AUTO ALLIANCE

DRIVING INNOVATION®

STATEMENT

OF

THE ALLIANCE OF AUTOMOBILE MANUFACTURERS

BEFORE THE:

ENERGY AND COMMERCE COMMITTEE
THE SUBCOMMITTEE ON ENVIRONMENT
U.S. HOUSE OF REPRESENTATIVES

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PRESENTED BY:

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Summary

Protecting consumers from harmful exposure to hazardous materials is a top priority for automakers. Not only are we producing more fuel-efficient and safer cars than ever, we have also made tremendous strides in reducing the amount of substances of concern from automobiles. Automakers have eliminated the use of mercury and lead wheel weights in automobiles, and are currently working to phase out deca-BDE flame retardants and copper-lined brake pads. For more than a decade, automakers and our suppliers have maintained a global substance of concern list and database that tracks more than 2,700 substances used in automotive components to ensure restricted substances are not in autos. Additionally, automobiles are among the most recycled consumer products in the U.S – roughly 86% of a vehicles material content recycled, reused, or used for energy recovery.

However, more work remains, and the Alliance supports modernizing the Toxic Substances Control Act (TSCA) to keep pace with advances in science and technology. Inaction at the federal level to reform TSCA is compelling states to regulate on their own, creating a patchwork of state standards. A single federal chemical management program could accomplish the goal of properly managing hazardous materials in products while also creating a more predictable regulatory environment and more effectively address safety and risk issues from chemical uses nationwide.

Moving forward, legislative efforts to modernize TSCA should consider the unique concerns of complex durable goods manufacturers, such as automobile manufacturers. The average automobile has 30,000 unique components and each component is comprised of multiple chemicals and mixtures. Each automaker works with a global network of more than 1,000 suppliers, spanning multiple sectors. The Alliance urges the Committee to consider establishing clear standards for the regulation of articles under TSCA and support the continued use of existing article exemptions in most circumstances. Additionally, legislation modernizing TSCA should allow sufficient lead time to investigate and qualify viable alternatives.

The Alliance stands ready to be productive partner in any efforts to modernize this important environmental policy.

Testimony

Thank you, Chairman Shimkus, Ranking Member Tonko and members of the Subcommittee. The Alliance of Automobile Manufacturers (Alliance) is a trade association of twelve car and light truck manufacturers including BMW Group, Chrysler Group LLC, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche Cars, Toyota, Volkswagen Group and Volvo Cars.

Together, Alliance members account for roughly 3 out of every 4 new vehicles sold in the U.S. each year. On behalf of the Alliance, I appreciate the opportunity to offer our views on the Toxic Substances Control Act (TSCA) and the need for one national program for chemical regulation. We commend the Committee for its thoughtful and thorough examination of this environmental policy.

The greater automobile industry is a massive employer reaching well beyond the iconic names of auto companies familiar to us all. Auto manufacturing depends on a broad range of parts, components and materials provided by thousands of suppliers, as well as a vast retail and vehicle maintenance network of dealers. Nationwide, 8 million workers and their families depend on the auto industry. Each year, the industry generates $500 billion in paychecks, while generating $70 billion in tax revenues across the country.

Protecting consumers and our employees from harmful exposure to hazardous materials is a top priority for automakers. In fact, we have a good story to tell. Not only are we producing more fuel-efficient and safer cars than ever, we have also made tremendous strides in reducing the amount of substances of concern from automobiles. For example:

- For more than a decade, automakers have maintained the Global Automotive Substance List (GADSL), a longstanding industry-focused global substance of concern list, as well as a sophisticated tracking database – called the International Material Data System (IMDS) – to actively reduce industry-wide use of substances of concern in global production. The auto industry has invested more than $30 million dollars to build GADSL and IMDS, which now track more than 2,700 substances used in automotive components to ensure that restricted substances are not in our products. Without automakers developing a common list of substances to track and a common database for

suppliers to report into, tracking and controlling such a large number of substances would not be possible.

- In 2006, together with EPA, states, environmental groups and other industry stakeholders such as steelmakers and auto dismantlers and recyclers, automakers created the National Mercury Switch Removal Program to ensure the safe removal of mercury-containing switches in automobiles. More than 5 million switches have been collected to date, preventing approximately 11,000 pounds of mercury from being released into the environment.[1]

- Automakers eliminated lead wheel weights from all automobiles by the end of 2009, are currently phasing out the use of deca-BDE as a flame retardant, and are working with brake pad manufacturers to identify an alternative brake friction material with a smaller environmental impact than copper.

Most importantly, automobiles are among the most recycled consumer products in the U.S. Through the recycling process, end-of-life vehicles are recycled into new vehicles, old consumer products are recycled into components of new vehicles, and parts of old vehicles are recycled into new consumer products. Approximately 86% of a vehicle's material content is recycled, reused or used for energy recovery.[2] For example, used carpet becomes air cleaner assemblies and engine fan modules, and manufacturers build new tires with 10% recycled tire rubber material.

But automakers recognize that there is more work to do. TSCA remains the only major federal environmental statute that has not been substantively revised. We support modernizing TSCA to keep pace with advances in science and technology and automakers want to be part of the solution. We understand that inaction at the federal level is creating an environment in which states feel compelled to regulate chemicals on their own, potentially creating a patchwork of state standards. As you might suspect, myriad of inconsistent or conflicting state chemical

[1] ELVS Mercury Switch Recovery Program Reporting at www.eqonline.com/services/ELVS-Mercury-Switch-Recovery-Program/annual-report.asp?year=all

[2] Society of Automotive Engineers (SAE). 2011. "Vehicle Recycling, Reuse, and Recovery: Material Disposition from Current End of Life Vehicles"

regulatory programs presents great obstacles to effective chemical management for large industry sectors, in particular manufacturers of complex durable goods, such as automobiles.

We strongly believe that reforming the national program to avoid a balkanized approach to chemical management is more in line with today's manufacturing realities and will better protect the public while supporting U.S. competitiveness and jobs. Automakers design and build vehicles to synthesize a variety of systems and individual parts to meet an array of individual customer needs and demands and to comply with thousands of pages of international, federal and state regulations. The average automobile has 30,000 unique components and each individual component is comprised of multiple chemicals and mixtures. Each automaker works with a global network of more than 1,000 suppliers, spanning multiple sectors from electronics to textiles. Many automotive components are obtained from suppliers as finished products, which are then integrated into the vehicle. Government oversight of the construction and assembly of automobiles on a component-by-component basis is burdensome, inefficient, and unnecessary to effectively manage chemicals. An approach focusing on situations presenting a real potential for consumer exposure to substances of concern would be more effective than such an overly broad approach. And even more importantly, automakers simply cannot cope with a myriad of state-specific programs of this nature, each with its own unique hurdles.

Ultimately, multiple state chemical regulatory programs will likely conflict with stringent federal environmental and safety standards. NHTSA, for example, sets vehicle flammability standards and EPA, CARB and NHTSA set greenhouse gas (GHG) emission and CAFE standards. To meet the aggressive 54.5 miles per gallon (mpg) average CAFE/GHG emission standards by MY 2025, automakers will rely on lightweight materials like plastics that contain multiple chemical components, such as flame retardants. Also, nanomaterials are used in electric and fuel cell vehicles. Automakers spend billions of dollars annually on research and development activities to advance fuel efficiency, innovate new safety technologies, and develop more sustainable materials before the need of any regulation. However, a patchwork of state programs has the potential to derail this progress by shifting the industry's focus from R&D to regulatory compliance.

For these reasons, automakers seek a comprehensive and workable national program to regulate chemicals in commerce rather than a hodgepodge of overlapping state and federal

regulations. We readily acknowledge that states do have a very important role to play and the Alliance supports a process by which states can address their specific chemical concerns with EPA in a common, scientifically-based framework under TSCA. Legislative efforts to modernize TSCA should seek collaboration with states to achieve product safety through common chemical actions and requirements yet continue to maintain strong federal preemption provisions.

A single federal chemical management program could accomplish the goal of properly managing hazardous materials in products while also creating a more predictable regulatory environment by eliminating conflicts and inconsistencies that make compliance unnecessarily burdensome and costly for both the private and public sectors. One way the auto industry has restructured itself to become one of the bright lights in a challenging economy has been its shift to fewer vehicle platforms. Reducing the number of vehicle platforms allows auto manufacturers to streamline the manufacturing process throughout production, lowering costs and ultimately resulting in better products for our customers at competitive prices. The public sector is under similar financial pressures to provide cost-effective services to the public. Reforming TSCA to make it an effective national program not only benefits the private sector by providing a unified and efficient regulatory compliance structure, but it also allows state and local governments to focus on other priority issues by freeing resources otherwise allocated to duplicative state chemical regulations. Most importantly, a unified national policy through TSCA reform would more effectively address safety and risk issues from chemical uses nationwide.

Additional Considerations:

Moving forward, it is critical that any legislative efforts to modernize TSCA consider the unique concerns of complex durable goods manufacturers as article manufacturers/assemblers. Currently, article exemptions are in place for most TSCA requirements. However, these are not statutory exemptions but rather they have been written into regulation by EPA and can be lifted, as has recently occurred with the proposed deca-BDE Significant New Use Rule (SNUR) and Test Rule. Furthermore, we are noticing a significant trend towards state legislation and regulations targeting not just chemicals but consumer products (i.e., articles). In 2013, at least 16 broad-reaching chemical regulation bills have been introduced by state legislatures across the country. While some had a specific focus, the definitions went beyond the scope of federal

definitions and were broad enough to include consumer products and automobiles. The Alliance urges the Committee to consider establishing clear standards for the regulation of articles under TSCA and support the continued use of existing article exemptions in most circumstances.

Additionally, legislation modernizing TSCA should allow sufficient lead time to investigate and qualify viable alternatives (typically 5 years in the auto industry and not all vehicles are reengineered at the same time). With roughly 250 million registered vehicles currently operating on U.S. roads[3], service parts for legacy vehicles should be exempted from any chemical substitution to avoid any disruption in the supply of hundreds of thousands of older model replacement parts, impacting automakers' ability to fulfill consumer warranties, recalls, service campaigns, or repairs of the existing fleet. This is a significant issue since the average age of the typical automobile on U.S. roads is over 11 years old[4].

Finally, TSCA/EPA should maintain a minimum threshold of 0.1% for chemical reporting and most chemical control actions. This is the *de minimis* level used by most world governments to effectively control the thousands of chemicals within thousands of products.

We appreciate the opportunity to offer our views on TSCA and the need for one national program for chemical regulation. It might be counterintuitive to some that an industry that relies heavily on chemicals would support legislation that would provide EPA more authority and better tools to regulate chemicals. But it is entirely in keeping with our overall desire as auto companies to offer the best and safest products possible to our customers and protect our employees; we welcome an effective national program. The Alliance stands ready to work with the Committee on any efforts to modernize this important environmental policy. Thank you again and I will be happy to answer any of your questions.

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[3] Polk. 2013. Polk Finds Average Age of Light Vehicles Continues to Rise [Press Release]. Retrieved from https://www.polk.com/company/news/polk_finds_average_age_of_light_vehicles_continues_to_rise

[4] Ibid.