competitors in the same marketplace. The Alliance is a trade association representing 12 of the world's leading car and light truck manufacturers, including of BMW Group, FCA US LLC, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota, Volkswagen Group of America, and Volvo Car USA. Together, Alliance members account for roughly three out of every four new vehicles sold in the United States each year.

As automakers, we work closely with our franchised dealers to operate as successfully as possible within our industry's existing distribution model. 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 our relationship. Unfortunately, some of these laws are outdated, anti-competitive, and anti-consumer. Yet, in a marketplace where competition between brands is fierce, all participants at least operate under the same set of rules.

Senate Bill 3 would change that.

While much of the attention given to Senate Bill 3 has focused on how the legislation would impact Tesla Motors, THIS BILL IS BIGGER THAN TESLA MOTORS. While it is true that this bill would allow Tesla Motors to sell directly to consumers – and simultaneously prohibit every other existing manufacturer in the marketplace from doing the same, it also opens the door to allow any other new electric vehicle manufacturer that follows to use the direct-sale model.

Today, there are 23 vehicle manufactures that sell vehicles in other parts of the world, but not here in the U.S. There are also new vehicle start-ups that are trying to bring an electric vehicle to market, but are not yet in the marketplace. On the opposite end of the spectrum from start-ups, there are large technology companies that are spending exorbitant amounts of money to enter the automobile industry. In each of these examples, these manufacturers would be allowed to sell directly to consumers, while existing automobile manufacturers would not. Senate Bill 3 is about more than just Tesla. The Alliance welcomes new competitors because competition is good for the industry and for consumers. Passing Senate Bill 3, however, would cleave the vehicle marketplace in two – new market entrants unbound by the franchise system and existing manufacturers that will still be required by state law to use the current system.

Your predecessors in the General Assembly established the rules under which our members have built their businesses, including the prohibition on manufacturers selling directly to the consumer. It would be patently unfair for the state to have a long-established set of laws governing how manufacturers must distribute their products, but now let only 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 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 a select few.

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

Sincerely,

Landon Fulmer
Vice President, State Affairs