Scout

April 14, 2026

Oppose SB 2778: Protect EV Growth and Clean Energy in Rhode Island

Dear Chairman Britto, Vice Chairwoman Sosnowski, and Members of the Senate Commerce Committee,

Under Rhode Island law, new automotive manufacturers can sell vehicles directly to consumers. This status quo has allowed innovative new American companies to enter the Rhode Island market while enabling healthy competition and expanded consumer choice by ensuring greater access to electric vehicles. Traditional franchised dealerships have not been harmed—direct-to-consumer and franchise models already coexist successfully, giving Rhode Islanders the benefit of both systems in a modern, competitive marketplace. SB 2778 provides a solution in search of a problem.

Transportation is the largest source of greenhouse gas emissions in Rhode Island, and the state has responded by adopting ambitious EV adoption targets and clean transportation policies. SB 2778 moves in the opposite direction. By restricting how new EV manufacturers can raise capital and structure their businesses—particularly through its unprecedented 30% equity threshold—it effectively blocks the innovative companies that are driving electrification from entering the Rhode Island market. The practical result is fewer EV options, reduced competition, and higher car prices for Rhode Islanders. All of which directly undermine the state's climate and electrification goals.

If Rhode Island is serious about accelerating EV adoption, it must remove barriers—not create new ones.

Blocks American Innovation & Consumer Choice

America's ability to raise capital and foster entrepreneurship is one of its greatest strengths. SB 2778 threatens that foundation. By limiting investment from legacy automakers, the bill would prevent companies like Scout Motors from accessing the very capital needed to bring new EVs to market.

History shows the potential consequences of this approach. With early investments from Daimler (Mercedes-Benz), Toyota, and Ford, American companies like Rivian and Tesla would not have survived under a law like SB 2778. Without investments, innovative new EV companies would not exist, eliminating the possibility for new companies to reshore manufacturing, jobs, and investment to the United States. Restricting emerging manufacturers through SB 2778 sends a clear signal that the state is closed to innovation and new business models, putting Rhode Island at a competitive disadvantage compared to neighboring states.

The bill also undermines Rhode Island's environmental goals. Direct-to-consumer manufacturers are leading the transition to electric vehicles, expanding consumer access to cleaner transportation, and accelerating EV adoption. Limiting their ability to operate in the state will slow EV deployment, reduce consumer choice, and ultimately hinder progress toward emissions reduction targets already set by the legislature.

Instead, this bill protects entrenched interests at the expense of the environment and consumers. It limits Rhode Islanders' ability to purchase vehicles through modern, streamlined direct-to-consumer sales models that have proven successful across much of the country and world. Direct sales do not eliminate franchised dealers—in states and countries where direct sales are permitted; both models coexist and thrive. 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 only 61%. Competition is good for business, for both new entrants and incumbents – and ultimately the consumer.

Increases Costs and Limits Access

Rhode Island recognizes that cost is one of the most significant factors in a consumer's vehicle purchase decision. Policies that artificially restrict competition inevitably raise prices. The DOJ's Antitrust Economic Analysis Group itself has recognized that "perhaps 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."[1] These efficiencies, therefore eliminate the estimated 8.6% mark-up that the franchise dealer model adds to the cost of a new vehicle.[2] Another independent organization calculated the annual harm to consumers at $48 billion on new car sales.[3]

Simply put, pricing and regulatory barriers that make EVs more expensive are detrimental to consumers and to the state's environmental goals.

Blocks Investment in Rhode Island's Economy

Scout Motors intends to invest in brick-and-mortar sales and service infrastructure directly in Rhode Island. SB 2778 would prohibit those investments, forcing Rhode Islanders to travel out of state to purchase or service our vehicles. That is not a pro-business policy. It denies Rhode Island new jobs, new tax revenue, and new infrastructure investment—all while limiting consumer access.

Many Dealerships and Car Salespeople Are Reluctant to Promote EVs

National data shows that many traditional dealerships have been slow to embrace EV sales. Thousands of dealerships nationwide have expressed opposition to aggressive EV sales targets. Independent studies have found that a majority of dealerships do not have EVs available on their lots, and a significant percentage report that they would not prioritize EV sales even if given additional inventory.

The Sierra Club issued a Nationwide Study of the Electric Vehicle Shopping Experience, showing:

- 66% of car dealerships nationwide did not have a single EV available for sale.
- Of the 66% of car dealerships without any EVs for sale, 45% said they would not offer EVs regardless of automaker allocation.
- In other words, the direct sales model currently being used by Rivian and Tesla works. Direct sales occur in only 23 states but account for 65% of the nation's EV sales.

Conclusion: SB 2778 Stalls Progress

SB 2778 supports outdated restrictions and protects entrenched interests, jeopardizing consumer choice, stifling innovation, and undermining Rhode Island's clean transportation commitments that the General Assembly fought so hard to enact. It would limit capital formation, raise costs, block new entrants, and slow EV adoption at precisely the moment when Rhode Island is striving to lead on climate policy.

Rhode Island should embrace competition, innovation, and direct EV sales—not restrict them. For these reasons, I respectfully urge the Committee to vote NO on SB 2778.

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[1] 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.

[2] *Id.* at p. 6.

[3] 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

Thank you for your time and consideration.

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