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Honorable Members of the Conference Committee on Senate File 4091

RE: Auto Dealer Positions on S.F. 4091

Conferees –

Thank you for all your work this session on the Omnibus Jobs, Energy and Commerce Bill. We appreciate the opportunity to weigh in and share the impacts on Minnesota's 375 franchised new car and truck dealers.

Electric Vehicles

Minnesota's auto dealers are all in for electric vehicles (EVs) and ask that conferees support the transition and development of the EV marketplace. The House version of Senate File 4091 contains several provisions from Senate File 1684 (Senjem)/House File 1668 (Stephenson) that encourage demand and remove barriers to EV adoption. Specifically, we ask that conferees support the following provisions:

Increased EV adoption by state and local government fleets (Article 27, sections 1 & 2): Through the California Clean Car rules, the state has imposed a mandate for Minnesota dealers to carry a level EVs of that far surpasses consumer demand. As a major purchaser of automobiles and light-duty trucks, the State of Minnesota should step up to the plate and purchase EVs in significant numbers for its own fleet.

Investments by Minnesota's investor-owned utilities (IOUs) in EV programs to improve access to electricity as a transportation fuel (Article 27, section 5): Electric utilities are well poised to support increased adoption and integration of EVs into the electric system to benefit all their customers. The IOUs should be able to make investments to assist with the transition to EVs and educate consumers about transportation electrification.

Grants for auto dealers seeking certification from their manufacturers to sell electric vehicles (Article 23, Section 7): In many instances, franchised new car dealers are required by their manufacturers to sign agreements and commit to making significant investments in their stores to be able to receive and sell EVs. For the first generation EVs, such as a Chevy Volt, a dealer's costs to become EV certified were around \$15,000 - \$25,000 dollars. With bigger electric vehicles and higher capacity batteries coming, that number has increased 10-fold for some makes, with those dealers required to make investments of \$150,000-\$250,000 to install more expensive fast chargers and larger lifts.

In an industry with historically low profit margins, dealers are only going to make this investment if they have the resources and are confident they can get a return on it. The interruptions in the global supply chain have created greater uncertainty about when product will be available and that return can be realized.

The grant program established in the House bill will allow franchised dealers to apply for grants of up-to-\$40,000 to help them purchase the infrastructure required by their manufacturers to become EV ready. These dollars will go a long way in alleviating some of a dealer's financial risk.

Additionally, since dealerships are located on high traffic highway corridors in all corners of the state, more EV-certified dealers mean more access to charging stations by the motoring public as they traverse Minnesota. We think the state would get more bang for the buck by increasing the dollars for this program versus putting in chargers at out-of-the way rest areas and state parks.

Catalytic Converters

With the prices of precious metals soaring, catalytic converter theft is a tremendous problem for vehicle owners, including dealers and fleet owners. These thefts are costing consumers and dealerships millions of dollars, and in light of the global supply chain shortage, it is difficult and extremely costly to replace catalytic converters. MADA supports efforts to crackdown on catalytic converter theft and appreciates the House including several provisions in Article 30 to tackle the issue including:

- requiring scrap dealers to record identifying markings on catalytic converters they purchase (section 3);
- enhanced penalties for theft of multiple catalytic converters (section 6);
- prohibiting possession of used catalytic converters (section 7); and,
- defining detached/used catalytic converters as contraband (section 14).

That being said, there are provisions related to catalytic converter theft that are extremely expensive and unnecessary. Section 10 in Article 30 requires dealers to mark the catalytic converters of ALL vehicles in their inventory. Collectively, this will cost dealers at least \$100 million dollars (\$10 for the stickers and \$90 in labor for the million new and used vehicles sold each year in Minnesota), but that number is conservative, as many vehicles have their catalytic converters buried behind underbody panels and other equipment, costing a few thousand dollars to access. Because these catalytic converters are hard to reach, they are not stolen, as catalytic converter theft is a crime of convenience.

According to the Department of Commerce, there are 15 vehicle models¹ out of hundreds on the road that are frequent targets of catalytic converter theft. We should focus our efforts on marking those vehicles instead of disassembling vehicles to mark catalytic converters that will never be stolen. Additionally, we ask that licensed auto dealers be exempt from the possession prohibition in section 7, which aligns with model legislation promoted by the International Association of Auto Theft Investigators².

We are grateful for the opportunity to weigh in and appreciate your consideration of our positions. Please don't hesitate to let me know if you have follow-up questions or if the Association can be a resource to you during the final negotiations.

Sincerely,



Amber Backhaus
Vice President of Public Affairs
MADA

¹ [Catalytic Converter Pilot / Minnesota.gov \(mn.gov\)](https://www.mn.gov)

² [Model Legislation - International Association of Auto Theft Investigators \(iaati.org\)](https://www.iaati.org)