



Testimony Regarding the Environmental Provisions of Governor Hochul’s Executive Budget Proposal for SFY 2022-2023

February 1, 2022

The New York State Climate Action Council Draft Scoping Plan released on December 30, 2021 delivers a clear and sobering message about the need for an all-hands-on-deck approach to meeting the historic GHG emission reduction and clean energy requirements codified when the CLCPCA took effect just over two years ago. Passenger vehicles are one of the single biggest contributors to emissions, and the plan sets a target of 3.4 million zero-emission vehicles on New York roads by 2030. Accordingly, the plan also lays out a strategy organized around accelerating the rapid adoption of zero-emission passenger vehicles, in part by enhancing ZEV awareness and reducing sales barriers. The Council states unambiguously, “New York should enact legislation to expand direct-to-consumer sales of ZEVs by manufacturers, which can serve to increase the availability and sales of ZEVs in the State.”

In making this recommendation, the Council is supported by nationwide data showing that direct sales is strongly correlated with higher rates of adoption of electric vehicles. On average, states that have allowed customers to buy electric vehicles directly from manufacturers without restrictions—a list that includes California, Florida, Massachusetts, Arizona, and more than a dozen others—have 76% higher EV registrations per capita than states like New York that have passed laws to limit direct sales. Indeed, the impact of direct sales on the disparity in rates of EV adoption between New York and a state like Florida has eclipsed any impact from other factors like New York’s adoption of a ZEV mandate and tens of millions of dollars in spending to incentivize purchases of electric vehicles and charging equipment, neither of which have been present in Florida. Over the last three years, Florida has exceeded New York’s electric vehicle deployment by 60% simply by making it easy for its residents to purchase them.¹

Tesla opened its first store in New York in 2009, and by 2014 had opened a total of five stores fully licensed to operate as motor vehicle dealerships. At this time, direct-to-consumer sales by an automobile manufacturer with no franchised dealers in New York was allowed under the law without any limit on the number of licenses that could be issued. This was clearly affirmed by the New York Supreme Court in 2013 in its dismissal of a lawsuit by the Greater New York Automobile Dealers Association against the New York Department Motor Vehicles (DMV) regarding Tesla’s licenses. The following year, the law was changed to prohibit DMV from issuing any new licenses to Tesla but allowed the DMV to renew the five that had already been issued. In the seven and a half years since then, Tesla has sold more than 70% of the zero emission vehicles registered in New York through those five stores.

Tesla chose to sell its vehicles directly to consumers for several reasons, many of which make our model incompatible with the franchised dealer model. To begin with, we offer uniform, transparent pricing, and we do not derive profit from our service and repair operations. By contrast, about 50% of an average franchised dealership’s gross profit comes from the service department.² However, the primary reason is that direct sales provided the best pathway to success in building this business and effectively popularizing electric vehicles in the United States. Over a decade ago, Tesla set out to build and sell a compelling electric vehicle that could effectively compete with gas cars. The biggest challenge in doing that, beyond the engineering, was overcoming the many barriers to adoption of electric vehicles that

¹ <https://www.theatlantic.com/technology/archive/2022/01/climate-electric-vehicle-car-dealership-power/621330/>

² <https://www.nada.org/WorkArea/DownloadAsset.aspx?id=21474862698>



still exist, including concerns about price, safety, performance, charging availability, and general unfamiliarity with the technology. All of these impacted adoption at the point of sale, and the company needed to apply the same principles to that challenge as it did to the engineering challenge.

Tesla has succeeded in growing the market for electric vehicles in the United States over the last decade, in part because of the choice to sell directly through a network of retail stores geared around overcoming those barriers to adoption. A decade ago, Tesla had sold fewer than 2,500 cars total. Over the last 12 months, it has sold over 935,000. It now employs over 70,000 people, and according to a Cars.com study this summer, its most popular model, the Model 3, is the most American-made car on the market today in the United States.³

In addition to manufacturing zero-emission vehicles in California, Tesla manufactures a full suite of products in New York integral to the deployment of electric vehicles. These include power electronics for superchargers and energy storage systems, Gen2 chargers, autopilot and FSD data annotation, as well as cabinets, posts, and cables for Superchargers installed around the world. Growing deployment of Tesla's electric vehicles in New York helps to support the continued growth of manufacturing jobs in Buffalo as demand for those critical components of the charging network is directly tied to vehicle deployment.

Direct sales is a proven driver of EV adoption across the country, it benefits consumers by giving them more choices and increasing competition for their business as they consider electric vehicles in greater numbers, and it benefits New York State's economy by injecting more vitality and hiring demand in the auto retailing and parts manufacturing sector. For those reasons, we ask the committee to consider including direct sales in its budget proposal.

Thank you,

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³ <https://www.cars.com/articles/tesla-model-3-snags-no-1-spot-on-cars-coms-2021-american-made-index-first-all-electric-vehicle-to-top-the-list-in-its-16-year-history-437353/>