

Straightening Global Automotive's Backbone

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Here's the problem. Most nations still have their own unique automotive safety and environmental regulations. As a result of this regulatory diversity, a hot-selling car in one market cannot simply be sold in other markets; and a car certified as having met all regulations in, say the United States, cannot obtain approval for sale in other nations without first incurring substantial, additional costs.

According to one authority, in order to sell its product in just one other market, a manufacturer recently needed to spend \$42 million in redesign and development costs to meet the new market regulatory requirements for approximately 100 unique parts.

Imagine the cost of taking a vehicle global! While the nation-by-nation regulatory model may have worked once upon a time, now — when no cost is too small to question — its time has passed. The challenges brought about by the globalization of many product markets, increased competition, and shrinking margins demand a solution that avoids paralyzing costs and other inefficiencies without compromising product performance or quality.

Enter global harmonization. Without it, considerable avoidable costs, time delays, and inefficiencies will continue to plague the global industry, resulting in decreased market opportunities, potential job loss, and increased costs to consumers.

“Harmonization” will play an increasingly important role in the automotive industry. It provides the innovative, collaborative effort among nations to align various vehicle performance regulations without compromising safety or environmental objectives.

These regulations constitute the backbone of the global automotive industry in its quest to build reliable vehicles at a reasonable cost. Absent such harmonization, a

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vehicle manufacturer must carefully select those countries it chooses to sell in in order to be cost competitive. When undertaken responsibly, regulatory harmonization makes sense; and cost savings represents only one of its many potential benefits.

This necessary effort requires the overall stewardship of a workable, credible, and sustainable organization. The United Nations World Forum for Harmonization of Vehicle Regulations, commonly referred to as "[WP.29](#) [1]", facilitates these efforts through the global agreements it administrates.

WP.29 serves as the catalyst for the more than 50 participating nations, including the United States, to develop new or "harmonize" existing technical standards and regulations that address the safety, environmental performance, energy efficiency, and anti-theft performance of both on and off-road wheeled vehicles. The resultant technical regulations are science-based (i.e. the process is objective, reproducible, data-based, and both technologically and economically feasible).

The World Forum brings together technical experts from governments and industry in an open and transparent venue that provides a holistic approach for a plethora of nations to strike a workable balance between regulatory harmonization and national sovereignty.

The ultimate objective is the formulation of "global" standards that can be transposed into respective national regulations. Where feasible, it contemplates commonality through collaboration and converting conflict to collaboration. Never have these benchmarks been more essential.

The transition to harmonization in the automotive sector is not easy. As one might imagine, this international collaborative effort faces both impediments and critics. Nations (not to mention companies) have trouble finding common ground. So, while pure in concept, harmonization can and does get messy in application.

But the benefits of responsibly bringing diverse government regulations into alignment by marshalling collective knowledge and perspectives are undeniable. Indeed, a forum and a process exists to usher in a much needed "new era" in automotive global cooperation.

Looking ahead, technical changes in the automotive industry will occur at a dizzying pace as a result of consumer preferences for new vehicles (energy efficient and safer) and stricter environmental standards, among other things (e.g. climate change mitigation). Manufacturers will want to sell common platform vehicles globally, and will expect to do so efficiently (e.g. avoid having to achieve compliance with different standards or regulations market by market).

A workable, inclusive process for establishing standards must keep pace with the new technologies that the industry's emphasis on "differentiating technology" will most assuredly create. Indeed, like the spine to the body or the trunk to a tree, governing regulations constitute the spinal column for the industry.

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That structure must be strong and accommodating for the entire system to function well. Currently, however, considerable "curvature" exists. In that sense, harmonization provides much needed strengthening by "straightening" the globalized industry's backbone without compromising safety.

The auto industry continues to battle through a withering crisis. While the worst may be behind it, major, immediate and daunting challenges still command the full attention of vehicle manufacturers, suppliers, and others. That's the case everywhere, but perhaps no more so than in my hometown — Detroit.

In the midst of a maelstrom, sheer survival can trump long range vision. While understandable, the industry can ill afford that mindset. It must make short term crisis management and creating its future compatible objectives. Doing so responsibly helps convert crisis into opportunity.

In time, a restructured global automotive industry built on concepts like economies of scale/global architecture, innovation, collaboration, and I hope sustainability, will recover and thrive (and so will Detroit). Harmonization will play a crucial role as it, too, helps advance international collaboration in the automotive industry.

Mr. Malone is an attorney with Dykema in Detroit and is a co-author of Malone, Klindt & Akiba, "Global Technical Regulations: No Panacea But a Significant Step Toward Harmonization", SAE International, 2009-01-1662.

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[1] <http://www.unece.org/trans/main/welcwp29.htm>