

REGULATORY UPDATE

New Fuel Economy, Rollover Rules Proposed
Automakers Not Expected to Oppose Changes

In the first major overhaul of Corporate Average Fuel Economy (CAFE) standards since Congress mandated them for all vehicles in 1975, the Department of Transportation last week proposed fuel economy standards for pickup trucks, minivans and some sport utility vehicles that would require the auto industry to raise standards for most vehicles other than cars beginning in 2008. All automakers would have to comply fully by 2011.

Instead of an industry-wide CAFE standard for light trucks, fuel economy would be calculated for six different segments of these vehicles according to size. Each automaker would also be given an average fuel economy goal for its particular mix of vehicle sales. For the smallest category of trucks, the final fuel efficiency target

would be 28.4 mpg; for the largest SUVs and pickups, it would be 21.3 mpg, according to *The Washington Post*.

But the plan as proposed does not apply to cars and the largest SUVs, such as the Hummer H2, which drew immediate protests from environmentalists and consumer advocates.

Automakers are currently required to maintain an average of 27.5 miles per gallon for passenger cars and 21 mpg for light trucks, with the light

truck CAFE due to rise to 22.2 mpg for the 2007 model year.

Claiming the new rules will save about 10 billion gallons of gasoline, Transportation Secretary Norman Y. Mineta said, "This is a plan that will save gas and result in less pain at the pump for motorists without sacrificing safety."

NHTSA Administrator Dr. Jeffrey Runge added, "Our proposal asks automakers for the first time to focus their technology on increasing fuel effi-

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OUR TOWN

DC Tourist Rebirth Bodes Well for Auto Show



"The nation's capital is enjoying a real rebirth," declared DC Mayor Anthony Williams at a Washington Auto Show meeting for manufacturer executives last May. And, according to a recent national survey by the Travel Industry Association of America, that wasn't just hype.

Washington tourism has rebounded dramatically since the Sept. 11, 2001 terrorist attacks, with 18.75 million visitors making their way to the Nation's Capital last year, an increase of nearly 11 percent over three years ago, making the city No. 4 on the list of most popular U.S. travel destinations, according to the survey.

This year is shaping up to be even better. The Washington, DC, Convention and Tourism Corporation (WCTC) predicts that Washington will break its record of 19.2 million visitors, set in

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REGULATORY UPDATE

New CAFE, Rollover Rules Proposed *(Continued from page 1)*

ciency across their entire fleets, rather than only in their least economical models.”

Domestic automakers, who have complained that the current system favors smaller manufacturers that don't make large SUVs and pickups, expressed some reservations about the proposed changes, but are not expected to adamantly oppose the new rules, which are still open to comment and evaluation by the industry.

NADA said it is “hopeful that the final action will be consistent with NADA's position that fuel efficiency standards do not unduly restrict product availability, vehicle choice or consumer cost.”

Tougher Roof-Strength Rules

NHTSA is also proposing new rules requiring automakers to develop stronger roofs to protect occupants when vehicles roll over, for the first time applying tougher standards to large sport-utility vehicles.

The proposal would subject all vehicles under 10,000 pounds to a roof strength test, and require the vehicle to withstand 2.5 times their weight, as opposed to current standards which require just 1.5 times. Moving the standard up to 2.5 would affect some vehicles, but it shouldn't be too hard for car companies to make the adjustments, according to *The Wall Street Journal (WSJ)*.

“The proposal aims to resolve years of wrangling about rollover accidents, an issue that

has become emblematic of the public-policy fights between auto-safety advocates and car companies. In this case, the rule changes may well win Detroit's backing – and perhaps only grudging acceptance from safety advocates,” said the *WSJ*. “For the industry, the projected cost is a modest \$90 million a year, according to a government official, while the projected lives saved each year is also a

modest 11 to 44, according to government research.”

NHTSA plans to couple the roof standards with enhanced seat belts that tighten when the vehicle is about to roll over. Roll over accidents account for more than a third of occupant deaths.

Upsetting to consumer advocates is a provision that would pre-empt any state laws or court decisions that conflict with the rule.

NHTSA Automaker Defect Notification Takes Effect

NADA reminds dealers that, as of August 5, automakers must notify dealers within three business days (five if by non-electronic means) after informing NHTSA of vehicle defects or other issues that pose a substantial and immediate threat to safety.

With regard to less significant defects, once automakers have alerted NHTSA, they must notify dealers of the defect within a reasonable time. NADA commented in support of the five-day time frame.

Manufacturers will be required to keep track of when they sent the notices to dealers. NHTSA rejected requests to require manufacturers to notify dealers of offers to repurchase defective equipment.

EPA Says Mercury-Containing Equipment is Universal Waste

The Environmental Protection Agency's universal waste rule was recently amended to cover mercury-containing equipment (MCE). As with fluorescent lamps, dealers should take care to prevent releasing mercury into the environment when handling MCE in convenience light switches (especially in vehicles built before MY 2003), anti-lock braking systems, high-intensity discharge lamps and navigational screens.

Dealers handling undamaged, used MCE must comply with the universal waste rule's labeling, accumulation time, training and release requirements.

For general info, see NADA's Guide to the Federal Hazardous Waste Law; for info on state laws and on the universal waste rule, see the following websites: CCAR, Auto Alliance, or EPA.

OUR TOWN

DC Tourist Rebirth

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1998. That's good news for Washington, which ranks tourism as its second-largest industry. Last year, the city attracted many more visitors than in 2003, and they spent more money—\$485 a day on average, compared with \$455 in 2003. That translates into an additional \$1.1 billion in spending in DC.

The opening of the Washington Convention Center also has had a tremendous impact, according to the DC tourism group. Conventioneers are expected to buy 570,000 nights in city hotel rooms by the end of the year, more than double the hotel stays generated by the old convention center in 2002.

All of this bodes well for WANADA's plans to elevate the 2006 Washington Auto Show to a tier-one international event.

"WANADA is working closely with the WCTC to make the auto show the premier public event in the city. The late January dates should attract more out of town visitors and translate into more hotel rooms rented, meals purchased and dollars spent in the local economy," said Washington Auto Show Chairman George Doetsch.

"We offer a highly desirable audience to show participants. Our impact studies tell us that Washington Auto Show visitors have the third highest economic demographic in the nation. And they are loyal to the show. More than 70 percent are repeat visitors," adds Doetsch.



Continental Shows Off Latest in High-Tech Safety

It was no ordinary BMW that Continental Teves brought to RFK Stadium for the August meeting of the Washington Automotive Press Association. This concept model was packed with the latest developments in integrated "active passive" safety technology, including Electronic Stability Control, Adaptive Cruise Control, an advanced electronic braking system, and a cluster of sensors that prevent and protect drivers from accidents. This was dramatically demonstrated to the press by a series of maneuvers behind a specially rigged Mercedes "G-Wagon" with a car's dummy rear end hung from the side. Get too close to the dummy at speed and the closing velocity sensor automatically applies the high-performance brakes with great efficiency. If a collision is imminent (you know when the dummy flips up), the windows and sunroof automatically close, seatbelt tension increases, the seat automatically brings the passengers into the correct position, the accelerator pedal presses against your foot to decrease speed, and, of course, the airbags deploy. All and all, an "Oh Wow" experience!

Good News for Child Passengers--and Dealers

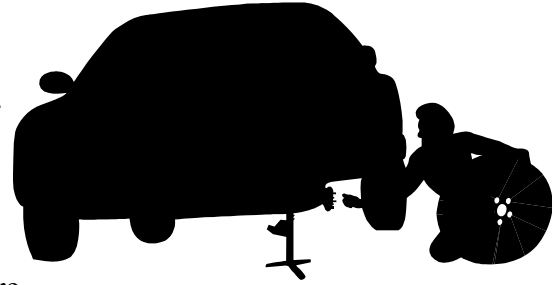
A new analysis of federal fatality data shows the nine-year push to keep passengers 12 and under in the back seats of cars has cut the group's death rate in auto accidents nearly 20 percent.

Dealers have been doing their part to help improve passenger safety through NADA's participation in the Air Bag & Seat Belt Safety and Boost for Safety campaigns. Dealers in many states have already committed to hosting safety seat inspections during NADA's Child Passenger Safety Month this September. NADA Chairman Jack Kain says, "Hosting a child safety seat event at your store is not only a wonderful service to our communities, but it also will help drive business and improve our image." Visit www.nada.org/boostforsafety for information. Dealers planning such an event are reminded to fax their dealer participation survey to 703/821-7075 or e-mail rwhite@nada.org with your dealership name, address, phone contact for the media and event date. NADA will make the list available to the media to help dealers generate local coverage.

FOOTNOTES

Ten Steps to Keep Your Tires—and Your Family—Safe on the Roads

As part of the 2005 “Be Tire Smart—Play Your Part” campaign sponsored by the Rubber Manufacturers Association, NADA issued “Ten Steps to Keep Your Tires—and Your Family—Safe on the Roads.” A copy is enclosed with this WANADA Bulletin. Dealers might want to share them with customers. NADA’s new management guide, *A Dealer Guide to Selling Vehicle Safety*, with information from the National Highway Traffic Safety Administration (NHTSA), addresses tire safety and other important safety issues and how to present safety features to your customers. To order copies of this guide, call (800) 252-NADA, extension 2, or visit our online catalog at www.nada.org/mecatalog.



ART FACT OF THE MONTH



9 out of 10 Minority New Vehicle Buyers Found the Dealership's Finance Personnel to be Respectful.



Automotive Retailing Today (ART) works to promote the facts about the auto retailing marketplace to narrow the gap between perception and reality that negatively affects dealer image. This most recent research, conducted by Harris Interactive in the summer of 2004, also explores the issue of consumer trust. For more information, visit www.autoretailing.org.

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Staying Ahead...

An intellectual snob is someone who can listen to the William Tell Overture and not think of The Lone Ranger.

—Dan Rather

Enclosure

Ten Steps to Keep Your Tires—and Your Family—Safe on the Roads