

# Texas Automobile Dealers Association

1108 Lavaca, Suite 800  
Austin, Texas 78701-2181  
(512) 476-2686  
Fax: (512) 322-0561  
www.tada.org

March 28, 2014

An Open Letter to Members of the Texas Senate and Texas House of Representatives,

I am writing today as the Chairman of the Texas Automobile Dealers Association (TADA), an organization representing 1200 businesses in nearly 300 cities and towns throughout the great State of Texas.

Collectively, franchised motor vehicle dealerships in the state employ nearly 90,000 Texans at an annual payroll of \$5 billion and make a \$500 million annual capital investment in their businesses and communities. These 1200 businesses efficiently retail and distribute over 1.2 million new motor vehicles to Texans each year, represent \$63 billion in sales and 16% of all retail sales in the state, and collect over \$3.5 billion annually for the state in motor vehicle sales taxes and fees. Franchised dealers are proud of what they do in their communities and are proud to be doing business in the state.

As the Chairman of TADA, I wanted to formally provide you our views on ongoing efforts to bring Tesla's proposed battery plant to Texas. Like most Texans, we understand the allure of bringing any new manufacturing plant and any jobs associated with it to Texas, and we believe the dynamics of the state's economic opportunities sell itself in this regard. That is why we are all here.

We do not believe, however, that economic development efforts to bring any business to Texas should in any way be connected to changing established laws in Texas for the singular benefit of any one company. We believe this sets a bad precedent for future economic development efforts by linking them to special interest changes in law.

As you know, Tesla has been seeking an exemption from motor vehicle franchise laws in Texas that require new motor vehicles sold in Texas be sold through a franchised dealer. This has been the policy in Texas in order to prevent monopolies and promote competition in vehicle pricing and service to the consumer, provide for the efficient distribution of vehicles and service across the wide geographic area that is our state, and provide a local presence where Texas consumers can have service, warranty, and recall work performed even in cases when a manufacturer ceases to do business.

I do think it is important to point out several facts for you that have not been widely reported.

First, nothing in state law is currently preventing the delivery of new Tesla vehicles from California to the citizens of the state of Texas who wish to purchase them. In fact, one can simply go to the Tesla website and place an order today.



Second, nothing in state law prevents Tesla from using the exact same model it is using today, with gallery stores and service facilities at other locations. All that state law requires is that the retail presence be operated through a franchised dealer of Tesla's choosing.

Third, and most importantly, the franchised motor vehicle dealers in Texas are more than eager to help Tesla succeed. In fact, numerous Texas dealers have contacted Tesla seeking an opportunity to retail their vehicles subject to Tesla's desires. Not only will the franchised dealer absorb any capital outlays required for the Tesla model, but we also believe the franchised dealer will help Tesla sell many more vehicles over the long term.

We want you to know that the franchised dealers of Texas have carefully considered all these issues associated with Tesla's presence in the state and we have come to the conclusion that there is no compelling rationale we can find to provide special treatment for Tesla. Other manufacturers produce electric vehicles. Other manufacturers produce in smaller volumes. Other manufacturers produce higher cost and more luxurious vehicles. And yet they are all treated the same under state law. We believe Tesla should be treated the same and that the established laws should apply to all. And these laws should not be put aside for any special interest or potential project.

Thank you for considering the views of our members.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Cavender". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

Rick Cavender, Cavender Audi, San Antonio, TX