

Ohio auto dealers fight Tesla over sales model (Update)

March 17 2014, by Julie Carr Smyth



Tesla representative John Van Cleve, right, shows customers Sarah and Robert Reynolds, left, and Vince Giardina, a new Tesla all electric car, Monday, March 17, 2014, at a Tesla showroom inside the Kenwood Towne Centre in Cincinnati. Ohio auto dealers are sparring at the Statehouse with the California-based Tesla, which is selling its next generation electric cars from three Ohio storefronts. Lawmakers in Ohio and other states are trying to block Tesla direct sales on grounds they undercut traditional auto dealerships. (AP Photo/Al Behrman)

Ohio auto dealers are sparring with California-based automaker Tesla,

which is selling its electric cars from two Ohio storefronts.

Ohio is among states proposing to block Tesla from setting up additional direct-sales galleries on grounds they undercut traditional auto dealerships. Last Tuesday, New Jersey officials approved a regulation effectively prohibiting automakers from going straight to customers. Tesla vice president Diarmuid O'Connell visited Ohio legislative leaders that same day to try to discourage them from passing similar restrictions.

"The bill would shut down our ability to grow in the Ohio market and, frankly, it's just a first step to them shutting down our existing businesses," O'Connell said. "This is the pattern we see in other states."

The administration of Republican Gov. John Kasich, through the Bureau of Motor Vehicles, issued a license to Tesla authorizing the company to open its own stores in Cincinnati and Columbus.

Joe Cannon, a lobbyist for the Ohio Automobile Dealers Association, told lawmakers in testimony last week that the decision means Ohio's longstanding licensing rules "have been thrown upside down."

The association filed unsuccessful legal action against Tesla's two existing Ohio stores, so now is fighting for passage of a bill that would prevent Tesla from expanding to other locations.

Ohio dealers—with 830 dealerships, 50,000 employees and \$2 billion in payroll annually—say their businesses can only prosper when the law separates manufacturers and dealers. They view the license Ohio granted to Tesla as opening a Pandora's box.

O'Connell argues the several hundred vehicles Tesla has sold in Ohio represent a fraction of the market, which averages about 500,000 cars annually.



Customers check out a new Tesla all electric car, Monday, March 17, 2014, at a Tesla showroom inside the Kenwood Towne Centre in Cincinnati. Ohio auto dealers are sparring at the Statehouse with the California-based Tesla, which is selling its next generation electric cars from three Ohio storefronts. Lawmakers in Ohio and other states are trying to block Tesla direct sales on grounds they undercut traditional auto dealerships. (AP Photo/Al Behrman)

The decade-old car company is based in Palo Alto, California, and sells two models—the two-seat sports-style Roadster, at about \$100,000; and the Model S sedan, at about \$75,000. It would like to eventually offer a \$35,000 economy model, he said.

O'Connell said the cars can be difficult to sell so direct-sales are needed to jumpstart electric-car technology and drive down prices.

He said many dealers refuse to sell Tesla cars yet their associations are fighting to limit the company's ability to sell them itself across the

country, including in Ohio, Georgia and New York.

At what it calls galleries operated in Maryland, Arizona, Texas and Virginia, consumers can view vehicles but aren't able to discuss price, take test drives or place orders. An Arizona lawmaker has introduced legislation that would overturn a sales restriction in place there.

O'Connell said no U.S. auto manufacturer with an existing franchise dealership has ever sought to follow such a direct-sales model so threats from auto dealers are specious.



Robert and Sarah Reynolds, left, check out a new Tesla all electric car with Tesla representatives John Van Cleave and Raven Rivera, right, Monday, March 17, 2014, at a Tesla showroom inside the Kenwood Towne Centre in Cincinnati. Ohio auto dealers are sparring at the Statehouse with the California-based Tesla, which is selling its next generation electric cars from three Ohio storefronts. Lawmakers in Ohio and other states are trying to block Tesla direct sales on grounds they undercut traditional auto dealerships. (AP Photo/Al Behrman)

"The dealers are simply flexing their muscles, exerting their power to lock down the market and create a de jure monopoly," he said.

Cannon argued to Ohio senators that dealerships play an important watchdog role that is lost through direct sales.

"Dealers act as advocates for their customers as it relates to warranty, recall and other service-related issues with the manufacturer," he said.

"The distinctly different roles of dealers and manufacturers act as a system of checks and balances to ensure that warranty and other service issues are administered fairly."

© 2014 The Associated Press. All rights reserved.

Citation: Ohio auto dealers fight Tesla over sales model (Update) (2014, March 17) retrieved 19 May 2024 from <https://phys.org/news/2014-03-ohio-auto-dealers-tesla-sales.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.