STATEMENT

OF

THE ALLIANCE OF AUTOMOBILE MANUFACTURERS

BEFORE THE:

SUBCOMMITTEE ON
COMMERCE, TRADE AND CONSUMER PROTECTION

MARCH 11, 2010

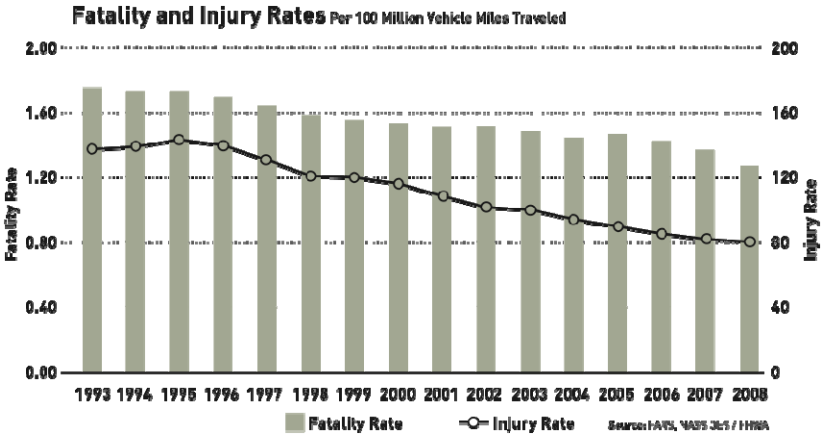
PRESENTED BY:

The Honorable Dave McCurdy
President & CEO

Thank you Chairman Rush, Ranking Member Whitfield, and members of the subcommittee for the opportunity to provide the automakers' perspective on manufacturing, selling and servicing the world's safest motor vehicle fleet. As you and your colleagues consider the road ahead for the National Highway Traffic Safety Administration (NHTSA) it is important to bear in mind the broader context of motor vehicle safety in the U.S. today.

Fatalities and serious injuries resulting from motor vehicle crashes in the U.S. are at their lowest level in 49 years. This fact is remarkable given that during the same timeframe the number of licensed drivers has more than doubled and annual vehicle miles travelled have more than quadrupled. Fewer fatalities per mile driven are occurring on U.S. roads than at any other time in the modern era of driving; in fact, in 2008 more than 99 percent of police-reported crashes resulted in no fatalities. This is because the government and the industry are doing many things very well to innovate, develop, and implement effective safety systems and programs. Significant technological advances in the design and construction of automobiles, tough but fair regulatory initiatives at the federal level, increased safety belt usage, and road infrastructure improvements are all having an historic impact on vehicle safety.

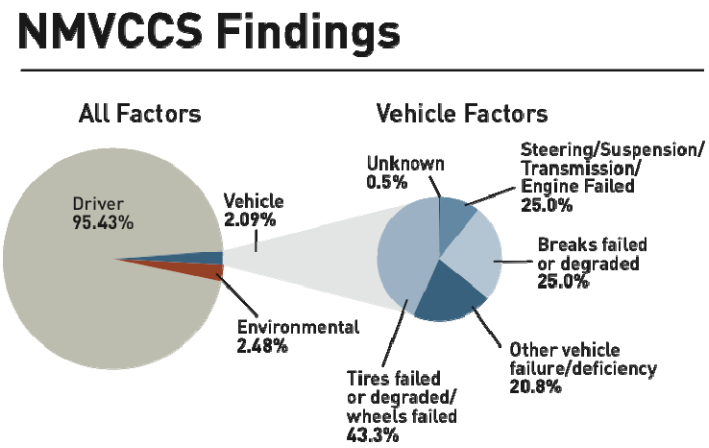
NHTSA's mission is to "*save lives, prevent injuries and reduce economic costs due to road traffic crashes, through education, research, safety standards and enforcement activity.*" By the most important objective measure – the number of fatalities and serious injuries resulting from motor vehicle crashes – the agency has been very successful. From 2007 to 2008, overall traffic fatalities fell nearly 10 percent to their lowest level since 1961.



Preliminary data shows the trend continuing in 2009. NHTSA's analysis of the first 3 quarters in 2009 show a 7.9 percent drop in highway fatalities. In addition the fatality rate for the first nine months declined to 1.16 fatalities per 100 million vehicle miles traveled (VMT), down from 1.26 fatalities per 100 million VMT in the first nine months of 2008.

This continuing trend of improved traffic safety has occurred as vehicle manufacturers have incorporated an increasing number of electronic components and features. Electronics benefit automotive safety in two ways. First, electronic systems are often more reliable over time than mechanical systems. Second, electronic systems can provide performance, sensing, diagnostics, and failsafe modes that are not possible with mechanical systems. A recent example is electronic stability control (ESC). ESC provides improvements in vehicle handling and stability that no mechanical system could match. ESC is widely viewed as one of the most significant safety enhancements in automobiles in many years. Another example is the brake override [smart pedal] feature that has been talked about in recent hearings to help address the risk of unintended acceleration. Studies have repeatedly shown that the most common cause of unintended acceleration in motor vehicles is pedal misapplication by drivers. Only with the capabilities of electronic throttle control systems can manufacturers offer the smart pedal feature that can help address potential unintended acceleration events when both the brake and accelerator pedals are pressed. No mechanical system can provide that same benefit. Technology provides a pathway to improve vehicle safety and efficiency – we need to maintain a policy framework that embraces technology based solutions ahead of regulation.

In 2005, Congress authorized NHTSA to conduct a National Motor Vehicle Crash Causation Survey (NMVCCS). This effort involved a nationwide survey of crashes involving light passenger vehicles with a focus on the factors related to pre-crash events. NMVCCS investigated a total of 6,950 crashes during a three-year period from January 2005 to December 2007. This survey's results are consistent with the groundbreaking Indiana University Tri-Level study conducted nearly three decades earlier: of all crash factors, the vehicle was attributable as a factor 2.09 percent of the time while the driving environment was a factor 2.48 percent of the time and the driver was a factor 95.43 percent of the time. Vehicle factors include both equipment-related and maintenance related failures.



Automakers pursue diligent efforts to protect our customers…who include our families. Safety is among the industry's top priorities, and it is a top priority for our customers. According to Consumer Reports Auto Brands Perceptions survey for 2010, the number one factor consumers consider when they purchase a new vehicle is safety. Safety leads even quality and durability. Consequently, automakers have developed and introduced many of today's most significant safety features without a government mandate. Voluntary safety features developed and implemented by automakers include anti-lock brakes, ESC, electronic roll mitigation, adaptive headlights, side airbags and curtains, front passenger safety belt reminder systems and advanced collision avoidance features.

Automakers are focusing on enhancing safety in multiple ways: crashworthiness, crash avoidance, crash mitigation, and post-crash emergency response facilitation. For example, adaptive cruise control, forward collision warning, lane departure protection systems and more help drivers avoid crashes and lessen their severity when a crash is unavoidable. Advanced technologies are also implemented to protect occupants involved in crashes, with technologies like advanced airbags, advanced head restraints and safety belt pre-tensioners. Virtually all of today's advanced vehicle safety technologies are being developed and implemented ahead of regulatory mandates.

The United States leads the world in automobile safety, and other countries emulate our policies. Vehicles manufactured for sale in the U.S. are built to comply with the world's most extensive safety regulations. For example, Federal Motor Vehicle Safety Standard (FMVSS) 208 (Occupant Crash Protection) represents the most comprehensive crash standard in the world, requiring use of a range of test dummies, angled crash tests at various speeds and ability to suppress airbags when child seats are used. In addition, FMVSS 126 (Electronic Stability Control Systems) and FMVSS 214 (Side Impact Protection), along with the proposed FMVSS 226 (Ejection Mitigation), set new global standards for safety.

Beyond the Office of Defects Investigation (ODI), which has recently been the focus of attention, NHTSA has other resources devoted explicitly to motor vehicle safety. The agency's Office of Vehicle Safety Compliance (OVSC) develops objective and repeatable compliance test procedures for new and amended Federal Motor Vehicle Safety Standards that the agency uses to evaluate regulation conformance. It also conducts the agency's vehicle compliance test program that annually includes an average of 230 vehicle tests and over 800 tests on motor vehicle equipment.

In addition to the compliance test program, testing performed by the agency's New Car Assessment Program (NCAP) also provides an indication of compliance with related FMVSS requirements and can help identify the existence of potential safety–related concerns. Historically, NHTSA conducts more than 150 NCAP vehicle crash tests per year covering over 85 percent of the new car fleet.

The Alliance agrees that Congress should ensure that NHTSA has the resources to do its job. Secretary LaHood has touted the President's request for 66 additional FTEs at NHTSA. The Alliance believes that another critical need is to fund the National Automobile Sampling System (NASS) at a level sufficient to attain its intended design size to ensure critical "real-world" data is collected at a sufficient number of sites nationwide to provide the statistically valid, nationally representative sample originally intended.

The budget for NASS has not kept pace with either the Department's informational needs or inflation. Moreover, these needs are growing as automakers reinvent the automobile in response to societal demands for ever safer and cleaner vehicles. Starved for funds, the capability of NASS has been dramatically reduced. Currently, NASS collects in-depth data on approximately 4,500 crashes – less than a third of the intended design size of 15,000 to 20,000 crash cases annually. A $40 million dollar annual investment in NASS equates to 1.73 cents for every $100 of economic loss.

Automobiles are complex, integrated systems that undergo years of rigorous testing and certification before they ever go on sale. Automakers are world leaders in research and development spending. In fact, in 2009…even in the worst market since the Great Depression…automobile manufacturers still invested $86 billion on research and development, much of it devoted to advanced vehicle safety technologies. Today's high-tech automobile is assembled from thousands of parts all performing specialized functions in carefully specified ways.

As one of the marketplace's most regulated products, the automobile undergoes rigorous testing to validate performance to engineering and regulatory standards. Through the Society of Automotive Engineers (SAE), 14,000 mobility experts in 100+ countries have worked together to develop more than 2,600 globally recognized standards for motor vehicle transport.

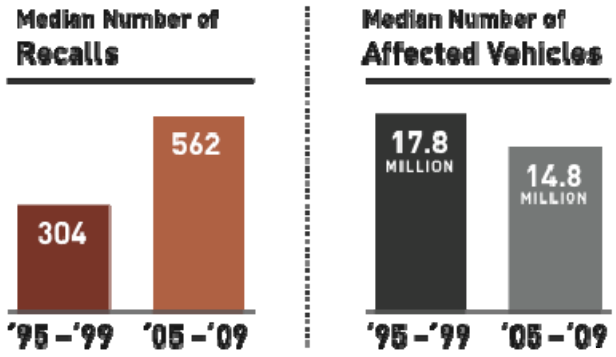
The durability of today's automobiles is at all time highs. The median age of cars in 1970 was 4.9 years, according to R.L. Polk & Co. In 2007, the median age nearly doubled to 9.2 years. J.D. Power and Associates, recognized for their quality studies, reports that vehicle quality and dependability have improved significantly in the past ten years. Their Vehicle Dependability Survey demonstrates a 62 percent reduction in problems over the past decade.

Beyond all of the safety development work that goes into designing and producing new vehicles, thousands of engineers and specialists actively and continuously monitor the field performance (e.g., review of warranty claims, customer correspondence and information from suppliers) of their products, in addition to reviews of consumer complaints and Early Warning

data supplied to NHTSA. Each manufacturer has a review process to monitor this field data to determine whether a defect trend related to motor vehicle safety can be identified and whether a recall is appropriate.

The trend in recalls is for manufacturers to evaluate concerns sooner and respond quickly with voluntary initiatives when needed. Most recalls occur before there have been any fatalities, injuries or crashes which may be attributable to the defect being remedied. From 1966, when the Safety Act was enacted, through 2009, there have been 12,727 vehicle recalls involving 467,180,795 vehicles to remedy safety–related defects and non-compliances. In 2009, there were 492 recalls affecting 16.4 million vehicles. Of that total, 340 of those recalls, or about 70 percent, were undertaken by manufacturers without any NHTSA involvement; the remaining 152 recalls were "influenced" by NHTSA. With respect to recalls that are NHTSA "influenced," usually, there are legitimate questions regarding whether the issue observed in the field actually presents an "unreasonable risk to motor vehicle safety," (the statutory threshold for triggering notice and remedy) or whether a defect trend exists.

During the five-years from 2005 to 2009, the median number of vehicle recalls undertaken annually was 562 affecting 14.8 million vehicles. Comparing this five-year period to the five-year period from 1995 to 1999, the median number of recalls conducted annually has increased by 85 percent while the number of affected vehicles has declined by approximately 17 percent. This suggests that both NHTSA and the industry are doing a better job of identifying and pinpointing safety–related defects and taking faster action to remedy those defects. The current trend further indicates that manufacturers are identifying defects sooner, as evidenced by the decline in the population of vehicles affected.



NHTSA—and federal law—demand specific, transparent actions to protect consumers. Federal law requires all automobile manufacturers to notify NHTSA within five days of determining that a safety defect exists, and to promptly conduct a recall. Providing consumer notice is a priority, to both automakers and to NHTSA. Under statute, automakers must notify customers by mail, explaining the potential safety hazards and the correction process. NHTSA supports this process through its Vehicle Safety Hotline and its website, www.safercar.gov. Automakers comply with extensive reporting requirements to assist NHTSA in identifying potential safety defects in a timely manner, including reports of injuries and deaths related to an alleged or proven defect, consumer complaints, warranty claims, field reports, property damage, customer satisfaction campaigns, consumer advisories, recalls (including foreign recalls) or other activities involving the repair or replacement of vehicles or equipment, as required by the National Traffic and Motor Vehicle Safety Act, as amended by the TREAD Act in 2000.

In addition, there are stringent non-federal regulatory or legal requirements covering consumer complaints and defects. The automobile is one of the most heavily regulated consumer products in American commerce. A panoply of laws, regulations and potential legal liability attach to everything from production, advertising, sale and repair, to ultimate disposal or recycling. For example, every state has a vehicle-specific Lemon Law that requires manufacturers to repurchase new vehicles that contain defects that impair the use, value or safety of those vehicles.

In summary, a range of data demonstrates that our roads are safer today, even with consumers driving more. These results can be attributed to rigorous R&D and high quality standards by automakers, and regulatory requirements that lead the world. In the event of a recall, the statutes are explicit on the procedures. Our system of "checks and balances," including Congressional oversight, the courts and consumer buying patterns, helps maintain the safest motor vehicle fleet in the world.

###