



**Statement for the Record for Tesla, Inc.**

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**Before the  
Texas Sunset Advisory Commission**

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May 23, 2018

Thank you Members of the Sunset Advisory Commission for the opportunity to provide comments to the recent Staff Report on the Texas Department of Motor Vehicles.

At Tesla, we believe the Staff Report appropriately highlights issues that present challenges in the motor vehicle industry, especially for more innovative participants like Tesla. Tesla is an American manufacturer of electric vehicles, energy storage and solar products. All of our products, including our vehicles, are sold by Tesla directly to our customers around the world. Tesla's direct-to-consumer distribution model allows us to better educate consumers on the

many benefits of owning electric vehicles, while creating a direct relationship with our customers to help nurture a new industry and advance technology.

Texas law is currently interpreted to prohibit the sale of motor vehicles in Texas by any vehicle manufacturer. As such, Tesla only operates non-selling locations in Texas (*i.e.*, Galleries), which focus on educating consumers about Tesla's vehicles and energy products, but do not actually sell vehicles. In Texas, you cannot purchase a vehicle in a Tesla gallery. Instead, Texas residents can only purchase their vehicles from a Tesla location in another state.

For almost seven years, Tesla has operated galleries and provided other related services in full compliance with applicable laws and with full transparency to the Department. Every step of the way, we have sought counsel from the Department to clarify what is and is not permitted under law, and for years our Texas operations have been structured in a very restricted manner to ensure full compliance.

Tesla's direct distribution model is an extremely politically charged issue. At odds are Tesla and Texas consumers against the economic and competitive interests of traditional franchised dealers, as represented by the Texas Automobile Dealers Association (TADA). Despite the many restrictions on Tesla's operations, the TADA has used its political weight in efforts to completely ban Tesla from Texas.

As the Staff Report outlines in **Issue 1, *The Department's Industry-Oriented Board and Its Processes Create Risk for the State***, there have been recent activities within the Department that take direct and specific aim at Tesla's galleries and other legitimate business activity. Through its rule making process, the Department had proposed new rules that would effectively shut down the galleries that have been previously sanctioned by the Department for years. These proposed rules were first listed on a draft agenda for the December 2016 Board meeting in an unassuming and obfuscated manner. Fortunately, Tesla and others took note and began uncovering the actual effect of the proposed rules, and they were pulled down shortly before final publication. These proposed rules did not originate from any statutory authority, nor were

they created to address any problems of the consuming public. Instead, these rules were proposed to only benefit the financial and competitive interests of a powerful and entrenched industry, represented by TADA.

Even the Department's own Self Report reflects the TADA's deep seeded bias against Tesla. Under *Major Issues: Issue 4* of the Department's Self Report, the Department recommends a change to permit some manufacturers of vehicles (in this case, certain Berkshire Hathaway companies) to sell motor vehicles, but not others, including Tesla. The Department's recommendation mirrors TADA's position taken during recent legislative efforts to effectuate the same, but is carefully crafted to exclude other similarly situated manufacturers like Tesla.

More broadly, we urge the Commission to review the influence that entrenched factions may have on the Department and any potential and actual conflicts, so that the Department is not used as a tool to create laws and policies for the benefit of very select and biased interests. Such actions harm both business in Texas, and ultimately and most importantly, the consumers of Texas.

We agree with the Commission that a more balanced Board composition that represents the diversity of the industry will help to mitigate specific industry bias and create a more neutral Department that truly represents the best interests of Texas and its residents. Moreover, we recommend that the Board review and implement policies to address potential and actual conflicts of interest between the Board and Department leadership on the one hand, and industry juggernauts, such as TADA and its members, on the other. Implementing these recommendations will go a long way toward ensuring that the Department continues to accomplish its mission in the years to come, leading to an advanced and thriving automobile industry for Texas.

We appreciate the opportunity to provide these comments and welcome any questions or suggestions the Commission may have.