

## NADA makes direct-sales fight its top 2026 cause

Franchised dealers are rallying around their national trade association's top directive for 2026: stop the direct-sales ventures launched by traditional automakers through affiliates and partnerships.

National Automobile Dealers Association CEO Mike Stanton emphasized that message across multiple appearances at last month's NADA Show in Las Vegas, declaring the battle against direct sales models associated with Volkswagen and Honda to be the dealer group's chief focus this year.

"This is our number one priority," Stanton said at the convention. "We are in the fight."

The concern centers on Volkswagen's Scout Motors and the Sony Honda Mobility joint venture. Both plan to sell directly to consumers while their sibling brands continue to rely on franchised dealers.

Core to the dispute is how directly the new brands are tied to VW and Honda. Scout, for one, is owned by Volkswagen Group but maintains it is independent from VW's legacy brands and thus is free to sell directly. Dealers, however, argue that Scout's planned use of VW platforms and assembly plants belies such independence.

Tensions spilled over inside two closed-door meetings VW executives held with retailers at the NADA Show. People who were present described the gatherings as strained as dealers pressed VW on the Scout plan.

Scout has signaled a willingness to challenge the franchised model. In 2025, a Scout executive asked the U.S. Department of Justice to "take all steps necessary to eliminate state motor vehicle franchise laws," calling them "burdensome restrictions on competition," according to Automotive News. The request came in an 11-page letter to the DOJ's Anticompetitive Regulations Task Force, an entity created by the Trump administration to reduce regulatory burdens.

Even as Scout has sought to curb franchise laws, its executives have tried to ease retailer concerns. In January, according to Automotive News, Scout CEO Scott Keogh told the BloombergNEF Summit: "Make no mistake, dealers sell 90 to 95 percent of the cars in America. They have a massive footprint. They've treated customers well. They've done great things. This is an alternative."

Dealers are pushing back in the courts.



NADA CEO Mike Stanton pledged NADA's war chest to fighting plans by Scout Motors and Sony Honda Mobility to sell their vehicles directly to consumers.

The California New Car Dealers Association has filed lawsuits challenging the direct-sales plans of both Scout and Sony Honda Mobility, arguing that they violate a 2024 update to the state's franchise law requiring that affiliates of automakers with franchised dealers must also sell through dealers.

In Colorado, Volkswagen dealers sued the state's Department of Revenue after its Motor Vehicle Dealer Board voted in December to grant Scout a dealer license. Dealers seek to overturn that decision, arguing that regulators misread state law by treating Scout as a standalone electric vehicle manufacturer instead of as an affiliate of Volkswagen.

VW and Audi dealers in Florida also are challenging Scout, contending its connection with Volkswagen bars it from selling directly under state statute. And VW dealers in New York and Connecticut have joined a proposed class action lawsuit filed in federal court in Virginia that challenges Scout's direct sales plan on a national basis.

NADA is backing dealer challenges. Stanton told dealers at the NADA Show that the association has committed undisclosed sums from its legal defense fund to support the Scout challenges in California and Florida.

Said Stanton: "We have a big war chest, and we have not said no to a request."

# California dealers sue over Scout, Sony Honda plans they call 'existential threat'



California dealers are frontline combatants in the legal clash over Scout Motors and Sony Honda Mobility, first rewriting state law and now suing to block the factory-direct sales plans of both ventures.

California New Car Dealers Association President Brian Maas spoke to Presidio Perspectives on why he views the Scout and Sony Honda plans as a threat to the franchise system. Here are edited excerpts.

## How big of an issue is this direct-sales push for your dealers in California?

A lot of initiatives of the OEMs tend to be launched in California. So we're always trying to look around the corner and see what's coming. We realized a few years ago the direct sales threat was a serious one. [In California], we have an anti-competition bar, which [states] manufacturers can't compete against their own dealers. By launching a new direct sales-related brand, they're competing directly with their franchisees. Every VW dealer would love to sell a Scout vehicle, but VW has chosen to say, 'We're going to try and distribute those directly and not use our business partners.' And their business partners are pretty angry about it.

If the OEMs are allowed to compete against their own franchisee, the meaning of the franchise system is undermined. We feel like this is a potential existential threat.

## What was changed in the California law?

We strengthened our law to make it clear that what VW and Scout and Sony Honda are doing is illegal under our statute. [The revision] called out affiliates, and [made sure to] accurately define competition, so that the very behavior that they're engaged in now would be prohibited. We knew this was coming.

[The changes] took effect in January of '24. We sued VW and Scout in April of '25 and Sony Honda in August.

## How do you think Volkswagen leaders view their strategy — and what happens if they win in California?

I think executives within Volkswagen believe this is the right strategy for the company, full stop. And they're not thinking about California law. They're not thinking about how angry the VW dealers are that they're not getting Scout vehicles. They've just decided this is the strategy they want to pursue, and they're proceeding. Scout's general counsel

[wrote] a letter to the California Legislature when our bill was pending, saying this would prohibit [them] from doing business as Scout. So it's not like they didn't know the law. They absolutely know; they're choosing to proceed anyway.

If they emerge victorious in California, it would be a devastating loss for the industry. That's why we're encouraging other states [with] strong laws to take them on. Ultimately, our goal in litigation is to get VW and Sony Honda to pick franchisees to sell cars. We don't tell them how many. We don't tell them which ones. We don't tell them where. But use franchisees.

## What are the broader implications for dealers if they don't step up now to challenge these plans?

Now is not the time to sit on the sidelines. If your law is strong enough and your dealers have the wherewithal to do something, do it now. Because if the horse leaves the barn, three years from now there's no undoing it. It'll be a tsunami of OEMs. Ford [could say] we'd like to sell F-150s direct. "Why send those to Ford dealers? Let's do it ourselves." You start thinking of the ramifications, and it's massive.

The smart dealers thinking about the future need to step up. Credit to our board of directors: Not [just the] VW or Honda dealers, but all said this is important. We need to step up and protect ourselves.

## How is NADA helping, and what financial backing will you need from your own dealers?

[NADA] understands if OEMs are allowed to compete against their own franchisees, the meaning of the franchise system is undermined. NADA is helping support us financially in both those cases through [its] legal defense fund. I don't have a precise number, but it's significant financial support, and we appreciate it.

We're a nonprofit trade association. We don't have piles of money sitting in a vault. We will probably ask our dealers at some point for additional support for our legal fund. Any litigation is expensive. To see this all the way through could take a couple years. We're going to need to make sure we are sufficiently resourced. We're going against global automakers that can hire the best law firms. It's really a David and Goliath scenario.

When we ask the dealers to assist on something that they've told us is a top priority, they step up. I have no doubt that when the time is appropriate and the ask is appropriate, they'll respond.

# Colorado dealers see Scout license fight as a make-or-break test for franchise protections



Colorado became another test case in the fight over factory-direct sales after the state in December granted Scout Motors a dealer license.

A group of Volkswagen dealers in the state sued the Colorado Department of Revenue, seeking an administrative judgement overturning Scout's dealer license. The suing dealers argue that regulators misread state law by treating Scout as an independent electric vehicle maker instead of as an arm of Volkswagen Group.

Colorado Automobile Dealers Association CEO Matthew Groves spoke with Presidio Perspectives about why he sees the Scout case as a make-or-break moment for franchise protections. Here are edited excerpts.

## How big of an issue is Scout and direct sales for your members right now?

It's a huge issue. I am hearing about it even from non-Volkswagen [dealers]. There's pretty widespread realization that we're dealing with Scout today, but this is not a Scout issue. Once the camel's nose is under the tent, it's going to get a lot harder for individual states to uphold their laws.

## What does Colorado's 2019 law say on direct sales?

It set up standards — if you want to sell direct, you can only make electric vehicles and you can have no franchise dealers with that same line. So in our state, nobody can say we're against direct sales. Rivian does it. Tesla does it. We're against the mass breach of franchise rights. That's something we want to protect against.

## Where does the Colorado Scout case stand now?

A group of dealers have filed a lawsuit. [The association] is not a party to the lawsuit. We wanted to be but had some question over whether there would be standing issues. We are trying to organize and be a facilitator for communications. We're obviously doing a lot of public

relations interactions. There is a legislative strategy behind this that, after the lawsuit finishes, we will run point on.

## How high are the stakes for the franchise system?

The association will be there for the dealers, and we will die on this hill. If we don't defend the franchise law, then why do we even exist. This is not like an air quality challenge.

It feels like the intent of the laws here are not misunderstood. This is not a great time to bring any company to market, and realistically, we could probably sit back and let the economy take care of this one for us. But we're fighting on principle.

## You mentioned a legislative option after this plays out. What do you think you can do from a legislative standpoint?

We will take care of Scout first. And once that's done, we'd like to come back and make sure that Colorado knows that the state is behind their franchised dealers. That's what we're looking for. That really goes back more to what are the

Big Three and the Asian brands doing, and let's make sure they're not going to come back and try this as well. We want to put the affiliate language into our law.

Now I don't know that the affiliate language is necessarily at point here because Scout is not an affiliate. They're an alter ego. It's 100% ownership. So we don't believe we need that affiliate language for the Scout lawsuit. But as direct sales and

manufacturer competition evolve, they probably will try to sidestep those wordings as well. So we just want to make sure we have the robust protection.

## What are the broader implications if Scout succeeds in selling directly in Colorado?

This is a national fight. Even, God forbid, were Scout to be successful in Colorado, you can't support a national company selling from one site. Our big fear is that they're going to get one temp tag and unlawfully [use that] to sell to all of the other states. If they are successful here, it's almost an invitation to do more lawbreaking. So it's going to be everybody's problem.

***“We will die on this hill. If we don't defend the franchise law, then why do we even exist.”***

— Matthew Groves, CEO of the Colorado Automobile Dealers Association