



Report On Tesla-Style Direct Sales Cites GM Brazil Program Ended In 2006

By John Voelcker

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The topic of Tesla Motors and its direct-sales model continues to roil state legislatures, with bills for and against the practice under debate in several states.

In May 2009, the U.S. Justice Department issued a paper that looked at the economic effects of state bans on such direct sales.

Now it turns out that one example of direct sales favorably cited by that paper--a GM program in Brazil--had ended three years before the paper was written.

The error came to light courtesy of The Washington Post and its "Fact Checker" column, which dug into the claim in an article published last month.

The author of the Justice Department report, economist Gerald Bodisch, wrote:

Since 2000, customers in Brazil can order the [Chevrolet] Celta over the Internet from a site that links them with GM's assembly plant and 470 dealers nationwide.

Bodisch used the Celta as "the centerpiece of his report," according to the Post, writing "glowingly" about how GM had set up five distribution centers throughout the country to deliver cars ordered online directly to buyers.

But as the Fact Checker column wrote, GM had already discontinued that program three years before Bodisch wrote his paper.

"There may be many reasons why direct cars sales are preferable," concluded Fact Checker, "but GM's experience in Brazil is not one of them."

The National Automobile Dealers Association (NADA) immediately pounced on the Post article.

Jonathan Collegio, its vice president of public affairs, e-mailed media outlets--including Green CarReports--to alert them to the article.

The newspaper "thoroughly debunked" the report, he wrote, giving the research "its strongest rebuke of 'four Pinocchios.' "

Instead, he continued, the Post had shown that "GM actually discontinued its direct sales program--due to high costs--three years before the DoJ paper was written." [his emphasis]

That description isn't entirely accurate: In the article, GM spokesman Patrick E. Morrissey is quoted as saying the online sales model "no longer made sense" for consumers for several different reasons.

Those factors, he said, included "federal and state tax changes in the country" and "the infrastructure costs to maintain distribution centers."

The DoJ report continues to circulate, however, and it's cited in a number of articles, editorials, and position papers in support of Tesla's direct-sales model, including one last year by the libertarian Cato Institute.

And the fact-checking article is a good reminder for all advocates--and journalists--that double-checking your assertions before publishing them is crucial to making a convincing case.

Let the battles continue.