



AUTO ALLIANCE
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STATEMENT
OF
THE ALLIANCE OF AUTOMOBILE MANUFACTURERS
BEFORE THE:
THE HOUSE ENERGY AND COMMERCE SUBCOMMITTEE ON
COMMERCE, MANUFACTURING AND TRADE

SEPTEMBER 25, 2015

PRESENTED BY:

SHANE KARR
VICE PRESIDENT, FEDERAL GOVERNMENT AFFAIRS

Executive Summary

- In the last decade (2003 – 2013) the US has experienced major reductions in traffic fatalities – a twenty five percent (25%) overall reduction and a thirty two percent (32%) reduction in passenger vehicle fatalities.
- The National Highway Traffic Safety Administration (NHTSA) estimates that ninety eight (98%) of crashes are caused primarily by driver error or environmental factors.
- Alliance members are committed to putting additional safety enhancements into the field and continue to develop new technologies to help drivers avoid crashes in the first place. At the same time, auto manufacturers stand by their products by identifying and repairing safety defects, when they arise.
- In a highly mobile society, one of the key problems for manufacturers conducting safety recalls is contacting vehicle owners, particularly after vehicles change hands.
- The Alliance believes the proposed Improving Recall Tracking Act could enhance a manufacturer's ability to contact owners of recalled vehicles by establishing a National VIN Database (NVD) comprised of the most accurate and timely registration data from the States.
- The Alliance notes a few issues worthy of further consideration, such as clarifying when registration data would be updated; allowing use of the NVD for emissions – as well as safety—recalls; and enabling use of the NVD for alternative means of notification.
- The Alliance does not object to the draft House companion to S. 304, the Motor Vehicle Safety Whistleblower Act. The Alliance worked with the Senate sponsors of S. 304 to ensure that manufacturers have the opportunity to address safety issues internally as quickly as possible.

Testimony

On behalf of the Alliance of Automobile Manufacturers (Alliance), thank you for the opportunity to testify today on the proposed Improving Recall Tracking Act and Motor Vehicle Safety Whistleblower Act. Alliance members account for 77% of annual car and light truck sales in the United States. The Alliance counts amongst its diverse membership companies headquartered in the U.S., Europe and Asia, including the BMW Group, Fiat Chrysler Automobiles, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota, Volkswagen Group of America and Volvo Cars North America.

While the number of recalls has increased in recent years, the facts are indisputable: passenger vehicles today are safer than they have ever been. In the last decade (2003 – 2013) the US has experienced major reductions in traffic fatalities – a twenty five percent (25%) overall reduction and a thirty two percent (32%) reduction in passenger vehicle fatalities. These are not declines in the rate of traffic deaths, but more remarkably, an absolute decline in the number of fatalities. This progress comes even as the number of Americans driving and vehicle miles driven has increased dramatically.

The National Highway Traffic Safety Administration (NHTSA) estimates that ninety eight (98%) of crashes are caused primarily by driver error or environmental factors. The small percentage of crashes in which vehicle-related factors play a primary role typically result from improper maintenance of tires, wheels and brakes, such as worn or underinflated tires that lead to blow outs and loss of control by drivers.

Alliance members are committed to putting additional safety enhancements into the field and continue to develop new technologies to help drivers avoid crashes in the first place. We are focused on the future of automotive safety. This includes developing technologies to reduce impaired driving and engineering vehicles to avoid circumstances that may lead to a crash.

Motor vehicle safety is a shared responsibility. Auto manufacturers are required by law to identify safety defects and implement recalls under NHTSA's supervision. But ultimately, individual vehicle owners decide whether or not to get their vehicles repaired. According to NHTSA, the average consumer participation rate for light vehicle recalls after one and a half years of reporting is seventy five percent (75%); however, that rate varies markedly based on the age of the vehicle involved in the recall. For newer vehicles, the participation rate averages eighty three percent (83%); for vehicles 5 to 10 years old, that rate drops nearly in half, to forty four percent (44%); and for vehicles older than 10 years old, the participation rate drops by

another two-thirds, to fifteen percent (15%). We know that participation rates vary by vehicle age, but we don't have a good understanding of why some vehicle owners don't respond to – in many instances – multiple notices that their vehicle needs free repairs to fix a safety-related defect.

That is why, earlier this year, the Alliance initiated a multi-faceted research initiative that marks the first comprehensive effort by industry or government to understand what motivates consumers to have their recalled vehicles remedied. We have been joined in this effort by Global Automakers and the National Automobile Dealers Association. Alliance CEO Mitch Bainwol previewed our effort to the Committee at a hearing in June and promised that we would invest the resources necessary to complete the study in a timely fashion to help inform not only your work but also the work of NHTSA. I am pleased to report that the research is almost finished, and we look forward to providing a full briefing to this Committee and other stakeholders next month.

Setting consumer motivations aside, one long-recognized challenge to maximizing recall participation rates is actually getting recall notices to all of the owners of affected vehicles. One of the key problems for auto manufacturers is locating new owners after vehicles change hands. But even contacting a vehicle's original owner can be difficult, because we live in a highly mobile society. Seventeen percent (17%) of Americans – 45 million people – move annually. This means that addresses become stale fairly rapidly. Worse, thirty percent (30%) of Americans change email addresses annually. Automakers work to overcome these challenges by relying on commercial third party data to help provide accurate owner contact information, but the industry remains in search of additional ways to increase the accuracy and timeliness of this information.

That is why the Alliance appreciates the intent behind the proposed Improving Recall Tracking Act. The Alliance believes this legislation could improve a manufacturer's ability to contact owners of recalled vehicles by establishing a National VIN Database (NVD) comprised of the most up-to-date registration data from the States. The bill includes important consumer privacy protections: DOT would be required to ensure the security of the NVD and the information in the NVD would be exempt from disclosure under FOIA. Additionally, manufacturers would be able to access the contact information only on a limited basis – for vehicles that are under a safety recall. As the Committee reviews this draft bill, there are a few issues worthy of further consideration.

First, Section 2(b)(3) requires States to provide updated information within 7 days any time a vehicle is "subsequently" registered "in the State," but the bill does not specify the requirements for new registrations. This may have been a deliberate choice by the drafters, but the reason for the distinction is not apparent. Additional clarity regarding timely

notification of new registrations is important to assure the completeness and accuracy of the NVD. This works to assure that the requirement applies to not just subsequent owners within a state, but also re-registrations by the same owner with new contact information and registrations from out of state.

Second, the bill also should more clearly specify who is eligible to request owner contact information from the database in Section 2(c), perhaps by referencing the definition of manufacturer used elsewhere in title 49 of the U.S. Code.

Third, the Alliance notes that, as drafted, the use of contact information is limited to legally required Owner Notification Letters. With the encouragement of NHTSA, Alliance members are working on new, innovative ways to reach consumers, in addition to a traditional Owner Notification Letter. These additional methods would also benefit from use of the most up-to-date contact information.

Fourth, under the Clean Air Act (which also falls within this Committee's jurisdiction), manufacturers are required to perform recalls for emissions systems that are not compliant with federal standards. While emissions defects do not threaten traffic safety, they have environmental consequences that are important for manufacturers to mitigate. The Committee should consider allowing manufacturers the ability to access the NVD for emissions recalls, as well as safety recalls.

Finally, Section 2(e) requires NHTSA to update www.safercar.gov to allow multiple VIN searches. This requirement does not relate to the NVD, but rather to the existing databases that inform consumers whether there is an open recall on a specific vehicle. The Alliance is not opposed to "batch search" capability; however, we are aware of existing commercially available tools to accomplish batch searching that may obviate the need for the government to build a redundant system.

The Committee is also considering a House companion to S. 304, the Motor Vehicle Safety Whistleblower Act, which passed the Senate in the spring. Manufacturers are committed to ensuring the safety of their products. On average, auto manufacturers and suppliers have successfully conducted more than 150 light duty vehicle recalls each year since the House passed the TREAD Act in 2000. The Alliance worked with the sponsors of S. 304 to ensure that manufacturers have the opportunity to address safety issues internally as quickly as possible. Consequently, we did not object to its passage. It is noteworthy that in assessing S. 304, the Congressional Budget Office estimated that it would yield only one award in the first ten years after enactment. For their part, Alliance members are committed to ensuring that no awards are necessary.

Thank you again for giving the Alliance the opportunity to comment on the proposed Improving Recall Tracking Act and Motor Vehicle Safety Whistleblower Act. We look forward to working with the Committee during further consideration of these bills.