



Electric Vehicle Legislation Must Preserve State Vehicle Franchise Laws and Consumer Affordability

ISSUE

The key to advancing consumer adoption of electric vehicles (EVs) is a strong partnership of vehicle manufacturers and retailers with a wide and competitive distribution network, which will help drive vehicle affordability and consumer demand. Based on the states' interest to protect consumers, preserve price competition, support local jobs and provide local and state tax revenue, states have held the right to license and regulate the distribution, sale and service of vehicles within their state, including EVs. **Congress must preserve the states' traditional role to license and regulate vehicle commerce, provide consumer protections and promote vehicle price competition within its borders.**

BACKGROUND

Dealers are essential to promoting widespread consumer adoption of EVs and ensuring price competition and market success. The widespread adoption of EVs will require a nationwide network of tens of thousands of retail and service points, knowledgeable sales staff, and highly-trained technicians. There have been attempts to preempt state vehicle franchise laws which provide an efficient and cost-effective method for selling and servicing vehicles, based on the false premise that selling EVs is fundamentally different than selling internal combustion vehicles.

For decades, state vehicle franchise laws have included important consumer protections and regulated the disparity in size and power between local dealers and multinational automakers to help level the economic playing field. With new risks and opportunities associated with EVs, the state regulatory frameworks that protect consumers are especially important as unproven startups, including overseas entrants, emerge in the U.S. auto market.

KEY POINTS

- **Any EV legislation considered by Congress should preserve the states' right to license and regulate the distribution of vehicles within its borders.** These rights are reserved to the states under the 10th Amendment to the Constitution and help provide consumer protection, protect local jobs, and significant local and state tax revenue.
- **Franchised auto dealers with a wide distribution network under state vehicle franchise laws will be critical to the rapid adoption of electric vehicles.** More than 16,000 U.S. franchised dealers, who use their own capital to invest in personnel, land, buildings, and vehicle inventory, create strong competition that makes vehicles more affordable for consumers – a critical element that is necessary for electric vehicles to gain greater consumer acceptance.
- **There is an important public policy rationale for Congress to preserve state vehicle franchise and licensing laws,** as these laws are based on the states' interest to provide consumer protection, vehicle price competition and convenient service networks to support vehicle owners especially for warranty and recalls.

STATUS

Provisions promoting EV adoption were included in the Inflation Reduction Act (H.R. 5376) which was signed into law on August 16. The law preserves state vehicle franchise laws. **Congress must ensure that a state's traditional role to provide consumer protections, and the licensing and regulation of vehicle commerce, including EVs, within its borders is preserved in any future legislation.**

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