

RCC Industry Panel – Automotive Sector

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Industry Overview

- Automotive trade accounts for nearly \$100 Billion in two way trade between Canada and the U.S., more than 20% of total two way trade between the two countries.
- The auto industry has a long history of North American integration starting with the Auto Pact in 1965, the principles of which were later entrenched under NAFTA.
- The high degree of industry integration has resulted in common products which are demanded by consumers as driving conditions, the environment, and public policy objectives are largely shared between our two countries.
- Vehicles and parts are designed, tested and produced nearly seamlessly on both sides of the border for use in either market.

Alignment Opportunity

- The automotive industry vision is a Canada-U.S. regulatory environment that facilitates the production of :

**ONE PRODUCT, TESTED ONCE AND CERTIFIED ONCE
FOR SALE ACROSS ONE MARKET**

- Namely, a product environment with one set of efficient and effective regulatory requirements that satisfies North American societal needs and works toward one set of harmonized global standards in the future.
- Unnecessary product standard differences result in inefficiencies for industry and government and impact vehicle cost and product availability for consumers – “tyranny of small differences”.
- Industry-government efforts to harmonize existing vehicle safety and environmental standards toward common national standards in both countries has been underway for several years. RCC brings greater focus to that need and a process for the future regulatory cooperation.

Alignment Opportunity cont...

- **The focus to date of the RCC automotive working groups have been in the areas of vehicle emissions, both GHG and smog-related, as well as product safety:**
 - A number of accomplishments such as CMVSS 208, vehicle GHG emissions, intent to align Tier 3 emission and ultra-low sulphur gasoline; continued efforts to remain aligned as these issues evolve over time.
 - Canada's convergence towards a common regulation with the U.S. for MVSS 208 (just ONE of over 50 regulations) will result in industry and consumers avoiding costs in excess of \$350 million dollars as well as the ongoing increased vehicle cost while also gaining the benefit of a more stringent, harmonized regulation (relative to the initial non-harmonized approach).
- **New opportunities for collaborative activity:**
 - Risk management of chemicals used in auto manufacturing with a short term focus on flame retardants
 - Future work on intelligent transportation issues

Benefits

- A fully harmonized regulatory structure improves the competitiveness of the integrated Canada–U.S. automotive industry by reducing costs and improving efficiencies through:
 - reduced numbers of prototypes needed for testing and evaluation
 - reduced destruction of costly prototypes and pre-production vehicles (one barrier crash test can cost over \$100k)
 - reduced redundant testing and calibration for no added consumer or environmental benefit
 - reduced record keeping, data process and oversight resources
 - reduced administration/retrofitting costs for consumers relocating between countries
 - greater opportunities for manufacturers to develop and produce products at the lowest cost possible
- The sector has high expectations for the RCC process; the Action Plans lay the foundation for improved regulatory coordination and harmonization leading to improved product standards, improved industry/gov't efficiencies, and greater product availability for consumers in the integrated North American automotive market