

In response to an October 12, 2016 letter from Chairmen Upton and Burgess to NADA President Peter K. Welch requesting answers to questions for the record pertaining to the September 22, 2016 House Commerce, Manufacturing and Trade Subcommittee, and House Energy and Power Subcommittee hearing entitled, “Midterm Review and an Update on the Corporate Average Fuel Economy Program and Greenhouse Gas Emissions Standards for Motor Vehicles”, NADA responds as follows:

The Honorable Michael C. Burgess M.D.

1. In your opinion, are advances in conventional internal combustion engine technology (i.e., non-hybrid) sufficient by themselves to achieve the current standards for model year 2025? If not, could you please provide your estimates for how much of each of the following technologies (as defined in the TAR) will be required to achieve the current standards for model year 2025: (a) mild hybrid, (b) full hybrid, (c) plug-in hybrid electric vehicle, and (d) electric vehicle.

Response to Question 1.

NADA concurs with the Alliance of Automobile Manufacturers and the Association of Global Automakers that the draft TAR significantly underestimates the degree to which hybrids, plug-in hybrids, and electric vehicle technologies will be necessary to meet the EPA/NHTSA MY 2025 standards. In this regard, NADA is actively working to assist its member dealers with the marketing of these cutting-edge technologies. For example, at the 2016 NADA Convention, dealers shared advice, experience and recommendations for capturing and retaining electric-vehicle customers during a workshop and panel discussion. Despite these efforts, NADA remains concerned that the higher costs and performance constraints associated with these technologies may limit their marketplace acceptance.

NADA also released a new publication: “A Dealer Guide to Marketing Electric Vehicles” (available for free to members - see attached). The guide provides dealers and their employees with detailed information and resources they can use to address customer issues regarding battery electric and plug-in hybrid vehicles.

2. According to Table ES-3 of the TAR, EPA's compliance pathway for meeting the MY2025 GHG standards envisions that 44% of vehicles would use higher compression ratio, naturally aspirated gasoline engines. If a manufacturer does not have that type of engine in any of its vehicles today, what steps would it have to take in order to integrate that type of engine in its product line, and how long would it take for it to reach a 44% penetration rate?

Response to Question 2.

NADA does not have this information.

3. In the TAR, the EPA states that in its modeling, "the California Zero Emission Vehicles (ZEV) program is considered in the reference case fleet; therefore, 3.5% of the fleet is projected to be full EV or PHEV in the 2022-2025 timeframe due to the ZEV program and the adoption of that program by nine additional states." TAR at ES-10. Since a significant portion of the required GHG reductions will be met through manufacturing electric-drive vehicles for the ZEV mandate, shouldn't EPA have considered those costs in its assessment of the costs of the regulation? If EPA had considered the costs of producing electric-drive vehicles, what impact would that have had on the cost estimates in the TAR?

Response to Question 3.

EPA/NHTSA should have considered the costs associated with the CARB's ZEV mandate in the TAR, as those costs will be real for the regulated OEMs, and for the millions of non-ZEV purchasers who will subsidize the manufacture and distribution of the ZEV vehicles mandated by CARB. The cost estimates in the TAR would have undoubtedly been higher if they had fully accounted for the ZEV mandate.

The Honorable Jan Schakowsky

Although the hearing was focused on the midterm review of the Corporate Average Fuel Economy Standards, I would like to take the opportunity of your appearance before our Committee to address a safety issue that continues to be a problem: defective Takata airbags.

You appeared before the Subcommittee on Commerce, Manufacturing, and Trade at hearing on October 21, 2015, titled "Examining Ways to Improve Vehicle and Roadway Safety." At that hearing, you stated, "If the vehicle has been deemed to be unsafe to drive either by the OEMs or by NHTSA, we would not put one of those cars in the hands of the consumer." And in follow-up questions for the record, you indicated that if NHTSA or a manufacturer issues a do-not-drive or stop-drive notice, "it would be inappropriate for a dealer to rent or loan that vehicle."

On June 30, 2016, NHTSA and Honda announced new test data that showed that seven model-year 2001-2003 Honda and Acura vehicles have a substantially higher risk of ruptures of the Takata airbags. Honda, at the recommendation of the Secretary of Transportation, told owners of these cars not to drive their cars only to the dealer to get them repaired.

In addition, some manufacturers are advising their customers to not have someone sit in the passenger seat of certain cars with recalled passenger-side Takata airbags until the defective airbags are replaced. For example, BMW recommends that no one sit in the

front passenger seat until that airbag is replaced.

1. Do your Association and your members consider Honda's statement that those seven cars should only be driven to the dealer for repair to be a "do-not-drive" notice?

Response to Question 1.

NADA concurs with the statement in the NHTSA press release (NHTSA 16-16, attached) issued June 30, 2016 that "Folks should not drive these vehicles unless they are going straight to a dealer to have them repaired immediately, free of charge." As you know, vehicle manufacturers have discretion to decide when to issue owner notices that instruct when vehicles subject to a defect or noncompliance safety recall should not be driven. Typically, recall notices that contain precautionary advice not to drive a vehicle also indicates how vehicle owners can arrange with their local dealers to obtain loaners or rentals and to have recalled vehicles towed to the dealership.

2. With regard to those seven Honda and Acura vehicles, has your Association advised its membership to ground those vehicles or have those vehicles repaired before selling, renting, or loaning them to consumers? What is the approximate number or percentage of your members that have done so?

Response to Question 2.

NADA generally advises its members not to sell an unrepaired, safety recalled used vehicle when a NHTSA-initiated recall notice, OEM-initiated recall notice, or related official document(s) instruct the vehicle owner not to drive the vehicle. NADA does not advise its members on specific recalls. That is the responsibility of the OEMs who manufactured the vehicles at issue.

3. For some vehicles subject to a passenger-side Takata airbag recall, some manufacturers have recommended that no one sit in the front passenger seat until that airbag is replaced. For those vehicles for which the automaker has made such a recommendation, has your Association advised its membership to ground vehicles with a defective passenger-side Takata airbag until the airbag has been replaced? What is the approximate number or percentage of your members that have done so?

Response to Question 3.

NADA does not advise its members on specific recalls. That is the responsibility of the OEMs who manufactured the vehicles at issue.

4. With regard to all vehicles subject to the Takata airbag recall, has your Association or have any of your members taken steps to ensure that no recalled car is sold, rented, or loaned unless the recall has been repaired? If so, what is the approximate number or

percentage of your members that have taken steps? What steps have they taken?

Response to Question 4.

As noted above, NADA does not advise its members on specific recalls. That is the responsibility of the OEMs who manufactured the vehicles at issue. To your point, however, it was reported that during a May 2015 press conference, the Administrator of NHTSA “encouraged customers to bring their Takata-affected vehicles in for service as soon as they are notified that the parts are available and said that they should continue to drive their vehicles until then.” [Emphasis added]¹ Moreover, in response to a written question by Chairman Burgess after an October 21, 2015 hearing entitled “Examining Ways to Improve Vehicle and Roadway Safety,” NHTSA Administrator Rosekind answered “no” to the question of whether he believed, “that customers with vehicles equipped with recalled Takata air bags should stop driving those cars.”²

America's new-car and -truck dealers fully support efforts to achieve a 100 percent recall completion rate. For fifty years, franchised dealers have been the critical lynchpin to remedy vehicles recalled for a safety defect or noncompliance reasons, Takata airbag-related or otherwise. Enhancing recall campaign effectiveness hinges on improving two key factors: getting necessary parts to dealers as soon as possible and getting owners to bring their recalled vehicles into the dealer to get them fixed.

¹ Audi, “Takata Recall Campaign Communication Toolkit for Dealers,” April 14, 2016

² Examining Ways to Improve Vehicle and Roadway Safety hearing before the House Commerce, Manufacturing and Trade Subcommittee, 114th Cong., 1st Sess. (2015).