



May 23, 2022

Via Overnight Delivery and US Mail

Ms. Scott Keogh, CEO
Volkswagen Group of America
2200 Woodland Pointe Avenue
Herndon, VA 20171

Re: Recent Announcement by VW related to Scout as a new line make.

Dear Mr. Keogh:

On behalf of North Carolina's Volkswagen dealers, I am writing to express our collective surprise and disappointment with the recent announcements from Volkswagen regarding the plan to market the Scout electric off-road SUV and the electric pickup truck outside of VW's existing dealer network.

Rechanneling EVs away from Current Dealer Network. Specifically, in light of VW's announcements regarding a separate distribution channel for these upcoming electric vehicles, dealers are very concerned that such plans are intended by VW as an initial foray into a larger effort to create separate dealer networks for EVs and ICE vehicles. Such a plan would have a significant negative impact on the franchise value of current VW dealers.

Despite repeated assurances throughout the years by Volkswagen that its dealers are "partners" in advancing and promoting VW products, this announcement produced instant dismay and concern among all VW dealers. Certainly, given the strong history of a supportive and effective VW dealer network, even during the diesel-gate fiasco, the clear expectation would be that current VW dealers would be given the first opportunity to enlist as a Scout dealer. However, the widespread belief is that the underlying reason VW is planning to create a parallel dealer network is VW's intention to reduce the VW dealer count.

Additionally, while the current announcement indicates that Scout will compete in the SUV / Pickup market, such a move produces uncertainty as to the makes and models that Scout will sell as compared to VW or Audi. This is very alarming -- and puzzling -- to the current dealer network. For years, VW dealers have been clamoring for VW to include a pick-up truck in its product line so that they could compete in this very popular and important market segment and what VW has instead announced is its intention to produce and market the Scout pick-up outside of the current VW dealer network.

Dealers with decades of pride and enthusiasm as a VW dealer and who have supported the VW brand with large financial commitments over the years are left only to contemplate the diminished value of their dealerships. Dealers with newly upgraded facilities must now question the prudence of their investment. Dealers with long-time dealership employees are left speechless when approached by their staff with inquiries about the future. In the end, we are exceptionally hopeful that the VW Group of America does not intend to create a parallel distribution system that results in direct competition among its network of dealers.

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Understanding that the industry is going through unprecedented changes as a result of the continued efforts towards an EV transformation, North Carolina's Volkswagen dealers have taken unparalleled steps to be "All in for EVs" in support of VW's plans for this advancing technology. From the creation of a dealer-driven, statewide advisory committee for EVs, to a PR campaign promoting the availability of EVs from legacy dealers, to the millions of dollars spent by VW dealers to equip their dealerships and train their employees to sell and service EVs, the current network of VW dealers is poised to play an absolutely crucial role in the global adoption and distribution of mass-market EVs across the Tar Heel state and across this great nation.

Opposition to Direct Sales by OEMs As our industry plans for the future of EVs, VW dealers adamantly believe that the legacy manufacturers and distributors have the broadest, best-trained, most-committed and most-reliable network of partners in place today. This factory/dealer partnership, based on a 100-year tradition, is the winning combination – the competitive advantage -- for both stakeholders in the future of EVs.

As such, today's VW dealers are also acutely concerned about the possibility that VW may attempt to introduce a new factory-direct distribution channel to consumers in tandem with its distribution of vehicles through the VW dealer network. Again, based on a century of consumer-centric retail experiences, dealers firmly believe that an independent network of highly competitive, well-compensated and specially trained dealers is the most effective business model through which vehicle manufacturers and distributors can maximize both units sold and market share. Frankly, NCADA will use every legitimate resource available to enforce its existing franchise laws that prohibit VW and all other factories and distributors from selling vehicles in North Carolina in competition with their franchised dealers.

In summary, NCADA will continue to work with our dealer members and the Volkswagen Group to produce a win-win-win relationship for the VW customer, the dealer, and VW. Additionally, should our suspicions be confirmed and our concerns continue, NCADA will work with NADA, other state dealer associations, and certainly our state regulators to ensure that the vast protections of our state's franchise laws are enforced in order to protect North Carolina's consumers and dealers.

On behalf of the dealers, we would certainly welcome the opportunity to meet with you and your leadership team, together with the North Carolina's VW dealers, to discuss the critical issues referenced above.

Sincerely,



Robert J. Glaser
NCADA President

cc: NCADA Board of Directors
North Carolina VW dealers
NADA President Mike Stanton