Eye on safety, California sets rules for self-driving cars

Associated Press

LOS ANGELES — California regulators have unveiled a roadmap that would let consumers begin using self-driving cars, though manufacturers would have to prove the emerging technology is safe before a licensed driver could get chauffeured around town.

The approach California's Department of Motor Vehicles offered Wednesday in precedent-setting draft regulations is cautious, though it does allow that Californians could be behind the wheel of a self-driving car by 2017.

Among other safety-related requirements, the cars must have a steering wheel, and a licensed driver must be ready to take over if the machine fails.

Google, which is pushing to get cars without a steering wheel or pedals to consumers, expressed "grave disappointment" with the rules, which the tech giant said would slow deployment of technology with huge life-saving potential.

Though no manufacturer has said it thinks the cars are ready just yet, at least a dozen are developing the technology. Google has suggested a model could be ready for limited use sooner than the public expects. In September, the safety chief of its self-driving car project, Ron Medford, said the technology is "close to working pretty damn well."

California's go-slow approach could benefit Texas, which this summer emerged as a competitor in the deployment of self-driving cars when officials in the capital city of Austin welcomed Google prototypes for company-sponsored testing.

"Given the potential risks associated with deployment of such a new technology, DMV believes that manufacturers need to obtain more experience in testing driverless vehicles on public roads prior to making this technology available to the general public," the agency said in a written summary of its draft regulations.

AP Photo/Tony Avelar, File

In this May file photo, Google's new self-driving prototype car is presented during a demonstration at the Google campus in Mountain View, Calif.

Those draft rules set out how the DMV wants to move beyond the current small-scale testing of prototypes on public roads. The DMV can change the rules over the coming months before they are finalized, and the industry is sure to lobby for significant changes.

That process will further delay rules that were due at the start of 2015.

There are no comprehensive federal rules addressing the technology, and as the largest auto market in the U.S., rules in California are a landmark in the development of self-driving technology.

Under California's framework, manufacturers would receive a permit for three years, during which time consumers could lease the cars but manufacturers would be required to keep tabs on how safely they are driving and report that performance to the state.

Before the DMV grants that three-year permit, an independent certifier would need to verify a manufacturer's safety assurances. Google and traditional automakers advocated for manufacturer self-certification of safety, the standard for other cars.

Drivers would need special, manufacturer-provided training, then get a special certification on their licenses. If a car breaks the law, the driver would be responsible.

Though the timeline for public access is squishy, in principle the DMV could finalize the rules and a manufacturer could satisfy the safety requirements as early as 2017.

That said, the draft rules surely will postpone the technology's rollout in California.

"This points to a very long slog ahead for not just Google, but really other automakers as well," said Bryant Walker Smith, a law professor at the University of South Carolina who studies self-driving car regulation. He added: "California's proposed rules are fantastic news for Texas."

Austin's mayoral spokesman Jason Stanford said his city's government already believes self-driving cars are "legal and safe" and is "thrilled to host innovative ideas like this."

California's DMV has said it wanted regulations to protect public safety, but not be so onerous that they would stifle development of a technology that could prove safer than human drivers.

After all, cars that can safely drive themselves under all conditions wouldn't rely on drivers who may be drowsy, distracted, buzzed — or unable to drive because of their age or a disability. Boosters say the technology could prevent many of the more than 32,000 deaths on U.S. roads each year.

The cars use a suite of sensors — including radar, lasers and cameras — and onboard computers to drive.

Eleven companies already have permission to test on California's public roads, with Ford the latest addition. There have been scattered collisions, nearly all involving Google cars. Those collisions have been minor, and the tech giants says each has been caused by drivers of other cars.

Google spokesman Johnny Luu said the company was "gravely disappointed" by the draft regulations.

"Safety is our highest priority and primary motivator as we do this," he said in a written statement.

The Alliance of Automobile Manufacturers industry group was not publicly critical, perhaps because traditional automakers the group represents are phasing in features such as automatic braking and cruise control that adjusts to the speed of other vehicles — instead of jumping to a car that drives itself, as Google envisions.

Buying a home? Fed rate hike shouldn't matter much

By CHRISTOPHER S. RUGABER
AP Economics Writer

WASHINGTON — For anyone considering whether to buy a home or car, the Federal Reserve's interest rate increase Wednesday shouldn't make much difference.

The rates that most people pay for mortgages, auto loans or college tuition aren't expected to jump anytime soon. The Fed's benchmark interest rate has limited influence on those things.

Still, the Fed's move to lift its key rate by a quarter-percentage point will raise short-term borrowing costs for banks. And that, in turn, is intended to prod banks to boost certain other rates. Rates on credit cards and home equity loans and credit lines, for example, will most likely rise, though probably only slightly.

The rate the Fed controls is only one factor among many that can influence longer-term borrowing costs. And the Fed made clear it will assess the economy's health before raising rates further.

"Loans that are linked to longer-term interest rates are unlikely to move very much," Fed Chair Janet Yellen said at a news conference. "Credit card rates ... might move up slightly. But remember, we have very low rates, and we've made a very small move."

Mortgage rates tend to move in sync with the yield on 10-year Treasury notes. When inflation remains as low as it is now, Treasury notes, with their modest returns, are considered a safe and decent investment. And heavy purchases of Treasurys by U.S. and foreign investors — and by many

AP Photo/Lynne Sladky, File

In this Aug. 15 file photo, a for sale sign is posted in front of a home in Miami.

foreign governments, such as China — help keep those yields low.

"The demand for Treasurys has mushroomed," said Carl Tannenbaum, chief economist at Northern Trust. "What that means is that for any given monetary policy, interest rates are still going to be lower than they would have been 10 or 15 years ago."

The Fed's decision to raise rates is in many ways a healthy sign: It's a vote of confidence that the economy, 6½ years after the Great Recession officially ended, can finally withstand higher borrowing costs and keep growing at an acceptable pace.

Even with a rate increase, most economists expect consumer spending to stay heathy and solid hiring to continue, perhaps even driving unemployment even further below its current low level of 5 percent. Should the economy stumble, the Fed could postpone further rate increases.

Other trends are also working in consumers' favor: Gas prices are still falling, and there are signs that paychecks are finally starting to rise after years of sluggish growth.

"These things are good for the consumer and will easily outweigh the impact of a rate increase," said Chris Christopher, an economist at forecasting firm IHS Global Insight.

The most visible effects of the Fed increases will probably be in short-term borrowing. Rates for credit cards and home equity lines of credit should rise, typically by the same amount as the Fed's increase. The increases could appear as soon as one or two months after the Fed's action. Those rates are tied to banks' prime rate, which responds quickly to the Fed's changes.

Also, Americans with adjustable-rate mortgages will probably face a higher rate at the date of their next adjustment. Auto-loan costs may rise as well, economists said, though not as fast as the short-term rate the Fed controls. Auto-loan rates typically follow the yield on two-year Treasurys.

Greg McBride, chief financial analyst at Bankrate.com, calculates that for a $25,000, five-year car loan, a one-quarter percentage point increase would boost monthly payments by precisely $3.

"The interest rate impact on the typical household from a quarter percentage point move is almost inconsequential," he said. "Most people won't even notice."

And most people buy homes for reasons that have little to do with a slight rise or fall in mortgage rates, McBride said. They tend to buy when they feel financially secure or experience a major life change, such as having children.

"All those reasons people buy houses remain the same, whether mortgage rates are 4 percent or 4.25 percent," McBride said.

Last month, Doug Lewandowski moved up the closing date on his purchase of a two-bedroom Chicago condo so that he could lock in his rate. He has seen mortgage rates rise by a quarter-point since he started looking in August. Still, the timing of the Fed's move wasn't a big factor in his decision.

"I didn't want rates to jump up significantly," he said, "but I wasn't willing to settle on a place just to get a lower interest rate."

Lewandowski's outlook, if typical of prospective homeowners, is one reason many economists think home sales may rise next year even if mortgage rates tick up.

Many analysts expect the Fed to gradually raise its short-term rate by a total of 1 percentage point by the end of 2016. If so, Frank Nothaft, chief economist at CoreLogic, forecasts that the average 30-year fixed mortgage would rise from roughly 4 percent to about 4.5 percent.

To put that in perspective, before the Great Recession the 30-year fixed mortgage rate never fell below even 5 percent.

White House, lawmakers hail year-end deal on spending, taxes

WASHINGTON (AP) — The White House and lawmakers of both parties grudgingly embraced a massive government-wide budget deal Wednesday combining more than a trillion dollars in year-end spending with hundreds of billions in tax cuts for businesses, families and special interests of every kind. Leaders planned to push it to final passage by week's end and quickly adjourn for the holidays, ending a tumultuous year on Capitol Hill.

The sprawling package will keep federal agencies funded through Sept. 30 of next year, staving off a government shutdown that was to begin next Tuesday at midnight under the latest in a series of short-term spending bills, this one passed by Congress and signed by President Barack Obama.

"In divided government, you don't get everything you want," new House Speaker Paul Ryan said of the 2,200-page melange of wins and losses for both parties. "I think everybody can point to something that gives them a reason to be in favor of this bill."

At the White House, press secretary Josh Earnest sounded a similar note, saying Obama would sign the package despite elements opposed by the administration. Those include a GOP provision lifting the 40-year-old ban on exporting crude oil from the U.S. and delays and suspensions of several taxes to pay for Obama's health care law.

"The president is pleased with the final product, even if it does reflect the kind of compromise that's necessary when you have a Democratic president negotiating with large majorities of Republicans," Earnest said.

Indeed, few ringing endorsements could be heard from either side for the sprawling package.

Despite pledges by Ryan to run a different kind of House after his predecessor, John Boehner, was ousted, the new GOP speaker found himself asking lawmakers to endorse a huge, eleventh-hour deal of his own. It's stuffed with special interest goodies, presents for powerful lawmakers and provisions of obscure origin benefiting everyone from race car owners and many others.