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BOLLINGER MOTORS

MACKINAC CENTER
FOR PUBLIC POLICY

Coalition Letter in Opposition to Michigan H.B. 6233

September 23, 2020

Dear Members of the Michigan Legislature,

On behalf of our thousands of employees and supporters across the state of Michigan, we ask you to oppose House Bill 6233, a bill that would prevent all-electric vehicle (EV) manufacturers from promoting and servicing their products in the state, to the detriment of Michigan consumers. We can and should be designing and building the next generation of clean cars right here in Michigan. This bill as introduced would stifle innovation, competition, investment and consumer choice, making Michigan less attractive for new companies that will bring clean transportation technologies to the global auto market. Further, it would create unnecessary barriers for Michiganders who are eager to adopt these technologies.

The current Michigan "Motor Vehicle Franchise Act" includes certain restrictions on auto manufacturers' ability to sell and service vehicles in the state. However, the language leaves some room for workable solutions and interpretation. For example, in a settlement of the 2016 lawsuit brought by Tesla against the state, the Michigan Attorney General interpreted existing law to allow Tesla (and by extension, other manufactures) certain "sales-type" activities at gallery locations – including educating consumers about electric vehicles, discussing price and financing, offering test drives, helping to facilitate online orders and delivery, and investing in service centers through a subsidiary to ensure Michiganders can obtain service for their purchased vehicles. While this does not create a perfectly streamlined, consumer-friendly purchasing and servicing experience, it did give consumers choice and would drive manufacturer investment. House Bill 6233 as introduced would put an end to that for all but a single manufacturer, creating unnecessary obstacles and delay for both new EV manufacturers who want to innovate to optimize the consumer experience, as well as customers who want the choice of a hassle-free experience when buying a vehicle.

The EV business model is not compatible with the traditional sales and service model for internal combustion engine (ICE) vehicles to which our society is so accustomed. EVs are currently made-to-order, as opposed to ICE vehicles that are produced in volumes. EVs are also software driven technology that operate best when that software is regularly updated. The fastest way to send updates is for the manufacturer to do so directly – this is not possible under the franchised model and why manufacturers devoted solely to EVs have not gone the franchised dealer route. The direct customer interaction experience also allows manufacturers to remotely diagnose and even repair vehicles when something does happen. EV manufacturers can simply send software patches as needed without forcing customers to take time out of their day to take their vehicles to a service center. EVs also require much less

maintenance than ICE vehicles. Higher profit margins are generated by dealerships from service than sales, so there is an inherent disincentive for dealers to sell a vehicle that would come back in less frequently. These aspects of the EV business model allow for accelerated innovation and growth, allowing EV manufacturers to incorporate new and better components and software updates as soon as they are available, instead of waiting for the next model cycle which usually takes several years.

If passed as introduced, HB 6233 will have a strong chilling effect on the plans of new EV manufacturers to invest or expand in the state. The bill would also constrain the Michigan auto market further in several ways. It would prevent fair competition between new EV manufacturers and the traditional auto manufacturers. It would limit consumer choice in Michigan and add more unnecessary hassle to the car buying experience. It would also stifle innovation by blocking direct sales and service interactions between EV manufacturer and customer that are necessary to push out over-the-air updates. The simple and strong message HB 6233 would send to all manufacturers is that Michigan does not want or welcome new transportation technology investment. Succeeding in the global marketplace means investing in advanced, clean technologies that keep American industries and American workers globally competitive. The rest of the world is moving ahead. If we create bad policy that scares off investment, Michigan jobs will be shipped out of state and overseas.

Not only do we strongly urge you to oppose HB 6233, we ask that you help move Michigan's transportation policy forward as many states have done: allow all EV manufacturers to sell and provide service directly.

Sincerely,

Bollinger Motors

Consumers for Auto Reliability and Safety

The Ecology Center

Environmental Entrepreneurs (E2)

EVBox

Information Technology and Innovation Foundation

Lordstown Motors Corp.

Lucid Motors

Mackinac Center for Public Policy

Michigan Environmental Council

Michigan League of Conservation Voters

Natural Resources Defense Council

Plug In America

Rivian Automotive, LLC

The Sierra Club Michigan Chapter