

2017 Automotive Review

With the All-New 2018 LS, Lexus Reimagines Global Flagship Sedan



It is possible that no single automobile has, upon introduction, upended its category as decisively as the first Lexus LS did when it launched the luxury brand 28 years ago. The 1990 LS 400 was the original luxury disruptor, winning critical acclaim and astonishing customers by setting new benchmarks for comfort, powertrain performance and smoothness, quietness, build quality, attention to detail, and dependability. The brand supported that groundbreaking vehicle by setting and maintaining new standards for customer service and satisfaction.

Now, Lexus is about to repeat history with the introduction of the all-new, fifth-generation LS flagship sedan for 2018, unveiled at the 2017 North American International Auto Show. Inside and out, the new LS reflects a strong, uniquely Japanese identity and approach to luxury. Yet, the LS was designed to be the brand's latest global citizen, available in about 90 countries.

Longer and lower than the sedan it replaces, the all-new LS debuts a strikingly bold design with a coupe-like silhouette punctuated by the Lexus design language. A new

AUTO SPOTLIGHT

driver-centric performance feel comes from building the LS on the company's all-new global architecture for luxury vehicles (GA-L). This premium rear-wheel drive platform, an extended version of the one used for the stunning new Lexus LC 500 coupe, will offer a more dynamic experience on the road while further elevating renowned Lexus comfort.

For both high power and excellent fuel efficiency, Lexus designed an all-new 3.5-liter V6 engine specifically for the new LS with all-new twin turbos developed through the company's F1 technology. This new engine in the LS is indicative of the more dynamic approach being taken by Lexus, offering V8-level power without sacrificing fuel economy—all while minimizing noise and vibration. The new LS engine offers the output one would expect in a flagship sedan: 415 horsepower and 442 lb-ft of torque, sizeable gains over the current LS model's V8. The long stroke and optimized stroke-to-bore ratio contribute to high-speed combustion and the efficiency of the twin turbos, which assist the LS with a projected 0-60 time of 4.5 seconds (RWD).

Inside and out, the new LS reflects a strong, uniquely Japanese identity and approach to luxury. Yet, the LS was designed to be the brand's latest global citizen, available in about 90 countries.

2017 AUTOMOTIVE REVIEW

Trump Presidency Brings Regulatory Uncertainty to Auto Dealers

By CHRISTIAN SCALI and
MONICA BAUMANN

UNDER the Trump Administration, change is likely to come to the CFPB and FTC, but its extent and how it impacts auto dealers is unknown. Trump has started shaking things up with controversial Executive Orders and the backlash is already mounting. In more liberal states, like California, Governors and Attorneys General have already vowed to push back and may very well step up their own enforcement where the federal government falls short. This makes for an uncertain future for regulatory enforcement that cannot be easily predicted. Here are the details.

THE CFPB

The Consumer Financial Protection Bureau has been a political lightning rod over the last few years, especially for the automotive industry. The new administration will have multiple opportunities to reshape the CFPB's enforcement actions and regulation in the coming year.

The CFPB was created by the Dodd-Frank Act in the wake of the 2008 financial crisis to regulate the financial services industry in the interest of consumers. It is headed by a sole director, Richard Cordray, and is invested with a great deal of independence. Cordray has been criticized for his overzealous approach to enforcement and lack of accountability to Congress, especially when pressed by members of both parties to provide support for some of the policies and guidance issued by the CFPB during his tenure, including the CFPB's Auto Finance Guidance.

Auto dealers are exempt from the authority of the CFPB. But the CFPB currently has authority over auto finance companies with whom auto dealers must do business. Auto finance companies provide the credit consumers need to buy a vehicle from an auto dealer. They take assignment of the sale contract in exchange for compensation, usually stated as a percentage of the spread between the interest rate at which the finance company buys the contract from the dealer and the interest rate the dealer charges the customer for the purchase of the vehicle. Dealers have discretion to adjust this rate. This "dealer participation" has been under attack since the CFPB issued its Auto Finance Guidance in 2013, questioning the use of dealer participation to compensate a dealer for the assignment of a sale contract as creating an unlawful, discriminatory disparate impact on consumers. The CFPB's theory is that compensation to dealers in the form of discretionary dealer participation allows auto dealers, and therefore finance companies, to offer higher interest rates to racial minorities.

AUTO FINANCE GUIDANCE

With a Republican Congress and a Republican President, we are likely to see legislation rescinding the Auto Finance Guidance. In 2016, the House passed H.R. 1737, which would have rescinded the CFPB's guidance and directed the CFPB to reissue guidance after public comment and input from various federal agencies. Also in 2016, Texas congressman Jeb Hensarling, the Republican chairman of the House Financial Services Committee, introduced H.R. 5983, which sought to restructure the CFPB. It would have replaced the Bureau's sole director with a five-member bipartisan commission, repealed the CFPB's Auto Finance Guidance and made its budget subject to Congressional appropriations as opposed to the CFPB receiving automatically a percentage of the Federal budget as it does today. Both of these bills died with the 114th Congress, but received significant support

and could be reintroduced in 2017.

Any change to the Auto Finance Guidance will take time, though, to work its way through Congress. In addition, several lending institutions have entered into consent decrees with the CFPB that place restrictions on how dealers are compensated for initiating loans. These agreements will continue to be legally binding.

CLASS-WAIVER ARBITRATION RULE

Another brewing fight at the CFPB that impacts the automotive industry is a proposed regulation limiting the use of binding arbitration agreements in finance contracts. The Dodd-Frank bill directed the CFPB to analyze and potentially restrict the use of arbitration agreements in consumer finance contracts. The CFPB conducted its study in 2015 and issued proposed regulations in 2016. These regulations, if adopted, would prohibit lending institutions from using class action waivers in arbitration clauses in finance contracts such as car loans, effectively thereby preventing dealerships from using them as well. Public comment on the proposed rule ended August 22, 2016.

The Trump administration issued an Executive Order on his inauguration day calling for a regulatory freeze across all federal agencies. Many observers predicted that the CFPB would attempt to move forward with the arbitration rule prior to the inauguration, but that did not materialize. It therefore appears that the regulation is subject to review from the new administration and is unlikely to become effective in its proposed form.

FTC ENFORCEMENT

The Federal Trade Commission (FTC) has actively regulated the auto industry's advertising and finance practices over the last few years. By way of examples, the FTC, in conjunction with 32 law enforcement agencies, announced

Operation Ruse Control in 2015, a total of 252 enforcement actions targeting what it described as fraudulent and deceptive dealership advertisements. In 2016 the FTC sued a California dealership group and its principals for so-called "yo-yo" practices that it claims deceptively resulted in consumers paying higher downpayments and finance charges than originally agreed to.

Former FTC Chairwoman Edith Ramirez announced her resignation effective January 20. President Trump named Commissioner Maureen Ohlhausen to be acting chairwoman. She is the current Republican member of the commission. There are also three open Commissioner seats, at least one of which must be filled by a Democrat, as the FTC is a bi-partisan body.

With the choice of Ohlhausen and the three open seats, it is unlikely that the FTC will make any major changes in policy in the short term. However, many observers predict that the FTC will not as aggressively engage in enforcement actions under this administration, which is widely seen as more friendly to businesses than the Obama administration.

POTENTIAL INCREASE IN STATE AND LOCAL ENFORCEMENT

The FTC worked with state and local law enforcement in bringing many of its enforcement actions over the last few years. If the FTC pursues fewer actions in the future, more state and local agencies may initiate enforcement actions on their own. Historically state Attorneys General in more liberal states take a more aggressive enforcement stance during Republican administrations, and that trend may continue in consumer advertising. For example, Attorneys General of many of the more liberal states announced in November that they would be "the first line of defense" to protect consumers against any unconstitutional



Monica Baumann



Christian Scali

activities coming out of the new White House. In California, District Attorneys have in recent years increased their scrutiny of dealership advertising and sales practices. And in his January 24 State of the State Address, Jerry Brown announced that California will fight the Trump administration on many of Trump's policies, particularly concerning healthcare, immigration and climate change. But California is expected to pick up any slack by the federal government in enforcing laws protecting minorities. This is telegraphed by Brown's pick for Attorney General, Xavier Becerra, confirmed by the state Senate, who has vowed to defend minorities against policies he sees as regressive. California also hired former U.S. Attorney General, Eric Holder, to defend the state against any illegal or unconstitutional activities coming out of the Trump administration.

So the extent of any change in regulatory enforcement resulting from the new administration remains unknown and its effect uncertain in light of the stance of many more liberal states, like California.

Christian Scali is the Founder and Managing Partner of the Scali Law Firm and Monica Baumann is a Senior Associate Attorney with the firm. Recognized as California's top boutique automotive law firm, The Scali Law Firm's clients range from small, family-owned businesses to publicly held global companies and high net worth individuals. Its team of attorneys has decades experience in a number of practice areas, with a high degree of specialization in serving the auto dealer industry. To learn more, visit scalilaw.com.



COMPLETELY
DRIVER-CENTRIC PERFORMANCE



McLAREN 570GT
STARTING AT \$201,450



McLAREN 570S
STARTING AT \$191,100

McLAREN 570S & 570GT

Completely driver-centric and performance oriented. With the lightest weight in its class and the highest power to weight ratio, it delivers super car punch and thrills.



9022 Wilshire Blvd
Beverly Hills, CA 90211

844.247.4852
McLarenBeverlyHills.com

2017 AUTOMOTIVE REVIEW

Maserati Ghibli MY17: Timeless Design with More Customization Options

THE Ghibli MY17 adopts additional high-tech content in the area of on-board comfort and driver assistance while offering an even higher degree of customisation thanks to the new Luxury and Sport packages.

For the MY17 upgrade the Maserati Ghibli range remains faithful to its DNA while offering unmistakable class, top-quality performance and a thrilling yet comfortable driving experience in a premium saloon that is more desirable than ever before.

The exterior design stands out for its coupé-like philosophy and several unique features in the E High-End Segment, like the distinctive c-pillar that bears the iconic “Saetta” logo, the frameless doors, the pronounced grille that resembles iconic Maserati cars of the ‘50s and the four exhaust chromium-plated pipes on all versions.

When it was launched, the Ghibli offered the highest degree of customization in its segment.

The MY17 takes a further step towards satisfying individual taste with the introduction of two new packages, Luxury and Sport, which enhance the standard features of every Maserati. The packages are designed to appeal to customers with differing tastes.

The Luxury and Sport packages personalise the exterior finish and create a focused environment for the driver and passengers. Two Carbon packages, one with exterior and the other with interior elements, are now available as a further customisation option and an upgrade for the Sport Package.

The MY17 Ghibli benefits from interior upgrades as well. The central dashboard has been redesigned to accommodate a high-resolution 8.4” screen with multi touch function. The new infotainment system is compatible with both Apple CarPlay and Android Auto smartphone mirroring functions. The central, lower console has also been redesigned and now hosts a rotary knob to control volume and functions, a new lid

and a new phone storage compartment.

All versions of the Ghibli are now equipped with Air Quality Sensor, a feature that substantially improves the comfort of occupants on-board. The system combines an intelligent sensor and a signal analysis system that calculates the external pollution levels and prevents polluted air and toxic gases from entering the cabin.

A new package of Advanced Driver Assistance Systems is available as an option. It includes Adaptive Cruise Control with Stop & Go, Blind Spot Alert, Lane Departure Warning, Forward Collision Warning with advanced Brake Assist and Automated Emergency Braking. An additional Surround View Camera is available as an option in combination with the ADAS package.

In terms of engines, both versions of the petrol range, the Ghibli and Ghibli S, feature the acclaimed, Ferrari built, Euro 6 homologated Twin Turbo-charged 3.0-litre V6 engine with the

8-speed ZF automatic transmission, which now features the Start&Stop function.

The Ghibli now delivers 350 hp, 20 hp more than in the previous model year, an increased top speed of 267 km/h and accelerates from 0 to 100 km/h in just 5.5 seconds.

The Ghibli S, with its power output of 410 hp, accelerates from 0-100 km/h in 5.0 seconds and reaches a top speed of 285 km/h. The Ghibli S is also available with the Q4 All Wheel Drive system. The Ghibli SQ4 accelerates from 0-100 km/h in just 4.8 seconds, up to a top speed of 284 km/h. The Ghibli Diesel with its Euro 6, 3.0-litre V6 engine, which is exclusively developed by Maserati together with VM Motori, produces a power output of 275 hp, amongst the best in its class.

The Ghibli shares parts of its core architecture - chassis, suspension layout, V6 engines and ZF 8-speed automatic transmission - with the Quattroporte. It is, however, 293 mm shorter and 50 kg lighter than the flagship Italian saloon.

Dynamic and precise handling is guaranteed by the car’s perfectly balanced 50:50 weight distribution while the sophisticated suspension system and the standard limited slip differential make every ride even more enjoyable. The Ghibli has been awarded five Euro NCAP stars in collision testing, giving the driver and passengers complete peace of mind.



2017 AUTOMOTIVE REVIEW

Buick Verano Called Industry's "Most Dependable Vehicle"

BUICK was recently recognized in the J.D. Power 2016 Vehicle Dependability Study (VDS), coming in third overall with the Buick Verano outperforming every other model as the industry's most dependable vehicle.

Sixty percent of the brand's 2013 models ranked highest in their respective segments.



Buick's ranking is a demonstration of our mission to provide the best in reliability, quality and customer service.

As we enter an exciting year of vehicle launches, we will show both new and returning customers that quality continues to be a top priority for the brand.

ranked highest in the Small SUV segment.

"Buick's ranking is a demonstration of our mission to provide the best in reliability, quality and customer service," said Duncan Aldred, vice president of Global Buick. "As we enter an

AUTO SPOTLIGHT

exciting year of vehicle launches, we will show both new and returning customers that quality continues to be a top priority for the brand."

The J.D. Power Vehicle Dependability Study (VDS) examines owner-reported problems in the past 12-months by original own-

ers of 3-year-old vehicles. With its most recent J.D. Power accolade, the 2013 Buick Encore has now been recognized in all three studies for which it is eligible, including awards in the Initial Quality Study (IQS) and the Automotive Performance Execution and Layout (APEAL) Study for the Sub-Compact CUV segment.

In addition to the Buick Verano topping the Compact Car segment, the Buick LaCrosse was recognized as the segment leader in the Large Car segment for the second year in a row. The brand's top-selling vehicle, the Buick Encore,

The
SCALI
LAW
FIRM

LITIGATION
 REGULATORY
 TRANSACTIONAL

The Automotive Law Firm

The Scali Law Firm provides full service legal services to the auto industry with a focus on auto dealer, startup electric vehicle manufacturer, parts supplier and internet-based automotive advertising company representation.

Ahead of the Curve
 navigating dealer compliance in a changing industry

Coffee Break



800 Wilshire Boulevard, Suite 400 • Los Angeles, CA 90017
 T 213. 239. 5622 • www.scalilaw.com

AVOIDING LITIGATION WHEN IT'S POSSIBLE.
 PROTECTING YOU WHEN IT ISN'T.