**AAPC LUNCH SPEECH**

**Governor Matt Blunt, President AAPC**

**COPANT Automotive Workshop**

*April 22, 2012 Guayaquil, Ecuador*

**INTRODUCTION**

Good afternoon everyone. My name is Matt Blunt. I am the President of the American Automotive Policy Council. AAPC represents the common public policy interests of its member companies- Fiat Chrysler Automobiles, Ford Motor Company, and General Motors Company.

This is only the second time I have been to Guayaquil. I was here last in 1995, when I was an officer in the United States Navy a lot has changed since then so it is great to be back. While doing exercises with South American navies I might not have been able to predict that automotive standards would be a part of my future but it is, in fact, important that industry and government work together to appropriately regulate motor vehicle safety and environmental impact. It is also critical that we ensure the greatest possible access to the car as the mobility it provides does so much to improve the quality of life of our citizens and expands economic opportunity within all of our nations.

I think we have had a very productive morning. And, I am looking forward to a very interesting afternoon. By speaking in the middle of the day, I see myself and this luncheon talk (and I will not forget that I am all that keeps us from lunch) as a bridge between the presentations given by the governments and those given by industry.

As someone with my experience in Government, particularly as Governor of Missouri, a state in the middle of the United States with a deep heritage of automotive production and now with industry as President of AAPC, I would like to think I have as solid understanding of the motivations behind both governments and industry when it comes to the subject of regulations.

My industry colleagues and I are here because the subject of international motor vehicle regulations has grown in importance. Given that the motor vehicle is one of the most regulated products offered for sale to consumers, standards and regulations have been critically important to this industry for decades.

What has changed recently are the growing differences in automotive standards and certification processes in different markets around the world Every difference adds costs and burdens, yet most of the differences provides little or no improvements to safety or the environment.

**STANDARDS/REGULATIONS**

As Dennis Curry with Navistar Trucks, a leading industry expert on international automotive standards will tell you later, road accidents are among the leading causes of death and injury worldwide. The UN estimates it to be 1.25 million lives lost each year.

We are ready and willing to do our part to reduce this number. But to successfully accomplish that in the most efficient and least disruptive way, it needs to **involve both industry and government**. It cannot be done by industry alone, nor can it be done by government alone.

**What is industry’s role?....well it’s Innovation and application**. It is often forgotten, that virtually all of the most effective automotive safety features were developed and first placed in a motor vehicle by industry before being mandated—including- Seatbelts, anti-lock brakes, and airbags just to name a few.

**Governments have been successful in accelerating the proliferation of those innovations**. Through its regulation of industry, **the governments of the US and the EU have facilitated improvements in automotive safety, emissions and setting a baseline level that all automakers must meet**. Automotive regulations have now been in place for 50-years or more in the United States and Europe and the results speak for themselves.

Over the past 50 years, It’s been estimated that **improvements to auto safety have saved over 3.5 million lives worldwide.** In the U.S. alone, NHTSA estimates that more than 600,000 lives have been saved by safety innovations, and these numbers continue to grow.

**TWO SETS OF STANDARDS**

**Today, there are two major sets of robust, well-established and well tested standards and certification processes--** US FMVSS/EPA and UNECE. Many ask-- **But, which one is better**? Based on the presentations given by Martin Koubek at NHTSA and Jim Blubaugh (PRONOUNCE?) at the US EPA, I am tempted to say the U.S. standards/regulations and certification processes are better…but that is only half the story.

Obviously U.S. regulators know the U.S. system better than anyone else. And, similarly the EU regulators know the EU system better than anyone else. But, what is not as obvious is that it’s **the global automakers that have to navigate both systems and actually apply both sets of standards and regulations that are in the best position to compare the two**.

Industry in Europe and the U.S. have carefully compared the two sets of standards and certification processes and have concluded that both systems, albeit different in several ways, result in essentially **the same safety and environmental performance and outcomes**.

Of course a “real life” test occurs thousands of times each day when people from the US travel to the EU and rent a car, and vice versa, neither group feels less safe in the cars they rent. Both feel like they are as safe as the cars they drive at home.

**So, if the US and EU standards result in the same performance and outcome -- what is the best way to increase road safety and mitigate the environmental impact of motor vehicles sold outside the US and the EU?** The answer is to capitalize on the work already accomplished in the US and in the EU. And the best way to do that is to **accept motor vehicles certified to both**.

**So, why accept both instead of just one**? Again you will hear more from Dennis Curry on this later, but by accepting both- countries gain:

* From more than **50 years of work** by US and EU on auto safety and environmental standards
* **More consumer choice**- by only allowing consumers access to vehicles built to one of the two international standards you limit their access a wide variety of options built to the other standard AND the smaller your market is the more true this will be
* **By accepting both consumers benefit from more competition** and therefore **lower prices** , and
* Consumers benefit from **the latest design and safety/environmental technologies in both the U.S. and in the EU.**

**CERTIFICATION PROCESS**

In addition to the difference in standards and regulations, there are differences in certification systems. The EU uses a “type approval” system, and the US and Canada use a “self-certification” system for safety.

The basic difference between “self-certification” and “type approval” is the timing of the government’s verification and the responsible party. In the EU, government verification is largely up front before market introduction and the responsibility lies with the government. In the US, government verification is largely after market introduction, and the responsibility lies with the manufacturer.

But, the term “self-certification” is misleading. It implies little or no government involvement. As you heard this morning from EPA and NHTSA, that is far from the truth.

The **“type approval” model** is intended to ensure that before a product is introduced to market, it meets a minimal government set and government tested regulation, putting less emphasis in the follow-up effort to ensure that once the product is in the market it continues to meet that requirement.

In contrast, the **“self-certification” model** has a government set, manufacturer-tested regulation, that must be met, and puts more of an emphasis on follow-up verification by the government to ensure compliance once the vehicle is in the market.

Also, under the self-certification model, since the tests are conducted by the manufacturer, they generally build the vehicle with a wider safety margin that exceeds the minimal standards set by the government to be certain they would safely pass any post market verification..

Also, I should note that NHTSA and EPA have been modest in their characterization of how effective the US system is. In recent years, the identification of nearly all major safety and environmental standards/regulatory challenges started in the US, demonstrating a strength of the US system. [*alternatively point out the examples cited by EPA and NHTSA for being leaders on identifying issues that need correction.]*

**Like with standards, you might ask --- Which is better?** **The simple answer is that** **both systems have advantages and disadvantages, but in the end both work very well.**

In third markets, these two systems are not mutually exclusive. Both vehicles that are type approved to EU standards and vehicles that are self-certified to meet U.S. standards and regulations can and should be allowed for sale in the same market. And as mentioned by Martin Koubek with NHTSA earlier, if U.S. government assurance is needed it can be provided via blue ribbon letters or through agreements between NHTSA and regulators in the third market.

**MODELS**

Australia, South Africa, and New Zealand are examples of systems where both sets of standards are accepted and a process is in place that allows for alternative certification processes. In the region, Mexico and Chile stand out as examples of counties that allow both US and EU standards and certification systems, and have some of the lowest fatality rates from motor vehicles in the region. We suggest others look to their approaches as models.

It is also important to note that the Ecuador has, as recent as last week, announced that they will also accept vehicles meeting FMVSS as well UNECE standards. This is an important step in the right direction.

**RECOMMENDATIONS**

So, the bottom line is:

* Industry wants to be part of the solution- by helping to improve the safety of the roads in Latin America and throughout the western hemisphere.
* We think the best solution lies in government and industry working together
* Accepting vehicles certified to both U.S. and EU standards and regulations approved for sale through either a type approved process or a self-certified process is a win-win for Latin America- with significant consumer benefits both in terms of safety and in terms of economic advantage.

**Thank you… now for lunch... sponsored by AAPC and our three member companies FCA, Ford and GM.**