

Outgoing Chairman's Message

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There are serious public policy, regulatory, legislative and legal challenges facing the dealer community and NJ CAR. And, while we're busy planning for the future, we haven't lost sight of the challenges that face us today.

It is a sad, but true, that often success in advocacy on behalf of new car dealers is measured by what doesn't happen in Trenton, rather than what does. What hasn't happened is a cap on doc fees, Sunday sales, or an expansion of the Tesla direct sales exemption. All of that didn't **NOT** happen by accident; it was the result of years and years of strategic engagement by the NJCAR Team to tamp down efforts to cap or further regulate doc fees, open dealerships on Sunday, and allow Rivian, Lucid, VinFast, or even legacy OEMs to jump into the new car market the way Tesla has, without dealers.

Easier said than done with a Democratically controlled Legislature and the Murphy administration, which aren't exactly in sync with the business community or new car dealers. Nevertheless, we continue to build strategic relationships and make inroads with the Murphy administration -- and with the Legislature -- and to highlight the importance of the neighborhood new car dealer as an employer, as a driver of the local economy, and as pillars of the community in every town and county across the State of New Jersey.

We had been planning to introduce a comprehensive legislative package this year to strengthen and clarify several important dealer franchise rights. But we backed off for the time being, recognizing that any such initiative would provide our adversaries an opportunity to call attention to dealer profit-taking in this once-in-a-lifetime supply-constrained market and give direct sellers like Tesla, Rivian and Lucid a legislative vehicle to push the direct sale narrative.

NJ CAR has held firm in opposing any expansion of the Tesla direct sale exemption and we sense most legislators support the NJCAR position. But legislation has recently been introduced to allow electric light duty truck manufacturers to enter the market without dealers. Jim will fill you in later. But it is difficult in Trenton to fight any battle on two fronts or to play defense and offence all at the same time. So, we need to be clear about what is best for the dealers: do we want stop the direct sale movement on the part of new entrants that wish to bypass the franchise system or do we want to move to further strengthen dealer protections that apply only to legacy automakers?

To help the Board really think this question through, we held a dealer summit in Jersey City earlier this year with Glenn Mercer and Jeremy Alicandri. Glenn is the author of several important studies about the future of auto retailing and Jeremy is a Wall Street analyst who worked with the late Maryann Keller. The session was enlightening and it's something I think

the Board should do on a regular basis to sharpen our insights and help form our policy positions on behalf of the dealer body.

Dealers and NJ CAR have a difficult line to walk here. On the one hand, we can't allow companies like Tesla and Lucid to enter the market without anticipating that legacy auto makers will demand the same options, at least for their electric vehicle product. So, while we resist this movement, it's critically important that new car dealers demonstrate to consumers, to automakers, to the media and public policy makers, that we are all in on electric vehicles.

Our fight with the direct sellers isn't about the electric vehicle and it never has been. It's about the distribution model. And we must make the case publicly that the franchise system – not factory direct sales – is the best and most efficient way to market for electric vehicles; that Wall Street and Silicon Valley favor the direct sale model because it eliminates competition and reduces consumer access to independent and locally accountable service facilities. Not because it is better for consumers or better for the economy or the future of EVs. But simply because it is better for them and for their investors. And let's be clear, if the state legislature allows all electric vehicle manufacturers to bypass franchisees, every legacy automaker with plans to bring more EVs to market will find a way to drive those EVs through that loophole in a manner that will eventually make your franchise worthless.

NJ CAR is doing its part, getting out ahead of the issue. But dealers have a role to play. First and foremost, get on board with the EV movement. Order EVs, train your employees to sell and service EVs, and demonstrate to your auto makers and customers that you are all in. Second, invite NJ CAR into your dealership to enroll your employees in the NJ CARPOOL outreach network so that we can leverage the grassroots power of your employees, and your local influence, to keep New Jersey legislators in our corner. Third, get personally involved. As the Dealer Principal or General Manager, get on a Zoom call with NJ CAR and your local legislator or, even better, invite your state Senators or Assembly members to the dealership for a visit, show them what you do and emphasize the benefits of a locally owned and accountable business.

And I would be remiss if I didn't take the opportunity here to ask you to contribute to CARPAC. Many of you make regular contributions to our political action committee. But next year is a legislative election year and CARPAC funds are perilously low right now. We need to raise a half million dollars between now and this time next year to be certain we stay in the game. Each dealer or dealer group can contribute up to \$8200; most contribute only a small fraction of that amount. So, think about making a supplemental contribution to CARPAC so that our lobbying team in Trenton will have the tools they need to shape public policy in a way that helps – or at least doesn't hurt – our industry.

The challenges we face now, and over the next several years, are unlike any of the challenges we faced in the past. The transformation of the auto retail sector from internal combustion to zero emission vehicles is on and the pace of change is accelerating. The auto makers we represent are kicking internal combustion technology to the curb, and that will precipitate change like never before. And, Tesla's ability to conflate the EV movement with direct sales, as if EV's can only be sold direct from the factory, has created an existential threat to the dealer model. Either we win this fight in the next couple of years, state-by-state, or we get on a path to extinction. That's

no exaggeration. And it's why it's so important that dealers and dealer advocacy groups like NJ CAR stay focused on this threat.

Chip shortages and inventory constraints will come and go. Inflation and consumer confidence may rise or fall. But the zero-emission movement and Wall Street's determination to do away with car dealers is real and it's not going away. We are in for the fight of our life, but NJ CAR is up to the challenge and your NJ CAR Executive Committee is committed to doing whatever it takes to win.