



CHRIS KAPENGA

WISCONSIN STATE SENATOR

Testimony in Favor of Senate Bill 605 and Assembly Bill 717

Senate Committee on Transportation & Veterans and Assembly Committee on Transportation

January 30, 2017

Thank you Chairman Petrowski, Chairman Spiros, and committee members for holding a public hearing today on Senate Bill 605 and Assembly Bill 717. I also want to thank Representative Tittl for testifying with me today on this bill. Unfortunately, Representative Brooks was unable to make today's hearing.

A couple of months ago I was in Washington DC on business with my wife. We had just finished dinner one night and decided to take a walk and do some window shopping, as we were in a retail part of town. It was your typical mall-type shopping area with clothing, coffee shops, phones and great smelling lotions. What was interesting to me was that right in the middle of these retail stores was a storefront with three cars in it. Being a car buff, I decided to venture in and take a look.

Yes, this was a Tesla store, which is also referred to as a gallery, and it was fascinating to see it in a retail storefront. Having been in the motorsports industry myself with the ownership of a multiline franchise dealership, I am very familiar with the traditional way of doing business. It was fascinating to see a completely new way of doing business in a very standardized industry.

Tesla was founded in 2003 and is a unique company in many ways. It has not only revolutionized the way business is done in an industry, but the product within that industry. What began with the production of a couple of thousand Roadsters over the course of five years has now turned into production of hundreds of thousands of Model S's and X's, and existing orders for over four hundred thousand Model 3's.

What is so interesting with Tesla is that they don't preproduce the vehicles and stock large lots full of inventory. Most of their production is built-to-order based on what each individual customer is looking for. The experience is much like an Apple store, so much so that some have suggested that Apple should look at buying them.

When it comes to brand loyalty the owners of Tesla rival those of Harley Davidson's. It is more than a vehicle to them, it is also an identity. This identity is fierce for many different reasons. It may be for environmental reasons, as Tesla is the only Fortune 500 car company to manufacture only electric vehicles. Every vehicle comes off the lot with a front license plate insert that says "Zero Emissions".

For others it is the engineering genius that has gone into a vehicle that has no combustion engine or exhaust system, employs an advanced auto driving system, is managed through a large touch-screen display and is propelled by a 4-foot by 7-foot battery for up to 300 miles.

In addition to vehicles, Tesla also manufactures batteries and has invested in a solar company. They are a publicly traded company with an estimated market value of \$58 billion.

So why is all of this important? Because Tesla is not allowed to do business in the state of Wisconsin. That's right. The laws of our state do not allow them to open up stores because we require there to be a middle-person who does that selling for them.

Many of you know that back in the 1930's the original dealer franchise laws were instituted to protect existing dealers who had invested significant money into building a dealership to sell vehicles. That was how business was done. When those investments were threatened by the manufacturers looking at selling directly to consumers after these business owners had made large investments, the dealers came to the legislature and convinced them to pass protective dealership laws that would not allow them to be bypassed. This bill is not a debate on the reasonableness of putting those laws in place at that time, as most of us were not in the legislature and don't have all the facts they had at that time.

The principal of free market economics and government is what we are really debating here, and to be clear, even according to Milton Friedman, that doesn't mean the marketplace needs to be completely free of regulation. However, what it does mean is the role of government is to strive to allow a marketplace that freely connects willing buyers and willing sellers.

This bill is before us because we now have a manufacturer who has created a successful business model of selling direct to consumers from the beginning without putting anyone's capital at risk except their own.

It is important to note that this bill was drafted to ensure that existing dealer protections were left intact, as we value our Wisconsin dealers. With the passage of SB 605, only current manufacturers who solely produce electric vehicles may sell direct to consumers.

Some who opposed this bill have attempted to say there is still risk because any current auto manufacturer could decide to only manufacture electric vehicles in the future. On one hand, I do agree that there has been, and will be, significant investment in this area from current manufacturers. An example is Ford who recently announced they would be putting \$11 billion towards electric vehicle research. On the other hand, we have to deal with the reality that no current manufacturer who has dealers in the state of Wisconsin will be, nor has made any indication that they will be, 100% sidelining internal combustion engines. That is not a reasonable assumption in the foreseeable future.

Now, no one can predict the future of where the industry will be at, and it would be inappropriate for the legislature to hold back a Fortune 500 company from doing business here simply on a remote possibility. If, for some reason, this remote possibility would come to fruition decades down the road, the legislature at that time can make the decision on what to do with the facts in front of them.

Right now, the only fact we have in front of us is that Tesla wants to do business in Wisconsin, and them doing business here, with the passage of this bill, does not put any current Wisconsin dealer nor their investments at risk in any way.

This is an exciting time for Wisconsin. The Governor did a great job of recapping the State's progress in his State of the State address last week. Let's continue the trend of prioritizing legislation that continues to allow this great State to move forward.

Lastly, I want to mention that I have also submitted testimony on behalf of Tom Still from the Wisconsin Technology Council in favor of this legislation. He was unable to make today's hearing, but wanted the committee to know of their support of the bill.

Again, I appreciate your time and would be happy to answer any questions.



ROBERT BROOKS

STATE REPRESENTATIVE • 60TH ASSEMBLY DISTRICT

**Assembly Committee on Transportation
Senate Committee on Transportation and Veterans Affairs
Tuesday, January 30, 2018**

Thank you for holding a hearing on Assembly Bill 717 and allowing me to submit written testimony in favor of this legislation.

Current law in Wisconsin does not allow the direct sale of vehicles to consumers from manufacturers. Decades ago, this law was enacted to protect franchised automotive dealerships from having to compete directly with automobile manufacturers after making a significant capital investment.

Rapid technological advances are changing the face of business and the automotive marketplace is no exception. Some electric car manufacturers utilize a new business model in which vehicles are sold directly to consumers in stores. As a result, they do not have affiliated dealers with whom to compete. Current law does not allow Wisconsin consumers to purchase these vehicles in state, resulting in them having to travel across state lines to test, purchase, or service their vehicles. This means that Wisconsin loses out on the jobs, capital investment, and tax revenues associated with having electric car manufacturers selling their vehicles in our state.

Assembly Bill 717 amends the existing dealer franchise statute to allow for manufacturers of solely electric vehicles to sell their products directly to Wisconsin consumers. It is important to note that this legislation does not impair the protections provided to currently franchised dealerships.

Whether consumers prefer to purchase a gasoline-powered vehicle from an independent franchise dealer or an electric vehicle directly from a manufacturer, they should have that choice. Under this proposal, allowing direct sales of these vehicles will create jobs, new stores, and bring economic benefits to Wisconsin through tax benefits and economic investment.

Thank you for your time and attention and I ask that you support this legislation. I would be happy to answer any questions.



PAUL TITTL

STATE REPRESENTATIVE • 25TH ASSEMBLY DISTRICT

Joint Public Hearing
Senate Committee on Transportation and Veterans Affairs
Assembly Committee on Transportation
Senate Bill 605 and Assembly Bill 717
January 30, 2018

First of all, I would like to thank you, Chairman Petrowski, Chairman Spiros and committee members from both chambers, for allowing me to testify before you today in this joint hearing on Senate Bill 605 and Assembly Bill 717.

When people think about electric vehicles, they may primarily focus on the effects these vehicles have on urban areas. I would like to emphasize that electric vehicles are important in rural areas, as well.

Rural areas throughout Wisconsin, such as Door County and Eagle River, often have a vibrant tourism focus. As electric vehicle owners make their vacation plans, they will take into account the availability and location of charging stations. Tesla currently has a number of supercharger stations in Wisconsin. Even the Manitowoc visitor center has a charger. We are more likely to have a welcoming electric vehicle infrastructure if these vehicles can also be purchased in our state.

Second, electric vehicles are very energy efficient and can now travel longer distances than ever before. For instance, the battery packs on some of these vehicles have a range of up to 350 miles per charge. This is great news for individuals in rural areas who would like the opportunity to buy efficient, longer-range electric vehicles.

Electric vehicles could help to reduce transportation costs for people in rural areas who often travel longer distances on a daily basis. Furthermore, it is a great inconvenience to make people who reside in rural areas travel out-of-state to buy electric vehicles when a simple change in the law would give them the opportunity to buy them here.

Finally, as you may recall, I have been a strong proponent of increasing vehicle registration fees for hybrid and electric vehicles, so owners of those vehicles pay their fair share for our roads. The current budget contains an increased fee for electric vehicle registration, and Tesla did not oppose that fee increase. The increase is merely a matter of fairness. However, fairness should run both ways. Therefore, I ask you to support the proposed legislation to open up the market and enable Tesla to sell vehicles in Wisconsin.

Thank you for hearing the bill and allowing me to testify before you today.

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January 30, 2018

Hon. Jerry Petrowski, Chair
Senate Committee on Transportation
& Veterans Affairs
Hon. John Spiros, Chair
Assembly Committee on
Transportation
State Capitol
Madison, WI 53707

RE: Oppose Senate Bill 605 / Assembly Bill 717

Dear Chairs and Members of Committee:

On behalf of the Alliance of Automobile Manufacturers (Alliance), I thank you for the opportunity to express our strong opposition to Senate Bill 605/Assembly Bill 717, 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 70% 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. Nothing in law precludes Tesla or any other company from competing in the Wisconsin automobile market today under the same rules as every other auto manufacturer. In Wisconsin, 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. Admittedly, some of these laws are onerous for manufacturers. Yet, in a marketplace where competition between brands is fierce, all participants must at least operate under the same set of rules.

Senate Bill 605/Assembly Bill 717 would change that.

While much of the attention given to Senate Bill 605/Assembly Bill 717 has focused on how the legislation would impact Tesla Motors, this bill is MUCH 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. It is naïve for anyone to think that Tesla Motors will be the last automobile manufacturer to enter the marketplace.

Today, there are 23 vehicle manufacturers 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 manufactures would not. Senate Bill 605/Assembly Bill 717 is about more than just Tesla. Our members welcome new competitors because competition is good for the industry and for consumers. Passing Senate Bill 605/Assembly Bill 717, 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. This is not free market legislation if government allows two different sets of rules for entrance into the same marketplace. In fact, this is a contrast of free market principles.

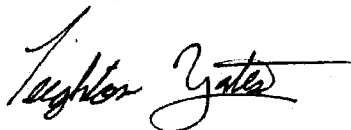
Your predecessors in the Legislature established the rules under which our members have built their businesses, including the prohibition on manufacturers selling directly to the consumer. It would be patently unfair for the state to have a long-established set of laws governing how manufacturers must distribute their products, but now let only new manufacturers enjoy a competitive advantage by being exempted from those restrictive and complex laws.

And while a niche company, Tesla's product is not unique in the marketplace and therefore does not require special dispensation from the current distribution model. Traditional automakers currently offer 32 different zero emission (ZEV)-qualifying models for sale in the United States today, including pure electric vehicles like Tesla's current three vehicles. Seven (7) more ZEVs from traditional automakers are expected this year. Dozens more are in the production pipeline – with over 70 models projected by model year 2021. ZEVs of all different shapes and sizes – mini-compacts, two-seaters, subcompacts, compacts, midsize and large sedans, station wagons, SUVs, mini-vans – are on the market with both two-wheel drive and all-wheel drive options. In addition to what is already available now, nearly all Alliance members have made public announcement of their plans to shift to a partial or full fleet of electric vehicles for sale.

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 equitable playing field for all, and not grant special privileges to a select few.

Due to these reasons, we ask that you vote against the passage of Senate Bill 605 and Assembly Bill 717. 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,

A handwritten signature in black ink that reads "Leighton Yates". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Leighton J. Yates
Manager, State Affairs

cc: Senate Committee on Transportation and Veterans Affairs; Assembly Committee on Transportation



Metropolitan Milwaukee
Association of Commerce

Testimony: AB717/SB605

Steve Baas, Sr. Vice President for Government Affairs and Public Policy

Metropolitan Milwaukee Association of Commerce

January 30, 2018

Mr. Chairman and members, thank you for the opportunity to voice MMAC's support for these bills.

We live in an era of exciting and sometimes disruptive change. Over the past decade, new technologies and new business models have changed everything from the way we get our news to the way we get our groceries to the way we get our spouses.

AB 717 and SB 605, recognize the change that is taking place in the automobile industry from a technological and from a business standpoint as well. This legislation allows Wisconsin to embrace that change and all the potential benefits that go along with it.

There was a time when it could be argued that electric vehicles were the technology of tomorrow. However, that time is past. Electric vehicles are the technology of today, and Wisconsin is on the cutting edge of the automotive and battery innovations driving the rapid advance in practicality and functionality of these products. Wisconsin is well positioned to be a national leader in this growing area of the economy, but we will not be able to fully realize that leadership potential if we do not adapt our laws to the changes that have occurred around us in the marketplace.

The question is not whether innovative electric vehicles and different business models are going to gain a foothold in the marketplace. They are already here. Consumers are already changing their patterns of what they want and how they want to get it. The question is whether Wisconsin is going to be a leader or a laggard in this emerging market? Will we be innovators or procrastinators? Will the future be something we let happen to us, or will it be something that we take an active role in shaping and seizing? And, from a very practical standpoint, will Wisconsin consumers – who, make no mistake, will get the product they want the way they want it – get those products and services from Wisconsin businesses and Wisconsin workers or will take their money across the border to states with a more progressive attitude toward free markets and innovation?

The legislation before you today positions Wisconsin to be an active participant in an exciting future in this sector of our economy. These bills acknowledge that Wisconsin cannot truly be “open for business” if we have regulatory walls keeping new business models out.

I thank you again for taking these bills up. I urge your favorable consideration of this legislation to send a clear message of Wisconsin's strong commitment to remaining globally competitive in the innovation economy of the 21st Century.

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Wisconsin Automobile & Truck Dealers Association

WILLIAM A. SEPIC
President

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To: Members of the Senate Committee on Transportation and Veterans Affairs
Members of the Assembly Committee on Transportation

From: The Wisconsin Automobile and Truck Dealers Association

Date: January 30, 2018

Subject: AB 717/ SB 605 Manufacturer Direct Sales

The Wisconsin Automobile and Truck Dealers Association opposes AB 717 / SB 605. The long-term effect of this proposed bill is a Wisconsin local community job killer. Wisconsin has 465 franchised car dealerships representing over 35 manufacturers. They collectively employ over 25,000 employees in the state of Wisconsin. This bill could have the effect of wiping out a huge portion of these jobs over the course of the next 10 years, because most manufacturers have plans to convert major portions, if not their entire fleets, to fully electric vehicles over the course of the next 10-15 years.

Below are a few examples of why this bill is unnecessary and will have a negative effect on Wisconsin owned business, local jobs and Wisconsin consumers.

- The apparent intent of this bill appears to be for the benefit of one manufacturer. There is nothing unique about their product, other than they refuse to follow the current law.
- Wisconsin dealers are experienced at selling and servicing vehicles with all types of power sources (gas, diesel, electric, hybrid, compressed natural gas, propane, etc.)
- If this bill becomes law, it will facilitate the practice of manufacturers peeling off their electric vehicles from their existing company and creating a "new" franchise for their electric vehicle fleets (e.g. Hyundai – Genesis).
- As the motor vehicle market evolves many foreign automakers looking to enter the U.S. market. They will be able to use this provision to bypass local representation, resulting in Wisconsin consumers dealing with factory representatives residing in foreign countries to resolve issues. (e.g. Volvo, now owned by Geely – Chinese automaker has plans to convert all models to total electric by 2019)
- If manufacturers run stores, consumers get hurt because intra-brand pricing competition goes away, as does independent service departments to advocate for consumers regarding needed warranty repairs and other factory issues.
- This bill becomes law it will expose the State of Wisconsin to lawsuits by existing and new motor vehicle manufacturers for restraint of trade and equal protection, because the state is treating one company differently than all others.
- Wisconsin law already allows for manufacturers to sell direct to the public. There are currently 3 manufacturers in Wisconsin selling direct (Pierce Firetrucks, Oshkosh Trucks and Lynch Diversified Vehicles).

We welcome the opportunity to speak with your office on this issue and urge your opposition to this bill.



January 30, 2018

TO: Members of the Senate Committee on Transportation and Veterans Affairs and the Assembly Committee on Transportation

FROM: Tom Still, president of the Wisconsin Technology Council

RE: Assembly Bill 717, relating to dealers of electric motor vehicles

Dear committee members:

The Wisconsin Technology Council supports AB 717 and its Senate companion bill, which allow manufacturers that produce only electric-powered automobiles to sell directly to consumers.

This bill is consistent with several guiding principles of the Tech Council, which is an independent, non-profit company that has provided advice and recommendations to the governor and the Legislature since its creation in 2001.

Support innovation: Electric vehicles are the wave of the future. The nation's vehicle fleet will not be fully electric for years, perhaps decades, but the transition is under way. Companies such as Tesla, which produces only in the United States, will help set the pace with vehicles that are technologically advanced, simple in design and poised to appeal to a certain segment of the market. Other companies that manufacture all-electric vehicles may arise, as well, and the legislation ensures they are also able to open their own dealerships.

"First, do no harm": While many people think of that phrase guiding only the medical profession, the Tech Council has historically followed that maxim, too. We have been on record as supporting legislation that opens the state to competition and innovation – and opposed to bills that put the state at a competitive disadvantage versus other states. This bill would make Wisconsin one of two-dozen states to allow dealerships, charging stations and repair facilities for manufacturers who make and sell only electric-powered vehicles. That is good for consumers in Wisconsin and, ultimately, beneficial to the state.

Build on Wisconsin's reputation as a tech-savvy state: Wisconsin's technology footprint is remarkably diverse, yet many of its citizens – as well as people in other states – still view the Badger state as trapped in a 20th century economic model. Wisconsin is making important strides in life sciences, information technology, "cleantech," advanced manufacturing and much more. This bill represents a chance to demonstrate Wisconsin's openness to technology and companies that may want to call the state home.

Thank you for your time and continued interest in building the Wisconsin economy.

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Electric Vehicle Freedom Act (Assembly Bill 717) Testimony

Tuesday, January 30, 2018

Dear Representative Spiros:

I'm writing to voice my support for the Electric Vehicle Freedom Act (Assembly Bill 717). I understand that a committee hearing is scheduled for tomorrow. Given the short notice I received, I am not able to attend the hearing in person. I ask that you keep my comments in mind when considering this bill.

I am a reservation holder for a Tesla Model 3 and I, along with thousands of others in the state, will need to travel to Minnesota or Illinois to purchase my vehicle due to current law prohibiting direct vehicle sales in Wisconsin. More importantly, the lack of a Tesla service center will mean that I will need to drive to Minnesota or Illinois if I experience problems with my car that require repair. Not only is this a major inconvenience, it has the potential to cost me a significant amount of money should I need my car towed to the service center.

Dozens of other states currently allow direct sales of electric vehicles and have reaped the rewards of jobs in sales and service centers and have increased their tax bases as a result.

Frankly, I believe it is time to allow direct sales for all vehicles, electric or otherwise. I can buy much more complicated items and goods needing much more repair than a car directly from the manufacturer or other non-dealer retail outlets (computers, smart phones, TVs, cameras, lawn mowers, HVAC equipment to name a few). Why are cars different?

Please vote in favor of allowing Tesla to sell in Wisconsin.

Sincerely,

Christopher Lundh

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Waukesha, WI 53189

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