



## Consumers for Auto Reliability and Safety

July 22, 2020

Honorable Jim Beall  
Chair, Senate Committee on Transportation  
State Capitol  
Sacramento, CA 95814

Honorable Hannah-Beth Jackson  
Chair, Senate Committee on the Judiciary  
State Capitol  
Sacramento, CA 95814

**RE: AB 326 (Muratsuchi) – as amended July 22, 2020 – SUPPORT**

Dear Chairpersons Beall and Jackson:

Consumers for Auto Reliability and Safety (CARS) is an independent, award-winning non-profit auto safety and consumer advocacy organization dedicated to preventing motor vehicle-related fatalities, injuries, and economic losses. CARS has a long track record of successfully spearheading passage of landmark legislation enacted in California and Washington, DC to improve protections for new and used car buyers and their families.

CARS supports passage of AB 326 (Muratsuchi) as amended on July 22, 2020, and respectfully requests your “AYE” vote for its passage.

Currently, the average age of a vehicle registered for use on the roads in California is over 11 years. With the recent amendments that significantly improve consumer protections provided by AB 326, and also enhance the level of safety it will help ensure, this measure offers the potential for accelerating the replacement of California’s aging vehicle fleet with newer, safer, cleaner electric vehicles (Evs), with commensurate public health and environmental benefits.

AB 326 will provide California consumers, businesses, and government agencies greater freedom of choice for accessing zero-emissions vehicles, in addition to the existing options, while

helping ensure that the new, innovative EV membership model is being regulated appropriately. In the spirit of free-market competition and consumer choice, this makes sense, and may also help encourage improved practices among competitors with different business models.

Particularly during the current Covid-19 pandemic, with the ensuing economic uncertainty, business closures, job losses and burgeoning unemployment, many consumers are understandably risk-averse and leery of entering into long-term auto loans or leases. The average term of an auto loan is now over 5 years. Auto leases may seem like an attractive alternative, and can work well for some, but often include unanticipated costs, such as hefty charges for exceeding mileage limits, early termination fees and penalties, and other charges that can easily add up to several thousand dollars or more.

Even before the Covid-19 pandemic struck, prospective car buyers faced increasing difficulty in obtaining vehicle financing on favorable terms, due in large part to burgeoning negative equity caused by years of financing vehicles with excessive loans that commonly include expensive add-ons with little or no intrinsic value, and far exceed the fair market value of vehicles financed at auto dealerships. According to automotive market experts at Edmunds.com:

“A record number of consumers are upside down on their car loans...Edmunds data shows that in April an all-time record share of 44% of new vehicle sales with a trade-in had negative equity....The average amount owed on upside-down loans also climbed to an all-time record high of \$5,571 in April [2020].”<sup>1</sup>

Also, as reported recently in the *Wall Street Journal*, “A \$45,000 Loan for a \$27,000 Ride”:

“Rising car prices have exacerbated an affordability gap that is increasingly getting filled with auto debt. Easy lending standards are perpetuating the cycle, with lenders routinely making car loans with low or no down payments that can last seven years or longer.

Borrowers are responsible for paying their remaining debt even after they get rid of the vehicle tied to it. When subsequently buying another car, they can roll this old debt into a new loan. The lender that originates the new loan typically pays off the old lender, and the consumer then owes the balance from both cars to the new lender. The transactions are often encouraged by dealerships, which now make more money on arranging the financing than on selling cars.”<sup>2</sup>

By making electric vehicles with newer, more advanced safety technologies more readily accessible to consumers who may have difficulty affording a traditional loan or lease, or simply wish to avoid making a long-term financial commitment in these uncertain economic times, AB 326 will help prevent serious injuries and fatalities caused by vehicle crashes. For example, according to the Insurance Institute for Highway Safety and Highway Loss Data Institute, the dramatic real-world benefits of injury mitigation and crash-reduction technologies available in many relatively newer vehicles include:

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1 “Negative equity on vehicle trade-ins hits all-time high in April, according to Edmunds,” PR Newswire, May 12, 2020. Posted at: <https://www.prnewswire.com/news-releases/negative-equity-on-vehicle-trade-ins-hit-all-time-high-in-april-according-to-edmunds-301057370.html>

2 “A \$45,000 Loan for a \$27,000 Ride: More Borrowers are Going Underwater on Car Loans. As cars become more expensive, car buyers are hampered by burdensome car loans,” *Wall Street Journal*, November 9, 2017. Posted at: <https://www.wsj.com/articles/a-45-000-loan-for-a-27-000-ride-more-borrowers-are-going-underwater-on-car-loans-11573295400>

- Side airbags that protect the head reduce a car driver's risk of death in driver-side crashes by 37 percent and an SUV driver's risk by 52 percent<sup>3</sup>
- Forward collision warning plus auto brake: 50% reduction in front-to-rear crashes and a 56% reduction in front-to-rear crashes with injuries
- Lane departure warning: 11% reduction in single-vehicle, sideswipe, and head-on collisions and a 21% reduction in injuries in those types of crashes<sup>4</sup>

Another important safety enhancement in AB 326: The provisions regarding compliance with auto safety recalls. According to the National Highway Traffic Safety Administration, all safety recalls are serious. Typical safety recalls include: faulty brakes, catching on fire, loss of steering, sticking accelerator pedals, and exploding Takata airbags that shoot metal shrapnel into the passenger compartment, causing serious or fatal injuries, such as blindness or bleeding to death.

AB 326, as amended, requires Electric Mobility Manufacturers (EMMs) to adhere to strict safety standards regarding dangerously defective recalled vehicles, closely tracking the federal Raechel and Jacqueline Houck Safe Rental Car Act, spearheaded by CARS and Cally Houck, Raechel and Jacqueline's mother. The Act (S. 1173 / H.R. 2198) was named in memory of two sisters who were only ages 20 and 24 when they were killed by an unrepaired recalled rental car on their way home to Santa Cruz after visiting with their parents in Ojai. The Act was sponsored by Senator Schumer and U.S. Representative Lois Capps, and co-sponsored by Senators Feinstein and Boxer, as well other members of Congress, and signed into law by President Obama.

The language in AB 326 also closely tracks similar provisions enacted in AB 287 (Gordon, 2015) that apply to rental car companies, modified to fit the business model of EMMs, who unlike rental car companies do not receive safety recall notices, since as the manufacturers of the EVs, they are required to issue the notices instead of receiving them.

Unfortunately, auto dealers such as CarMax (the nation's largest retailer of used vehicles) and AutoNation (the nation's largest new car dealership chain) persist in selling large volumes of dangerous recalled used vehicles in California without obtaining or performing the free safety recall repairs first, while advertising that their vehicles must pass a rigorous inspection, or are "risk free." In reality, they are deliberately and deceptively selling large numbers of ticking automotive time bombs that threaten the health and safety of drivers, passengers, and others who share the roads, and also pose a threat of burning down homes and causing wildfires.<sup>5 6</sup>

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3 "Airbags," Insurance Institute for Highway Safety and Highway Loss Data Institute, updated February, 2020. Posted at: <https://www.iihs.org/topics/airbags>

4 "Real-world benefits of crash avoidance technologies," Insurance Institute for Highway Safety and Highway Loss Data Institute, June, 2019. Posted at: <https://www.iihs.org/media/259e5bbd-f859-42a7-bd54-3888f7a2d3ef/e9boUQ/Topics/ADVANCED%20DRIVER%20ASSISTANCE/IIHS-real-world-CA-benefits.pdf>

5 "Used Car Roulette: CarMax Doubles Down on Selling Unsafe Recalled Vehicles," Report issued by Consumers for Auto Reliability and Safety Foundation, MASSPIRG Education Fund, and Frontier Group, September, 2017. Posted at: [http://carsfoundation.org/pdf/CarMax\\_CARS-Found\\_MASSPIRG\\_Report\\_%20Sept28-2017.pdf](http://carsfoundation.org/pdf/CarMax_CARS-Found_MASSPIRG_Report_%20Sept28-2017.pdf)

In contrast, AB 326 offers superior protection against such reckless behavior by requiring EMMs to perform safety recalls before renewing membership agreements, and if there is an “interim repair” available pending a final repair, to ensure that the interim measure actually “eliminates” the safety risk – a very high bar.

Therefore, for the reasons cited above, we strongly urge your “AYE” vote. Thank you for your consideration. Should you or your staff have any questions regarding our position, please do not hesitate to contact me directly.

Sincerely,

*Rosemary Shahan*

Rosemary Shahan  
President

CC: Honorable Members, Senate Committee on Transportation  
Honorable Members, Senate Committee on the Judiciary  
Randy Chinn, Chief Consultant, Senate Committee on Transportation  
Christian Kurpiewski, Counsel, Senate Committee on the Judiciary

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6 “Unsafe Used Cars for Sale: Unrepaired Recalled Vehicles at AutoNation Dealerships,” Report issued by U.S. PIRG Education Fund, Frontier Group, and Consumers for Auto Reliability and Safety Foundation, October, 2019. Posted at: [http://carsfoundation.org/pdf/AutoNation\\_recalled-used-vehicles\\_for-sale\\_Report\\_release\\_10-15-19.pdf](http://carsfoundation.org/pdf/AutoNation_recalled-used-vehicles_for-sale_Report_release_10-15-19.pdf)