SSDA SERVICE STATION DEALERS OF AMERICA AND ALLIED TRADES

SSDA News

Service Station Dealers of America and Allied Trades

VOLUME 32, ISSUE 5 MAY, 2018

INSIDE THIS ISSUE:

Federal Lobby Day– June 20th

By Roy Littlefield

Mark your calendars-our Federal Lobby Day is scheduled for June 20, 2018.

Lobby Day gives you a unique opportunity to meet face to face with Senators, Congressmen, administration officials, and congressional staffers to discuss issues of concern to you.

Remember, "nobody can tell your story as good as you!"

To kick off the day, we have just confirmed a meeting at US DoT headquarters to discuss infrastructure on Wednesday, June 20, at 10:00AM for attendees. Free Transportation.

Issues we will discuss include:

Estate Tax-while we doubled the exemption level in the tax reform bill, we are introducing legislation for permanent repeal. There may be no more important financial issue for any association member who owns his business and plans to pass it on to a family member.

Infrastructure Funding-There are currently 39 bills in Congress to fund the President's $1 trillion infrastructure overhaul plan. The Administration's plan calls for a 25¢ per gallon motor fuel tax with none of the money going to highways or bridges. In fact, while all of the proposed fee and tax increase are on the highway issues, 85% of the money collected would go to nonhighway needs.

Online sales-to ensure that out of state online retailers pay state sales tax where applicable.

Health Care-The top issue our members repeatedly tell us is the need for health care reform. While we were successful in the tax reform bill to repeal the individual mandate, we have a long way to go!

Other issues we will discuss include:

LIFO Repeal, Tariffs, Work Opportunity Tax Credit, Lawsuit Abuse, Retroactive Liability Provisions Superfund, Scrap Tires and Used Oil, National Energy Bill, Urge Strong Enforcement of the Magnuson - Moss Warranty Act, Halt the Activist NLRB's Efforts to Ease Unionization of Businesses, Support the Motor Vehicle Owner's Right to Repair Act, Comp Time, RPM Act, and others.

We will schedule meetings for you throughout the day.

We will host a luncheon on Capitol Hill, and we have invited the first Democrat who has declared his intentions to run for President in 2020 to speak to you.

That evening we will host a Capitol Hill reception for you to talk informally to Senators, Congressmen, and Hill Staffers.

There will be no fee for any Washington D.C./ Capitol Hill function.

We will continue to supply information about the event, but please mark your calendars.

And, it is worth repeating, nobody can tell your story as good as you can!

An Update from Washington and a Look Ahead to Federal Lobby Day

SSDA-AT has remained active throughout 2018 in Washington on a variety of issues.

Most recently, SSDA-AT participated in an SBLC (Small Business Legislative Council) Legislative Summit. At the meeting, WMDA/CAR was updated on the issues surrounding multi-employer pension plans. We also received an update on the Economic Growth, Regulatory Relief and Consumer Protection Act (S. 2155), as well as the DRIVE Safe Act.

SSDA-AT remains a leader in the Small Business Legislative Council working on these federal issues and others.

SSDA-AT recently attended a Family Business Coalition meeting where Congressman Jason Smith (MO-8-R) attended and presented to the group his newly introduced legislation: Death Tax Repeal Act (H.R. 5422). This bill will be one of the issues we focus on at lobby day.

Congressman Smith has emerged as the leader and champion for Estate Tax repeal. SSDA-AT fully supports the legislation and signed onto a multi-organization letter earlier in the month declaring support for the bill. At the coalition meeting, SSDA-AT also spoke with Ways and Means staff, Speaker Paul Ryan's staff, Senate Finance Staff, and other tax experts.

In April, the Federal Trade Commission staff sent warning letters to six major companies that market and sell automobiles, cellular devices, and video gaming systems in the United States. The letters warn that FTC staff has concerns about the companies'

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An Update from Washington and a Look Ahead to Federal Lobby Day

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statements that consumers must use specified parts or service providers to keep their warranties intact.

Unless warrantors provide the parts or services for free or receive a waiver from the FTC, such statements generally are prohibited by the Magnuson-Moss Warranty Act, a law that governs consumer product warranties. Similarly, such statements may be deceptive under the FTC Act.

SSDA-AT worked on and supported a Magnuson-Moss Warranty Act bill in Maryland this legislative session. The bill passed committee but failed final passage. We are pleased that the FTC took this action and followed up as we have written to them several times on this issue.

As a reminder, please member to mark your calendars-our Federal Lobby Day for service station dealers and repair shop owners from around the country is scheduled for June 20, 2018.

Lobby Day gives you a unique opportunity to walk the halls of Washington and meet with your elected officials to share the concerns of your business.

Issues we will discuss include: Estate Tax, Infrastructure Funding, Online sales, Health Care, Tire Registration, LIFO Repeal, Tariffs, Work Opportunity Tax Credit, Lawsuit Abuse, Retroactive Liability Provisions Superfund, Scrap Tires and Used Oil, National Energy Bill, Urge Strong Enforcement of the Magnuson - Moss Warranty Act, Halt the Activist NLRB's Efforts to Ease Unionization of Businesses, Support the Motor Vehicle Owner's Right to Repair Act, Comp Time, RPM Act. Bring forth the issues important to you!

We will discuss the highway bill and the implications it will have on the automotive industry at the Department of Transportation Headquarters and later meet with Congressmen and Senators on Capitol Hill.

There will be no fee for this event and we encourage you to bring your fellow dealers. There will be a free bus leaving the offices in Bowie on Wednesday morning on the 20th.

There will be more information about the event to come, but please mark your calendars. We need your support to make sure our voice is heard on the national level!

Shale Helps Fuel Record PA Gas Production in 2017

Pennsylvania's marketed natural gas production rose 3% from 2016 to a record 15 billion cubic feet per day in 2017, with output from shale plays in the Appalachian Basin driving the growth, according to the Energy Information Administration.

Natural gas drilling permits climbed from 1,352 in 2016 to 2,038 last year, while the rig count averaged 33 units in 2017, up from 20 in 2016, according to the Pennsylvania Department of Environmental Protection.

We Welcome Our Newest SSDA-AT Member Association:

Minnesota Service Station & Convenience Store Association

2886 Middle Street

Little Canada, MN 55117

http://mnssa.com/

Contact: Lance Klatt, Executive Director

MSSA Minnesota Service Station & Convenience Store Association

Oil Recovers After Sliding on Trump Tweet Criticizing OPEC

Oil prices edged up on, stabilizing after an earlier slide driven by U.S. President Donald Trump's criticism of OPEC's role in pushing up global oil prices.

Brent crude oil futures LCOc1 gained 28 cents, or 0.4 percent, to settle at $74.06 per barrel. West Texas Intermediate crude futures CLc2 for delivery in June, the most active U.S. contract, were up 7 cents at $68.40. The May WTI contract, which expired on Friday, CLc1 gained 9 cents, or 0.1 percent, to settle at $68.38.

"Looks like OPEC is at it again," Trump tweeted.

"With record amounts of Oil all over the place, including the fully loaded ships at sea, Oil prices are artificially Very High! No good and will not be accepted!"

Since early 2017, the Organization of the Petroleum Exporting Countries and its allies have curbed output in the hopes of eliminating a global oil glut.

Prices held up, even under Trump's comments, said Walter Zimmerman, chief technical analyst at United-ICAP.

"Oil looks like it wants to explore the upside a little more," Zimmerman said.

OPEC Secretary-General Mohammad Barkindo said that the organization does not have a price objective, but that it is working to restore stability to oil markets.

Earlier this week, both Brent and WTI hit their highest levels since November 2014, at $74.75 and $69.56 per barrel respectively, buoyed by geopolitical risk and a tightening market. For the week, both benchmarks gained over 1 percent.

"The only thing [Trump] can really do is drain the SPR (Strategic Petroleum Reserve). Now, I have not seen any indication that the administration plans on doing that," said Bob Yawger, director of energy futures at Mizuho in New York.

If Trump does start discussing the possibility of draining the strategic petroleum reserves, or SPR, that would pressure prices, Yawger said.
"We have a difficult time seeing how OPEC would in any way be swayed here in terms of changing course, in terms of policy," said Michael Tran, commodity strategist at RBC Capital Markets.

Trump has recently been a bullish factor for oil, Tran said.

"One of the major variables that's fueling the rally in oil prices is the market's perception that his administration is taking an increasingly hawkish stance on foreign policy," he said.

The United States has until May 12 to decide whether it will leave the Iran nuclear deal, which would further tighten global supplies.

U.S. drillers added oil rigs for the third consecutive week in the week to April 20 bringing the total count to 820, the highest since March 2015, according to General Electric's Baker Hughes energy services firm.

Trump's revenge: U.S. oil floods Europe, hurting OPEC and Russia

As OPEC's efforts to balance the oil market bear fruit, U.S. producers are reaping the benefits - and flooding Europe with a record amount of crude.

Russia paired with the Organization of the Petroleum Exporting Countries last year in cutting oil output jointly by 1.8 million barrels per day (bpd), a deal they say has largely rebalanced the market and one that has helped elevate benchmark Brent prices LCOc1 close to four-year highs.

Now, the relatively high prices brought about by that pact, coupled with surging U.S. output, are making it harder to sell Russian, Nigerian and other oil grades in Europe, traders said.

"U.S. oil is on offer everywhere," said a trader with a Mediterranean refiner, who regularly buys Russian and Caspian Sea crude and has recently started purchasing U.S. oil. "It puts local grades under a lot of pressure."

U.S. oil output is expected to hit 10.7 million bpd this year, rivaling that of top producers Russia and Saudi Arabia.

In April, U.S. supplies to Europe are set to reach an all-time high of roughly 550,000 bpd (around 2.2 million tonnes), according to the Thomson Reuters Eikon trade flows monitor.

In January-April, U.S. supplies jumped four-fold year-on-year to 6.8 million tonnes, or 68 large Aframax tankers, according to the same data.

Trade sources said U.S. flows to Europe would keep rising, with U.S. barrels increasingly finding homes in foreign refineries, often at the expense of oil from OPEC or Russia.

In 2017, Europe took roughly 7 percent of U.S. crude exports, Reuters data showed, but the proportion has already risen to roughly 12 percent this year.

Top destinations include Britain, Italy and the Netherlands, with traders pointing to large imports by BP, Exxon Mobil and Valero.

Polish refiners PKN Orlen and Grupa Lotos and Norway's Statoil are sampling U.S. grades, while other new buyers are likely, David Wech of Vienna-based JBC Energy consultancy said.

"There are a number of customers who still may test U.S. crude oil," Wech said.

The gains for U.S. suppliers could come as a welcome development for U.S. President Donald Trump, who accused OPEC on Friday of "artificially" boosting oil prices.

"Looks like OPEC is at it again. With record amounts of Oil all over the place, including the fully loaded ships at sea. Oil prices are artificially Very High! No good and will not be accepted!" Trump wrote on Twitter.

'KEY SUPPLY SOURCE'

While the United States lifted its oil export ban in late 2015, the move took time to gain traction among Europe's traditional refineries, which were slow to diversify away from crude from the North Sea, West Africa and the Caspian.

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Trump's revenge: U.S. oil floods Europe, hurting OPEC and Russia

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"European refiners started experimenting with U.S. crude last year," said Ehsan Ul-Haq, director of London-based consultancy Resource Economics. "Now, they know more than enough to process this crude."

U.S. oil gained in popularity, sources said, in part because of the wide gap between West Texas Intermediate, the U.S. benchmark, and dated Brent, which is more expensive and sets the price for most of the world's crude grades.

This gap, known as the Brent/WTI spread, has averaged $4.46 per barrel this year, nearly twice as high as the year-earlier figure, Reuters data showed.

Wech of JBC Energy said the spread would likely persist in the near future.

The most popular U.S. grades in Europe are WTI, Light Louisiana Sweet, Eagle Ford, Bakken and Mars.

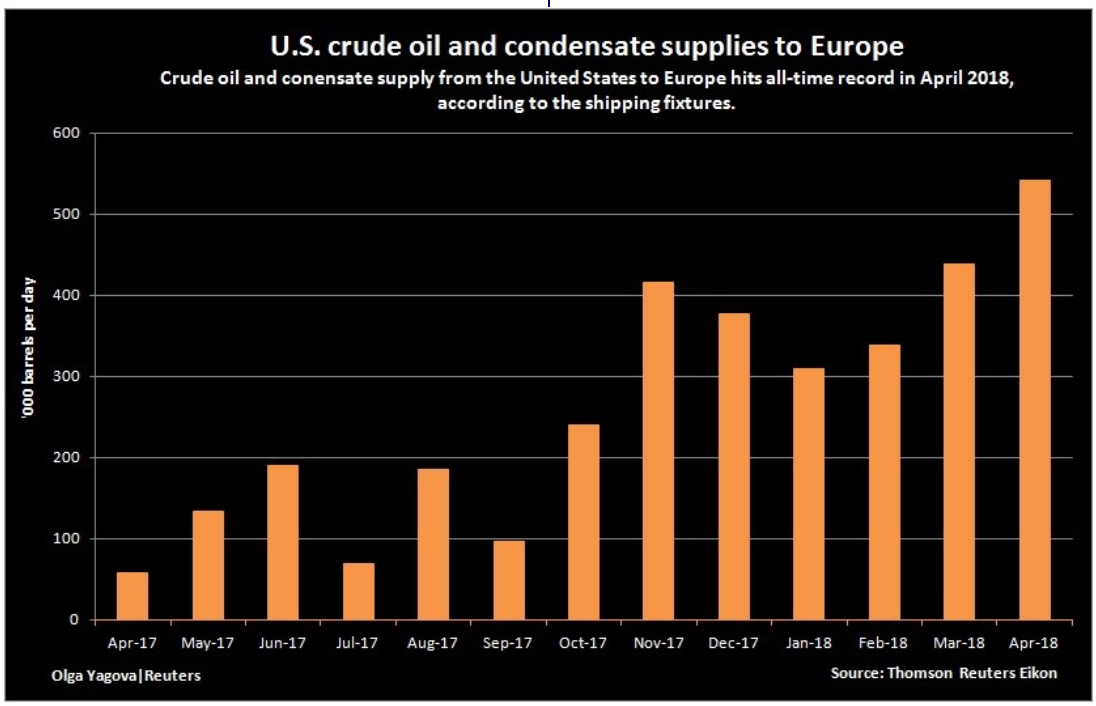
Prices for alternative local grades have been slashed as a result.

CPC Blend differentials recently hit a six-year low versus dated Brent at minus $2 a barrel. Russia's Urals also came under pressure despite the end of seasonal refinery maintenance. BFO-CPC BFO-URL-E BFO -URL-NWE

WTI was available at 80-90 cent premiums delivered to Italy's Augusta, well below offers of Azeri BTC at a premium of $1.60 a barrel, according to trading sources.

U.S. oil is even edging out North Sea Forties, which is produced in the backyard of the continent's refineries.

Cargoes of WTI were offered in Rotterdam at premiums of around 50-60 cents a barrel above dated Brent, cheaper than Forties' premium of 75 cents to dated.



Drive to Kill Estate Tax Isn't Dead, Despite Doubled Exemption

Estate tax repeal efforts aren't dead, but tax law changes will make it harder for proponents to make headway anytime soon.

"Getting enough Democrats to vote for repeal in the near term I think is going to be a pretty heavy lift," Sen. John Thune (R-S.D.), a member of the Senate Finance Committee, told Bloomberg Tax.

The 2017 tax overhaul doubled the estate tax exemption to about $11 million for individuals and $22 million for couples. In 2026, those amounts revert to previous levels.

Republicans enacted the changes using the fast-track budget reconciliation process, which allowed them to advance the legislation with a simple majority. Full repeal couldn't garner the 51 votes needed then, so it would be difficult to get the 60 Senate votes that would be required now, Thune said.

There were several factors, including the cost of a full repeal, that were considered in the debate on the underlying bill, he said. The Joint Committee on Taxation estimated that doubling the estate tax exemption would cost $83 billion over 10 years, while a full repeal would have cost about $270 billion. "I think a lot of us would like to see the death tax repealed entirely, and we'll keep working toward that end, but I think at the moment doubling the exclusion was, under the circumstances, the best we could do," Thune said.

Finance Committee member Tim Scott (R-S.C.) said a complicating factor for full repeal in the near future is the fact that significantly fewer people are now affected by the estate tax. "It's good that we doubled" the exemption, he said. But "you're probably losing a part of the audience for estate tax repeal."

The JCT estimated that doubling the exclusion would reduce the number of estates paying the tax in 2018 to about 1,800 from 5,000 under previous law. House Ways and Means Committee member Kristi Noem (R-S.D.), who has been a strong advocate for repeal, told Bloomberg Tax she has a strategy in mind for getting rid of the estate tax. "I'm leaving," Noem said, referring to her decision to run for governor of South Dakota, "so I want to do it this year." Thune said he would support repeal legislation. "If there's a vehicle that comes along prior" to the 2026 expiration of the higher exemption "where we could hitch a ride and try to repeal it completely, I'm certainly open to that," he said. "I'll be looking for those opportunities, but I'm not sure in the near term where that is."

'Pedal to the Floor'

The Family Business Coalition will continue to push for estate tax repeal in 2018, despite the relief provided in the GOP tax legislation, Palmer Schoening, chairman of the pro-repeal group, told Bloomberg Tax.

"FBC will be keeping the pedal to the floor for full repeal and fighting against attempts to roll back relief," Schoening said in an email. "In many ways there is now more at stake," he said.

It's possible that the estate tax could increase in coming years, given the temporary nature of the individual provisions in the recent tax overhaul (Pub. L. No. 115-97) and the unpredictability of the upcoming midterm elections, Schoening said.

Sen. Bernie Sanders (I-Vt.) has expressed a desire to raise the estate tax rate to 65 percent, while cutting the exemption, "which would be an absolute legacy killer for multigenerational family businesses and farms," Schoening said.

Drive to Kill Estate Tax Isn't Dead, Despite Doubled Exemption

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"Anyone who thinks this as a settled issue because Congress passed a temporary tax relief bill has their head in the sand," he said.

Patricia Wolff, senior director of congressional relations at the American Farm Bureau Federation, said AFBF still supports repeal of the estate tax but that tax issues in general have fallen off the group's priority list-they have been replaced by the 2018 farm bill and immigration issues. "Our push will be to make the new higher exemption levels permanent," Wolff said in an email. The AFBF will support the FBC's full repeal efforts but doesn't plan to take a lead role, she said.

In 2017, the AFBF spent $4.05 million to lobby on estate tax repeal and other issues, according to federal lobbying data analyzed by Bloomberg Government. Kevin Kuhlman, director of government relations at the National Federation of Independent Business, said estate tax repeal remains a top priority for NFIB. "It will be especially important as the doubling of the exemption threshold returns to 2017 levels (indexed) in 2026," he said in an email. NFIB spent $3.30 million from Jan. 1 through Sept. 30 lobbying on several issues, including estate tax repeal, according to the Bloomberg Government analysis. The group's fourth-quarter lobbying disclosure listed the Republican tax legislation-H.R. 1-but didn't explicitly mention the estate tax. The U.S. Chamber of Commerce was another notable supporter of eliminating the estate tax, spending $58.78 million in 2017 on that and other issues, the analysis showed.

For groups that want the estate tax to be strengthened, the most important action in 2018 will be to ensure that Republicans don't take control of the narrative about the new tax law-especially as the November mid-term elections draw closer.

"My goal is for the American public to simply be aware of what has just happened," said Eric Schoenberg of the pro-estate tax group Patriotic Millionaires. "This is an enormous tax cut for rich people." The Koch network-a conservative political network led by billionaires Charles and David Koch-announced at a summit near Palm Springs, Calif., that it plans to invest as much as $20 million in 2018 to sell to voters on the Republican tax cuts. At the summit, Senate Majority Whip John Cornyn (R-Texas) agreed that conservative lawmakers need to better advertise the benefits of the tax overhaul. Republicans are in "full-tilt boogie," trying to frame the new tax law in a positive light, Frank Clemente, executive director of Americans for Tax Fairness, a left-leaning advocacy group, told Bloomberg Tax. "They're going to try to polish it up as a jewel," he said. "But I think it's going to remain seriously blemished" and will hurt those who voted for it in the upcoming elections, Clemente said. A Monmouth University poll showed some public warming to the tax cuts. The poll, conducted by phone Jan. 28 to Jan. 30, found that support for the new tax law is split-with 44 percent of the 806 adults surveyed approving and 44 percent disapproving. This is a significant shift from a mid-December poll by Monmouth that found 26 percent approved of the tax legislation and 47 percent disapproved. A Pew Research Center survey conducted Jan. 10 to Jan. 15 generated less positive results, finding that 37 percent of 1,503 people surveyed approved of the law and 46 percent disapproved. Seventeen percent didn't offer an opinion.

Schoenberg said it's unlikely any of the recent tax changes will be reversed, including those relating to the estate tax, until the composition of Congress changes.

Trump Aims to Ease Compliance with Air Pollution Rules

President Trump is directing the Environmental Protection Agency (EPA) to take numerous steps to ease companies' and states' compliance with a key air pollution program.

In a new presidential memorandum addressed to EPA Administrator Scott Pruitt, Trump is formally asking the EPA to endeavor to make decisions on company and state compliance by certain deadlines.

Trump also wants the EPA to prioritize taking into account factors that could increase air pollution and make it harder for states to comply with the National Ambient Air Quality Standards (NAAQS).

Some states and industries have argued that pollution that blows in from other countries and "exceptional events" like wildfires and dust storms should not be counted when determining air quality, since they are outside the states' control.

The memorandum is meant to fulfill Trump's and Pruitt's promises to help manufacturers, power plants and other facilities.

"This memorandum helps ensure that EPA carries out its core mission, while reducing regulatory burdens for domestic manufacturing," Pruitt said in a Thursday statement.

"International and background sources of air pollution are critical issues facing state, local, and tribal agencies implementing national standards. The president's leadership will guide our agency's continued commitment to proper implementation of the Clean Air Act."

NAAQS is a pillar of the nation's clean air laws, meant to reduce harmful levels of pollutants like ozone, carbon monoxide, sulfur dioxide and particulate matter.

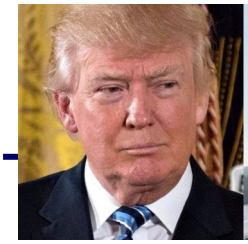
The EPA must regularly review whether to make air quality standards more stringent. States then must determine how to clean their air, and companies then might have to reduce their pollution, a potentially costly task.

Under Trump's memo, EPA is instructed to try to abide by new deadlines for reviewing state compliance plans, companies' construction permits and paperwork related to factors that increase air pollution but are outside states' control, like disasters or international pollution.

Trump also wants the EPA to prioritize cooperation with states on compliance decisions, make sure states are taking advantage of factors that could reduce their burdens and improve pollution monitoring and modeling that could benefit states or companies.

American Forest & Paper Association cheered the memorandum.

"We applaud this initiative for EPA to use modern permitting tools, such as probabilistic approaches to ensure permit decisions reflect real world conditions, as well as sensible offset policies for rural areas so beneficial projects can proceed. Doing so will support our industry's contribution to economic growth and create American manufacturing jobs," said Donna Harman, the group's president.



North American Energy IPOs Set to Rebound in 2018 as Oil Price Stabilizes

Higher oil prices and a positive earnings outlook for energy companies are expected to fuel a rebound in North American oil and gas initial public offerings in 2018, with bankers betting investors will remain optimistic about the sector even if the broader stock market remains volatile. IPOs in the United States and Canada could reach their highest in four years, and oilfield services companies are seen leading the recovery, given their pressing capital needs. More than a dozen energy companies are lining up to list this year, including several private equity-backed U.S. exploration and production (E&P) companies. Denham Capital-backed Covey Park Energy may be the first of these names, with initial conversations with investors planned in the next few weeks, followed by a formal deal marketing depending on investor response, two sources aware of the matter told Reuters. Indigo Natural Resources said Jan. 29 it had previously filed a confidential proposal with the Securities and Exchange Commission to go public, with timing dependent on market conditions. Vine Resources is also eyeing an IPO this year, while potential Canadian candidates include Canbriam Energy and Velvet Energy, two separate sources said. Warburg Pincus [WP.UL], one of the biggest private equity investors in the Canadian energy patch, backs both Canbriam and Velvet. Denham and Warburg declined to comment. Vine-backer Blackstone Group did not respond to requests for comment. Access to equity markets for energy firms comes at an opportune time for private equity firms seeking to cash out of long-held investments. Investors are encouraged that crude prices have stayed above $60 a barrel even as drilling activity pushed U.S. oil output past 10 million barrels per day for the first time since 1970. Company fundamentals are also more resilient than 12 months ago, supporting the IPO pipeline. “The stability in oil prices is a net positive. If energy companies can demonstrate to investors that they can generate cash flow in the current oil price environment, they can go public,” said Grant Kernaghan, Citigroup’s managing director of Canadian investment banking. “The recent volatility hasn’t resulted in markets shutting down,” he added, suggesting equity markets were still open despite a 10-session period up to Feb. 8 when the S&P 500 dropped over 10 percent. Still, experts said any selloff on the oil market that pushes crude prices below $60 could derail these plans to go public. After 20 IPOs worth $11.7 billion in 2014, the slump in oil from mid-2014 saw the subsequent three years raising just a combined $9.8 billion from 21 offerings, according to Thomson Reuters data. So far this year, five energy IPOs have raised $1.26 billion, according to Reuters calculations. Four of these five oilfield services IPOs had successful debuts, while IPSCO Tubulars pulled its offering due to the market selloff. Quintana Energy Services Inc priced its IPO below the guidance range and then saw its stock drop further upon opening. However, Cactus Inc sold more shares than originally planned and traded higher on its first day.

Unlike last year, when an initial flurry of energy IPOs was curtailed by a slump in crude prices, bankers hope stronger fundamentals will sustain interest in new offerings in 2018. Last year, services IPOs were based on forward earnings and lacked existing cash flows, meaning falling oil prices undermined investor confidence. “Now, companies are well supported by current earnings and trade at low multiples,” said Robert Santangelo, co-head of equity capital markets for the Americas at Credit Suisse.So far, exploration and production (E&P) companies have not shown the same willingness as services firms to accept a lower valuation that would restart offerings from that space, creating a “Mexican stand-off” between potential IPO candidates over who goes first, according to one energy banker who spoke on condition of anonymity. Covey has an incentive to go first: a financing agreement that becomes more expensive if it is not able to list this year, according to one of the sources aware of the IPO plans. Even as companies prepare for IPOs, M&A remains a viable exit option for buyout firms.

“Private equity firms have been waiting for a better environment. The settling of the oil price does help them move forward,” said Kevin Headland, senior investment strategist at Manulife Investments.

FTC Staff Warns Companies that It Is Illegal to Condition Warranty Coverage on the Use of Specified Parts or Services

From the FTC:

The Federal Trade Commission staff has sent warning letters to six major companies that market and sell automobiles, cellular devices, and video gaming systems in the United States.

The letters warn that FTC staff has concerns about the companies' statements that consumers must use specified parts or service providers to keep their warranties intact. Unless warrantors provide the parts or services for free or receive a waiver from the FTC, such statements generally are prohibited by the Magnuson-Moss Warranty Act, a law that governs consumer product warranties. Similarly, such statements may be deceptive under the FTC Act.

Each company used different language, but here are examples of questionable provisions:

-The use of [company name] parts is required to keep your . . . manufacturer's warranties and any extended warranties intact.

-This warranty shall not apply if this product . . . is used with products not sold or licensed by [company name].

-This warranty does not apply if this product . . . has had the warranty seal on the [product] altered, defaced, or removed.

"Provisions that tie warranty coverage to the use of particular products or services harm both consumers who pay more for them as well as the small businesses who offer competing products and services," said Thomas B. Pahl, Acting Director of the FTC's Bureau of Consumer Protection.

FTC staff has requested that each company review its promotional and warranty materials to ensure that such materials do not state or imply that warranty coverage is conditioned on the use of specific parts of services. In addition, FTC staff requests that each company revise its practices to comply with the law. The letters state that FTC staff will review the companies' websites after 30 days and that failure to correct any potential violations may result in law enforcement action.

SSDA-AT worked on and supported a Magnuson-Moss Warranty Act bill in Maryland this legislative session. The bill passed committee but failed final passage. We are pleased that the FTC took this action and followed up as we have written to them several times on this issue.

What Speaker Paul Ryan's Departure Means For An Infrastructure Bill

Some say this could mean that President Donald Trump likely would work closely across the aisle with Democrats to pass a bipartisan bill.

"On one hand, this will almost certainly hasten Republican loss of the House in November — which might help boost Democrat Infrastructure spending plans, especially because Trump will have to move quickly to some workable bipartisan solutions if he wants to maintain any semblance of effective governance," said John Rossant, chairman of the New Cities Foundation and chief curator of LA CoMotion.

"On other hand, this could also result in continued turmoil in Washington in the near term — which doesn't augur well for anything."

Greg Valliere, chief global strategist at Horizon Investments, envisions gridlock as one of the possible scenarios after midterm elections – should the pendulum shift in the Democratic Party's favor.

"It sure looks like the Democrats will recapture the House this fall. If not quite a 'wave' election, a policy change is coming in 2019-20" even if the Senate stays Republican, which is the safest (but not certain) bet," he said.

President Trump has sought bipartisanship on rebuilding the nation's crumbling roads and bridges, calling on Congress to pass his $1.1 trillion infrastructure bill.

His infrastructure agenda envisions a public infusion of $200 billion which could be used to attract private sector investment, along with state and local spending. He also sought the bill to cut down on project permitting and approval time to less than two years.

"Any bill must also streamline the permitting and approval process – getting it down to no more than two years, and perhaps even one," President Trump said during his State of the Union address.

Today, permitting an infrastructure project often takes years, more than 10 years in some cases.

For example, permitting the desalination plant in San Diego began in 2003 and was completed, after 14 legal challenges, in 2012. It finally opened in December 2015.

The push for infrastructure spending underscores the urgent need to rebuild our nation's aging bridges, highways, airports, and tunnels. About 54,259 of the 612,677 bridges in the U.S. are "structurally deficient," according to a report released by American Road & Transportation Builders Association.

Americans cross these deficient bridges 174 million times a day.

Canada Sees Progress on NAFTA Auto Rules; Steel Tariffs Loom

Canadian Foreign Minister Chrystia Freeland said that good progress has been made at the NAFTA trade talks on the key issue of auto rules, though the threat of proposed U.S. steel and aluminum tariffs coming into force next week clouded the mood.

Freeland, U.S. Trade Representative Robert Lighthizer and Mexican Economy Minister Ildefonso Guajardo met for a second straight day in a push to seal a quick deal on revamping the North American Free Trade Agreement.

“There is a very strong, very committed, good-faith effort for all three parties to work 24/7 on this and to try and reach an agreement,” Freeland told reporters after talks with Lighthizer.

The bulk of talks focused on rules of origin governing what percentage of a car needs to be built in the NAFTA region in order to be sold tariff-free within North America, she said.

“I think we made some good progress. We’re very much working on a set of proposals based on the creative ideas the U.S. came up with in March and I think there was good constructive progress,” she added.

U.S. President Donald Trump’s negotiators initially demanded that North American-built vehicles contain 85 percent content made in NAFTA countries by value, up from 62.5 percent now.

But industry officials say that has been cut to 75 percent, with certain components coming from areas that pay higher wages.

The U.S. trade representative was still pushing its proposal for wage standards for certain auto parts, a person briefed on the talks told Reuters. This plan would set the overall regional content requirement for autos at 75 percent, but would provide more credit toward reaching that goal for final assembly and manufacturing of certain high value parts like engines in higher wage areas paying around $15 an hour, the source said. Some lower-value parts and materials would qualify for 70 percent and 65 percent regional thresholds, the source added.

The plan aims to preserve high-value production in the United States and Canada and put upward pressure on auto industry wages in Mexico.

TARIFF, SUNSET OBSTACLES

Canada Sees Progress on NAFTA Auto Rules; Steel Tariffs Loom

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Freeland said Canada remained opposed to the U.S. idea of introducing a "sunset clause" that would allow one of the three NAFTA members to quit the pact after five years.

"Our view is that this is absolutely unnecessary," she said, noting that NAFTA already contained a withdrawal mechanism.

Stakeholders argue that putting such a clause in place would create uncertainty for investments.

Mexico's negotiators are also unhappy about having to deal with the steel tariff threat in parallel with the NAFTA negotiations, a Mexican source said. The sunset clause likewise remained a sticking point, the source added.

Freeland reiterated Canada's opposition to the proposed U.S. steel and aluminum duties. Trump unveiled the tariffs in March but suspended them for Canada and Mexico until May 1, citing the wish to see progress at the NAFTA talks.
"Canada's position has been clear from the outset and that is that Canada expects to have a full and permanent exemption from any quotas or tariffs," Freeland said. Separately, Canadian Prime Minister Justin Trudeau's chief of staff, Katie Telford, who attended some of the most recent NAFTA talks, said that she would "probably" be flying back to Washington.

Although the Trump administration has been pressing for a quick deal, several major topics remain to be settled.

Letter to the Editor

Dear SSDA-AT,

The United States is in the midst of an unprecedented and historic energy renaissance that has driven job growth, benefitted U.S. consumers and businesses, and enhanced national security.

New tariffs on steel and aluminum imports could produce unintended consequences that adversely impact U.S. energy security. Many aspects of natural gas and oil development – including the construction and operation of production facilities onshore and offshore, pipelines, LNG terminals, refineries and petrochemical plants – rely on specialty steel that is not available domestically.

As the Commerce Department and the Office of the U.S. Trade Representative (USTR) work to implement the tariff policy and consider exclusions, let's see what experts have to say about the unique supply chain concerns the U.S. natural gas and oil industry faces.

Forbes contributor Jude Clemente: "Not only are we continually strengthening our position as the world's largest oil and gas producer, but we have a massive pipeline build-out coming to deliver energy across the country and even to support exporting our surplus around the globe to reduce the influence of more risky OPEC and Russia. There are serious concerns about whether U.S. steelmakers would be able to handle higher volumes and produce all grades of steel necessary for industrial production… Such anti-import policies can lead to critical delays and even cancellations for U.S. pipeline projects, holding up hundreds or thousands of miles of new builds."

Washington Examiner - Mark Perry, American Enterprise Institute scholar and University of Michigan professor of economics and finance: "Now there is concern that among the unintended consequences of Trump's ill-conceived tariffs is that it will boomerang by driving up production costs for the nation's oil and gas producers, which will then raise energy costs for American firms and households… [A] decline in U.S. oil production will enable OPEC and Russia to raise world oil prices. In the current political environment, as trade wars with other countries loom on the horizon, a reduction in U.S. oil and gas exports would also represent a major setback in efforts to check Russia's growing economic and political power."

Deseret News (Utah) - Gary M. Sandquist, professor emeritus of the University of Utah and retired U.S. Navy commander: "The market implications are enormous and unknown. In one critical aspect, the system has become vulnerable, and our trade partners could reject U.S. energy exports and turn to other countries for oil, gas, coal and nuclear technology. Hardest hit would be U.S. workers. A dramatic distortion and decline in U.S. energy production would have serious repercussions for consumers, businesses and our nation's economic well-being."

API supports free trade and measures to address market distorting behavior. Through a transparent and flexible exclusion process, that continues to narrow the scope of the impact on the industry and grant relief where our partners work with the US to address overcapacity concerns, the Department of Commerce and USTR can ensure the U.S. oil and natural gas industry has the ability to continue our significant investments in producing, transporting and refining U.S. energy resources, building world-class infrastructure and creating high-paying American jobs.

Sincerely,

Jack Gerard

President and CEO

API

U.S. Saw Record Natural Gas Production in 2017

U.S. natural gas production reached record levels last year, according to the U.S. Department of Energy, an increase that substantially boosted exports even as Texas, the largest gas-producing state, lost some of its momentum. Gross withdrawals reached 90.9 billion cubic feet per day in 2017, the agency's highest volume on record. Marketed natural gas production, which does not include gas vented, flared, used for re-pressuring or removed during processing, also reached record levels.

Louisiana's gross withdrawals increased from 4.8 billion cubic feet per day to to 5.8 billion cubic feet per day, marking the largest annual gain of any state. And the Appalachian region, which includes the Marcellus and Utica shale fields in Ohio, West Virginia and Pennsylvania, also saw substantial volume growth.

Texas, however, saw production volume decline from 22.2 billion cubic feet per day in 2016 to 21.7 billion cubic feet per day last year. But the state remained the nation's top producer, outpacing Pennsylvania's production by about 7 billion cubic feet per day. Nationally, gross withdrawals increased for five consecutive months starting in July and reached a record monthly high of 96.7 billion cubic feet per day in December, the Energy Department reported. Marketed natural gas production set an annual record at 78.9 billion cubic feet per day.

Natural gas exports increased 36 percent amid the surge in production, making the nation a net natural gas exporter for the first time in nearly 60 years.

June 20, 2018– Mark Your Calendar!

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Published monthly by the Service Station Dealers of America and Allied Trades, ©