



## Direct to Consumer EV Sales Can Help Electric Vehicles Go Mainstream

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“In what’s become an annual tradition at the state Capitol, legislation authorizing Tesla and other electric vehicle manufacturers to sell directly to car buyers stalled out and died.” That was the June 10th issue of the Hartford Courant. The legislation “failed to advance” and died, as it has before the General Assembly for five years running.

“This decision damages our environment, costs us jobs, and sends the wrong signal to green-tech companies deciding where to situate their facilities,” said Barry Kresch, president of the Electric Vehicle Club of Connecticut. “They’re trying to hold back the tide. We see this in other states and at the federal level, where the Alliance for Automotive Innovation, representing automakers, continues to lobby for loosening of fuel economy standards. We don’t have the time to wait for when they are ready. We must act now.”

Connecticut State Sen. Will Haskell, chair of the Transportation Committee, sees an environmental issue. “Auto emissions are 38 percent of our global warming emissions here in Connecticut, and we have to do everything we can to reduce our contribution,” he said. Haskell added that “we were close to having the votes,” and predicted victory in 2022.

Automakers are barreling toward all-EV lineups, but that won’t necessarily mean they’ll abandon the franchise model, which supports an entrenched network of wealthy dealers (some of them in state legislatures). In the early years of the automobile, most sales were direct from manufacturers. The franchise model was developed, and legislated, to prevent auto companies from getting too powerful. Instead, independent dealer groups, often with multiple brands, got the clout.

There are still 20 states that are “fully closed,” meaning they don’t allow any EVs to be sold directly to consumers. Ten states make an exception just for Tesla—which is something of an anachronism because of all the startup EV companies that are coming in to compete with Tesla. Think Bollinger, Lucid, Rivian, Lordstown Motors, Rimac, and others. And 20 states are fully open to direct sales, including the state that sells way more than half the EVs: California.

Only California has more than a 5% EV sales share. In 2020, almost 100,000 battery EVs were sold there—out of more than 1.5 million vehicles sold—for a 6.1% share. Needless to say, California allows EV direct sales, along with Arizona, Alaska, Hawaii, Florida, Vermont, New Hampshire, Maine, Utah, Oregon, Idaho, Colorado, Wyoming, Mississippi, Tennessee, Florida, Maryland, Missouri, Illinois, and Minnesota.

It's interesting to note that the pattern follows no ideological path, with solid red states as likely as true blue to endorse direct sales. The libertarian Cato Institute has described dealer protections as “inhibit[ing] innovation and free-market competition by using regulatory schemes designed for entirely different contexts and different eras.”

Direct sales are certainly popular with environmental groups. Signatories of a 2021 letter in support of the practice include the American Council for an Energy-Efficient Economy, Alliance for Clean Energy New York, Environment America, and the Connecticut League of Conservation Voters.

Ranked #2 in EV sales is Washington, a much smaller car market than California's with 234,000 vehicle sales in 2020, 10,267 of them battery EVs (4.4% of total sales). Washington allows Tesla sales. Connecticut, with no direct EV sales, is way down the list, having sold just 2,387 battery cars in 2020, for a 1.7% share. That's true despite the strong popularity of Tesla in the state.

The statistics are kind of stark. Last year, 79% of all U.S. EVs were sold via direct sales, despite the restrictions that lead consumers to buy their cars in adjacent states—thus depriving the holdouts of considerable revenue.

Meanwhile, the 16,682 franchised dealers that are being protected by restricting sales sold 44,902 vehicles, fewer than three per dealership and only about a fifth of the 254,861 EV sales. In New York, which permits only Tesla direct sales, dealers sold 2,896 EVs in 2020, compared to the 9,465 Tesla sold there—many from customers in adjoining Connecticut. Connecticut's dealers, on average, sold only about one EV each. “We're known as the Land of Steady Habits, but some of those habits are quite bad,” Haskell said.

A 2019 study from the Sierra Club revealed that “74 percent of auto dealerships nationwide do not have a single EV on their lot for sale,” and in the cases where they were present, “Consumers were still not being given important information about charging, battery range, and financial incentives.” One Connecticut EV buyer went through a months-long ordeal to get his battery EV from a state dealership. Even finding out when it would be delivered proved difficult.

The National Auto Dealers Association (NADA) pushes back strongly against the idea that it's not out to sell EVs. According to Mike Stanton, NADA president and CEO, “Franchised dealers aren't at all EV-reluctant, and haven't been for years. And they certainly aren't anti-EV. Anyone that tells you differently just isn't telling the truth.” He cites Cadillac, which announced plans to go all-electric, and has 880 dealers nationwide.

The dealers had to put up \$200,000 of their own money to support in-store charging, tooling, and training. But Stanton said that more than 80% of Cadillac dealers are in. There is, in fact, no

argument that Cadillac dealerships will end up being very pro-EV, but on the showroom floor today, salespeople are still favoring the gas vehicles that are most of the inventory.

The standoff certainly isn't helping dealerships maintain popularity. A Morning Consult poll in March found that only one in five adults questioned said they'd prefer to buy their EV in a showroom. (The same number said they'd prefer to buy online.) Car dealers and their protectors in state legislators may be acting to save a model that's doomed anyway.