



NOVA SCOTIA AUTOMOBILE DEALERS ASSOCIATION

# Brouhaha brewing over how Tesla sells its cars

## Electric-vehicle manufacturer bypassing traditional retail model

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A battle is brewing south of the border over how new cars are sold. At the centre of the debate is Tesla, an electric vehicle manufacturer.

Traditionally, the model for selling new vehicles has been that the manufacturer makes them and then has an independent dealer sell them.

Under this model, the dealer must adhere to manufacturer requirements regarding things such as market penetration and customer satisfaction. If a dealer doesn't meet these standards, their franchise agreement could be terminated.

Tesla adopted a different approach and sells directly to consumers. "Tesla uses its stores as showrooms, allowing customers to learn about the cars before making a decision. Customers can then purchase the car online," said a Nov. 16, 2014 article on cbc.ca.

In Canada, Tesla has showrooms in Montreal, Toronto and Vancouver.

The reason for the battle is in both Canada and the U.S., provincial and state laws have a regulatory responsibility to license automobile dealers. In general, the regulations dictate consumers must purchase new vehicles from dealers. Because Tesla doesn't have dealerships, this is the source of the conflict.

In the U.S., the National Automobile Dealers Association (NADA) has been vocal about its stance on Tesla and argues the best model for selling cars is through the traditional franchised



The Tesla Model S. **HANDOUT**

dealership model.

It even created a Get The Facts campaign website — nada.org/getthefacts — saying why it feels this model is best.

"Local franchised auto dealers create fierce price competition and prevent manufacturer monopolies; protect consumer safety with recall, warranty and repair service; generate good-paying local jobs, tax revenues and economic benefits; and simplify the otherwise complex car purchasing and registration process," said a brochure on the website.

NADA argues under a direct-sales model, manufacturers would have a conflict of interest.

"[A]utomakers have an economic disincentive to issue recalls or incur warranty expenses, which may imply a mistake, significant expense and/or a lawsuit," it said.

Dealers also argue there is a lower likelihood of a consumer resolving a problem directly with a manufacturer on a problem

vehicle because an independent dealer can become an advocate on a consumer's behalf.

Even the U.S.-based Federal Trade Commission (FTC) has weighed in on the Tesla debate. FTC bills itself as a bipartisan federal agency with the dual mission of protecting consumers and promoting competition.

An April blog post written by three FTC employees shared some thoughts, but also carried the disclaimer that "*The views expressed... do not necessarily reflect the opinion of the Commission or of any individual Commissioner.*"

According to the post, for the year 2013, Tesla accounted for about 22,000 of the 15 million cars sold in the U.S. The post says the way consumers have shopped has evolved over the years, from local stores to mail-order catalogues to the Internet — and will continue to evolve.

The blog argues consumers and businesses benefit from an eco-

nomy where new technologies and business models can disrupt the way industries behave and have traditionally done business.

"Our point has not been that new methods of sale are necessarily superior to the traditional methods — just that the determination should be made through the competitive process," said the post.

While the direct-sales model debate hasn't generated as much discussion north of the 49<sup>th</sup> parallel as it has in the U.S., the debate will likely soon cross the border.

### PICKING THE RIGHT WINTER TIRE

While a winter tire is the best tire option in winter, it's important to remember that not all winter tires are alike.

This is because winter tires are designed for specific uses. As their names imply, tires such as snow or ice ones are designed for use in those respective conditions.

For people who do a lot of

highway driving, Kendall recommends winter tires designed for use in ice. This is because while clearing highways of snow is a top priority, this can still leave a thin film of ice on the road.

If people travel on back roads or secondary roads which aren't plowed as much, Kendall recommends snow tires as drivers will be more likely to be driving in situations where snow has accumulated on the roads.

Another option is studded tires. They are great on ice, but not as effective in normal day-to-day conditions.

"Where you have dry or bare pavement, they actually reduce your braking ability," said Peter Kendall, the fixed operations manager at Coleman's Autohaus Inc. in Hebbville.

There is no perfect tire given winter conditions change so much, but having a winter tire is definitely a better option than an all-season tire.

## Auto dealerships expanding digital footprint

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A growing number of vehicle manufacturers are improving their online offerings of vehicles.

General Motors and Toyota have started their own pilot pro-

grams and Volvo has announced its intention to do the same.

This has sparked some speculation as to whether car dealerships will become a thing of the past.

We've seen this before. Before the tech bubble burst, some enthusiasts were singing the death knell of car dealerships, claiming that consumers would prefer to do everything online and simply take delivery at some convenient location.

While online access to vehicle

features and indeed specifying a vehicle online can be of real advantage to consumers, the test drive is really the only sure way of knowing whether a particular make and model of vehicle is right for you.

And what if you already own a car? You have to determine its trade-in value, and find someone to buy it at that price.

Then, you need to do the financing of the new vehicle — both these services are already incor-

porated in a traditional new car dealership.

Let's not forget the value a dealership brings to maintaining the vehicle through the service department, and in the event of an accident, the body shop.

What's interesting to me is the extent to which dealerships have moved into web-based interaction with consumers.

In addition to their new vehicle inventory, consumers also have

online access to the wide ranging used car inventories available at new car dealerships.

Through the dealer network, a dealership can source a popular model that may be difficult to get in your area, and through a dealer trade, make it available to you.

Technology has changed and will continue to change the way dealerships operate, and enhance the value they bring to their customers.

## FROM PAGE G1: EYE STRAIN

brown rather than grey. The brown tint works best for improving contrast because it eliminates blue tones that cause eye fatigue. Often it's not the brightness that causes eye fatigue, but poor contrast that forces our eyes to strain to see details."

A fan of driving glasses, your writer typically rocks a pair of Oakley Gas Can frames with the Black Iridium Polarized lens, since they cut down on nasty blue and grey light. Also notable are my Maui Jim Hideaways.

The lenses are barely tinted at all and are darker at the top than the bottom, affording a clearer view of the instrument cluster.

They're extremely lightweight, feel like you're not wearing them, and the instant you put them on at the wheel, your eyes feel lighter and more relaxed.

Colours and details pop more, grey and blue haze are eliminated, and glare is slashed with great polarization.

**To reduce glare, you'll need a polarized lens which blocks much of the light reflected from surfaces like snow and water.**

These ones feel invisible, and give you what looks like 'High Definition' vision at the wheel. It's like taking your eyes to the spa.

Plan to spend between \$100 and \$300 for a quality set of polarized driving glasses, and your eyes will thank you.



The Oakley Deviation glasses. **JUSTIN PRITCHARD**