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DOJ Anticompetitive Regulations Task Force
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AnticompetitiveRegulations@usdoj.gov

Scout Motors Inc. Anticompetitive Regulations Task Force Submission: State Law Prohibitions on
Direct-to-Consumer Vehicle Sales

State motor vehicle franchise laws are anti-competitive. These laws restrict consumer choice, stifle innovation, and lead to higher prices for both motor vehicles and servicing those vehicles in the United States. The United States government should take all steps necessary to eliminate these burdensome restrictions on competition.

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In this moment of American revitalization, we have critical decisions to make. Do we keep propping up a system of state motor vehicle dealer franchise laws that are some of the most anti-competitive in the U.S., only serving to protect entrenched special interests? Laws that arbitrarily limit who can sell motor vehicles, restrict consumer choice, and usurp private contracts between independent business entities? Or do we finally return power to where it belongs: with the American worker, the American consumer, and the American entrepreneur – staying true to the ideals that have always made this country great: freedom, fairness, and the fight to earn success.

Here is the hard truth: Right now, the automotive retail system is not competitive nor does it reward bold innovation. Across too many states, government-mandated intermediaries are standing between American-made vehicles and the American families who want to buy them. Outdated legacy state motor vehicle franchise laws—written decades ago in response to yesterday’s circumstances—have mutated into legal shields for established franchise dealership networks, barring any other business model from existing, let alone competing with these networks.

If we make it our goal to leverage true market competition to efficiently make and sell vehicles in America, then we will unlock prosperity—real prosperity—for communities, workers, and the next generation of builders and dreamers. But if our goal is to protect yesterday’s business model from innovative competition, then it’s the American consumer and worker who will pay the price.

Scout Motors believes in a different future. One where automotive retailers compete on the strength of their business models, not the connections of their lobbyists. One where consumers get to choose what works best for them, without artificial barriers, red tape, or inflated markups. Because America prospers when we unlock competitive dynamics, when innovation is rewarded—and the fruits are passed on to the working families who get more for their dollar.



State laws governing the retail sale of automobiles are broken, and without United States government intervention, the American consumer and the American worker will continue to be harmed.

Scout Motors Inc. Urges the Department of Justice to Stop Direct-to-Consumer Sales Bans

Scout Motors Inc. ("Scout Motors") was established in 2022 as an independent American startup to revitalize the iconic Scout vehicle brand through the introduction of all-new, electrified, off-road capable trucks and sport utility vehicles. Today, Scout Motors has grown to over 900 employees who are committed to building the next great American motor company, with vehicles engineered in Detroit, MI and produced in Blythewood, SC at an all-new \$2B manufacturing facility expected to create 10,000 jobs in the state.

Innovation is central to our operating strategy, and like Tesla, Rivian, and Lucid before us, Scout Motors made the strategic business decision to sell directly to our customers, with production of the first vehicles targeted for launch in 2027. However, a patchwork of existing and pending state automotive dealer franchise laws threatens Scout Motors' ability to sell and service these vehicles—approximately 200,000 are planned to be produced every year on American soil—in all fifty states.

This threat is not speculative or hyperbolic. Franchised automotive dealer groups have been vocal in waging "long term battles" against manufacturers seeking to sell vehicles directly to consumers and working "to not let them in."¹ The National Automobile Dealers Association and related state-based dealer franchise groups are weaponizing these laws to directly exclude Scout Motors from the market. They are promising to "challenge . . . all attempts to sell direct in courthouses and statehouses across the country" because they want to lock Scout Motors out of the new vehicle distribution and service markets regardless of whether the legacy dealer franchise sales model makes sense for Scout Motors or its customers.² State laws that dictate who can and cannot sell vehicles to consumers are anticompetitive. Full stop.

Academics, economists, free market advocates, and consumer protection organizations all believe that it is bad public policy to dictate a business's distribution model as it stifles innovation and competition. As stated by former South Carolina Attorney General Charles M. Condon, "[i]f a manufacturer cannot sell his own product, but must constitutionally pass that product through

¹ Statement of John Devlin, Pennsylvania Automotive Association, CBT News, "Why Pennsylvania dealers are keeping an eye on OEMs and lawmakers," Mar. 31, 2023, [available at https://www.cbtnews.com/why-pennsylvania-dealers-are-keeping-an-eye-on-oems-and-lawmakers-john-devlin-paa/](https://www.cbtnews.com/why-pennsylvania-dealers-are-keeping-an-eye-on-oems-and-lawmakers-john-devlin-paa/).

² Reuters, "Auto dealer groups to challenge Scout Motors' decision to sell directly to US consumer," Oct. 25, 2024, [available at https://www.reuters.com/business/autos-transportation/auto-dealer-groups-challenge-scout-motors-decision-sell-directly-us-consumers-2024-10-25/](https://www.reuters.com/business/autos-transportation/auto-dealer-groups-challenge-scout-motors-decision-sell-directly-us-consumers-2024-10-25/).

‘middle man,’ then our understanding of the free market system is way off base.”³ Unsurprisingly, the only group that supports these laws—the franchise dealers themselves—is the one group that reaps significant profits at the expense of the American consumer and the American worker.

Scout Motors does not seek a regulatory handout or special treatment; rather, Scout Motors seeks to remove artificial and protectionist barriers to open competitive markets where new entrants and innovators can compete with incumbent participants to provide the public with an efficient, transparent, and cost-effective car buying experience.

We applaud this Administration’s recognition of the harm that comes from imposing regulatory and legal barriers that exclude new market entrants. President Trump and the Department of Justice’s initiatives to root out anti-competitive federal and state laws and regulations are critical to revitalizing the economy and ensuring that the United States remains the gold standard for innovation, competition, and entrepreneurship.⁴ No sector of the economy features more anti-competitive laws stymying innovation, economic growth, and consumer welfare than the auto industry and its amalgamated state dealer franchise laws. We urge the Department of Justice and this Administration to probe these protectionist, anticompetitive schemes and to open the automotive industry to fair competition and innovation. These schemes are in direct conflict with the possibility of free and open markets where all can compete.

Dealer Franchise Laws are a Decades-Old Relic, Ill-Fitting of Today’s Automotive Market

Dealer franchise laws were first established nearly 70 years ago to ensure that local automotive dealers, operating under a franchise model with powerful automotive manufacturers, were able to sell automobiles to the American consumer without imposing onerous manufacturer terms, such as forcing dealerships to accept inventory regardless of demand. But those market dynamics have long since shifted, and today’s automotive industry is virtually unrecognizable from these early days—both in terms of dealer bargaining power and technological advances in distribution models—rendering many dealer franchise laws obsolete.

For many decades, the U.S. automotive industry was dominated by the Big Three automakers—Ford, General Motors, and Chrysler (now Stellantis). These manufacturers historically contracted with a network of franchise dealers to sell and service their vehicles, turning the franchise dealer into the direct customer interface. Ford, General Motors, and Chrysler’s business model then spawned a host

³ Letter from South Carolina Attorney General Charles M. Condon to South Carolina Senator W. Greg Ryberg regarding Office of the Attorney General Opinion on H.4450, a Bill to “Prohibit Ownership, Operation, or Control of Competing Dealerships By A Manufacturer or Franchisor Except Under Certain Circumstances...,” April 5, 2000. Attorney General Condon further opined that the bill was “anti-competitive, anti-free market and anti-consumer. It is pro-protectionist, pro-special interest and unconstitutional.”

⁴ Executive Order 14267, “Reducing Anti-Competitive Regulatory Barriers,” 90 Fed. Reg. 15629 (April 9, 2025).

of state laws that sought to limit competition, ostensibly to protect motor vehicle dealers—typically, small businesses with limited financial resources.⁵

However, the U.S. automotive market has evolved over the last decade, with several new, smaller entrants seeking to break through by innovating not only how they design their vehicles but also how they market, sell, and service their vehicles. While the Big Three controlled the U.S. market in the early days, the U.S. now has well over a dozen major manufacturers, with no single manufacturer commanding more than 17% market share.⁶ The franchise dealer players have also changed. Early franchisees may have been small, family-owned businesses, but today's franchisees are dominated by a collection of powerful conglomerates, each owning tens (if not hundreds) of dealerships. Over one hundred U.S. franchisees gross over one billion dollars in annual revenue.⁷

Moreover, the way in which Americans purchase products, including vehicles, has changed significantly—consumers now buy everything from electronics to appliances to houses online and direct from the manufacturer. And, in states that don't have restrictive dealer franchise laws, customers are buying vehicles online and direct from the manufacturer as well. Years ago, customers had no choice but to rely on neighborhood sales locations to not only facilitate vehicle sales but also to serve as a showroom and inventory holding depot. But with the advent of the internet and new e-commerce technologies, customers can now browse inventory, select options, and complete the final transaction without ever leaving their home. For this reason, Scout Motors and other direct-to-consumer manufacturers seek to introduce a modern, cost-effective, and online customer experience that is less reliant on the costly brick-and-mortar infrastructure and ideally a smaller margin.

Protectionist dealer franchise laws are, unfortunately, a uniquely American problem and have given rise to a powerful lobby deeply integrated within the state governing bodies controlling the market. These laws are now used to thwart competition as captured regulators work at the behest of the franchise dealership lobby to freeze out new market entrants trying to innovate. As a result, unnecessary vehicle mark-ups paid by the consumer line the coffers of monopolistic franchise dealers.

⁵ *New Motor Vehicle Bd. V. Orrin W. Fox Co.*, 439 U.S. 96, 100-01 (comparing three U.S. automotive manufacturers controlling 95% of all passenger cars sold in the U.S. against over 40,000 independent franchisees distributing these cars on their behalf).

⁶ Cox Automotive Presentation, "Q1 2025 Cox Automotive Industry Insights and Sales Forecast Call," p.19, Mar. 26, 2025, available at <https://www.coxautoinc.com/wp-content/uploads/2025/03/Q1-2025-Cox-Automotive-Industry-Insights-and-Sales-Forecast-Call-presentation.pdf>.

⁷ Automotive News, "2025 Top 150 Dealership Groups," Mar. 31, 2025, available at <https://www.autonews.com/top-150-dealership-groups-2024/> (subscription required).

Many Anticompetitive State Dealer Franchise Laws Unnecessarily Ban or Restrict Direct-to-Consumer Sales

A patchwork of restrictive laws in select states govern how, and from whom, customers can purchase new vehicles. While every state law is different, there are generally three types of states: open, closed, and limited access. Open states allow electric vehicle manufacturers to sell directly to customers. Closed states prohibit all direct sales from the manufacturer to the customer without the use of an intermediary franchise dealer. And limited access states allow select electric vehicle-only manufacturers to sell directly to consumers.

The Electrification Coalition reports that 19 “open” states allow direct sales.⁸ That number is at risk of dropping as franchise dealers are actively lobbying state legislatures to further restrict competition. These lobbying efforts seek to prevent new competition in open and limited access states for new manufacturers that receive funding from, or otherwise have a relationship with, legacy automakers. For example, California law AB 473, sponsored by the California New Car Dealers Association, amended the state’s motor vehicle franchise law in late 2023 and now argues that the amended franchise law prohibits Scout Motors from engaging in direct sales apparently only because of its corporate affiliates. Scout Motors disputes that the language in AB 473 prohibits it from engaging in direct sales. Any attempt to ban direct sales based on corporate affiliation alone is a blatant, unnecessary restriction on competition and capital formation that is far removed from the purported rationale for dealer protection laws from decades ago.

In addition to direct-to-consumer sales bans, the dealers’ grip on franchise dealer laws goes beyond lobbying for, and drafting, favorable legislation. In some states, entrenched dealers have the power to decide who can and cannot enter the market. Many state laws impose onerous geographic market allocations amongst dealerships by allowing legacy dealerships to protest any new franchise that encroaches on their historic territory.⁹ Other laws prohibit an automobile manufacturer from exercising its contractual right of first refusal when a franchisee seeks to sell or transfer its rights under the franchise agreement.¹⁰ And some states go so far as to give franchisees direct regulatory authority: the very definition of “regulatory capture.” Take the Louisiana Motor Vehicle Commission, the body charged with enforcing state law regarding the distribution and sale of motor vehicles, as a prime example. Here, the Commission is comprised of 18 members, 15 of whom must be franchise dealer licensees of the Commission. As a result, new market entrants that seek to disrupt the established franchise dealer model have no chance of receiving fair regulatory treatment from regulators who have strong incentives, including financial incentives, to protect their businesses from

⁸ Electrification Coalition, “Freedom to Buy: What’s In My State,” available at <https://electrificationcoalition.org/work/state-ev-policy/freedom-to-buy/whats-in-my-state/> (last accessed May 23, 2025).

⁹ F.L. CODE ANN. § 320.642(3)(b) (allowing an existing franchisee the right to protest a new franchise agreement if 25% of the legacy franchisee’s sales occurred within 12.5 miles of the new franchisee’s proposed location).

¹⁰ S.C. CODE ANN. § 56-15-70 (barring franchisor right of first refusal).

competitive pressure. So much so that last year, the U.S. Court of Appeals for the Fifth Circuit ruled that the Commission, in launching an investigation into Tesla as a licensed fleet owner, violated Tesla's constitutional right to due process.¹¹

Anticompetitive State Dealer Franchise Laws Harm Consumers

State laws that prohibit or impede direct sales are, by definition, anti-competitive. Protecting franchise dealers from their brand manufacturers makes sense in some instances when, without such protection, manufacturers can take advantage of the franchise dealers' efforts to advertise, market, and show vehicles but then undercut the dealers in price, acting as a free rider to the dealer's investment. But there is no similar justification for forcing new manufacturers to adopt the antiquated dealer franchise model at the outset, especially when the new manufacturer has not asked any dealership to place any investment in distributing its vehicles, developed a more efficient alternative, and will not sell any vehicles also offered for sale by a franchised dealer.

The DOJ's Antitrust Economic Analysis Group itself has recognized that "[p]erhaps the most obvious benefit from direct manufacturer sales would be greater customer satisfaction, as auto producers better match production with consumer preferences ranging from basic attributes on standard models to meeting individual specifications for customized cars."¹² These efficiencies, therefore eliminate the estimated 8.6% mark-up that the franchise dealer model adds to the cost of a new vehicle.¹³ Another independent organization calculated the annual harm to consumers at \$48 billion on new car sales.¹⁴ Franchise dealer added costs are not only harmful to the consumer but also serve as a barrier to entry for new vehicle manufacturers that must eliminate excessive costs to remain competitive with legacy manufacturers that already have a stronghold.

Likewise, the Federal Trade Commission ("FTC") has repeatedly opposed state bans on direct sales. As an example, the FTC stated the following when commenting on a proposed Michigan bill relaxing a then-existing direct sale ban: "In our view, current [direct sale bans] operate as a special protection for dealers—a protection that is likely harming both competition and consumers."¹⁵ In fact, this

¹¹ *Tesla v. Louisiana Automobile Dealers Association, et al.*, No. 23-30480 (5th Cir. 2024).

¹² DOJ Economic Analysis Group Competition Advisory Paper, "Economic Effects of State Bans on Direct Manufacturer Sales to Car Buyers," p. 4, May 2009, available at <https://www.justice.gov/sites/default/files/atr/legacy/2009/05/28/246374.pdf>.

¹³ *Id.* at p. 6.

¹⁴ American Consumer Institute Center for Citizen Research, "Corporate Welfare: How Automobile Dealership Franchise Regulations Cost Consumers an Additional \$48 Billion Annually," March 2018, available at <https://www.theamericanconsumer.org/wp-content/uploads/2018/03/ConsumerGram-2018-FINAL-1.pdf>.

¹⁵ FTC Letter to Senator Darwin Booher re: Senate Bill 268, May 7, 2015, available at https://www.ftc.gov/system/files/documents/advocacy_documents/ftc-staff-comment-regarding-michigan-senate-bill-268-which-would-create-limited-exception-current/150511michiganautocycle.pdf; FTC – Competition Matters, "Direct-to-consumer auto sales: It's not just about Tesla," May 11, 2015, available at <https://www.ftc.gov/enforcement/competition-matters/2015/05/direct-consumer-auto-sales-its-not-just-about-tesla>.

protection directly translates to increased consumer costs. According to the U.S. Bureau of Labor and Statistics, franchised dealers were able to “expand profits from new-vehicle sales during the recent [post-COVID 19] economic expansion,” contributing to new-vehicle consumer inflation.¹⁶

Beyond cost efficiencies, many consumers are searching for an alternative to the franchise dealer model. According to one survey, a 2024 Harris Poll Survey, 86% of consumers are concerned with hidden fees during vehicle purchases, 76% do not trust franchise dealers to be truthful and honest about pricing, and 84% say that franchise dealers lack pricing transparency.¹⁷ While some customers may prefer to use a franchise dealer for sales and service, survey results show that many do not, which is further evidenced by the fact that car sales and repairs are one of the most reported types of consumer complaints across the country.¹⁸ Notably, the FTC’s 2024 Consumer Sentinel Network Report documents hundreds of thousands of consumer complaints against auto dealers, which are often prime targets for state and federal law enforcement actions relating to fraudulent and deceptive practices in selling, financing, and leasing new motor vehicles.¹⁹ As the FTC noted in 2022: “In the last ten years alone, the FTC has brought more than 50 law enforcement actions related to automobiles and helped lead two nationwide law enforcement sweeps that included 181 state-level enforcement actions in these areas. Despite these actions, complaints from consumers related to automobiles remain in the top ten complaint types received by the FTC, with more than 100,000 complaints from consumers annually over the past three years.”²⁰

The franchise dealer model also poses potential problems for electric vehicle manufacturers. Franchise dealers derive a significant percentage of their profits from service and warranty repairs; however, electric vehicles require less maintenance than conventional internal combustion engine vehicles. As a result, some dealers may be less incentivized to market and sell electric vehicles to consumers that want them. A 2023 Sierra Club survey highlights dealers’ anti-electric vehicle sentiment, finding that 66% of dealerships nationwide did not have a single electric vehicle for sale and 45% of those dealerships reporting that they would not offer an electric vehicle for sale regardless of automaker allocation and supply chain constraints.²¹

¹⁶ U.S. Bureau of Labor and Statistics, “Automotive dealerships 2019-22: dealer markup increases drive new-vehicle consumer inflation,” April 2023, available at <https://www.bls.gov/opub/mlr/2023/article/automotive-dealerships-markups.htm>.

¹⁷ Auto Remarketing, “Survey shows customers have little trust in dealerships,” Mar. 5, 2024, available at <https://www.autoremarketing.com/ar/retail/survey-shows-customers-have-little-trust-in-dealerships/>.

¹⁸ Better Business Bureau, “U.S. and Canada BBB 2024 Statistics,” available at <https://www.bbb.org/content/dam/iabbb/marcom-assets/bbb-complaints-stats/2024AnnualStatsOverall-ByComplaints.pdf> (last accessed May 23, 2025).

¹⁹ FTC Press Release, “FTC, Multiple Law Enforcement Partners Announce Crackdown on Deception, Fraud in Auto Sales, Financing and Leasing,” Mar. 26, 2015, available at <https://www.ftc.gov/news-events/news/press-releases/2015/03/ftc-multiple-law-enforcement-partners-announce-crackdown-deception-fraud-auto-sales-financing>.

²⁰ Notice of Proposed Rulemaking, “Motor Vehicle Dealers Trade Regulation Rule,” 87 Fed. Reg. 42012, 42017 (July 13, 2022).

²¹ Sierra Club, “A Nationwide Study of the Electric Vehicle Shopping Experience,” May 2023, available at <https://www.sierraclub.org/sites/www.sierraclub.org/files/2023-05/SierraClubRevUpReport2023.pdf>.

Case in point, Florida and New York have similar populations yet New York more severely restricts direct-to-consumer sales. As a result, in 2020, 80% more electric vehicles were sold in Florida as compared to New York.²² Allowing franchise dealers to ban electric vehicle manufacturer direct sales while also refusing to carry those electric vehicles hinders the customer's ability to choose his or her preferred vehicle technology. As explained by the Wall Street Journal Editorial Board, "[c]ar dealers don't want to give up a system that allows them to charge some customers more than others. But more competition and greater transparency would improve the car market by increasing the confidence of consumers that they are getting a square deal."²³

Customers Benefit from Direct-to-Consumer Sales Models

Allowing vehicle manufacturers to innovate in how they advertise and sell vehicles fosters competition, which serves to make markets more efficient and, in turn, benefits consumers. There are advantages to both dealer distribution and direct manufacturer distribution, but as recognized during FTC's January 19, 2016 workshop on automobile distribution, "[c]onsumers are best off when manufacturers are free to choose the distribution method that works best for them"²⁴

Scout Motors is deploying a business model, through an app-based platform, that will foster direct manufacturer-to-customer engagement and allow for customization, limit idle inventory, and streamline registration, financing, and servicing that we estimate can reduce the retail price of each vehicle by \$7-10K as compared to the typical franchise dealer approach. Our approach also seeks to respond to the voice of customers that want an online buying experience, shorter transaction times, and flexibility in service solutions.²⁵

By employing a business model that does not push sales commissions, large inventories, and price negotiation, Scout Motors is providing its customers with a different option—purchasing a standard product at a set price. Such competition will only lead to further consumer benefits through innovation by traditional dealerships in response. In fact, according to data compiled by the National Automobile Dealers Association, in states that have allowed at least one direct seller to enter the market, franchise dealerships saw sales revenue increase nearly 80% between 2012 and 2021. During that same time, dealerships in states that did not allow direct sales only increased sales revenue by

²² Electrification Coalition, "Freedom to Buy: What's In My State."

²³ Wall Street Journal, "Freeing EVs from the Dealer Cartel," Nov. 13, 2022, *available at*, <https://www.wsj.com/articles/freeing-electric-vehicles-from-the-car-dealer-cartel-texas-lucid-lawsuit-11667858844>.

²⁴ Dan Crane, "The Anticompetitive Effects of Direct Distribution Prohibitions in the Automobile Industry," p.5, January 19, 2016, *available at* https://www.ftc.gov/system/files/documents/public_events/895193/panel_3_-_crane.pdf.

²⁵ Scout Motors market analysis shows that it takes, on average, 810 minutes to purchase a vehicle from a franchise dealer as compared to 10 minutes when buying online directly from the manufacturer.

61%.²⁶ Competition is good for business, for both new entrants and incumbents—and ultimately the consumer.

State Spotlight: Florida Limits Dealer Competition and Price Transparency

In 2023, Florida Governor Ron Desantis signed H.B. 673 into law, which strengthens protections for franchise dealers by limiting competition and restricting a manufacturer's ability to curb franchise dealer price mark-ups.²⁷ Notably, the law amended Florida Statute Chapter 320 to prohibit manufacturers from selling its vehicles directly if that manufacturer is a "common entity"—broadly defined to include two separate entities having the same ultimate corporate parent holding an arbitrary 30% or greater ownership stake—of another vehicle manufacturer that, prior to the enactment of the law, has sold vehicles through a franchise dealership. As a result, brands like Rivian, Lucid, and Tesla, which sold direct prior to passage of H.B. 673, are able to continue to do so, while new market entrants that have legacy manufacturer investment partners are not. Such a provision will no doubt limit corporate investment into new companies by legacy automakers even if these new companies sell vehicles wholly distinct from the legacy automaker's fleet, potentially resulting in fewer new market entrants for consumers to choose from.

Beyond direct sale restrictions, the law further limits a manufacturer's ability to require or incentivize its franchise dealers to limit dealer profit margins added on top of the Manufacturer's Suggested Retail Price ("MSRP") and restricts the manufacturer's discretion in allocating new vehicles to its franchise dealers. As a result, consumers have less price transparency while, at the same time, manufacturers are virtually powerless to reign in dealer fees. Like many state dealer franchise laws, these provisions benefit franchise dealers at the expense of an open and competitive market.

State Spotlight: Washington Picks Winners and Losers

"Limited Access" dealership franchise laws are also equally anti-competitive. In at least 12 states, dealer franchise laws allow direct sale for a limited number of companies, sometimes just a single company, while barring new entrants into the state from selling directly.

In 2014, the Washington State Legislature adopted a law allowing only a single auto manufacturer, Tesla, to sell directly to consumers. Under this law, Tesla's business in Washington has grown—they operate ten retail centers where consumers may test drive and purchase vehicles and six service centers where owners can bring their vehicles for repair.

²⁶ Electrification Coalition, "Freedom to Buy," available at <https://electrificationcoalition.org/freedom-to-buy/> (last accessed May 25, 2025).

²⁷ AutoBody News, "Florida Bans Direct-To-Consumer Car Sales for Legacy Brands," June 20, 2023 available at <https://www.autobodynews.com/news/florida-bans-direct-to-consumer-car-sales-for-legacy-brands>.

Tesla's growth in Washington over the last decade is clear evidence of consumer demand for innovative products and the direct sales and service model. However, as new automakers like Scout Motors, as well as Rivian and Lucid, have organized and sought to do business in Washington, they have been rebuffed by the Legislature. Proposed legislation in 2021 to open the state to direct sales was defeated. Subsequent attempts in 2024 and this year were defeated as well. Unless the law in Washington is changed, franchise dealers are insulated against competition from Rivian, Lucid, Scout Motors, and any new automotive company that attempts to enter the marketplace.

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Scout Motors applauds the DOJ's efforts to root out anti-competitive regulations—through both this opportunity for public comment and other proactive regulatory actions²⁸—and urges the Department to focus its attention on the myriad state laws that insulate franchise dealers from competition that would serve massive financial benefits to U.S. consumers, the U.S. auto industry and U.S. manufacturing. This competition means lower prices for consumers and more jobs for American workers. The legacy market dynamics that once required direct sale bans no longer exist and now only serve to create barriers to the natural innovation and adaptation you would anticipate in a normal competitive marketplace. Scout Motors is not anti-dealer; instead, we are opposed to artificial regulatory barriers that result in state-selected winners and losers. There is no reason companies utilizing direct sales models and franchise dealer models cannot both operate in the same market, competing with one another. This is not a radical position; organizations across the political spectrum oppose direct sale bans, from libertarian free trade advocates²⁹, to public interest non-governmental organizations³⁰, to academics.³¹

²⁸ For example, DOJ Antitrust Letter to Iowa Representative Henry Stone re: comments on Iowa Senate Study Bill 1113 address the construction of new power grid infrastructure, Mar. 24, 2025, *available at* <https://www.justice.gov/atr/media/1394696/dl>.

²⁹ Brief of *Amicus Curiae* Americans for Prosperity Foundation-Texas In Support of Plaintiff's Motion for Summary Judgment, *Lucid Group USA, INC. v. Monique Johnston, et. al*, No. 22-cv-01116-RP, ECF No. 22 (W.D. Tex., 2023) ("Texas's Direct-Sale Prohibition is pure economic protectionism lining the coffers of a powerful interest group at the expense of consumers and the free market").

³⁰ Sign-on Statement to State Government Leaders About the Anti-Consumer Effects of Laws Prohibiting Direct Distribution of Automobiles, Feb. 17, 2015, *available at* <https://www.antitrustinstitute.org/work-product/aai-lends-support-to-statement-to-state-government-leaders-about-the-anti-consumer-effects-of-laws-prohibiting-direct-distribution-of-automobiles/> ("[direct sale bans] have negative consequences for the entire automotive industry—including . . . what innovative new technologies can reach the market.").

³¹ Open Letter by Academics in Favor of Direct EV Sales and Service, April 14, 2021, *available at* <https://laweconcenter.org/wp-content/uploads/2021/04/Direct-Sales-Nationwide-Academics-Letter-4.14.pdf> ("There is no credible consumer protection argument in favor of prohibiting direct distribution. Consumers should be given the choice of how they buy their cars.").

Blair Anderson

Vice President, Government and Regulatory Affairs
blair.anderson@scoutmotors.com
571.618.8595



Competition fosters innovation, and innovation strengthens markets. Scout Motors looks forward to working with the DOJ to find solutions that will foster healthy competition in the automotive industry.

Regards,

Blair Anderson
Vice President, Government and Regulatory Affairs
Scout Motors Inc.