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Is Tesla issue about protecting consumers or limiting competition?

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Georgia, a state with a pro-business reputation, has given an uncharacteristically cool reception to Tesla Motors, the fast-rising maker of luxury electric vehicles.

“Unofficial Business” columnist Matt Kemper pointed out in a recent column that Tesla’s newly opened Georgia sales “gallery” is its fourth in the state, and the second to last it’s allowed here.

Tesla insists on owning its stores, but state law restricts new-car sales to independent, franchised dealers.

Last year, Tesla and legislators reached a compromise allowing up to five Tesla sales centers in Georgia. So far, it has opened four: In Marietta, Decatur, Lenox Square in Buckhead and, most recently, the Avalon retail area in Alpharetta.

Auto dealers defend the practice of states restricting car sales to independents. The rationale is that a dealer is closer to the consumer and more likely to work in his or her interest. A manufacturer that sells direct to the public could undercut the independents, drive them out of business and then jack up prices.

A position paper by the National Automobile Dealers Association says, “Consumers are given extra protection in the marketplace, local communities benefit when local businesses compete to sell and service great products, and manufacturers get to invest their capital into designing, engineering and marketing great products in lieu of low-margin retailing.”

On the other hand, Roger Pilon of the Libertarian Cato Institute, writing on a 2013 spat between Tesla and North Carolina and Texas, said, “We’ve seen this movie before, of course, with occupational licensure, consumer products, and so much more. And invariably it comes down to the same thing: The folks in place don’t like competition from the new kids on the block, so they run to the legislature for protection.”