

Abbott Shuts Door on Tesla Loophole

Giving a nod to franchised auto dealerships, Gov. Greg Abbott has suggested that Texas doesn't need to carve out a loophole in its laws that would allow Tesla to sell its high-end electric cars directly to consumers.

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Tesla vehicle on display outside the Texas Capitol on Jan. 15, 2015. Marjorie Kamys Cotera

Giving a nod to long-established franchised auto dealerships, Gov. [Greg Abbott](#) says Texas doesn't need to carve out a loophole in its laws that would allow Tesla to sell its high-end electric cars directly to consumers.

"Texas has a very robust, very open, very effective automobile sector that seems like it's

working quite well the way that it is," the Republican [told Bloomberg Radio](#) on Tuesday. "If you're going to have a breakdown in a car, you need to have a car dealership there to make sure that the vehicle is going to be taken care of. We haven't seen that from Tesla."

Tesla's business model is to sell directly to consumers, bypassing the middleman dealers as it does in many states. But a longstanding law bars that practice in Texas.

Dealerships argue that the law protects Texans by ensuring that they have spots to buy cars across the state, not just in populated cities where manufacturers might focus if given the chance to sell directly.

Tesla calls the traditional dealership model unworkable, because the company doesn't mass-produce its cars — at least not yet. The company allows customers to order customized cars that it later delivers, and it can't depend on independent dealers to champion its new technology, it says.

Following an unsuccessful push to overturn the law in 2013, Tesla CEO Elon Musk — who has called the law "[extremely un-Texan](#)" — reloaded in 2015, pumping more cash into the campaign coffers of Texas politicians and more than doubling his lobbying team. Legislation that would have allowed the company to operate up to 12 stores [failed to draw a House or Senate committee vote](#) — a testament to the dealers' power.

That legislation was modeled on deals Tesla has forged in other states including New York, Ohio, Pennsylvania and Maryland.

Tesla has refused to call last session a failure. The company says it educated more consumers and lawmakers and will continue its fight to enter the country's second-largest automobile market. And on Tuesday, it said it wasn't discouraged by Abbott's comments.

"As a growing company, we are optimistic about the governor's pro-business position and hope to be selling direct soon," Ricardo Reyes, a spokesman, said in a statement.

Abbott's comments contrast with those of his predecessor. Last year, Gov. [Rick Perry suggested in an interview with the Fox Business channel](#) that the state's dealership laws were "antiquated protections" that should be revisited. Those comments came as Texas was trying to entice Tesla to build its \$5 billion lithium-ion battery plant here. The company [ultimately chose Nevada](#).

Just 1,800 Teslas were registered in Texas though January of this year.