

Foley Automotive Update - June 2024

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Key Developments

- **Foley & Lardner** provided an [overview](#) of a recent Sixth Circuit decision that found an **automotive supplier's terms and conditions** were not sufficient to create a **requirements contract**.
- **Foley & Lardner** provided a [summary](#) of legal considerations for the installation and operation of **electric vehicle chargers**.
- **U.S. new light-vehicle sales in May** reached a SAAR of 15.9 million units, up 2.4% from May 2023, according to [analysis](#) from the National Automobile Dealers Association (NADA). The **first five months of 2024** reflect a SAAR of 15.55 million units, up 2% from the same period last year.
- **New light-vehicle inventory** reached an [estimated](#) 2.73 million units industrywide at the end of May, representing an increase of 50.3% from May 2023.
- **Canada's government** and negotiators for the union representing **border agents** continued [contract discussions](#) this week in an effort to avoid a **labor disruption at the border**. Frontline border agents are typically considered essential. However, if an agreement cannot be reached in the coming days the union could pursue a potential job action such as "work-to-rule," and this could delay border processing.
- The **National Highway Traffic Safety Administration** on June 7 [finalized corporate average fuel economy \(CAFÉ\) standards](#) that will require "an industry fleet-wide average for passenger cars and light trucks of roughly 50.4 miles per gallon (mpg) in MY 2031." The final standards will direct a 2% per-year improvement in fuel efficiency for MY 2027-2031 passenger cars, and light trucks require a similar improvement beginning in MY 2029.
- **Texas Attorney General Ken Paxton** [opened an investigation](#) into several auto manufacturers following reports of the **collection and sale of drivers' data to third parties** that included insurance providers.
- **GM** is named in roughly [two dozen class-action lawsuits](#) that allege the automaker gathered data about drivers without their consent and provided the information to insurance companies.
- The **Center for Automotive Research** [estimates](#) the U.S. Federal Trade Commission's [final](#)

[rule](#) pertaining to dealerships' vehicle advertising and finance and insurance processes could result in "median upfront compliance costs of \$31,450 with the average recurring annual costs for dealers at approximately \$39,862 per location." CAR projects the **FTC's Combating Auto Retail Scams (CARS) Rule** would create a "net cost of \$24.1 billion over 10 years, reduced from the original CAR Report estimated net cost of \$38.1 billion."

- The **NADA** [announced](#) support for a provision in the Fiscal Year 2025 Financial Services and General Government (FSGG) [appropriations bill](#) that would prohibit the FTC from using the budget's funds to implement or enforce the **CARS Rule**.
- The **UAW** reached a [tentative local agreement](#) with Ultium Cells, the **GM** and **LG Energy Solution** joint venture plant, in Lordstown, Ohio.

OEMs/Suppliers

- [The U.S. Department of Labor filed a lawsuit](#) against **Hyundai** and two other companies over allegations of **illegal child employment** in **Alabama**.
- The U.S.-Mexico-Canada Agreement's Interagency Labor Committee for Monitoring and Enforcement [requested a review](#) of **potential labor rights violations** at a **Volkswagen** plant in **Puebla, Mexico**.
- **Toyota** [will invest](#) \$282 million into its engine plant in **Huntsville, Alabama**, in areas that include adding new production lines for certain drivetrain components. Toyota Alabama currently supplies engines to seven vehicle plants in North America.

Electric Vehicles and Low Emissions Technology

- **Exports** by Chinese EV market leader **BYD** [reached](#) over **176,000 units** in the first five months of **2024**, representing an increase of **177%** compared to the same period last year.
- A number of Republican lawmakers called for the U.S. to [ban imports](#) from certain key **Chinese lithium-ion battery companies**, due to alleged violations of the **Uyghur Forced Labor Prevention Act**.
- **Stellantis** CEO Carlos Tavares [warned](#) that efforts to reduce EV production costs will place a **significant burden on parts suppliers**. Tavares also indicated the automaker may [in-source certain parts to reduce costs](#), or increase reliance on sourcing from "best-cost countries."
- **Accelera** by **Cummins**, **Daimler Truck** and **PACCAR** [completed](#) the formation of their joint venture, Amplify Cell Technologies. The joint venture was announced in September 2023, and it is expected to support **battery cell production** for the U.S. supply chain.
- **Subaru**, **Toyota** and **Mazda** [plan to develop](#) compact engines that will be compatible with various **carbon-neutral fuels**.
- **GM** [will reassess](#) the timetable for producing EV motors at its St. Catharines, Ontario, engine and transmission plant.
- **Volvo** [will debut](#) a **supply chain traceability platform** that will allow customers in the European Union and the U.S. to identify the sources of certain EV battery components. The **EV battery passport** utilizes blockchain technology and was developed with London-based **Circular**.
- **Honda** [began production](#) of a fuel-cell electric CUV at its Marysville, Ohio, plant.
- **Stellantis** and **Mercedes** [paused construction](#) on a **lithium-ion battery plant** in **Germany** to assess options for technology and costs. The companies indicated they may pivot and pursue low-cost lithium-iron-phosphate cells for planned entry-level EVs.

Automated, Autonomous or Connected Vehicles Technologies

- [Automotive News](#) provided an overview of **robotaxi** companies' recent plans and developments.
- **Hyundai** and autonomous driving technology company **Plus** are [testing](#) a self-driving Class 8 hydrogen fuel cell electric truck for the U.S. market.

Market Trends and Regulatory

- **Sport utility vehicles** accounted for a record 48% of global passenger vehicle sales in 2023, up from 41.4% in 2020 and 20.58% in 2013, according to a [report](#) from the International Energy Agency. The analysis indicates SUVs represented more than 25% of the annual global demand growth for oil in 2023, and 20% of the added energy-related CO2 emissions.
- **UAW President Shawn Fain** is under investigation by an independent federal monitor due to allegations that include obstructing attempts to access information and retaliation against other union leaders, according to a report in [The Detroit News](#).
- The **Geneva International Motor Show** [will be discontinued](#) indefinitely due to falling attendance and competition from other events.
- At a recent parliamentary committee hearing to identify key topics for an anticipated 2026 review of the United States-Mexico-Canada Agreement (USMCA), auto manufacturers and steel producers [urged](#) **Canadian lawmakers** to **raise tariffs** on certain **Chinese imports**.

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National Law Review, Volume XIV, Number 163

Source URL: <https://natlawreview.com/article/foley-automotive-update-june-2024>