



AUTO ALLIANCE
DRIVING INNOVATION®

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April 18, 2019

Hon. Chris Kennedy, Chair
House Committee on State, Veterans
& Military Affairs
Colorado State Capitol
Denver, CO 80203

RE: Oppose Carve Outs for New Manufacturers - House Bill 1325

Dear Chair 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 House Bill 1325, 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 Rivian or any other company from competing in the Colorado automobile market today under the same rules as every other auto manufacturer. In Colorado, 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.

House Bill 1325 would change that.

While much of the attention given to House Bill 1325 has focused on how the legislation would impact a company like Rivian, this bill is MUCH BIGGER than just one company. While it is true that this bill would allow Rivian to sell directly to consumers – and simultaneously prohibit virtually 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.

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 prohibiting automobile manufacturers that have already invested millions upon millions in the state. House Bill 1325 is about more than just Rivian. Our members welcome new competitors because competition is good for the industry and for consumers. Passing House Bill 1325, 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.

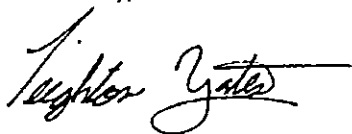
Your predecessors in the Legislature established the rules under which our members have built their businesses, including the prohibition on manufacturers selling directly to the consumer – regardless of vehicle configuration. It would be patently unfair for the state to have a long-established set of 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. This includes statutes related to the servicing of consumer and fleet vehicles, which has been an issue for previous vehicle manufacturing startups attempting to circumvent franchise laws to sell directly to consumers.

And while a niche and unproven company, Rivian's product is not unique in the marketplace and therefore does not require special dispensation from the current distribution model. Traditional automakers currently offer 40 different zero emission (ZEV)-qualifying models for sale in the United States today, including pure electric vehicles. Dozens more are in the production pipeline – with over 85 models projected by model year 2021 and many coming this year. ZEVs of all different shapes and sizes – mini-compacts, two-seaters, subcompacts, compacts, midsize and large sedans, station wagons, Pickups, 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 House Bill 1325. 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 J. Yates". The signature is written in a cursive, flowing style with a horizontal line extending to the right.

Leighton J. Yates
Director, State Affairs

cc: House Committee on State, Veterans & Military Affairs