Statement for the Record for Tesla Motors, Inc.

Written Testimony on HB 2529 by James C. Chen, Vice President of Regulatory Affairs & Deputy General Counsel

Before the
House Transportation Committee

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Tesla would like to thank the Honorable Chairman Proehl and the other honorable members of the House Transportation Committee for allowing Tesla the opportunity to provide written testimony today in opposition to HB 2529.

I. Background

Tesla is an American manufacturer of all electric vehicles (EVs). Founded in 2003 by five U.S. engineers, Tesla seeks an end to our country's dependence on oil, particularly foreign oil, in the light duty transportation sector. Tesla's core mission is to catalyze the mass market for EVs through products that capitalize on domestic sources of energy and provide greater utility and performance than the incumbent technology of gasoline powered vehicles.

From the outset, our plan has been to capitalize the costs of our innovative new powertrain technology in higher end products with a goal of aggressively driving down costs as we iterate further the technology in subsequent product offerings. Similar to cell phones that started out at over $5,000 in the 1980's or flat screen televisions that used to be tens of thousands of dollars, Tesla is iterating the technology and heading towards greater economies of scale. Starting with the market-inspiring Tesla Roadster in 2008; a two-seat sport car, capable of 245 miles of range on a single charge, with a zero to 60mph time of 3.7 seconds and a starting price of $109,000, we moved to quickly to our next offering – the award-winning Model S. Released in 2012, less than a year after the conclusion of the Roadster program, the Model S is capable of achieving over 300 miles of range under the old EPA city/hwy driving cycle test (Model S is rated at 270 miles of range on the updated EPA test that also takes into account air conditioning usage, cold weather operation and high speed driving). With a starting price of $70,000, Tesla was able to take out nearly half of the cost in this next iteration vehicle, while vastly improving utility (i.e., seating for five adults and two children in optional rear facing child seats, class-leading storage, Supercharging capability, etc.) and performance (0-60mph times of as little as 2.8 seconds, improved range, driver selectable settings). The Model S has won numerous awards, including being named MotorTrend Magazine's 2013 Car of the Year; Automobile magazine's and Yahoo Automotive's automobile of the year; and recently, being referred to by Consumer Reports as "the best car they ever tested" scoring 103 out of possible 100. In the third quarter of last year, Tesla released the Model X, a large crossover vehicle with seating for up to seven adults, a 5,000 pound towing capacity, best in class storage capacity and other compelling features. In two years, Tesla will release the Model 3, the first car based on our third generation platform, with a starting price of $35,000 with at least 200 miles of real world range. Production is scheduled to begin in 2017 – this third generation electric vehicle, planned less than a decade after introduction of Tesla's first ever vehicle, will represent the market entry of a long range, all electric vehicle at 1/3 the price of the Roadster. Once achieved, this aggressive technology innovation and release will represent a feat in engineering and price reduction that no other automobile manufacturer has ever matched.

II. Electric Vehicle Adoption

Tesla is still in the nascent stage of rolling out increasingly affordable EVs for mass adoption. In the last year, Tesla delivered over 50,000 vehicles worldwide at ever decreasing price points with over half of them registered in the U.S. By comparison, Ford and General Motors produce that many vehicles for U.S. distribution in a single week. So while Tesla is proud of its accomplishments as the newest brand name in the U.S., we have a long way to go on our core mission of challenging the incumbent technology of gas-powered cars.

Fundamentally, Tesla agrees that every driver needs to pay their fair share for the infrastructure that carries those vehicles; but we believe that a singular tax on EVs is not the most salient solution at this time. Specifically, EVs (including plug-in HEVs) make up less than 1% of the entire U.S. fleet. Taxing pure BEVs, which account for fractions of a single percent in the U.S. fleet, does not solve the issue of infrastructure funding and only vilifies a nascent technology designed to get us our country off of foreign oil and stop billions of U.S. dollars from going overseas. Instead, the issue of road maintenance and infrastructure support is a larger policy issue – especially in light of the fewer miles driven by U.S. drivers and the ever increasing efficiency of existing cars and trucks.

Tesla is in favor of an alternative that addresses this issue on a fleet-wide basis, as this is a fleet-wide issue. Infrastructure monies are decreasing because of the decreasing amount of gasoline and diesel being utilized by Americans. Not only are Americans driving less, but modern cars and trucks are also becoming increasingly fuel efficient – enabling longer distances on less fuel, thus resulting in lower consumption. For example, the 2015 Ford F-150 has an EPA rated fuel economy of 19 city/26 highway – in 1985, this vehicle achieved a fuel economy rating of 14 city/15 highway. Similar dramatic increases in fuel economy have resulted in other passenger cars and light trucks as well: a Chevy Cruz is currently capable of 45 miles per gallon. Clearly, the diminishing funds from gas taxes intended for the infrastructure are not solely (or even principally) from EVs.

Any solution should address the entire fleet – not simply one technology. New approaches for supporting the infrastructure should not be developed as a piecemeal approach or they will otherwise have negative repercussions on other important policy goals. Imposing EV-only fees not only inappropriately discriminates against a promising new technology capitalizing on domestic energy production; it simply does not solve the issue. Instead, a holistic approach that fairly captures revenue from all road users is required. Ideas that have been offered and show promise include a fee for "vehicle miles travelled" (VMT) or one that bases costs on some other metric of actual road use. Such approaches are technology neutral and more equitably impose the cost of road and infrastructure maintenance on all users – not a single and insubstantial number of road users.

III. Proposed Legislation

House bill 2529, would impose an arbitrary $300 fee on individuals driving EVs, when the average gas tax a driver pays in Kansas per year is roughly $150, according to Kansas Department of Revenue. Such a result clearly discriminates against consumers purchasing new technology that reduces our dependence on foreign oil, stops U.S. dollars from going overseas and sends the wrong signal to those that would support zero emissions technology.

Moreover, Tesla is trying to promote the use of EVs that capitalize on domestically sourced power while *reducing* the cost of EVs as a low-emissions alternative. Th type of fee proposed by HB2529 inappropriately singles out EV technology, and disincentives a technology based on domestic production and domestic energy sources. That this language would target EVs as the only alternative fuel vehicles required to pay a $300 tax rate is especially egregious, demonstrating an uncharacteristic bias against EVs versus natural gas vehicles, ethanol powered vehicles or any other alternative fueled vehicle. The effect is to penalize drivers who purchase an EV compared to other alternative fuel vehicles. For the reason stated above, Tesla opposes HB 2529. Thank you for the opportunity to provide this testimony.