



Not Rocket Science:

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Car-Dealer Cartel Stalled Musk's Tesla

Consumer-Direct Car Sales Bomb, As Rocket Agenda Lifts Off

PayPal founder Elon Musk offers a case study of what happens when an out-of-state billionaire drops into Austin seeking legislative help. After visiting Austin, beefing up on lobbyists, doling out a few campaign checks and entertaining the House Appropriations chair in Los Angeles,¹ Musk won some 2013 battles and lost others. Lawmakers happily gave Musk what he wanted—so long as he didn't challenge powerful, entrenched interests.

After eBay bought PayPal for \$1.5 billion in 2002, PayPal's chief stockholder launched several new ventures including Space Exploration Technologies (SpaceX) and Tesla Motors. Musk's SpaceX recently guided two bills through the Texas Legislature that could help it build a rocket-launch site in southeastern Texas. These bills rocketed through the 2013 legislature with negligible opposition, even though they take tort reform and corporate welfare into whole new orbits.² Lawmakers meanwhile killed a much more modest [bill](#) to let Tesla bypass dealerships and sell vehicles directly to Texans.³

Employees in Tesla car galleries in Austin and Houston are legally prohibited from offering visitors a test drive, quoting them a price or even directing them to Tesla's [website](#).⁴ If a Texan does order a Tesla from California, the car must be delivered by third-party trucks that cannot advertise the Tesla brand.

This year neither the House nor the Senate agreed to hold chamber-wide votes on legislation to repeal these draconian restrictions. Tesla's loss was a [victory for auto dealerships](#) led by the Texas Automobile Dealers Association (TADA). The late revolving-door lobbyist Gene Fondren helped make TADA one of Austin's most powerful trade groups.⁵ Although TADA has successfully repealed antiquated laws barring car sales on Sundays, it vigorously defends other antiquated measures. TADA president Bill Wolters recently warned that the Tesla bill would speed the day when carmakers could "compete with our family-owned businesses." Wolters suggested that such competition would hurt consumers.⁶

Dealership interests invested more than \$2.5 million in Texas' 2012 elections. Almost a third of this cash came from Gulf States Toyota's Thomas Dan Friedkin and Gulf States Toyota PAC. The dealer's dealer, Gulf States sells vehicles and parts to 150 dealers in five states, accounting for 13 percent of all Toyotas sold in the USA. The top recipient of Friedkin money, Governor Rick Perry (\$96,574), first appointed his patron Friedkin to a plum post on the [Texas Parks and Wildlife Commission](#) in 2005.⁷

Formula 1 auto dealer Red McCombs distributed more than \$300,000 to Texas politicians in the 2012 cycle. McCombs surpassed the almost \$286,000 that TADA PAC doled out. Nonetheless, 60 percent of all current lawmakers collected a TADA check in the 2012 cycle. Only 17 House members did not appear to receive recent car-dealer financing.⁸

By contrast, when Musk started giving to Texas politicians in 2012 he distributed a grand total of \$7,500 to five lawmakers. Those contributions appear to promote the agenda of SpaceX— not Tesla. Musk directed all but one of his checks to legislative districts near SpaceX's test site outside Waco or to the Brownsville area that SpaceX is eyeing for a spaceport.

Elon Musk's State Contributions

Amount	Recipient
\$2,000	Sen. Brian D. Birdwell (R-Granbury)
\$2,000	Sen. Eddie Lucio, Jr. (D-Brownsville)
\$2,000	Sen. Tommy Williams (R-Woodlands)
\$1,000	Rep. Eddie Lucio, III (D-Brownsville)
\$500	Rep. J.D. Sheffield (R-Gatesville)
\$7,500	TOTAL

Note: All Musk contributions from November 2012.

Texas' Top Car-Dealer Contributors, 2011 through 2012

Amount	Contributor	City	Affiliation
\$453,324	Thomas Dan Friedkin	Houston	Gulf States Toyota
\$331,310	Gulf States Toyota PAC	Houston	Gulf States Toyota
\$306,500	B.J. 'Red' McCombs	San Antonio	Red McCombs Auto. Group
\$285,750	TX Auto. Dealers Assn. PAC	Austin	TX Auto. Dealers Assn.
\$58,800	Michael J. Shaw	Fredericksburg	Mike Shaw Chevrolet
\$51,000	Carl Sewell	Dallas	Sewell Automotive Companies
\$40,550	Norman D. Frede	Houston	Norman Frede Chevrolet Co.
\$40,000	Darrell L. McCutcheon	Richardson	Reliable Chevrolet
\$37,950	Robert H. Hoy	El Paso	Hoy Fox Auto. Market
\$31,880	S. Ray & Ann Huffines	Plano	Huffines Auto Dealerships
\$30,500	Sam H. Pack	Carrollton	Pack's Five Star Ford
\$28,500	Tom Durant	Grapevine	Classic Chevrolet, Inc.
\$27,829	Bryan Hardeman	Austin	Mercedes Benz of Austin
\$25,000	B Motors	Houston	B Motors
\$24,250	T. Nyle & Nancy Maxwell	Round Rock	Maxwell Auto Group
\$24,000	TX Indep. Auto. Dealers Assn.	Austin	TX Indep. Auto. Dealers Assn.
\$23,000	John Eagle	Dallas	John Eagle Sport City Toyota
\$21,521	Drew & Jennifer Campbell	Bedford	New Car Dealers Assn. Metro. Dallas
\$20,000	Ed Hicks	Corpus	Ed Hicks Imports
\$18,800	David Peacock	Houston	Tom Peacock Nissan/Cadillac, Inc.
\$18,500	Raymond Palacios	El Paso	Bravo Cadillac
\$18,370	Lawrence Patrick Lobb	McKinney	Pat Lobb Toyota
\$15,500	Curtis C. Gunn	San Antonio	Gunn Automotive Group

Note: Big contributors above accounted for 77 percent of the car-dealer money tracked in this report.

2013 SpaceX Lobby Contracts

Lobbyist	Payment Amounts
Demetrius McDaniel	\$50,000-\$100,000
Joseph H. Park	\$25,000-\$50,000
Lauren Dreyer	\$10,000-\$25,000
Caryn Schenewerk	\$10,000-\$25,000
April Beggs	\$0-\$10,000
Celeste I. Villarreal	\$0-\$10,000
TOTAL	\$95,000- \$220,000

Musk's companies spent far more money on Texas lobbyists, with Tesla outspending SpaceX. SpaceX spent up to \$220,000 on six Texas lobbyists in 2013 (or almost 10 times what it spent on a single lobbyist during the 2011 session). Meanwhile Tesla paid eight lobbyists up to \$345,000 this session after not lobbying Texas at all in 2011. Here again, the auto dealers outdistanced Tesla, paying up to \$780,000 for 26 Texas lobby contracts.

2013 Tesla Lobby Contracts

Lobbyist	Payment Amounts
Demetrius McDaniel	\$50,000-\$100,000
Lisa O. Kaufman	\$25,000-\$50,000
Don McFarlin	\$25,000-\$50,000
Denise Davis	\$25,000-\$50,000
Tyler J. Rudd	\$25,000-\$50,000
Warren D. Chisum	\$10,000-\$25,000
April Beggs	\$0-\$10,000
Celeste I. Villarreal	\$0-\$10,000
TOTAL	\$160,000-\$345,000

If Tesla and Elon Musk are serious about breaking Texas' powerful car-dealer cartel they will need to drop a lot more political cash, perhaps over several sessions. Indeed, Musk may have better luck finding a friendly business climate in outer space. •

2013 Car-Dealer Lobby Contracts

Client (No. of Contracts)	Max. Value of Contracts
Gulf States Toyota (6)	\$335,000
TX Auto. Dealers Assn. (12)	\$280,000
DFW New Car Dealers Assn. (4)	\$70,000
Parkway Chevrolet (2)	\$60,000
New Car Dealers of West TX (1)	\$25,000
CarMax Auto Superstores (1)	\$10,000
TOTAL	\$780,000

Top Recipients of Car-Dealer Cash

Amount	Recipient (2012 Cycle)	Office
\$257,154	Rick Perry (R)	Gov
\$224,370	Greg Abbott (R)	AG
\$195,780	Joe Straus (R)	Sp
\$175,850	Susan Combs (R)	Com
\$145,500	David Dewhurst (R)	L.Gov
\$120,100	Texans for Lawsuit Reform	
\$50,000	Jeff C. Leach (R)	H-67
\$45,500	Barry Smitherman (R)	RRC
\$39,950	John Whitmire (D)	S-15
\$38,100	William 'Bennett' Ratliff (R)	H-115
\$36,250	Tommy Williams (R)	S-4
\$33,950	Elizabeth Ames Jones (R)	S-25
\$28,250	Joan Huffman (R)	S-17
\$28,000	Wendy R. Davis (D)	S-10
\$28,000	Jeff E. Wentworth (R)	S-25
\$25,000	Texas Republican Party	
\$23,500	Robert Lee Nichols (R)	S-3
\$23,000	John J. Carona (R)	S-16
\$21,850	Collin Co. Republican Party	
\$21,000	Greater Houston Mobility	
\$20,600	Todd Staples (R)	Ag Com
\$18,500	Kelly Hancock (R)	S-9
\$18,350	Associated Repub. of TX	
\$18,000	Larry A. Phillips (R)	H-62
\$16,500	Dan Branch (R)	H-108
\$14,500	James A. Moseley (R)	COA-5
\$14,000	Robert L. Duncan (R)	S-28
\$14,000	Jose R. Rodriguez (D)	S-29
\$13,700	Harris Co. Repub. Party	
\$13,250	Ruth J. McClendon (D)	H-120
\$12,500	Todd A. Hunter (R)	H--32
\$12,000	Juan 'Chuy' Hinojosa (D)	S-20
\$12,000	C Club	
\$12,000	Todd A. Smith (R)	S-9
\$12,000	Larry Taylor (R)	S-11
\$12,000	Harvey Hilderbran (R)	H-53
\$12,000	George P. Bush (R)	Land Com
\$11,650	Kelton G. Seliger (R)	S-31
\$11,442	Jeffrey L. Rose (R)	COA-3
\$11,250	Christi L. Craddick (R)	RRC
\$11,000	Kevin P. Eltife (R)	S-1
\$10,750	Linda L. Harper-Brown (R)	H-105
\$10,250	Patricia F. Harless (R)	H-126
\$10,110	Steve Hilbig (R)	COA-4
\$10,109	Charles Schwertner (R)	S-5
\$10,100	Phil S. King (R)	H-61

Notes

¹ SpaceX spent almost \$7,000 on Pitts and an aide, putting them up in a Santa Monica hotel and taking them to SpaceX's headquarters, Vandenberg Air Force Base and a Lakers game. "[SpaceX's Lobbying in Texas Zooming](#)," *San Antonio Express-News*, May 6, 2009.

² Just two [environmentalists](#) showed up to protest [House Bill 2623](#), which permits closures of Boca Chica Beach for rocket launches. Meanwhile, [nobody](#) opposed [House Bill 1791](#). This bill governs public funding of space ventures and protects space companies from noise and nuisance claims, while immunizing them from any injury claim not caused by gross negligence.

³ The Tesla bills were [HB 3351](#) and [SB 1659](#).

⁴ "Bill Sought By Tesla Fizzles," *Austin-American Statesman*, May 29, 2013. "Tesla Clashes With Car Dealers," *Wall Street Journal*, June 18, 2013.

⁵ "Former Lawmaker, Lobbyist Was Sharp Shaper of Policy," *Austin American-Statesman*, October 13, 2010.

⁶ "Electric Car Company Driven to Fight Texas Franchise Law," *Austin-American Statesman*, April 11, 2013.

⁷ To avoid counting the same dollars twice, this report does not include the contributions that Friedkin gave to Gulf States Toyota PAC (or any contributions to any car-dealer PACs).

⁷ They are Reps. Robert Alonzo, Cindy Burkett, Nicole Collier, Patrick Fallon, Abel Herrero, Tim Kleinschmidt, Stephanie Klick, George Lavender, Borris Miles, Elliot Naishtat, Mary Ann Perez, Ron Reynolds, Toni Rose, J.D. Sheffield, David Simpson, Jonathon Strickland and Eugene Wu.
