THE WANADA BULLETIN

NEWS AND INFORMATION FOR AND ABOUT FRANCHISED NEW CAR DEALERS IN THE WASHINGTON AREA

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House votes to repeal rule banning class action waivers

The House vote started the process of repealing the CFPB rule banning class action waivers.

As WANADA reported in a *Special Bulletin* sent to members last week, the House of Representatives has voted to repeal the Consumer Financial Protection Board (CFPB)'s rule banning class action waivers in arbitration agreements. The vote is the first step in Congress to reverse the rule and continue to roll back Obama-era regulations. Congress can repeal any regulation by simple majority under the Congressional Review Act within 60 legislative days of the rule's release, in this case on July 10. If Congress repeals a rule, it cannot be issued again in the future.

The House action marks a victory for dealers, though not a surprise because of House Republicans' vocal opposition to the CFPB. The 231-190 vote for repeal was almost entirely along party lines, Republican versus Democrat.

The vote will be closer when the legislation moves to the Senate because of the razor-thin majority Republicans hold there. A few days before the House vote, 24 members of the Senate filed a Congressional Review Act resolution that would block the rule. Among those signing it was Senate Banking Committee Chairman Mike Crapo (R-ID), who said, "It is…incumbent on Congress to vote to overturn this rule."

Here's why the CFPB rule is important to dealers: Although the CFPB does not specifically regulate dealers, it does regulate consumer finance and lease sources. Under the CFPB rule, those lenders are required to disclose to consumers whose loans are subject to pre-dispute arbitration provisions that they have a right to participate in class action lawsuits. Dealers, though, are permitted to ask consumers to *waive* their right to participate in class actions.

The problem for dealers is the indirect liability they face as a result of the master agreements they sign with finance and lease providers. Those agreements may hold dealers liable to indemnify finance and lease companies for wrongful dealer action and negligence leading to the class actions that consumers bring against financial institutions.

The CFPB rule remains strongly opposed by NADA and bankers organizations nationwide. WANADA will continue to keep dealers informed. Questions may be directed to Joe Koch at jk@wanada.org or 202-237-7200.

Border tax, Obamacare repeal are dead. Tax reform is next

After a dramatic late night vote, it became clear that Congress would not be able to repeal Obamacare, not even with the scaled-down "skinny repeal" that would have suspended enforcement of the employer and individual mandates. What happens next remains to be seen. Perhaps Republicans and Democrats will finally sit down together to make some changes to the health care law. In the meantime, dealers and other employers should continue running their healthcare insurance programs as they have been.

On the tax front, just before the House went on summer recess, Speaker Paul Ryan said he was withdrawing his proposal for a border adjustment tax. The business community, including dealers and automakers, never warmed up to it. By some estimates, it would have raised the average price of a new car by $2,000. By the end, the Border Adjustment Tax had few supporters.

But the BAT would have paid for the corporate tax cuts that are high on Republicans' agenda. Now funding for those cuts will to come from other taxes or, more likely, from revenue cuts. In a statement on their tax reform plans, top Senate Republicans and White House officials said their goal for changing the tax code "places a priority on permanence, and creates a system that encourages American companies to bring back jobs and profits trapped overseas." Specifics will have to wait until September when Congress reconvenes**.**

NHTSA could freeze 2021 fuel economy standards without later increases

With consumers buying more SUVs, such as the Ford Escape, above, the Obama-era fuel economy standards would be hard to meet.

The National Highway Traffic Safety Administration (NHTSA) said in a recently published notice that it may roll back fuel economy standards it negotiated with automakers under President Obama. It might even freeze those standards in 2021 without requiring yearly improvements until 2025, as currently required. At a minimum, the standards could be revised starting in MY 2021.

The U.S. Department of Transportation and Environmental Protection Agency reopened the midterm review of the standards in March. The Obama administration had declared the review complete in January days before President Trump took office. To the surprise and disappointment of many in the auto industry including NADA, Obama officials said its review showed that automakers were on track to meet the fuel economy targets and did not need extra time.

NADA applauded the reopening of the review, saying that the fuel economy standards would make new cars more expensive and out of reach of numerous buyers. Many in the auto industry protested that the standards did not take into account the changes in the market to more SUVs and light trucks.

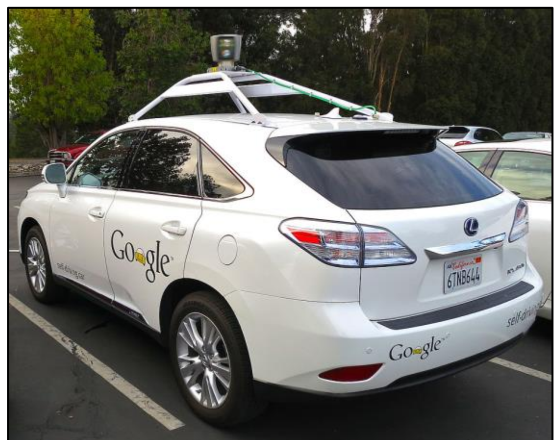
The White House recently invited automakers to discuss the review of the standards, Reuters reports. The 2011 agreement specifies that the review must be completed by April 2018.

A new report from the Consumer Federation of America (CFA) finds that 79 percent of those who intend to buy a motor vehicle in the future think the vehicle's fuel economy is important to their purchase. When consumers were asked to guess the price of gas in five years, the average price they gave was $3.90 per gallon, far above today's price of $2.27.

CFA compared 79 all-new 2017 models to their 2011 counterparts and found that each vehicle will save the buyer an average of $946, putting $626 back in their pockets after the added cost of improved fuel economy.

Self-driving bill passed by House panel preserves franchise protections

The version of the autonomous vehicle bill passed unanimously by the House Energy and Commerce Committee last week contains important franchise protection for dealers.



NADA successfully fought to keep franchise law protections in the bill on autonomous vehicles.

An earlier version of the bill stated that it would pre-empt state laws. NADA worked to ensure that the pre-emption did not apply to state vehicle franchise laws. An earlier meeting made clear that it was never the intent of Congress to pre-empt franchise laws, and now that intent is reflected in the legislation.

"Pre-empting these laws wouldn't help speed the deployment of HAVs [highly automated vehicles], but it could undermine the important state protections these laws offer, so we're pleased the committee has gotten this right," said NADA Chairman Mark Scarpelli.

As provided in the legislation, states could still set standards for registration, licensing, liability, insurance and safety inspections but could not write performance standards for HAVs.

Automaker exemption from safety standards – which require a driver in the vehicle at all times – would start at 25,000 vehicles in the first year and rise to 100,000 in three years. Automakers would have to submit safety assessment reports to regulators, but HAV technology would not have to be pre-approved.

The full House is expected to vote on the bill when it returns from its August recess. Automakers are anxious to get the bill passed, but it will compete with urgent priorities such as funding the government, raising the federal debt ceiling and passing tax reform.

UK will ban gasoline, diesel cars by 2040

As the U.S. is pulling back on fuel economy standards and has said it may withdraw from the Paris climate accord, the United Kingdom became the latest nation to announce a ban on gasoline and diesel cars. Conventionally powered cars will stop being sold there by 2040 as part of a plan to get them off the road completely in Britain by 2050. Hybrids will also be banned.

Electric vehicles currently make up 5 percent of new vehicle sales in the UK. Mike Hawes, the chief executive of the Society of Motor Manufacturers and Traders, said a ban could hurt current vehicle sales, reported *Automotive News*. Like American drivers, British motorists are concerned about EVs' cost, driving range and charging stations, Hawes said.

An auto writer told the BBC the industry is already moving in the direction of alternative-fuel vehicles, and the 2040 deadline gives automakers time to adjust.

Britain joins France and Norway in instituting a ban on gasoline and diesel vehicles. A recent analysis by Bloomberg found that with the falling price of batteries, EVs will outsell internal combustion engine cars in the U.S. within 20 years.

Toyota reportedly plans fast-charging, long-range battery

Toyota expects to begin selling an electric car with a fast-charging, long-range battery by 2022, according to the Japanese newspaper, *Chunichi Shimbun*. If it succeeds, that would mark a major breakthrough in the development of electric vehicles.

Instead of lithium-ion batteries, the car will use solid-state batteries, so it could be charged in the same amount of time it takes to fuel a gasoline-powered car. Driving range was not specified in published reports. Current EVs have a charging time of 20 to 30 minutes, even with a fast charger, and have a range of 185 to 200 miles.

Toyota plans to have the new car for sale in Japan by 2022, the report said. Toyota told *Automotive News* it does not discuss the specifics of its future product plans but said it does plan to have a car with solid state batteries for sale by the early 2020s.

MD MVA management changes in Business Licensing, Consumer Services

The Maryland Motor Vehicle Administration has made management changes in the Business Licensing and Consumer Services Division. Here is an updated list:

Manager
Angelique Baker
410-787-7827; abaker10@mdot.state.md.us

Assistant Manager
Kevin Gamble
410-768-7035; kgamble@mdot.state.md.us

Compliance Manager
Dale Fields
410-768-7034; dfields@mdot.state.md.us

Section Manager
Wendy Johnson
410-762-5047; wjohnson@mdot.state.md.us

Americans love affair with the car still going strong, says J.D. Power

J.D. Power says its latest APEAL survey shows what dealers already knew, that the car owner's love affair with new vehicles is stronger than ever. "APEAL" stands for Automotive Performance, Execution and Layout. The survey is designed to measure car owners' emotional attachment and level of excitement with his or her.

The industry average APEAL index increased this year to 810 (out of 1,000), propelled by much better scores in 9 of the 10 categories measured.

"The industry is doing a very good job of creating vehicles customers like across every segment," said Dave Sargent, vice president, global automotive at J.D. Power. "One clear reason is that non-premium vehicles are increasingly offering technology and safety features found in premium vehicles."

The study found that premium and mass market brands are getting closer, with the gap between the segments at an all-time low. Some models with high APEAL scores also received Initial Quality Study awards – and not just high-end brands. Among those models were the Chrysler Pacifica and three Kia models, the Cadenza, Niro and Soul. The top three brands in the APEAL survey were Porsche (for the 13th year running), Genesis and BMW.

Staying Ahead…

Don't divide the world into "them" and "us." Avoid infatuation with or resentment of the media, Congress, rivals or opponents. Accept them as facts. They have their jobs and you have yours.

--Donald Rumsfeld