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## EPA Flips on Single Tailpipe Standard, Restoring Unwieldy Cal-Lev California and 13 States – Including MD & DC – to Regulate Greenhouse Emissions

In a surprising and disconcerting turnaround, the EPA this week completely *reversed* its recent, if not celebrated, decision to establish a single federal standard on tailpipe emissions, reestablishing the California Low Emission Vehicle program (Cal-Lev) where California and 13 follower states that subscribe to their standards are back in that business. In announcing the reversal, EPA administrator Lisa Jackson labeled the move a return to form that echoes the past 40 years of policy, calling it a more "traditional legal interpretation of the Clean Air Act."



*EPA chief Lisa Jackson with President Obama looking on at the agency June 30 announcement on tailpipe emissions regulation.*

"This decision puts the law and science first. After review of the scientific findings, and another comprehensive round of public engagement, I have decided this is the appropriate course under the law," Jackson said.

This move flies in the face of the auto industry-supported single national standard approach the Obama administration announced in May that was designed to get rid of years of chaos on tailpipe emissions regulation between the federal government and the states. Just the same,

General Motors tried to put a happy face on the reversal, holding out hope that the administration would find its way back to one standard.

"The EPA's decision should not diminish the collective commitment and effort on the part of automakers, California, federal regulators and environmental interests to follow President Obama's direction toward developing a single, harmonized national standard that improves fuel economy and reduces vehicle emissions," GM said in a prepared statement.

"We believe President Obama's national standard approach is a better way for the country and industry. A single, harmonized national standard will benefit consumers across America by putting cleaner, more efficient vehicles on the road quicker and more affordably -- for all.

"It is a goal that we fully support and which we've made a central part of our reinvention plans to create a new GM."

NADA Chairman John McEleney noted that "EPA's decision to reverse its 2008 denial of California's request for a pre-emption waiver is sadly a triumph of politics over good common sense." The National Automobile Dealers Association called the decision "troubling."

*Good News for Car Buyers & Dealers:*

## **GM Accepts Liability for Product Defects after Bankruptcy**

Bowing to pressure from dealers, state lawmakers and trial lawyers, General Motors has pulled back language present in their "go forward" dealer agreements that would step away from product liability on "old GM" products. This concession means that consumers injured as a result of mechanical failures or otherwise faulty manufacturing in GM cars and trucks will bring claims against the government-owned automaker, not the dealer who sold the product.

Discussions between GM officials, Auto Task Force members and state attorneys general became heated leading up to Tuesday's hearing to approve the sale of the industrial giant to the U.S. government, sources close to the meetings said, with GM asserting it was not legally required to take on the claims because federal preemption implied in the bankruptcy code superseded state laws governing the rights of auto accident victims. Moreover, they pointed to the newly merged Fiat-Chrysler as precedent, where the newly organized company won't be responsible for such claims. Eventually, GM conceded this critical point "to alleviate certain concerns that have been raised on behalf of consumers."

This is a positive development for consumers and dealers of GM products, but underscores the problems inherent in the product liability issue for consumers and dealers of "Old-Co" Chrysler vehicles. Dealers should discuss this risk exposure with counsel and property and casualty coverage advisors.

## Has the Downward Slide in Auto Sales Hit Bottom?

American Based Automakers Believe So, Reporting Their Smallest Sales Drops of the Year

The front page of the *The Wall Street Journal* today, July 2<sup>nd</sup>, heralded an ease in the decline of auto sales. According to market research, sales figures have dropped their lowest rate in over a year for Detroit manufacturers. While officials stopped short of predicting a full recovery, the language of Ford and GM chiefs has taken a decidedly positive turn.

“[We] feel strongly that the bottom was hit earlier in the year,” said Mark LaNeve, GM’s head of sales and marketing.

George Pipas, a top analyst at Ford, concurred by saying, “The auto-industry downturn appears to be entering a turning point.”

Bob Carter, group vice president at the North American division of Toyota Motor Sales reflected this optimism by saying, “The weak economy’s grip on the auto industry appears to be lessening.”

This news couldn’t be more timely for dealers, as New Chrysler prepares to introduce several Fiat models into the U.S. market over the next 24 months and GM hopes to emerge from bankruptcy reorganization before July is up. Sales are also predicted to get a late summer boost when the new “cash for clunkers” law goes into full swing later this month. Ford, the only major domestic auto manufacturer to avoid bankruptcy, posted a decline of just 11% from the year previous, allowing it to outpace Toyota for the fourth consecutive month.

Autodata Corp., a market research firm with an eye on the auto industry, says that current sales figures are tracking to 9.69 million cars and light trucks for the 2009, putting sales on pace for the estimated 10 million units that Detroit’s automakers are adjusting production to accommodate.

## Concerted “Push” on Capitol Hill Planned for Dealer Rights Legislation

Dealer Fly-In to DC Planned for “Bastille Day” July 14

Bastille Day, July 14, commemorating the glories of the French Revolution of 1789, appropriately is the day selected by dealer organizers of the Committee to Restore Dealer Rights (CRDR) to orchestrate a final, concerted dealer push to ensure the success of the Dealer Rights Legislation that is so pointedly and dramatically making its way through Congress. WANADA chairman Tamara Darvish of DARCARS has taken the lead on the July 14 event planning, along with fellow dealer organizers of the CRDR to pull together a “fly-in” of dealers and dealer association representatives from across the U.S. who will assemble in Washington in the shadow of the Capitol building to follow up with members of Congress, especially in the Senate, to get behind and co-sponsor HR 2743 and the companion bill S. 1304.

The Dealer Rights Legislation, which was only introduced one month ago in the House, has gained remarkable momentum and credibility with the publicly announced support of Democratic Party leaders and Maryland Congressmen Steny Hoyer and Chris Van Hollen. Once introduced in the Senate, the measure received similar credibility with high level Democrat senators John Kerry and Ted Kennedy co-sponsoring S. 1304 along with both Maryland senators Barbara Mikulski and Ben Cardin. Republicans in both houses have signed onto the legislation as well, which before the July 4<sup>th</sup> recess counted 202 House co-sponsors and about a dozen co-sponsors in the Senate. By any measure, this is dramatic legislative progress in Congress for such a short time frame.

WANADA dealer Jack Fitzgerald, who has joined Tammy in the leadership of the CRDR, has been a prominent proponent of the legislation across the Washington and national media no less than with many members of Congress.

Endorsed officially by NADA and countless dealer association affiliates of the Automotive Trade Associations (ATAE), including WANADA, MADA and VADA, the Dealer Rights Legislation restores state dealer franchise protection rights which were summarily set aside in the bankruptcy proceedings of Chrysler and General Motors. Along with the dealers rejected in the bankruptcy, this legislation would extend dashed franchise protection rights to dealers invited to continue with Chrysler and GM. In the end, *all* dealer positions in the franchise system are enhanced when state franchise rights are preserved against a frontal assault from the federal level, which the Chrysler and GM bankruptcy proceedings represent.

The July 14<sup>th</sup> programming will be preceded by a briefing and reception the night before at the Renaissance Hotel, 999 9<sup>th</sup> Street NW, Washington, DC, where a room block has been set up by CRDR for dealer representatives coming into town. A press conference is planned on July 14 on Capitol Hill where prominent sponsors of the Dealer Rights Legislation are slated to speak with respect to endgame strategies to push the legislation through to passage in Congress.

For more information on “Bastille Day” plans for the Dealer Rights Legislation and how to participate, go to CRDR’s website at [www.hometownautodealers.com](http://www.hometownautodealers.com).

## Toshiba Brings Facial Recognition Software to Autos

Toshiba has found a way to make changing the radio station in your car as easy as blinking your eye. The electronics giant is developing in-car facial recognition technology that eliminates the need to take your hands off the wheel.

While it might seem unnecessary to make tasks like turning off Howard Stern or cranking up the AC any easier, Toshiba spokesman Hiroko Mochida said the technology will increase safety and save lives.

“In addition to operating controls inside the car, the facial recognition system can be used to estimate driver status like drowsiness and distraction,” he told Wired.com. “By sensing which

way the driver is gazing, the system has the ability to collaborate with advanced driver assistance systems and human-machine interface programs that alert the driver when something has gone wrong.”

So far the technology hasn't been used in automobiles, even though the auto industry is embracing voice-activated software like Sync and developing electronic nannies to save us from ourselves. Toshiba's new system, which it recently demonstrated at the Automotive Engineering Expo in Japan, works a lot like the tech it developed for PCs.

The weakness of facial recognition systems like poor light, sunglasses and long hair can limit its effectiveness. Mochida said the technology is a work in progress and there are no immediate plans to commercialize it.

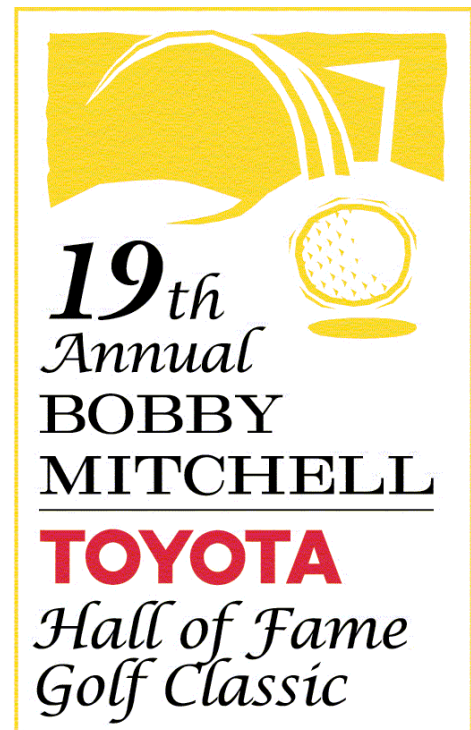
## The Bobby Mitchell Classic Is Next Week! Still Time to Sign Up for Sponsorship and Attendance

The 19<sup>th</sup> Annual Bobby Mitchell Classic, F.B.O. The Leukemia & Lymphoma Society is next weekend, rolling out once again at Lansdowne Golf Resort July 11-12. Having eclipsed the \$6 Million mark in fundraising during its 19 year tenure, the BMC is one of the most successful and enduring summertime charity golf outings in the area, featuring over 40 pro sports Hall of Famers from the NFL and NBA.

Bobby Mitchell, an all-pro halfback, was the first black ball player hired by the Redskins after being traded from the Cleveland Browns for Heisman winner Ernie Davis in 1962. Davis would never play a professional down, after being diagnosed with leukemia shortly thereafter. With that incident as a motivator, Mitchell founded the BMC here in Washington in 1990.

The festivities tee-off on Saturday, July 11, with practice rounds on Lansdowne's world-class links, followed by the hallowed Hall of Fame cocktail party and banquet that evening, which features door prizes, silent auctions and the chance to rub elbows with some of the greatest pro sports giants of all time. There is also a raffle for a chance at a 2009 Toyota Venza!

To purchase tickets and help raise money for the cause, please call The Leukemia & Lymphoma Society at (703) 399-2900 or email [Loree Lipstein](mailto:Loree.Lipstein).



## Can 3D Beat the Real Thing?

### Volvo and Others Begin Offering Virtual Test Drives

The Swedish car maker Volvo is letting car shoppers go online and take a virtual test-drive of its newest car, which won't be in showrooms until the end of summer.

Called *Volvo: The Game*, the program lets players get behind the wheel of the futuristic forerunner of the company's new S60 and test the steering, visibility and acceleration and get close-ups of the interior that are almost as good as the real thing...even though the real thing has yet to be fully built. A Volvo spokesperson says the idea is to increase website traffic and highlight what is expected when the car goes on sale.

With marketing and advertising budgets shrinking commensurate with market share and bottom lines, Volvo isn't the only one testing the virtual waters. Last year Audi launched a test drive application for the iPhone for the 2009 A4. Similarly, Toyota recently released a virtual test-drive for its iQ model via a mini-site attached to the company's main website that allows users to choose various tracks to drive and then feeds them a link to book a real-life test drive.

Tata, the Indian maker of the Nano, billed as the world's cheapest car, launched a virtual test-drive website in March that has attracted more than 1.2 million users.

Virtual test-driving is expected to become increasingly common, but most industry observers think 99% of consumers will still want to test the car in the real world.

### Thought for the Week...

I just don't know why they're shooting at us. All we want to do is bring them democracy and white bread. Transplant the American dream. Freedom. Achievement. Hyperacidity. Affluence. Flatulence. Technology. Tension. The inalienable right to an early coronary sitting at your desk while plotting to stab your boss in the back.

-Hawkeye, M\*A\*S\*H

**HAVE A SAFE & HAPPY FOURTH OF JULY WEEKEND!!**