

HB 1388: Direct Sales for EVs in Washington

Supporting the state's economy and the adoption of an innovative American technology

Electric vehicles (EVs) offer numerous benefits to all Washingtonians: [cleaner air](#), reduced [healthcare costs](#), reduced reliance on foreign oil and improved [national security](#), financial [savings for consumers](#), [jobs](#) in the technology and innovation sectors - right here in Washington - and [reduced carbon emissions](#).

Washington recognizes these benefits, and has set and exceeded its 2020 goal of 50,000 registered EVs in the state, offers a sales tax exemption on an EV purchase, is converting the state fleet to electric drive per Governor Jay Inslee's Executive Order 18-01, and is now a Zero Emission Vehicle (ZEV) state - offering consumers more makes and models of EVs. Furthermore, the state has set strong climate goals through the Pacific Coast Collaborative, the Under2MOU signed in Paris, and RCW 70.235 establishing state GHG emission reduction limits. Great strides have been taken to support transportation electrification, but another critical piece of legislation is needed to ensure consumers can purchase the EV of their choice: passage of HB 1388.

HB 1388, **allowing EV manufacturers to sell directly to residents in Washington**, would encourage EV adoption, offering all Washingtonians [more EV options available for purchase in the state](#), without requiring that Washingtonians go outside the state to purchase the EV. Not only would the legislation increase the options available, but the bill would also allow for consumers to [test drive](#) the EV of their choice first.

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What is the benefit of HB 1388 for consumers?

- HB 1388 offers consumers more choices, and allows for a EV manufacturer to sell vehicles direct to consumers through showrooms.
- Consumers are able to interact with trained product specialists for the EVs within showrooms, creating a positive purchase experience.
- Consumers will be able to have their EV serviced in Washington, if needed.
- Direct competition allows new EV manufacturers to drive down prices for consumers, as investment is spent on innovation and better products and services for consumers as opposed to a network of dealers.

What is the benefit of HB 1388 for Washington?

- More EV options available for consumers, combined with a positive purchase experience, will lead to increased EV adoption.
- Increased adoption of EVs will help Washington achieve its transportation electrification and carbon reduction goals.
- All of the sales tax from the sale of the EV will stay in Washington.
- New businesses operating in Washington means new jobs in the state.
- Washington has always supported a free market with business operations. Passage of HB 1388 will allow Washington to maintain this core principle and support free market competition.

Why?

- ✓ In-state economic benefits
- ✓ Increases consumer choice and business competition
- ✓ Increased EV adoption
- ✓ Helps achieve Washington's electrification and climate goals



Why doesn't the current franchise dealer model work for new EV manufacturers?

- New EV manufacturers do not have the volume of EVs available to stock traditional franchise model dealerships, thus making it a moot point to try to establish a network of dealers if those dealers don't have cars to sell.
- Franchise dealerships make most of their money from the repair and service of the gas engine and other components. EVs have 10x fewer moving parts and require far less service and maintenance on the vehicle, thus making the current business model for a franchise dealership not suitable for EVs.
- A showroom, on the other hand, has a few EVs available for show.
- Franchise dealers also make commission for their sales, encouraging the sale of higher priced vehicles. New EV manufacturers offer a standard product at a set price, without commission.

Who else supports this legislation?

- HB 1388 is supported by a wide group of businesses, consumer groups, EV advocates, and conservative and free market policy groups.

What are other states doing on this issue?

- Many states already allow EV manufacturers to sell directly to consumers: Oregon, Colorado, Wyoming, Idaho, Utah, Arizona, Illinois, Minnesota, Missouri, Tennessee, Mississippi, Florida, Maryland, Delaware, Vermont, New Hampshire, Rhode Island, Massachusetts, and Maine.
- Most recently in March, 2020, Colorado signed into law SB167, allowing direct sales by EV manufacturers.
- The trend is to open states, not close them off to new investment by EV manufacturers who wish to increase sales of these vehicles.

But what about auto dealers? How will they be impacted?

- HB 1388 will increase competition for dealers with new makes and models of EVs available for purchase, and could lead to innovation in their sales practices as well.
- The franchise dealer model is already impacted by online sales of all cars by websites such as Carvana. The sales of EVs in states and impact on dealers has been small compared to the sales of cars by these online websites.
- The franchise dealer model is also already impacted by COVID-19 and consumers shifting their buying behavior to online.
- The sale of EVs allows will lead to innovation with the current dealer franchise model. In fact, the franchise dealer model and factory stores already co-exist in Europe, China, Russia and Canada.

What do consumers think of the current franchise dealership model?

- A recent report from [Cox Automotive](#), "Reimagining the Automotive Consumer Experience" showed that only 1 in 3 consumers are "very satisfied" with the current dealership model, demonstrating an opportunity and need for improvements.
- Consumers are looking for ways to immerse themselves in product details without the help of a salesperson. [Seven in 10 consumers](#) find the idea of a "Brand Experience Center" – separate from a traditional showroom – to be an appealing concept. Consumers still want to interact, but they want to do it on their terms.
- Consumers do not want a "hard sell" at a dealership. [Six in 10 consumers want help from dealership staff](#) – a product specialist, not a salesperson – to learn more about products. For this reason, the concept of Brand Experience Centers performed very well in research, as the no-sales environment provides a chance for shoppers to experience the vehicle on their own terms.
- Research shows consumers are more likely to trust brands that offer no-hassle experience centers, with product displays and opportunities to drive a vehicle. [Slightly more than half of consumers](#) surveyed by Cox Automotive indicated they would likely switch to a brand that offered this concept

