



Testimony of Governor Matt Blunt, President of the American Automotive Policy Council

U.S. HOUSE COMMITTEE ON ENERGY AND COMMERCE

SUBCOMMITTEE ON COMMERCE, MANUFACTURING AND TRADE

On

“The U.S. – E.U. Free Trade Agreement: Tipping Over the Regulatory Barriers”

July 24, 2013

Testimony

I am Matt Blunt, President of the American Automotive Policy Council (AAPC) which represents the common public policy interests of its member companies- Chrysler, Ford and General Motors.

On May 10th, AAPC and our European counterpart, the European Automobile Manufacturers Association (ACEA), jointly submitted a detailed auto regulatory convergence proposal in response to the USTR Federal Register Notice. This statement is based on that submission which would provide a more thorough treatment of our proposal.

As the largest manufacturing and exporting sector in the United States, the auto industry has a major stake in the successful conclusion of a Transatlantic Trade and Investment Partnership Agreement (TTIP). TTIP will represent the largest share of auto production and sales ever covered by a single free trade agreement and we believe that a well-negotiated TTIP, that includes the elimination of tariffs and major non-tariff barriers in the auto sector has great potential to grow the transatlantic auto trade and investment relationship.

The global landscape for auto production and sales is changing. Global auto sales are expected to increase more than fifty percent by the end of the decade, equating to roughly a billion new automobiles on the roads across the world. The concentration of this growth will be in emerging markets, with vehicles sales eventually surpassing the sales growth in more mature markets like the U.S. and Western Europe. It is essential to ensure that regulatory costs do not inhibit future

growth in auto sales and exports and the critical role they play in economies on both sides of the Atlantic.¹

Auto Regulatory Convergence

The negotiation of TTIP presents an opportunity to implement a regime that effectively breaks down regulatory barriers in the auto sector, recognizes regional integration that benefits both the U.S. and the EU, reduces costs and increases commercial predictability, while respecting U.S. and EU sovereignty and without sacrificing vehicle safety or environmental performance.

Past efforts to harmonize auto standards, were ineffective and slow. We propose a new approach: mutual recognition for existing automotive regulations and for future regulations that are deemed necessary, the establishment of a joint regulatory harmonization process that facilitates the development and adoption of common future new regulations.

Our regulatory convergence proposal is guided by the following principles:

- Strong and sustained political support at the highest levels of government, and the relevant regulatory authorities;
- No net increase in U.S. or EU regulatory requirements, as a result of regulatory convergence of existing regulations;
- No new third regulations (in addition to the existing U.S. and EU regulations) or additional certification requirements; and
- Mutual recognition shall permit an automaker to sell a vehicle built to either recognized standard in either market.

Mutual Recognition of Existing Regulations

Recognizing the significant advancements that the regulations have provided in environmental and safety technologies in both the U.S. and the EU, acceptance of an existing regulation should be presumed unless the analysis of the data conducted by the responsible regulatory agency demonstrates that the regulation is deficient from a safety or environmental perspective.

We recommend that the process begin immediately in close cooperation with the industry in order to take advantage of the current increased existing political will and interest in regulatory convergence.

Our May 10th submission provides a list of U.S. and EU safety and environmental regulations for mutual recognition consideration during the TTIP negotiations and proposed a data driven process for purposes of completing the necessary assessment, starting with:

¹ Auto Alliance Submission to USTR's request comments concerning proposed Transatlantic Trade Investment Agreement (TTIP); 78 Fed. Reg. 19566, May 10, 2013.

- Within six months of the formal launch of TTIP negotiations, the U.S. and EU regulators indicate whether they intend to mutually recognize the regulations on the list we have provided.

Development of Common Future New Regulations

When a new regulation is needed, a joint EU-U.S. auto regulatory harmonization process, that takes into account differences in U.S. and EU auto regulatory development and implementation timelines, needs to be developed that promotes and facilitates the development and adoption of common future new regulations. This process should also include a mechanism to foster the development of common voluntary standards in the pre-regulatory environment.

Key elements of a U.S.-EU harmonized standards development process must:

- Aim at strengthening the automotive industry in both regions, with lower costs through reductions in regulatory complexity, reducing administrative burdens while maintaining flexibility and increased predictability;
- Have strong and sustained political support at the highest levels of government;
- Engage industry to work together to develop each harmonized approach; and
- Provide a timeline to complete the development of each harmonized approach.

Conclusion

We believe that the TTIP presents an opportunity to break down tariffs and regulatory barriers in the auto sector, promote regional integration, reduce costs and increase commercial predictability, while respecting U.S. and EU sovereignty and without sacrificing vehicle safety and environmental performance.

We also believe that to achieve an ambitious outcome, especially with regard to regulatory convergence, there must be decisive and sustained political will at the highest levels of both the economic and regulatory agencies.

Again, thank you for the opportunity to present our views on the TTIP. We look forward to working with the Subcommittee on this important negotiation. Again, thank you for the opportunity to present our views on the TTIP. We look forward to working with the Subcommittee on this important negotiation.