November 8, 2013

Mr. Howard A. Shelanski
Administrator
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Mr. David Moloney
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Subject: Canada-United States Regulatory Cooperation Council – Stakeholder Request for Comment, Summer 2013 – AAPP and CVMA Submission

Dear Messrs. Shelanski and Moloney:

On behalf of our respective member companies, Chrysler, Ford, and General Motors, the American Automotive Policy Council (AAPP) and the Canadian Vehicle Manufacturers’ Association (CVMA) appreciate the opportunity to provide input on the next phase of work being undertaken by the Canada-United States Regulatory Cooperation Council (RCC). We commend the joint U.S. and Canadian efforts under the RCC to improve regulatory efficiency and the competitiveness of the Canadian and U.S. market through greater cooperation in regulatory approaches and appreciate the progress that has been made to date. We strongly support the spirit and execution of this objective and will continue to provide our unwavering attention to support the departments as we move into the second phase of this important initiative. Our input and recommendations are as follows.

We have ardently supported the RCC from the original announcement by President Obama and Prime Minister Harper in 2011 to establish the Regulatory Cooperation Council in recognition of the integrated nature of the Canadian and U.S. economies. Automotive trade under the North American Free Trade Agreement (NAFTA) is one of the most successful trade sectors in the world and accounts for $100 billion in two-way trade between Canada and the United States, more than 20% of the total trade between the two countries. Vehicles and auto parts are designed, tested and produced seamlessly on both sides of the border for use in either market.
Both markets have largely shared driving conditions, infrastructures, environment, and public policy objectives. For these reasons, it is critical that Canada and the U.S. first attain and maintain harmonized North American vehicle product and manufacturing standards and regulations, and move forward together in lock-step towards global harmonization of automotive standards and regulations.

Our vision for Canada-U.S. regulatory activity remains **ONE PRODUCT, TESTED ONCE AND CERTIFIED ONCE FOR SALE ACROSS ONE MARKET**. This means one set of regulatory requirements in Canada and the United States, testing to one common protocol and certified once for sale and registration across one integrated U.S. and Canadian market.

Given our vision, it is critical that there is strong North American alignment on automobile safety, environmental, and communication regulations and standards. The result is improved competitiveness and greater economic benefit. It ensures that new and more advanced technologies are introduced to the market more quickly, with greater choice and at a lower cost. The work under RCC ensures that the integration of the Canadian and U.S. economies continues to be recognized and remains a priority so that the process improvements in regulatory efficiency and competitiveness result in real benefits for government, industry and consumers.

Our comments for the next phase of the RCC cover the following areas:

- A Permanent and Robust Process for Cooperation between agencies
- Coordination of efforts resulting from Trade Negotiation that may have an impact on product standards or product regulations
- Continued Delivery and Completion of the Existing RCC Joint Action Plan and Work Plans
- Addition of Chemical Management to the RCC Joint Action Plan and Work Plans
- Alignment of Vehicle Fuel Economy Labels
- Motor Vehicle Safety Standards
- Vehicle Connectivity, Automation and Remote Vehicle System/Program Updates

**A Permanent and Robust Process for Cooperation**

In 2011, RCC established a Joint Action Plan and in 2012 released 29 work plans on specific areas of joint cooperation and harmonization. As a result, we commend our respective governments given that there has been marked improvement in communication and cooperation between the two countries’ agencies and departments responsible for executing the work plans. This is an important first step toward implementing a permanent and progressive process that our respective countries use to coordinate, plan and develop new regulations governing the products we build and consumers use.

Robust, permanent and well-defined processes are still needed to ensure both the U.S. and Canada promulgate consistent and synchronized regulations now and in the future; and the RCC has an important role in this respect. This is an achievable objective as demonstrated by the work undertaken by the U.S. Environmental Protection Agency (EPA) and Environment Canada toward common objectives for Tier 2 vehicle and engine emission regulations and the single
national standards for vehicle Greenhouse Gas emissions regulations. We recommend for the next phase that there is a continued focus on permanent frameworks between Canadian and U.S. departments that clearly define a process for the whole regulatory development continuum, from planning to implementation, thereby ensuring a continued harmonized North American approach going forward.

In this regard, and for illustrative purposes, we have appended an example of a Memorandum of Cooperation (MOC) as a framework for a more permanent process for Canada – U.S. cooperation between the National Highway Traffic Safety Administration (NHTSA) and Transport Canada. The example memorandum modernizes the previous MOC established in 2008 consistent with the objectives of the RCC. We ask that a permanent process of this nature be considered for implementation between respective U.S. and Canadian departments and agencies.

**Coordination of efforts resulting from Trade Negotiation that may have an impact on product standards or product regulations**

Canada and the U.S. are individually undertaking trade negotiations with other countries, inclusive of provisions that may impact product standards. Where product standards may be revised as a result of trade negotiations, the U.S. and Canada should ensure that there is a process in place to take coordinated efforts to update or establish product standards in a manner that ensures continued alignment between our two countries.

**Continued Delivery and Completion of the Existing RCC Joint Action Plan and Work Plans**

Each of the existing 29 work plans set out timelines and objectives. We are closely following the progress under the different work plans including emission standards for light-duty vehicles, motor vehicle safety standards, transportation of dangerous goods, intelligent transportation systems, classification and labeling of chemicals (workplace hazards), and nanomaterials. We are encouraged that some objectives have been completed, including amendments to Canada Motor Vehicle Safety Standard (CMVSS) 208 Occupant Protection to further harmonize the U.S. and Canadian standard. However, other action items under the work plans are not yet fully completed and continued diligence is required to ensure that the remaining open items on the action plans continue to move forward to completion as quickly as possible. We recognize that speedy progress is often a challenge due to legislative and regulatory requirements. The RCC should facilitate the removal of systemic barriers to harmonization which may include legislative or regulatory changes, to enable more nimble processes for achieving alignment.

**Addition of Chemical Management to the Joint RCC Action and Work Plans**

We continue to have high expectations of the activities currently included in RCC work plans and for any new opportunities that are identified. An area which would benefit immensely from RCC attention is greater cooperation and coordination on the control of chemical substances in Canada and the United States. Both Canada and the U.S. have processes in place to review and assess chemicals and substances of concern and we had suggested in 2012 under the first phase of the RCC that a joint effort is needed. We are increasingly concerned that an absence of
coordination on chemicals will result in divergent and misaligned approaches between the U.S. and Canada. This may negatively impact and be disruptive to the North American and global parts and vehicle supply chain should unique substance restrictions or product standards be put in place in a non-synchronized manner either in the U.S. or Canada. Such a circumstance would undermine the objectives of the RCC and have economic consequences. We are now seeing examples of chemical assessment and management activities where unfortunate results will materialize if actions to coordinate are not taken. Vehicle manufacturers are users and purchasers of many materials and parts which require the use of over 10,000 chemicals from over 1000 Tier 1 suppliers for a typical vehicle manufacturer. Across all tiers, there are over 100,000 suppliers globally. These substances and materials are used in Canadian and U.S. manufacturing facilities and vehicles that are sold in both markets.

The chemical assessments and risk management approaches selected by either country could result in chemical bans or restrictions. The potential exists, and are emerging, under these two processes for a substance to be restricted or banned in one country and not the other. This would disrupt the flow of materials and parts into the manufacturing facilities or the movement of finished vehicles in the integrated North American market. This would impose additional costs upon businesses and impact competitiveness, particularly in integrated sectors like the automotive industry.

We note that the work is being undertaken in both jurisdictions to assess and manage two specific substance groupings, flame retardants and phthalates that are of particular concern. We believe these should be priority areas for RCC engagement on the management of chemicals.

Flame retardants are used in vehicles to meet vehicle safety requirements and several are being assessed in Canada and the U.S. due to environmental or health concerns. As an example, Canada has assessed the flame retardant hexabromocyclododecane (HBCD) and is moving to put in place a restriction on the use, import, export and sale and offer for sale of HBCD in products including vehicles, components and parts (assembly and service) and a Canada Gazette Part I regulatory proposal is expected soon. In contrast, the U.S. has proposed a Significant New Use Restriction (SNUR) for HBCD that exempts automotive components. There is a significant disconnect on the management approach being contemplated in Canada versus the U.S. and the outcome will create significant issues for the integrated North American auto industry. It will impact importation of materials and components used in vehicle assembly today resulting in immediate and significant economic consequences for manufacturing operations and it will also have consequences for consumers and servicing the large fleet of existing on-road vehicles.

Another group of substances of emerging concern are phthalates which have many potential applications in a vehicle. Environment Canada is in the process of collecting information to support its assessment. It is critical that moving forward Canada and the U.S. work in a coordinated manner on the assessment as well as on any potential risk management of this group of substances.

We urge the RCC to add a coordinated North American Chemical Risk Management approach as an objective under its next phase of the RCC.
Vehicle Fuel Consumption Labels
Both U.S. and Canada have labels on vehicles that provide information to consumers about the fuel consumption for both city and highway driving. In May 2011, the U.S. EPA imposed a dramatic change in the labels displayed on vehicles so that shoppers would be better informed about the fuel economy, energy use, fuel costs and environmental impacts of each vehicle. The fuel economy label formats between the two countries are now significantly different and not synchronized. A consistent label between the two countries would provide consumers on both sides of the border added clarity and consistent information as well as would provide efficiencies for both government and industry. We recommend that alignment of the vehicle fuel consumption label be added as an issue under the RCC for its next phase.

Motor Vehicle Safety Standards
We appreciate the work under the RCC Action Plans on harmonizing existing and new motor vehicle safety standards and this effort needs to continue including the completion of the current work plans for vehicle standards. The identification of cost savings or costs avoided associated with aligned safety regulations is a complex undertaking. The costs of unique requirements include increased vehicle development and design costs, diversion of limited engineering resources, increased manufacturing costs due to additional hardware and tooling requirements, reductions in plant capacity utilization, unique certification costs, and potentially reduced model selection or both. Furthermore, there are costs associated with administrative and systems needs associated with the ongoing maintenance of robust systems that are necessary for tracking regulatory differences. This also drives additional costs to government, as long as unique standards exist, the government will have to bear the full burden of compliance audit testing instead of having the ability to share the burden with the neighboring nation. RCC needs to push forward in addressing existing misalignments and ensuring that any future standards and regulations are aligned in order to continue to enhance competitiveness and avoid unnecessary costs.

A priority item moving forward follows from recent RCC activities to identify and implement options for greater harmonization for side impact and ejection mitigation regulations. A study commissioned by Industry Canada with cooperation from Transport Canada was completed in February 2012 on side impact protection, including ejection mitigation. The report recommends that incorporating Federal Motor Vehicle Safety Standard (FMVSS) 214 (Side Impact) and FMVSS 226 (Ejection Mitigation) is in the best interest of Canadian consumers as “Alignment of the regulations will ensure the same safety benefits are realized in Canada.” Based on this development, we recommend that focused efforts under the RCC are needed to implement Canadian side impact and ejection mitigation requirements that are harmonized with the U.S. requirements.

With regard to existing differences in vehicle standards, we also recommend that Canada and the U.S. consider aligning requirements for child restraint anchorage systems, CMVSS 210.1 and 210.2 and FMVSS 225. This would further move Canada and U.S. towards aligned standards.

It is critical to establish a permanent process between Transport Canada and NHTSA to ensure that any future requirements and regulations are developed jointly. A Memorandum of

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Cooperation, similar to the example appended, should be put in place as soon as possible as a key deliverable and would enshrine a coordinated and collaborative approach to common vehicle product standards and regulations.

**Vehicle Connectivity, Automation and Remote Vehicle System/Program Updates**

In October 1999, the Federal Communications Commission (FCC) allocated 75 MHz in the 5.9 GHz Band for Intelligent Transportation Systems (ITS) applications and adopted basic technical rules for Dedicated Short Range Communications (DSRC). DSRC is the principal enabling technology for the U.S. Department of Transportation’s (USDOT) multi-year Connected Vehicle research program, which envisions reducing or eliminating vehicle crashes through a fully connected transportation system uniting drivers, vehicles, wireless devices and the road infrastructure. A Connected Vehicle future envisions that transportation data will be exchanged instantaneously among vehicles in proximity to one another (“vehicle-to-vehicle” or “V2V” wireless communications) as well as with the road infrastructure (“vehicle-to-roadside infrastructure” or “V2I” wireless communications) to enhance mobility and improve safety.

Additionally, developments in advanced driver assistance systems and vehicle automation have progressed rapidly in recent years. These technologies have high potential to reduce the frequency of accidents. Many U.S. states have passed laws allowing the testing of automated vehicles on their roads, prompting the USDOT to issue a guidance document on the technology. It is anticipated that vehicle automation will factor heavily in future vehicle design.

Automakers have invested significant time and resources into both vehicle connectivity and automation. Message set standards to exchange DSRC information between vehicles manufactured by different automakers have been developed through the Society of Automotive Engineers (SAE) standards-setting process. An IEEE standard, 802.11p, the foundation of which includes the initial Wi-Fi standard, has also been developed for use in DSRC radio devices.

Similarly, the SAE has been working on standards development on topics related to automation through the On Road Automated Vehicle (ORAV) committee. In addition, six agencies within the USDOT, including NHTSA, participated in a large-scale Connected Vehicle Safety Pilot Program to validate the effectiveness of DSRC technology. The output of this Pilot will be used to support a regulatory decision by NHTSA later this year. Lastly, USDOT has initiated research on automated vehicle technology and has incorporated it into their overall connected vehicle research plan.

The FCC published ET Docket No. 13-49 that proposed Revision of Part 15 of the Commission’s Rules to Permit Unlicensed National Information Infrastructure (U-NII) Devices in the 5.9 GHz Band. A National Telecommunications and Information Administration (NTIA) report concluded that more analysis is needed to determine whether the 5.9 GHz band can accommodate U-NII operations without causing harmful interference to DSRC operations.

Under the RCC ITS Transportation Working Group Initiatives 2 and 3, we recommend Transport Canada and NHTSA work together to protect the 5.9 GHz DSRC spectrum for ITS use and urge the FCC to await the results of NTIA’s 5.9 GHz Band Study and the finalization of a U.S. position on compatibility before proceeding with a proposal for U-NII use. We also recommend
that Transport Canada and NHTSA work together to jointly research vehicle automation and ensure harmonization at the state and provincial level.

With the rapidly increasing computerization of vehicle systems to manage both upcoming ITS needs as well as the many operating systems in today’s modern vehicle, there will be an increasing need to update and upgrade these systems and computer programs on vehicles already in service. These updates will increasingly be made remotely using wireless technology. Any Canadian and U.S. legislation or regulations that may impinge on the ability to perform such remote updates need to be coordinated in order to avoid causing unique product software and process differences to facilitate this activity. The Canadian government’s Consumer Anti-Spam Legislation (CASL) and proposed regulations would in effect result in a more restrictive environment for the update of vehicle computer programs and systems than exists in the United States. This could result in unique requirements for Canadian products and processes to update the vehicle systems, resulting in significant inefficiencies for business and potential inconveniences for customers.

We request that in the next phase, the RCC take steps to ensure that Canada’s requirements associated with the update, upgrade, enhancement and repair of onboard vehicle computer programs and systems do not impose requirements that are different than the United States.

Conclusions and Next Steps:
We strongly support the work and efforts of RCC to date and the continued efforts of RCC to modernize the regulatory environment to meet the realities of an integrated Canada-U.S. marketplace. In addition to the progress to date, there are additional opportunities that we have outlined to ensure that existing misalignment in product standards and regulations are addressed and future misalignment is avoided. A permanent process is needed to address systemic challenges that create regulatory differences and to ensure that future regulations are coordinated and aligned in the integrated North American marketplace to facilitate increased regulatory efficiency and business competitiveness. We appreciate your efforts in bringing these important matters forward and would be pleased to provide any additional clarification you may need. We would also be willing to meet with you to discuss our submission.

Yours sincerely,

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Attachment
MEMORANDUM OF COOPERATION
Between
the Road Safety and Motor Vehicle Regulation Directorate of the
Department of Transport of Canada
and the National Highway Traffic Safety Administration of the
United States Department of Transportation

The Road Safety and Motor Vehicle Regulation Directorate of the Department of Transport of Canada (Transport Canada) and the National Highway Traffic Safety Administration (NHTSA) of the United States Department of Transportation (DOT), thereafter referred to as the Participants,

Wishing to outline specific terms of cooperation and harmonization between them on policy and regulatory matters surrounding the area of traffic safety and motor vehicle safety regulations;

Taking into account that on February 4, 2011, Prime Minister Stephen Harper and President Barack Obama created the U.S.-Canada Regulatory Cooperation Council (RCC), comprised of senior regulatory, trade, and foreign affairs officials from both governments, to work together to develop smarter, more effective approaches to regulation that enhance the economic competitiveness and well-being of both countries, while maintaining high standards of public health, safety, and environmental protection;

Considering that, after private sector consultations and bilateral negotiations, the RCC released the Joint Action Plan on Regulatory Cooperation on December 7, 2011 and that the Joint Action Plan is a practical first step to increased regulatory cooperation between both countries; and

Recognizing the importance of improving regulatory cooperation and adopting compatible approaches to transportation issues and wishing to establish an enhanced and enduring formal relationship on cooperation in the development of harmonized and synchronized traffic safety and motor vehicle safety regulations and conformity on the basis of equality and mutual benefit.

Have come to the following understanding:

1. AREAS OF COOPERATION

   (a) General Coordination: The Participants intend to make continuing good faith efforts to coordinate on policies and activities that have the potential to materially affect areas of particular interest to them. Coordination of existing policies and activities within and between the Participants should begin as soon as reasonably practicable. When a Participant is of the view that actions being considered could materially affect an area of particular interest to the other Participant, it will notify the other Participant at this point and prior to initiating any regulatory development actions;
(b) **Regulatory Harmonization:** The Participants intend to continue to develop and issue their respective traffic safety and motor vehicle safety regulations and standards. To promote harmonization, in planning and developing these regulations and standards, the Participants intend to seek early and frequent coordination and discussion on issues involving areas of mutual interest and concern. They shall jointly identify and eliminate existing gaps and harmonize differences in existing or planned regulations and standards wherever possible. The Participants shall also consult when preparing letters of clarification and interpretations concerning issues that may have impact on mutual recognition, harmonization or trans-border trade. The Participants shall identify and address existing impediments to reciprocity and minimize reciprocity issues arising from future rulemakings or regulations. The “default” policy should be regulatory and standards harmonization and any variance from this policy should be supported by objective data.

(c) **International Collaboration:** The Participants intend to consult in establishing their positions at multilateral forums such as the 1998 Global Agreement administered by the World Forum for the Harmonization of Vehicle Regulations (WP.29) of the United Nations Economic Commission for Europe to ensure effective representation of their views where those views coincide;

(d) **Data Sharing:** As technology continues to advance, the Participants intend to promote the sharing of data and exchange of information, particularly relating to traffic safety and motor vehicle safety incidents and trends, and other data necessary to conduct risk assessments. The Participants intend to verify the on-going value and quality of data, identify available data sources and close gaps in the availability of essential data;

(e) **Risk Assessment:** The Participants intend to share information, methods, criteria, and performance metrics used to conduct risk assessments, to promote the improvement of specific, programmatic, and agency assessments;

(f) **Research Collaboration:** The Participants intend to collaborate on research activities conducted in area of mutual interest and concern. The Participants intend to share research results and coordinate to promote and support the research activities of the other Participant and to minimize duplication of effort;

(g) **Enforcement:** While the Participants have separate enforcement authorities and jurisdictions, they intend to coordinate and cooperate in the conduct of enforcement efforts, to the extent practicable and permitted by their respective laws. The Participants intend to share existing best practices relating to enforcement and
collaborate on the development of new and innovative strategies to enhance
enforcement and safety efforts;

(h) Outreach and Training: As appropriate, on regulatory issues affecting both countries,
the Participants intend to coordinate and cooperate on joint outreach and training
efforts both internally and externally. The Participants intend to collaborate to target
training guidance to stakeholders and enforcement groups on new issues, areas where
clarification is needed, or when inconsistent enforcement has been identified; and

(i) The Participants commit that cooperation under this Memorandum shall be conducted
in the following areas:
   (1) Development and initiatives related to motor vehicle safety research and
       vehicle safety standard/regulation, planning, assessment, development and
       amendment;
   (2) Development and initiatives related to motor vehicle safety programs similar
       to NHTSA’s New Car Assessment Program (NCAP);
   (3) Compliance related to motor vehicle safety; and
   (4) Post-implementation reviews of technical regulations or related standards.

2. FORMS OF COOPERATION

The Participants intend to maintain an open and continuing dialogue concerning traffic safety
and motor vehicle safety regulations and standards as follows:

(a) The Participants intend to meet at least two (2) times per year or as necessary at a
mutually decided upon location and date to discuss and address new, planned or ongoing
activities arising from the areas of cooperation established in paragraph 1. To facilitate
international collaboration, at least one of these meetings should be conducted prior to
and contemporaneously with scheduled United Nations proceedings. Each Participant
intends to designate at least one (1) liaison person to coordinate these communications
requirements.

(b) As necessary, the Participants should assign personnel to working groups to complete
general and specific tasks arising from the areas of cooperation.

(c) The Participants shall collaborate on the harmonization of both existing and new
regulations and standards for motor vehicle safety including synchronized
implementation of new or revised regulations and standards.
(d) The Participants shall jointly encourage and promote greater international harmonization of technical requirements, consistent with the respective motor vehicle safety needs and authority of the Participants.

(e) The Participants shall share, discuss and coordinate research and development plans in the areas of motor vehicle technical regulations and safety, consistent with the respective motor vehicle safety needs and authority of the Participants.

(f) The Participants shall coordinate testing activities, either for compliance or for other programs, such as research, to allow the Participants to optimize coverage of the vehicle fleet.

(g) The Participants shall coordinate research and analyses, as mutually beneficial, practical and convenient, to assist in the development of motor vehicle safety.

(h) The Participants shall serve as liaisons with other governmental departments and non-governmental organizations, and key industry stakeholders in their respective countries.

(i) The Participants may develop additional provisions for cooperation.

(j) The Participants understand that:

   (1) the working groups should report on their activities and progress during the meetings;

   (2) meetings may be conducted in person or via teleconference; and

   (3) whenever more than the exchange of information, visits of individuals, or harmonization activities are planned to take place, such activity should consider staffing requirements, cost estimates, funding source, and other issues, obligations, or conditions not included in the Memorandum, subject to their respective countries’ contracting rules.

3. FUNDING

The Participants understand that cooperation under the Memorandum is subject to the availability of their funds. No funds will be transferred between the Participants for the activities described in this Memorandum.
4. MISCELLANEOUS

The Participants understand that cooperative activities carried out under the Memorandum, including the exchange of information, are subject to their national laws, policies and procedures.

5. DISCLOSURE

The Participants intend to make every effort to ensure the accuracy of all data and information exchanged under this Memorandum. However, the accuracy of such data and information is not guaranteed. Therefore, each Participant intends to use the other Participant's data at its own risk.

6. PRINCIPAL CONTACTS

The Participants designate the principal contacts identified in Annex A. Each Participant may change its contact by giving a written notice to the other Participant.

7. FINAL DISPOSITIONS

(a) This Memorandum should come into effect on the date of the last Participant’s signature.

(b) Either Participant may discontinue its activities under the Memorandum by giving written notice to the other Participant.

(c) The Participants may amend this Memorandum and its annexes upon their mutual consent in writing.

Signed ……………… on this …..day of ……………..2013. in the English and French languages.

For the National Highway Traffic Safety Administration of the United States Department of Transportation

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For the Road Safety and Motor Vehicle Regulation Directorate of the Department of Transport of Canada

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ANNEX A – PRINCIPAL CONTACTS

The following are the principal contacts for each Participant:

For the National Highway Traffic Safety Administration of the United States Department of Transportation

For Transport Canada
Road Safety Directorate