Introduction

Members of the committee, thank you very much for the opportunity to address you today on an issue of importance not just to our state's transportation system but also to the future of our planet, the livelihoods of tens of thousands of New Yorkers, and the rights of millions of consumers across the Empire State. I speak to you today specifically in support of the automobile franchise system.

We must win the fight against climate change

Without a doubt, climate change is the greatest threat we face in the coming decades, and to defeat it, we need to act boldly and immediately. My industry, the automotive retail industry, understands this challenge. Indeed, the National Automobile Dealers Association has said that dealers across the United States are "all-in" on electric vehicles.

A “Direct Sales” model is not the answer

Unfortunately, my members, 425 of the nearly 1000 new automobile dealers statewide, are gravely concerned about a proposal under consideration by the Legislature and governor. I'm referring specifically to the idea of allowing certain electric vehicle manufacturers to bypass the Automobile Franchise System to sell to consumers directly. This proposal will not help the state reach its emissions reduction goals. Instead, it will only help a few luxury electric car brands. And it will harm my members' businesses, the people they employ, the customers they serve, and the communities they support.

My position boils down to this: you do not need to degrade the Franchise System to meet New York's electric vehicle (EV) goals. In fact, it is in New York's interest to continue supporting the franchise model precisely because it is uniquely capable of delivering large amounts of inventory quickly across the entire state. And suppose you go down this garden path of tossing franchise dealers aside. In that case, competition will decrease, prices will rise, service quality will drop, and job security for tens of thousands of workers will go out the window.

How Franchise Dealers are already promoting EVs

My members are also doing critical work preparing for the future automotive market, which will be dominated by EVs.

Right now, dealerships across the country are upgrading their facilities and operations, and training their workforce in anticipation of the coming wave of EV sales. These investments include EV charger and renewable energy system installations, and new service shop lifts to handle heavier battery-powered cars. Each plays a critical role in supporting the EV market by making test drives possible, giving drivers a charge-when passing through town, easing burdens on our electrical grid, or providing reliable service centers to keep cars safe and on the road. GNYADA members have also become EV experts in their communities, educating consumers on the latest EV technologies and how to find charging stations.

How we will succeed

These investments are critical to the success of New York's strategy to boost EV sales. But they are just part of the equation. New York must focus on three areas to ensure consumers have the same access to, and benefits from, the automotive retail market they have today.

First, cost. An August 2020 Consumer Reports survey found that 43% of people believe electric cars cost too much. Second, boosting our EV infrastructure. A February 2019 Volvo survey found that 58% "are afraid that they will run out of power before being able to charge their vehicle." In fact, 20% of California electric car owners switched back to gasoline-powered cars for this reason. (1)

Some people have asked why California has a higher rate of ZEV car-buying than New York. There are several reasons for this. Today, California has just over 34,000 public charging stations while New York has fewer than 7,000. (2) As of April 2019, California had 62% more charging stations per charging location. (3) For years, California has had far higher gas prices than New York. Today, the difference is more than $1 per gallon. (4) And finally, California has a far better year-round climate for maintaining a

[1] https://news.yahoo.com/1-5-electric-vehicle-owners-164149467.html?soc_src=social-sh&soc_trk=ma
[2] https://afdc.energy.gov/data/10366
[3] https://evadoption.com/ev-charging-stations-statistics/charging-stations-by-state/
[4] https://gasprices.aaa.com/state-gas-price-averages/

battery charge than New York, which is critical to keeping a car's range high.

But there is a critical third area where New York must focus: supporting mass distribution of EVs. Unfortunately, the direct sales proposal will only make it more difficult for New York to reach its EV goals. That's because it will cut the state's vast network of franchise dealers out of much, if not all, of the growing EV market. Manufacturers will be able to "spin-off" line-makes or start new brands without the franchised dealers that have spent decades building markets for those brands. In fact, this proposal will primarily benefit select luxury manufacturers that sell their vehicles to high-wage earners, such as Rivian, Tesla, and Lucid.

Sadly, none of these businesses have shown a full commitment to transforming the EV market. Tesla proudly showcases its proprietary charging stations that don't allow drivers of their competitors' cars to charge up. Rivian openly admits it shuns high volume sales, which is exactly what we need to reach our ZEV goals. And Lucid offers models starting at $77,000, if they haven't closed out "reservations" for their product.

Our market will really get going when EVs are price competitive and our fast-charging infrastructure is up and running in full. But it will not reach its full potential if you cut New York's nearly 900 new car dealers out of the distribution model. My members know how to keep the market moving smoothly for customers. They have done a great job at it for decades and decades.

Indeed, nothing is "broke" about our retail system, so I urge you to try to not to fix it. Instead, we should work together on making EVs price competitive, boosting charging infrastructure, and supporting the sales and service model – the Franchise System – that keeps New Yorkers moving every day.

History of the Franchise System

Before I rebut myths and criticisms about the Franchise System, I want to offer critical history and context.

For more than a century, New York's automotive retail industry has grown into an economic anchor that supports career jobs, tax revenues, and charities in every state community. My Association, the Greater New York Automobile Dealers Association, has 425 members alone. My members support 72,000 jobs in the 12 Downstate counties alone. They generate over **$40 billion** in sales, over **$5 billion a year** in payroll, and over **$3 billion** in state and local taxes. My members also make well over **$20 million a year** in charitable contributions in their communities. They invest a half-billion dollars in local advertising and hundreds of millions of dollars more in capital improvements to their dealerships.

Many of my members have employees represented by unions, including the United Auto Workers and the United Service Workers Union. Franchise dealers and organized labor support the Franchise System and laws that uphold it because those laws stop out-of-state manufacturers from mistreating these local businesses. Suppose an out-of-state manufacturer wanted to close up one of my member's shops. In that case, the Franchise Law allows my members to protest that closure and prove they support their brand and provide quality service. This is protection may not be as intuitive to you as our Constitution's Bill of Rights, but it is no less crucial to my members.

My members also play a crucial role in supporting the state’s transportation system. Each dealership has a service station that stands ready to provide quality repair and service work. Sometimes those repairs address serious issues relating to vehicle safety. My members have a responsibility to repair cars at no charge to consumers, get them back on the road quickly, and spare customers the hassle of handling the warranty and recall reimbursement process by handling it with the manufacturer on their behalf.

Put another way, my members literally make it their business to ensure their customer’s safety and the reliability of their primary means of transportation.

Myths

If you are not convinced, allow me to address some myths and criticisms about the Franchise System that have unfortunately taken this debate on direct sales in the wrong direction.

We have heard recently from electric car makers and their environmental advocate partners that franchise laws are protectionist and promote monopolies. I don't know how anyone can describe a system with one thousand competing businesses as a monopoly.

Competition between dealers of the same brand and competing brands keeps costs and prices low and service quality high. And those online Google reviews of my members’ businesses aren't just abstractions. Consumer ratings are everything to my members. Not only do they affect their reputation in a community, but they also affect their relationship with their manufacturers. They can have real impacts on their business.

I have also heard that franchise dealers add to the cost of buying vehicles. But a University of Auburn economist has found that competition between dealers lowers the price of new cars by about $500. That’s because my members have to compete every day of the year by working hard to run the most efficient operation possible, which lowers costs and prices. But without local ownership – that skin in the game – communities will lose out on entrepreneurship that drives that competition.

Past experience with direct sales

Finally, the Franchise System also has past experience with direct sales, and notable instances where consumer outcomes have been poor.

In the 1990s, Ford Motor Company experimented with direct sales by acquiring several stores in the Rochester area. After several years, it became abundantly clear to Ford that the lack of local entrepreneurship cost them something. Running a dealership, in addition to running the production side of their business, became too much for Ford. The company eventually got out of the business altogether and sold those dealerships back to independent franchisees who continue run them to this day.

Also, electric carmaker Fisker, which only sold cars through the direct sales model, went out of business after a few short years in the market. But because the company had no relationship with franchise dealers, consumers would have nowhere to go for warranty and recall repair service work. The same risk applies today with the electric carmakers that want to enter the market outside the Franchise System.

Sadly, proponents of a direct sales model would have you try this experiment again at the expense of my members, their workers, and their consumers. We cannot take that chance.

Thank you.