



2009 Legislative & Regulatory Issue Book

*Prepared for Members of
AASA, HDMA, and OESA*





2009 Legislative and Regulatory Issue Book

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Dear AASA, HDMA, and OESA Members:

The Washington office of the Motor & Equipment Manufacturers Association (MEMA) is pleased to present you with the supplier industry's *Legislative and Regulatory Issue Book* for 2009. The Issue Book is the culmination of a process of open dialogue among all market segment association members, beginning with a member survey, with input from the MEMA and market segment association boards as well as the Government Affairs Committee.

This past year has brought unprecedented turmoil to the motor vehicle industry, including parts suppliers. At no time in recent memory has more attention in Washington been focused on the industry, and at no time has it been more important for automotive and heavy duty suppliers educate lawmakers on the state of the industry and the unique needs of suppliers.

At last year's Legislative Summit in June, outgoing MEMA Chairman Charley Johnson talked about making the most of the supplier industry's "seat at the table," a seat that we have earned as we collectively have built up awareness of the supplier industry. In November, MEMA's current chairman, Jim McElya, did exactly that as he testified before the House Financial Services Committee on behalf of suppliers with regard to the severe downturn in the economy and in the auto industry.

With the attention of the new Congress and the President intently focused on fixing our economy, we have a unique opportunity to work with lawmakers, offer constructive ideas, and shape sound policy. With companies increasingly stretching limited resources, we hope that you will look to your Washington office as a resource to assist with your government affairs activities. The bottom line is that elected officials need to hear directly from supplier companies and their employees.

We strongly encourage you to communicate with your elected officials on issues important to you, to invite lawmakers into your facilities, and to attend this year's [Legislative Summit](#) in Washington, DC, on April 29-30. Let's take the time now to build relationships and offer our input. Our industry will be the better for it. We look forward to working with you in the year to come.

Sincerely,

A handwritten signature in black ink that reads "Ann Wilson". The signature is written in a cursive, flowing style.

Ann Wilson
Senior Vice President, Government Affairs



Motor Vehicle Suppliers: The Foundation of U.S. Manufacturing

The Contributions of Motor Vehicle Suppliers to the Economies of the United States and its 50 States

Note: Excerpts are from a study conducted in 2007. We will update this study in the spring of 2009.

Excerpts

- With direct employment of 783,100 across the United States, motor vehicle suppliers are this country's single largest manufacturing industry.
- Motor vehicle parts manufacturers contribute to 4.5 million private industry jobs and 5.5 percent of total U.S. manufacturing jobs. This includes 1.97 million indirect jobs in industries from steel to plastics and technical services that support motor vehicle parts manufacturing, as well as an additional 1.7 million spin-off jobs supported by spending from direct and indirect employees.
- One direct job in the motor vehicle supplier industry supports 4.7 additional jobs.
- Suppliers' total employment equates to \$253 billion in compensation or \$45,790 average annual compensation per industry worker.
- Motor vehicle parts manufacturers are the largest manufacturing employers in Indiana, Kentucky, Michigan, Missouri, Ohio, South Carolina, and Tennessee.
- There are 16 states with direct supplier employment in excess of 15,000 jobs. These states represent 87 percent of the total employment associated with automotive parts manufacturing and include Michigan, Ohio, Indiana, Tennessee, Illinois, Kentucky, New York, North Carolina, California, Wisconsin, Pennsylvania, Texas, Georgia, South Carolina, Missouri, and Alabama.
- Suppliers provide two-thirds of the value of a vehicle; and the supplier industry now accounts for 40 percent of total automotive R&D investment.
- Each of the more than 300 different new light vehicle models sold every year in the U.S. has more than 30,000 different parts and 8,000 – 10,000 components.
- Approximately 60 percent of America's freight by gross tonnage is hauled by truck...the manufacture of many of these (truck) components has remained in the United States.
- The value of the light vehicle aftermarket (parts and labor) broke the \$200 billion mark for the first time in 2005.

To read the complete study, please visit www.automotivesupplier.org.

For more information, please contact Ann McCulloch at 202-312-9242 or amcculloch@mema.org.



Sixth Annual Legislative Summit
Hyatt Regency Capitol Hill, Washington, DC
April 29-30, 2009

Preliminary Agenda

Wednesday, April 29

12:00 Noon	Legislative group leader meeting with MEMA staff
1:00 p.m.	Legislative briefings for summit attendees
	Supplier Fair exhibit set up
3:00 p.m.	Legislative group strategy meetings
5:30 – 7:30 p.m.	Congressional Reception & Supplier Fair

Thursday, April 30

7:30 a.m.	Breakfast legislative briefing for summit attendees
8:30 a.m.	Assemble in groups, travel to Capitol Hill
9:00 a.m. – 12:00 noon	Legislative visits on Capitol Hill
12:30 p.m.	Industry Champion Award Luncheon
2:00 p.m.	Legislative Summit concludes

* * * * *

2008 Recap

- ✓ Attended by nearly 100 automotive and heavy duty CEOs and senior executives.
- ✓ Congressional Reception & Supplier Fair featuring 19 exhibiting companies and 300 attendees.
- ✓ 98 meetings with Members of Congress and their staff.
- ✓ Keynote address by John Engler, former Michigan governor and current president of the National Association of Manufacturers
- ✓ Presentation of Industry Champion Award to Rep. John Dingell (D-Mich.)

Who Attends?

- ✓ All AASA, HDMA, and OESA member companies are strongly encouraged to attend.
- ✓ Exhibit at the Congressional Reception and Supplier Fair to promote your company's new technology, safety and environmental advances, and contributions to the economy.

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For registration materials, please [click here](#).

Questions? Contact Ann McCulloch, 202-312-9242 or amcculloch@mema.org.



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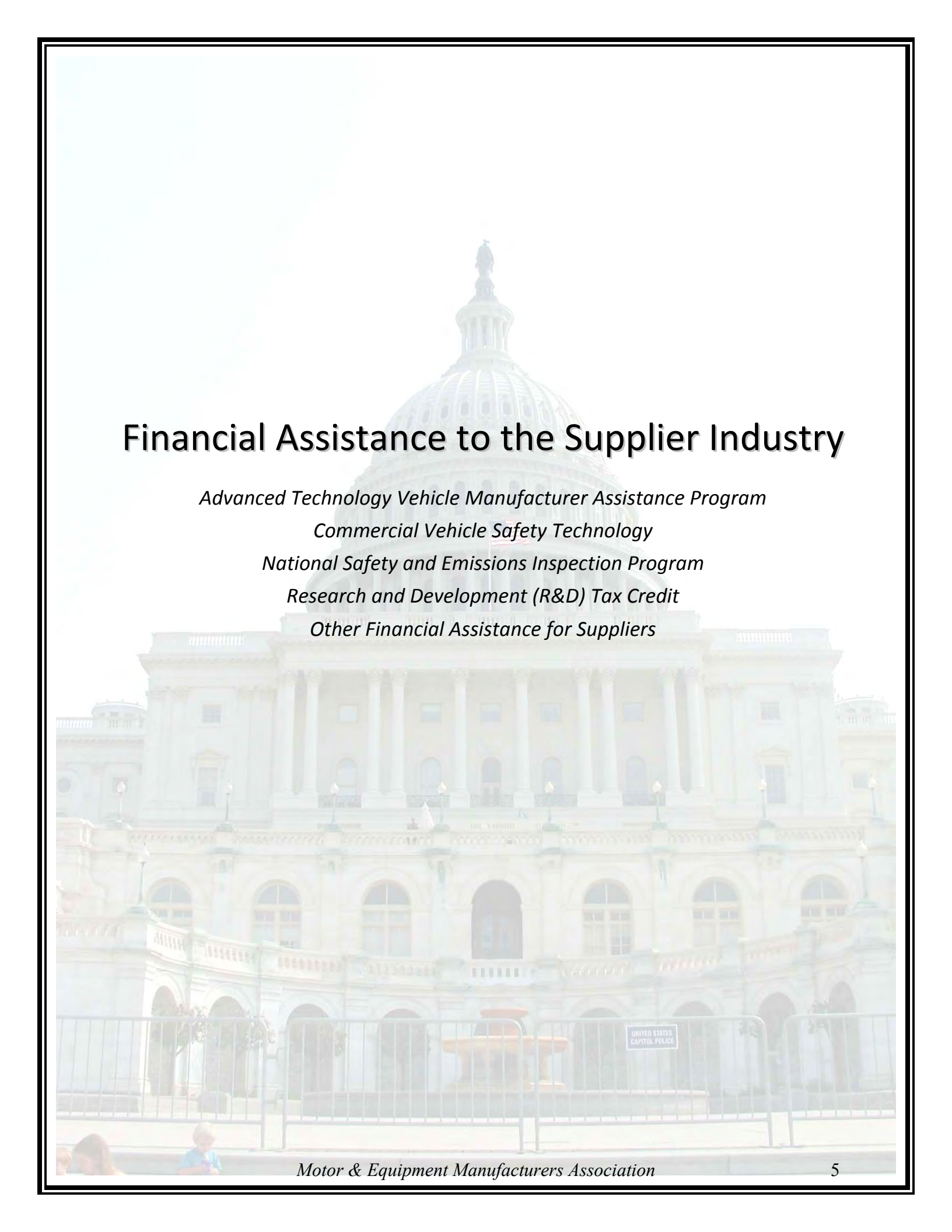
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Financial Assistance to the Supplier Industry

Advanced Technology Vehicle Manufacturer Assistance Program

Commercial Vehicle Safety Technology

National Safety and Emissions Inspection Program

Research and Development (R&D) Tax Credit

Other Financial Assistance for Suppliers

Advanced Technology Vehicle Manufacturer Assistance Program

Description: Section 136 of the Energy Independence and Security Act of 2007 (EISA) established an incentive program consisting of both grants and direct loans to support the development of advanced technology vehicles and associated components in the United States. The Department of Energy (DOE) is charged with administering the Section 136 program, known as the [Advanced Technology Vehicles Manufacturing Loan Program](#). Under Section 136(d), the Program provides loans to automobile and automobile part manufacturers for the cost of re-equipping, expanding, or establishing manufacturing facilities in the U.S. to produce advanced technology vehicles or qualified components, and for associated engineering integration costs.

The FY2009 Continuing Resolution (CR) enacted on September 30, 2008, appropriated \$7.5 billion to support a maximum of \$25 billion in loans under the Program and provided DOE with funds to administer the Program.

In October 2008, MEMA met with DOE and subsequently submitted industry comments for their consideration as they developed their rule. On November 12, 2008, DOE issued an interim final rule (IFR) to administer the loan program and establish eligibility requirements for both the grant and loan programs;¹ the IFR was effective immediately. The IFR formally established regulatory language for 10 CFR Part 611 titled “Advanced Technology Vehicle Manufacturer Assistance Program.”

After the IFR’s publication, DOE held two public meetings in early December 2008 to address comments and questions from interested stakeholders.

Status: Since the IFR’s publication, MEMA has actively engaged contacts at DOE to field questions from industry and to obtain follow-up information and participated in both of the DOE public meetings. MEMA encouraged members to submit their applications during the first tranche (closed December 31, 2008). As a result, DOE indicated that of the 75 applications received, 50 were from component suppliers. The total funding applied for was over \$38 billion.

As of January 26, 2009, DOE completed their initial review of first tranche applications to determine whether or not they were ‘substantially complete’ per the IFR.² Preliminary indications from DOE are that only 26 applications have moved to the second review stage – determination of financial and technical eligibility. The last two stages are to review of the application’s merits and to decide upon accepted applicants; last, negotiation of terms and closing the loan.

Additionally, the Economic Recovery bill that Congress was considering in early 2009 includes recommendations for funding for further loan funding and grant funding specifically for advanced batteries and battery systems.

¹ The FY2009 CR appropriated funding only for the loan program.

² Applications received during the first tranche, but deemed incomplete, are given the option to have their application considered during the second tranche without having to re-apply, provided that the applicant submits missing information before the second tranche Mar. 31, 2009 deadline.

Impact on Industry: The impact on component suppliers is a direct benefit. A loan under this program, if granted, would provide a qualified company the needed capital to help accelerate projects that develop, manufacture, and install qualified component parts onto advanced technology vehicles.

2009 Anticipated Action: MEMA will continue to actively track this issue and provide information and updates to members regularly. MEMA will seek additional funding through the appropriations process to provide additional funding for Section 136 for both the direct loan program and the grant program.

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Commercial Vehicle Safety Technology

Description: In October 2007, Reps. Mike Thompson (D-Calif.) and Ron Lewis (R-Ky.) introduced [H.R. 3820](#), the Commercial Motor Vehicle Advanced Safety Technology Tax Act of 2007, which offers tax incentives to encourage and accelerate the production, sale, and use of commercial motor vehicles equipped with specific advanced safety technology systems. The bill creates a corporate income tax deduction equal to 50 percent of the cost of a qualified system up to \$1,500, a total allowed credit up to \$3,500 per vehicle, and a limit to the qualifying taxpayer of a maximum credit of \$350,000 per taxable year. A Senate version, [S. 3428](#), was introduced by Sens. Debbie Stabenow (D-Mich.) and George Voinovich (R-Ohio) in August 2008.

Collision warning systems, stability control systems, lane departure warning systems and brake stroke monitoring systems are specifically covered under the legislation. To be eligible for the tax credit, this equipment must be installed on school buses, intercity buses, or vehicles used in commerce that weigh over 26,000 pounds.

In October 2007, MEMA hosted a “ride and drive” event in Washington which gave congressional staff, Members of Congress and administration officials the opportunity to see firsthand these specific heavy duty safety technologies developed by the supplier industry.

Status: MEMA continues to work with Rep. Thompson and Sens. Stabenow and Voinovich to re-introduce the bill during the 111th Congress. MEMA is also working to identify and secure additional cosponsors to help the bill move forward.

Impact on Industry: MEMA serves as a leader in the effort to promote this legislation. Unlike other concerns, this legislation is an industry-specific matter and will require a consistent campaign by MEMA and its heavy duty market segment association members to progress.

2009 Anticipated Action: MEMA is in the process of briefing congressional staff from committees that have jurisdiction over both House and Senate measures. Both bills will be introduced in early 2009. MEMA will continue to work with congressional supporters and market segment association members to lobby in favor of the legislation. The bill may be incorporated into the transportation reauthorization bill, due to expire in September 2009.

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National Safety and Emissions Inspection Program

Description: A report by the University of Michigan concludes that around 40,000 people continue to die each year in traffic accidents within the United States. Because of the current state of the economy, these numbers may actually further increase as consumers refrain from buying newer and safer vehicles, and instead, retain and drive their older, less-efficient models. It is, therefore, necessary to ensure that all older vehicles are properly inspected and maintained in order to help improve their engine and safety performance, as well as their fuel efficiency, and help reduce the number of fatalities in the nation's roadways.

Status: In the United States, each state government is free to decide whether to require vehicle safety inspection, as well as the specifics of the inspection program. Not all states require vehicle inspection and most do not. Under the Clean Air Act Amendments of 1990, states are required to implement vehicle emission inspection programs in metropolitan areas whose air quality does not meet federal standards. The specifics of those programs vary from state to state. Some states, including Kentucky and Minnesota, have discontinued their testing programs in recent years with approval from the federal government.

Impact on Industry: Regular maintenance of vehicles will also improve fuel efficiency and reduce emissions. A 2007 study of unperformed maintenance found that exhaust systems (exhaust pipes, mufflers, and catalytic converters) amounted to \$6.2 billion of needed repairs, accounting for 11.3 percent of the overall total of \$55 billion in unperformed maintenance. According to the U.S. Department of Energy, vehicle maintenance and repair can improve gas mileage by 40 percent. These repairs can take a variety of forms including:

- Replacing clogged air filters can improve gas mileage by as much as 10 percent and protect the engine.
- Performing regular engine tune-ups and car maintenance checks can avoid fuel economy problems due to worn spark plugs, dragging brakes, low transmission fluid, or transmission problems.
- Keeping tires properly inflated and aligned can improve gasoline mileage by over three percent.
- Using the grade of motor oil recommended by the car manufacturer instead of using a different grade can prevent lowering your gasoline mileage.
- Repairing faulty oxygen sensors can prevent false readings which lead to poor gas mileage, emission test failures and drive-ability problems (hesitation, poor acceleration, surging, etc.).

2009 Anticipated Action: MEMA will work with the appropriate House and Senate committees to include language in the upcoming highway reauthorization bill that will implement a nationwide inspection program to be administered by the states. In addition, MEMA believes that any legislation which provides for an incentive for the trade-in of older vehicles should include maintenance or repair options. This approach will allow consumers a choice to replace or repair a vehicle while ensuring a more fuel efficient operation on the nation's roads.

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Research and Development (R&D) Tax Credit

Description: Created in 1981, the research and development (R&D) tax credit was designed to stimulate technological innovation in the United States. Today, the R&D tax credit remains an integral element to maintaining innovation and investment in the U.S. and enables key industries, such as automotive and heavy duty parts manufacturers, to invest in new ideas and inventions. The R&D credit permits individual companies to make their products better, safer, and increasingly competitive in the global market. In addition, the credit is a powerful incentive for the nearly 16,000 companies of all sizes in all 50 states that use the credit to undertake and increase research activities in the U.S. Many foreign nations embrace similar incentives in support of their domestic industries. It is vital that the U.S. level the playing field by equally supporting the R&D investments of its own manufacturers. In 2008, MEMA worked in cooperation with the National Association of Manufacturers' (NAM) R&D Tax Credit Coalition to support legislation which would extend and strengthen the R&D tax credit.

Status: The R&D credit was seamlessly renewed and strengthened by Public Law 110-343 signed on October 3, 2008, by President Bush. The 110th Congress passed [H.R. 1424](#), The Emergency Economic Stabilization Act of 2008, which included a retroactive two-year extension of the R&D tax credit from January 1, 2008, through December 31, 2009. Also included is language to strengthen the credit by increasing the Alternative Simplified Credit rate to 14 percent for 2009.

Impact on Industry: U.S. parts and components manufacturers have assumed a greater role in the design and production of modern motor vehicles, providing key innovations in the areas of electronics, engine controls, lighting products, and safety equipment. Suppliers are responsible for 40 percent of the U.S. automotive and heavy duty research and development. Consequently, the R&D tax credit serves as a critical benefit for U.S. automotive and heavy duty suppliers. As only research and development done in the U.S. may qualify for the credit, this benefit helps keep high-skilled, high-wage manufacturing jobs in the country.

2009 Anticipated Action: MEMA strongly supports passage of legislation which would transition the credit to a permanent status. Since its inception in 1981, the credit has been extended 14 times. U.S. manufacturers need a permanent R&D tax credit to remain competitive on the global stage. MEMA will continue to work with the NAM's R&D Tax Credit Coalition and members of Congress to ensure the credit is made available moving forward into 2010 and in years to come.

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Other Financial Assistance for Suppliers

Description: During the 110th Congress, vehicle manufacturers sought and received financial assistance needed to stay in business. During the debate on this assistance, MEMA supported these efforts and urged Congress to provide a similar type of assistance to vehicle suppliers.

Status: Suppliers are caught in a difficult web of reduced vehicle sales and lack of access to credit. While billions of dollars have been distributed to banks and financial institutions, suppliers have seen little evidence that this money is being lent to manufacturers. The industry is at risk of losing a number of key suppliers through Chapter 7 liquidation. This scenario could disrupt the entire U.S. based industry – domestic and foreign vehicle manufacturers. If the normal credit environment existed, suppliers would be able to address these issues directly with their lending institutions. However, the current credit situation makes this approach unavailable to suppliers. MEMA has met with the U.S. Department of the Treasury and congressional staff to discuss the urgency of this crisis. MEMA does not support actions that would artificially prop up suppliers over the long term and delay consolidation in the industry.

Impact on Industry: Without sufficient access to capital, many suppliers will be unable to operate. Congress has distributed an additional \$350 billion to Treasury and a least of a portion of this funding has not been specifically earmarked.

2009 Anticipated Action: MEMA will continue to work with the Administration and Congress to seek access to capital.

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Employee Benefits Legislation

*Card Check and the Employee Free Choice Act
Health Care Reform*

Card Check and the Employee Free Choice Act

Description: The Employee Free Choice Act, also known as EFCA or “Card Check,” would require employers to recognize unions after collection of a simple majority of workers’ signatures on cards distributed by union organizers. Under the current law, employers can opt to recognize a union if presented with pro-union cards by a majority of the workers, but they can also demand a secret ballot election.

Status: In 2007, the U.S. House of Representatives passed the [Employee Free Choice Act](#) by a wide margin. However, the bill failed to survive a Senate filibuster. Democrats made card check a key campaign pledge during the 2008 elections. The bill has not yet been introduced in this new session of Congress, though we expect a bill early this spring.

Impact on Industry: There are no quantitative estimates of the added costs to industry if EFCA is passed into law. MEMA is concerned that a carefully thought out, confidential process would be replaced by a system under which workers’ votes are made public to the employer, union organizers, and coworkers. Additionally, MEMA opposes any provisions that call for binding contracts in which wages and benefits are unilaterally determined by a federal arbitrator for first contracts without a ratification vote by employees.

2009 Anticipated Action: The bill will likely be introduced very quickly in the new Congress. MEMA will work in coalition with other business community members in opposition to the bill.

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Health Care Reform

Description: While 2008 saw few votes on health care issues in Congress, work continued at the committee level in both the House and the Senate. Additionally, health care reform was a centerpiece of the 2008 Presidential campaign. MEMA believes committee work will continue in Congress, but that we are unlikely to see major health care reform pass in this first year of the legislative session.

MEMA continues work with members of the business community in support of efforts to build upon the voluntary, employer-based health care system; maintain a framework of federal rules; improve the quality and efficiency of health care; and improve tax policy to make health care coverage more affordable and accessible. Specifically, we will keep AASA, HDMA, and OESA members informed on the following issues:

Catastrophic and Chronic Health Care Costs: Containment of both catastrophic and chronic health care costs is essential to controlling overall health care costs. Catastrophic and chronic health care costs are a major threat to employers, with about 2 percent of the total population accounting for 40 percent of total health care expenditures. Between 70 percent and 80 percent of all health care costs are related to chronic health conditions. MEMA sits on a coalition steering committee with other business community leaders to examine potential solutions – from both within companies and within Congress.

Health IT: Today's health care system is too paper-based, highly inefficient, and prone to error. The business community is supportive of legislation that would facilitate the adoption of a nationwide system and standards for the electronic exchange of health information. The stimulus bills currently under consideration by Congress contain funds to jump start investment in health information technology.

Health Savings Accounts: MEMA continues to support efforts to make HSAs more flexible and a viable option for employers and employees.

Medical Liability Reform: There is little doubt that excessive litigation and high medical malpractice insurance rates have contributed to the nation's soaring health care costs. MEMA will continue to support sensible medical liability reform.

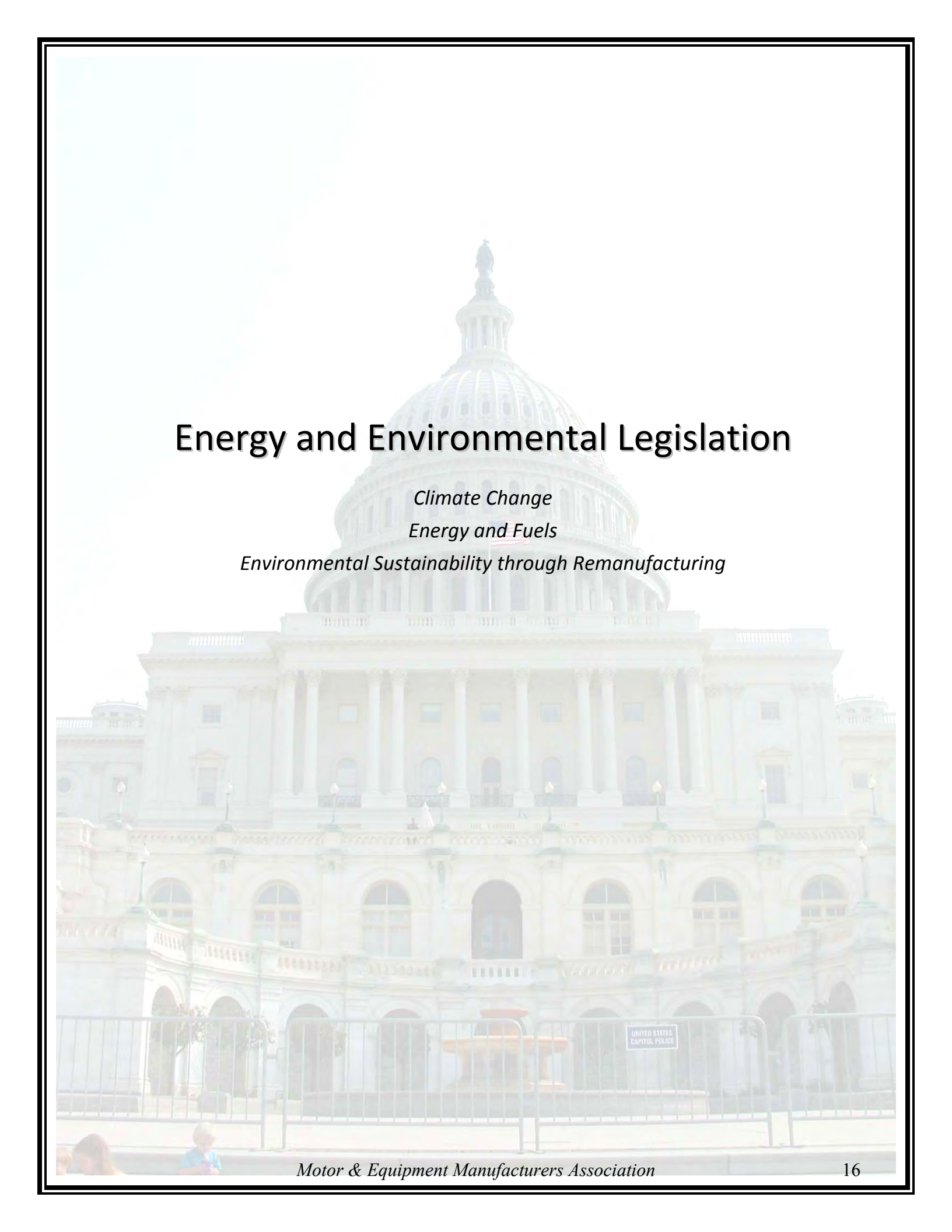
Small Business Health Plans (SBHPs): Unlike large businesses, small employers do not have the resources to self-insure under federal Employment Retirement Income Security Act (ERISA) laws and are subject to state laws which govern health care coverage. A growing number of small businesses also have employees in two or more states and must meet two or more sets of requirements. SBHP legislation would allow small businesses to purchase health care coverage through associations or other organizations that meet ERISA certification requirements. Small businesses would no longer be subject to state mandates and multi-state employers would enjoy a simplified health benefits program.

Tax Credits for Wellness, Disease Management Programs: This is an issue supported by MEMA members and we will work to educate staff and build consensus on Capitol Hill. Funding for programs may be included in the sweeping economic stimulus bill that Congress is currently considering.

Impact on Industry: Rising health care costs remain a top concern for automotive and heavy duty suppliers. MEMA's Government Affairs Committee (GAC) and the HR Council will continue to serve as a sounding board for proposals from Congress and the Administration.

2009 Anticipated Action: MEMA anticipates activity mostly at the committee level during this first year of the 111th Congress. MEMA will continue to work in coalition with the business community in support of the objectives stated above.

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Energy and Environmental Legislation

Climate Change

Energy and Fuels

Environmental Sustainability through Remanufacturing

Climate Change

Description: As is evidenced by the number of vehicle technologies available to curb the use of gasoline, the motor vehicle parts supplier industry recognizes the need for cutting greenhouse gas emissions which are linked to climate change. However, this is not an issue that can be answered by one industry alone. Any attempts by Congress, federal agencies or states to require mandatory reductions in emissions should be economy wide.

According to U.S. Environmental Protection Agency (EPA), the transportation sector accounts for 27 percent of domestic greenhouse gas emissions. Roughly half of those emissions come from passenger cars. EPA also recognizes that technology innovation has been a main factor in reducing vehicle emissions in the past and will be a key approach in the future.

Status: In the 110th Congress, the U.S. Senate considered legislation, [S. 2191](#), which capped emissions of greenhouse gases from power plants, manufacturers, petroleum refiners and other stationary sources of greenhouse gases. The bill also included language that explicitly allows states to go further than federal standards.

In 2009, Sen. Barbara Boxer (D-Calif.), Chairman of the Senate Environment and Public Works Committee, announced that she will introduce and bring up in her Committee legislation that addresses climate change. Rep. Henry Waxman (D-Calif.), Chairman of the House Energy and Commerce Committee, has indicated that he intends for his Committee to report out climate change legislation by Memorial Day 2009.

Given that Sen. Boxer and Rep. Waxman are both from California, the possibility of one federal standard for motor vehicle emissions becomes more important to MEMA members. Also, in a January 2009 announcement, President Barack Obama stated that his EPA would look into the December 2007 decision to deny California's request for a waiver under the clean air act to limit gas emissions from cars and small trucks.

Impact on Industry: Because the transportation sector accounts for 27 percent of greenhouse gas emissions, any attempts to legislate reductions on mobile sources will have significant impact on both the supplier industry and MEMA customers. Limits on stationary sources will also have an impact on manufacturing practices of MEMA's market segment association members.

2009 Anticipated Action: Both House and Senate Committees of jurisdiction are expected to take up legislation in the first half of 2009. MEMA's Washington office has organized a Climate Change Committee to look at how caps on emissions will impact manufacturing practices and product lines, and will work with these members in representing the industry on public policy issues relating to climate change.

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Energy and Fuels

Description: In December 2007, Congress passed clean energy legislation that included changes to the Corporate Average Fuel Economy (CAFE) standard. President George W. Bush signed this bill into law on December 19, 2007.

MEMA supported this legislation which framed new fuel efficiency standards in a way that is economically feasible, open to technology options, and offers sufficient timelines for compliance. MEMA believes that federal law grants sole authority to the National Highway Traffic Safety Administration (NHTSA) to set a uniform, national fuel economy standard. MEMA supports financial incentives to encourage the purchase and manufacture of new types of fuel-efficient vehicles as a positive step, but such incentives must be technologically neutral.

Status: [The Energy Independence and Security Act of 2007](#) increases separate average fuel economy standards for cars and light trucks beginning with model year 2011 and reaching a 35 mile per gallon average by model year 2020. It also calls for fuel economy standards for work trucks and medium- and heavy-duty vehicles.

In addition to the mandates on fuel efficiency, the law includes a number of incentives supported by the supplier community, including:

- A loan and grant program to encourage the purchase of new tooling and equipment and the domestic manufacture of advanced technology vehicles and components that get more than 25 percent higher fuel efficiency than comparable vehicles (Sec. 136);
- A research and development program focused on new lightweight materials to determine how vehicular weight can be reduced to make vehicles more fuel efficient without compromising safety;
- A consumer education program on the fuel savings that would be achieved through the purchase of vehicles equipped with specific thermal management technologies, including energy efficient air conditioning systems and glass; and
- A loan guarantee program for the construction of facilities to manufacture advanced vehicle batteries and battery systems that are developed and produced in the United States (Sec. 135).

The FY2009 continuing resolution contained \$7.5 billion in funding to make up to \$25 billion in loans available for retooling under Section 136. The grant program has not been funded, but the stimulus package considered by Congress includes funding for grants for advanced batteries.

Impact on Industry: No estimates have been completed regarding the potential total cost to comply with the increased CAFE requirement.

The financial incentive language included in the 2007 energy bill recognizes the important role that suppliers play in research and development of the advanced

technologies that will be necessary to meet a 35 mile per gallon fuel economy standard. Loans, loan guarantees, and grants will help to defray the potential costs to develop the technologies necessary for advanced vehicles.

2009 Anticipated Action: This year, MEMA's Washington office is establishing a working group to establish principles and positions on energy and climate change issues such as fuel efficiency, retooling, climate change, the California emissions waiver, and advanced vehicles and components. The group will consist of membership from the market segment associations and member companies with discussions beginning in February 2009.

MEMA will monitor the actions by the federal agencies to implement the energy bill and will support federal funding opportunities in either the FY2009 omnibus spending bill or the FY2010 Energy and Water Appropriations bill for the supplier industry to continue to develop and manufacture components and systems to improve fuel economy.

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Environmental Sustainability through Remanufacturing

Description: Suppliers have demonstrated a commitment to advancing technologies and practices that will secure a sustainable environment through product innovation and more environmentally friendly manufacturing practices.

Suppliers have addressed this through technologies that will increase fuel economy with products and technologies that serve the full range of product offerings to the global vehicle manufacturers in the domestic and foreign markets. Suppliers have also addressed emissions through technology that will directly reduce emissions including developing and manufacturing devices that cut idling for heavy vehicles.

On the manufacturing side, suppliers who remanufacture components have cut down on energy use, waste disposal, and capital and labor inputs. Through remanufacturing, products that are known to be worn, defective, or discarded are brought to a manufacturing environment where they are cleaned and checked. Parts of the product which can be reused are brought up to factory or performance specifications, and parts that cannot be reused are replaced. Remanufacturing preserves the value of the original manufacturing, including energy costs, waste disposal and investment in capital and labor inputs, which recycling alone cannot do.

Remanufacturing provides a number of benefits to the economic and environmental well-being of this country, including job creation, environmental benefits, and benefits to consumers by extending the useful life of consumer products.

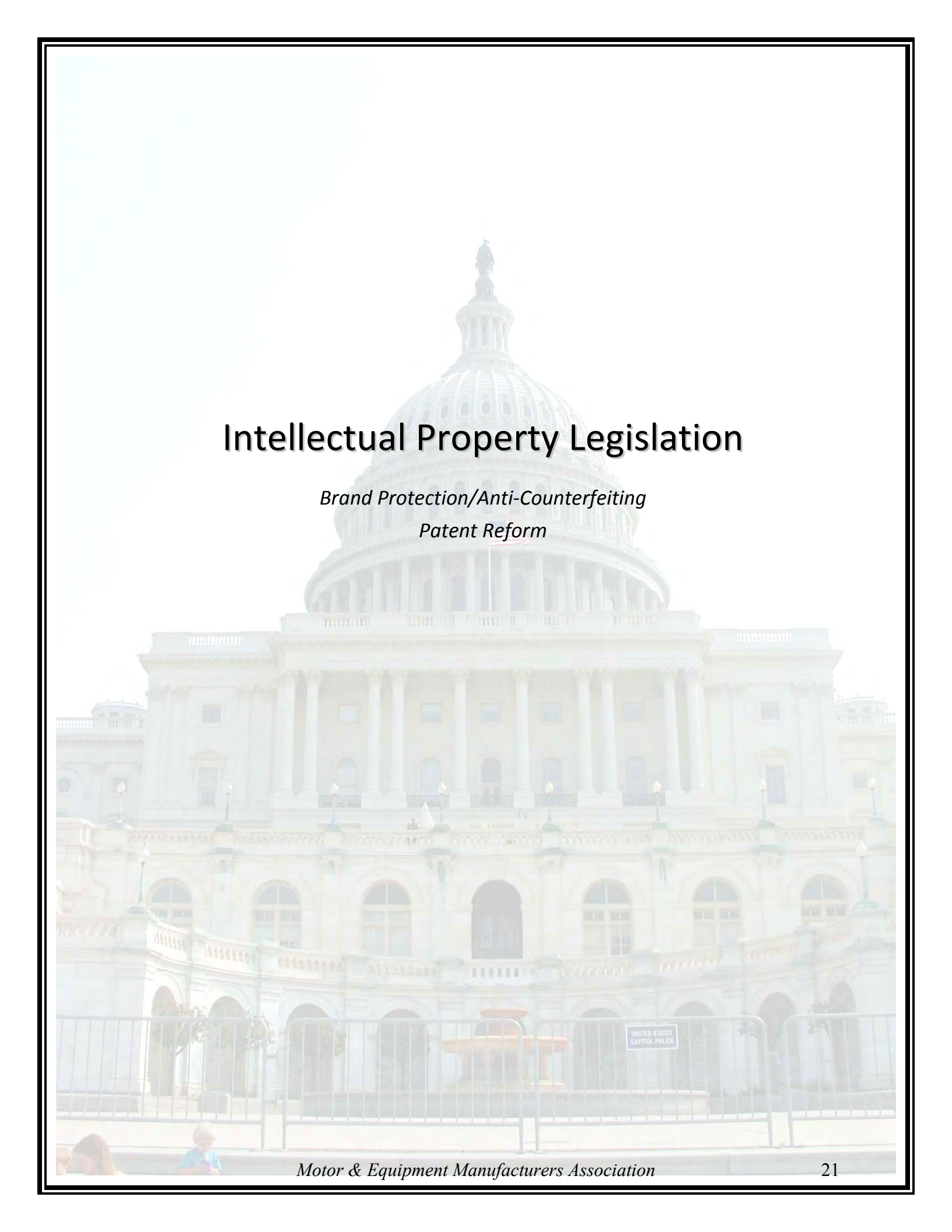
Status: In the 110th Congress, MEMA supported [H.R. 5659](#), which encourages recycling and remanufacturing. It provided a 20 percent tax credit of the taxpayer's expenditures on equipment purchases used primarily for remanufacturing in the United States. To qualify for this credit, a taxpayer must demonstrate that no more than 50 percent of a product is comprised of virgin material. The legislation will need to be reintroduced in the 111th Congress.

Impact on Industry: A 20 percent tax credit on equipment purchases used for remanufacturing in the United States will make it more cost effective for suppliers to undertake remanufacturing activities.

2009 Anticipated Action: MEMA will be working with other groups in Washington to support passage of this legislation.

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Intellectual Property Legislation

Brand Protection/Anti-Counterfeiting

Patent Reform

Brand Protection/Anti-Counterfeiting

Description: The manufacture and trafficking of counterfeit products is a serious problem for the supplier industry. A wide range of products is being counterfeited, including many safety-related parts such as brakes and brake pads, brake fluid, tires, structural parts and automotive lighting. In 2004, MEMA created the Brand Protection Council to organize industry action against the problem.

Status: In 2008, the [Prioritizing Resources and Organization for Intellectual Property \(PRO-IP\) Act](#) became law. PRO-IP strengthens the nation's trademark and copyright laws and initiates a study by the Government Accountability Office (GAO) on the unique needs of manufacturers concerning intellectual property rights (IPR) protection.

The new law includes domestic portions of an MEMA-supported bill sponsored by Sens. Evan Bayh (D-Ind.) and George Voinovich (R-Ohio) which creates an advice-and-consent level position within the Executive Office of the President, the Intellectual Property Enforcement Coordinator (IPEC), focused on coordinating federal efforts to enforce intellectual property laws. The law also increases resources for federal agents and federal prosecutors to combat the theft of intellectual property.

The PRO-IP Act does not address international issues relating to counterfeit goods, including trans-shipment, border and port issues. However, the 2009 Trade Enforcement Act ([H.R. 496](#)), introduced by Reps. Charles Rangel (D-N.Y.) and Sander Levin (D-Mich.), seeks to enforce U.S. IPR by creating a Director of IPR Enforcement within U.S. Customs and Border Protection (CBP). The legislation also promotes the use of technology to better fight infringement of IPR and creates a "watch list" for suspected bad actors. The bill also includes language that prevents CBP from excusing fines assessed for illegal imports.

Additionally, the Rangel-Levin bill increases staffing, resources, training and coordination at CBP and the Immigration and Customs Enforcement so that these agencies can better carry out their IPR enforcement responsibilities.

Impact on Industry: Automotive suppliers lose an estimated \$12 billion worldwide and \$3 billion domestically in sales annually to product counterfeiting according to private sector estimates. These losses correlate to potentially 200,000 to 250,000 fewer supplier manufacturing jobs nationwide. The Federal Bureau of Investigation estimates that counterfeit goods cost U.S. businesses up to \$250 billion annually.

2009 Anticipated Action: The [Brand Protection Council](#) and MEMA will continue to lobby Congress for stronger laws and more federal resources for protecting intellectual property domestically and abroad. MEMA will work with member companies and the GAO to identify issues called for in the GAO study required in the PRO-IP Act. MEMA will also continue to work independently with its members and in coalition with other industry groups for increased federal law enforcement focused on improving border inspections, providing IP violator information to industry, and raising standards of IP protection at trade shows and in other areas.

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Patent Reform

Description: In the 110th Congress, comprehensive patent reform legislation passed the U.S. House of Representatives, but lawmakers could not reach consensus on a companion bill in the U.S. Senate. It is expected that similar legislation will be introduced and considered in the 111th Congress. **MEMA opposes the legislation that was considered in 2007 and 2008;** and many other industries also opposed the patent reform legislation because the changes proposed would make it more costly and time consuming for patent-holders to defend their rights and reduce legal and procedural protection now in place against infringement.

Primary issues of concern for MEMA are:

- Formula Changes to Calculate Damages: Discounts the value of a patented component in an end product and subtracts the value of preceding, often uncommercialized technology from the damages a convicted infringer would otherwise owe an inventor.
- Post Grant Review: Creates new, costly, and duplicative quasi-judicial avenues to challenge the validity of patents granted by the U.S. Patent and Trademark Office (USPTO). Paves way for serial, open-ended challenges to validity. Removes patent-holder's "presumption of validity" during initial challenge, making it significantly easier to invalidate a patent that has been issued.
- Venue: Severely curtails a patent holder's access to the courts to petition by prohibiting venue, in most cases, in all but the accused infringer's home jurisdiction. This change in the law will increase judicial backlog and work overwhelming in favor the patent infringers.
- Interlocutory Appeals: Grants district courts discretion to appeal intermediary hearings in the course of a patent infringement case to the Federal Circuit Court of Appeals, greatly delaying the course of a patent infringement case and adding significant time and expense to the rights-holders' defending their patents.

Status: Because patent reform legislation did not pass last Congress, legislation could move over the next two years. MEMA, as well as an industry coalition of more than 400 companies and manufacturers, labor unions, research institutions, and the Intellectual Property Law Section of the American Bar Association oppose patent reform as currently proposed. Support for the legislation comes mainly from multinational technology companies (e.g. Cisco, Microsoft). Proponents argue the reforms proposed will stimulate innovation and better serve the current economy where inventions often reflect the use of hundreds of potentially patentable ideas.

Impact on Industry: The changes proposed would significantly increase the costs of preparing patent applications and defending existing patents, reduce damages that could be received if a patent were infringed, and possibly increase the overall incidence of infringement.

2009 Anticipated Action: MEMA will continue to work with the Intellectual Property Committee and legal counsel for other member companies to lobby against patent reform provisions which would weaken protections currently provided to patent holders. MEMA will support other aspects of patent reform when there is a member consensus to do so, and will work independently and in coalition with other industries on this issue.

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Trade Legislation

China Currency
International Trade Negotiations
U.S. Trade Law and Steel Costs

China Currency

Description: The Government of the People's Republic of China (PRC) maintains tight control over the exchange rate of its currency, the "renminbi" (RMB), which is also referred to as the yuan. PRC controls have resulted in undervaluation of the yuan, thereby subsidizing exports and artificially inflating the price of imports. The U.S. Government, with the support of American manufacturers, charges that China's foreign exchange regime is a violation of its World Trade Organization (WTO) and International Monetary Fund (IMF) obligations. Market forces, not government intervention, should set the currencies of all major economies, including the PRC. U.S. government and industry are looking to China to make the necessary reforms to its banking and financial systems to adopt a floating currency.

Status: Currency reforms taken by China in July 2005 have resulted in an approximate 10 percent appreciation of the yuan to the dollar. The new Obama Administration and Congress rank currency policy among the most important economic and trade issues with China. Treasury Secretary Timothy Geithner stated during his confirmation hearing in the U.S. Senate that President Barack Obama believes China is "manipulating" its currency, a declaration that some American manufacturers have long sought in their efforts to combat America's soaring trade deficit with China. However, Geithner also suggested that now might not be the right time to brand China as a currency manipulator under U.S. trade law, a designation that would trigger negotiations between the two countries and could result in U.S. economic sanctions against China. Geithner's comments raise the possibility that the Obama administration will take a tougher line with China than former President George W. Bush did. The previous administration refused to cite China as a currency manipulator in a report that Congress requires the Treasury Department to prepare twice a year.

Impact on Industry: By some estimates, the yuan is undervalued against the dollar by as much as 40 percent, creating a significant price advantage for Chinese manufacturers in relation to American manufacturers, both in domestic and global markets.

2009 Anticipated Action: MEMA will continue to monitor the Congressional and Administration action on this issue. MEMA will work in coalition with other industries to lobby Congress and the Administration on the benefits of stable, long-term reform.

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International Trade Negotiations

Description: MEMA continues to work with the appropriate federal agencies and congressional offices in promoting policies aimed at opening markets throughout the world and creating new opportunities for motor vehicle parts suppliers. The United States is party to numerous trade agreements with other countries, and continues to participate in negotiations for new trade agreements with a number of countries and regions of the world.

Status: In each trade negotiation, MEMA works to: (1) identify and advocate for development of specific business opportunities or removal of specific trade barriers; (2) focus on trade related investment measures (TRIMs), in keeping with members' interest in overseas investment; (3) ally with the OEMs and support their goals; and (4) use appropriate opportunities to express industry support for rule of law and well-ordered and transparent trade rules. MEMA participates with trade coalitions, such as those with the National Association of Manufacturers and the U.S. Chamber of Commerce, in ensuring that international trade rules and regulations do not have a negative impact on the motor vehicle parts supplier industry.

Impact on Industry: There is a general industry consensus in favor of trade liberalization over the long term and a strong desire for lower foreign tariffs and removal of non-tariff barriers to trade and investment. Unfortunately, it has not been possible to accurately determine the impact on industry of most trade agreements over the long term. Individual suppliers may have made estimates, but these are not publicly available.

2009 Anticipated Action: MEMA will monitor progress of trade negotiations and lobby for members' interests in the World Trade Organization as well as in free trade agreements (FTAs). MEMA will continue to monitor issues related to 10+2, the Lacey Act, and Rules of Origin on behalf of its members. MEMA will also monitor issues which may and will come before the new Obama Administration and the US Congress:

- Confirmation of Ron Kirk as U.S. Trade Representative (USTR);
- Elevation of the USTR office to a Cabinet level position;
- Renewal and expansion of Trade Adjustment Assistance for displaced American workers;
- Possible U.S. sanctions against China for violations of intellectual property rights laws;
- Potential repercussions from the "Buy America" provisions in the economic stimulus;
- Renewal of Generalized Systems of Preferences (GSP); and
- Free Trade Agreements with Panama, Peru, Colombia and South Korea

MEMA will continue to seek removal of import bans on remanufactured automotive parts and cores, and seek foreign tariff reductions and disciplines over trade related investment measures, notably elimination of direct and indirect local content requirements.

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U.S. Trade Law and Steel Costs

Description: The cost of steel has been a significant challenge for many motor vehicle parts suppliers for the past several years, exacerbating an already serious “cost-price squeeze” for the industry. According to the Center for Automotive Research, the automotive industry accounts for 41 percent of domestic steel consumption, and for that reason, steel remains one of the leading raw material cost challenges facing the motor vehicle parts suppliers.

Many factors affect the cost of steel. Long-standing anti-dumping and countervailing duty tariffs (AD/CVD) and Department of Commerce (DOC) regulations used to determine such tariffs have over time limited supply and raised prices. Affected segments of the supplier industry working in coalition with other steel-consuming industries are calling on Congress and the Administration to re-examine U.S. anti-dumping and countervailing duty law and regulation to ensure duties are not inflated and to achieve a better balance of interests between the domestic steel industry and downstream domestic steel-using industries.

Status: In the U.S., the domestic steel manufacturing industry continues to benefit from high levels of protection. There are over 130 different import restrictions on imports of steel products which harm steel consuming industries, such as suppliers, in tight markets. The DOC and the International Trade Commission (ITC) consider antidumping and countervailing duty cases to prevent foreign predatory pricing and subsidized competition. However, without a full analysis, the DOC and ITC cannot determine if those trade remedies are actually dampening legitimate competition and causing unintended damage to the U.S. manufacturers (industrial users) who rely on those products as inputs.

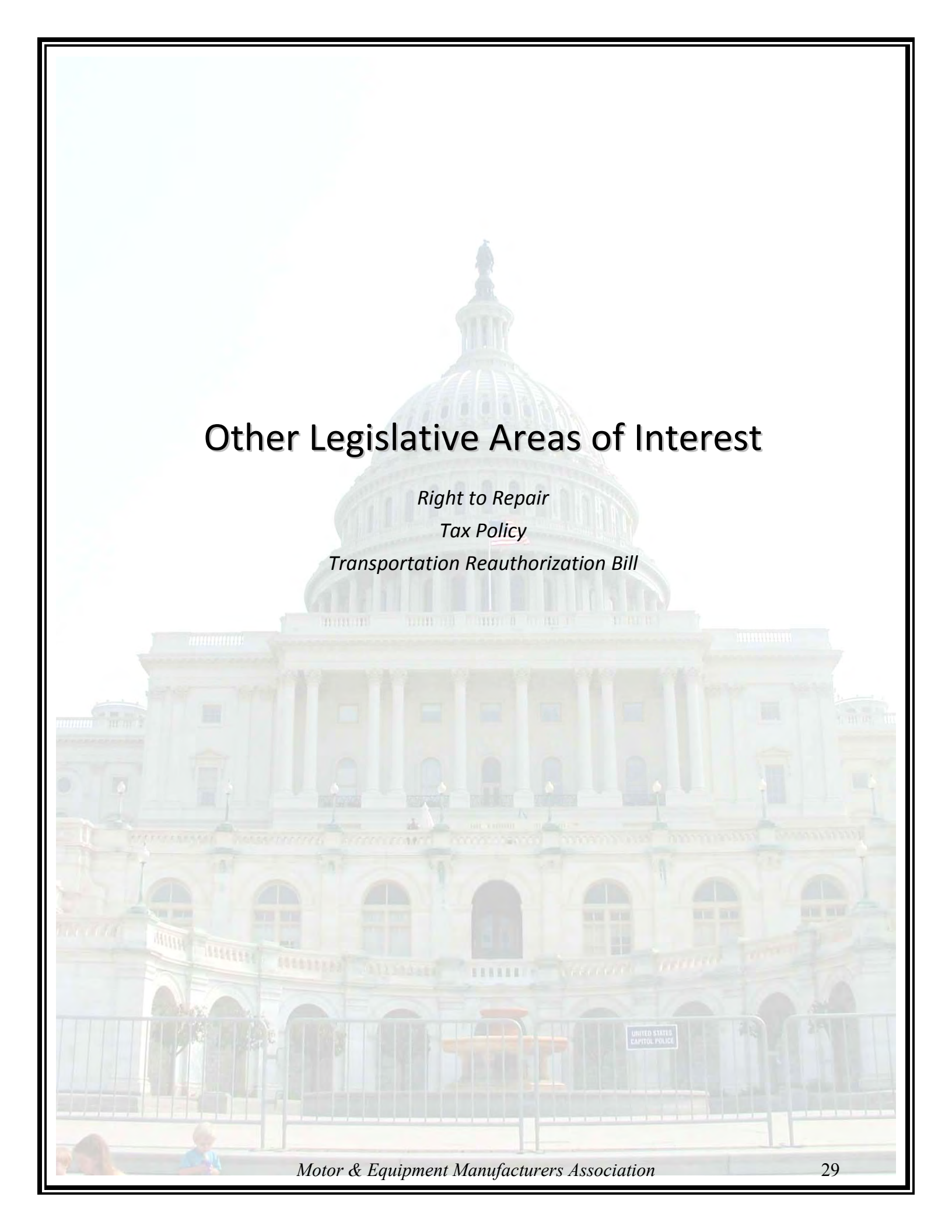
During the 110th Congress, Reps. Joe Knollenberg (R-Mich.) and Ron Kind (D-Wis.) introduced H.R. 1127, the American Manufacturing Competitiveness Act. This legislation required that “industrial consumers” of products subject to AD/CVD duties be granted “interested party” status in trade cases. The bill required the ITC and DOC to allow full participation by industrial users when making an initial injury determination, when conducting a changed circumstances review and when conducting a 5-year sunset review. The bill also required that the ITC consider the economic impact of a decision when considering import restrictions. In order for a restriction to be imposed, the test must show it would provide greater overall economic benefit than harm.

The American Recovery and Reinvestment Act, debated by Congress in early 2009, included provisions requiring the purchase of U.S. iron, steel and manufactured goods in infrastructure projects funded with the stimulus bill. This provision was controversial and concerns were raised because of the possibility that it violates U.S. international trade agreements, would increase prices on raw materials, and because it might be a new form of protectionism.

Impact on Industry: In the current market, the most suppliers are unable to pass increases in steel costs on to their customers and yet are forced to accept the cost increases from their steel producers and service centers. Protection of the U.S. steel industry through trade law is compounding the overall “cost-price squeeze” on the supplier industry, leading to job losses and plant closing among suppliers and other steel consuming industries.

2009 Anticipated Action: MEMA will continue to seek opportunities to address raw material pricing and will oppose legislation that will have an adverse effect on raw material prices. MEMA will continue to support free trade as it relates to the supplier industry.

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Other Legislative Areas of Interest

Right to Repair

Tax Policy

Transportation Reauthorization Bill

Right to Repair

Description: MEMA supports the right of American consumers to have motor vehicle service performed at the repair location of their choice. Furthermore, independent repair shops and replacement parts suppliers must have access to the necessary information to diagnose, service, and provide replacement parts for the repair of all motor vehicles. MEMA believes that private sector based cooperation by all stakeholders is the best way to ensure consumers' right to repair and adequate provision of all necessary repair information to the independent aftermarket.

Status: In 2007, [H.R. 2694](#), the Motor Vehicles Owners' Right to Repair Act of 2007, was introduced by Rep. Edolphus Towns (D-N.Y.) on June 13, 2007. The measure was referred to the House Energy and Commerce Subcommittee on Commerce, Trade and Consumer Protection where it remained until the end of the 110th Congress. The bill had 54 bi-partisan co-sponsors. Various forms of this measure will likely be introduced at the state level.

2009 Anticipated Action: MEMA will continue to work and support improvements in National Automotive Service Task Force (NASTF) governance and services and monitor progress of the U.S. Environmental Protection Agency's (EPA) audit of industry compliance with the federal requirements associated with emissions control systems. Furthermore, MEMA will work to assure the independent repair industry receives the same or similar communications, education, and training on the available data, diagnostic equipment, replacement parts, and tools as the original equipment dealerships.

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Tax Policy

Description: During the 111th Congress, lawmakers will grapple with a wide range of tax policy issues. These issues will be made more difficult as Congress and the Administration work to raise revenue for various programs.

Status: In early 2009, Congress passed [H.R. 1](#), a massive economic stimulus bill which included:

- An extension of bonus depreciation;
- Accelerated recognition of historic R&D and AMT credits; and a
- Three-year carryback of net operating losses for small businesses.

Republicans have initially focused on reducing payroll and other business taxes. The Speaker of the House has spoken against continuation of the Bush tax cuts.

Impact on Industry: Like all businesses in the United States, the motor vehicle parts supplier industry must cope with the tax laws and both their intended and unintended consequences.

2009 Anticipated Action: MEMA will work with other business groups to address tax issues of importance to the industry and will press for tax incentives that will benefit the supplier community in any economic stimulus package.

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Transportation Reauthorization Bill


Description: On August 10, 2005, President Bush signed into law the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). With guaranteed funding for highways, highway safety, and public transportation totaling \$244.1 billion, SAFETEA-LU represented the largest surface transportation investment in the nation's history. The law is set to expire in September 2009. SAFETEA-LU established a new core Highway Safety Improvement Program that was structured and funded to make significant progress in reducing highway fatalities. The Highway Trust Fund (HTF) is the source of funding for most of the programs in the Act. The HTF is composed of the Highway Account, which funds highway and inter-modal programs, and the Mass Transit Account. Federal motor fuel taxes are the major source of income into the HTF.

Status: The role of earmarks is likely to be vigorously debated as lawmakers begin writing a new highway bill this year. President Barack Obama has expressed opposition to earmarks, but House Transportation and Infrastructure Chairman James Oberstar (D-Minn.), has said he will allow lawmaker-directed spending. Transportation Secretary Ray LaHood, a former Republican Congressman from the State of Illinois, will be the administration's point man on negotiations of a five-year reauthorization of the transportation bill. He backed increased spending in the 2005 highway law. The new administration will face tough choices. Last year, a study from the 12-member National Surface Transportation Policy and Revenue Commission recommended raising gasoline taxes by as much as 40 cents a gallon over five years, which many Members of the House and Senate refuse to support. LaHood will also be the primary voice for President Obama's proposal for a National Infrastructure Reinvestment Bank to invest \$60 billion in additional infrastructure spending. LaHood's first test in office will be the distribution of the transportation funds in the economic recovery package. Under the economic stimulus bill passed in early 2009 ([HR 1](#)), it would be the Transportation Department's job to approve states' lists of ready-to-go projects and to ensure the money is being used in a timely fashion.

Impact on Industry: MEMA is currently looking at the transportation re-authorization as the main vehicle to incorporate language contained in the Commercial Motor Vehicle Advanced Safety Technology Tax Act of 2007, which offers tax incentives to encourage and accelerate the production, sale, and use of commercial motor vehicles equipped with specific advanced safety technology systems. The language proposed would create a corporate income tax deduction equal to 50 percent of the cost of a qualified system up to \$1,500, a total allowed credit up to \$3,500 per vehicle, and a limit to the qualifying taxpayer of a maximum credit of \$350,000 per taxable year. MEMA is also looking into the possibility of including language in the transportation reauthorization bill that would implement a nation-wide safety inspection and emissions testing program administered by the states.

2009 Anticipated Action: MEMA is briefing House and Senate committee staff who have jurisdiction over the bill regarding the proposed incorporating language. Although SAFETEA-LU is scheduled to expire in 2009, look for a series of extensions to the current law to take place as a means of buying additional time beyond the September deadline, as Members of both the House and Senate craft and debate this very complicated measure. MEMA will continue to work with congressional supporters and our members to lobby for the incorporation of the tax incentive provisions, as well as strengthening safety and research and development funding, in the next re-authorization bill.

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Regulatory Issues

Global Environmental Regulations

Heavy Duty Diesel Emissions

Import Safety

Stopping Distance for Heavy Duty Trucks

Vehicle Safety Regulations

Global Environmental Regulations

Description: Environmental regulations in Europe and Asia can have significant legal, regulatory and commercial implications for automotive suppliers selling directly or indirectly into overseas markets, often increasing the cost of compliance for the industry. MEMA monitors the following global environmental regulations:

REACH (Registration, Evaluation, Authorization of Chemicals)

Obligations under REACH apply to chemical companies and businesses which use chemicals in their products and sell to the European Union (EU). The European Chemicals Agency manages REACH. Major components of the REACH process include preliminary registration, data sharing, registration, and authorization.

Pre-registration was open from June 1 to Dec. 1, 2008. According to ECHA, they received 2.75 million pre-registrations for approximately 150,000 substances from 65,000 companies. On Dec. 19, 2008, ECHA published a list of [pre-registered substances on its website](#). ECHA's screening process to consolidate the registration list began in January 2009 will continue for months; as the checking progresses, updated lists will be made available. The fully screened list will be published at a later date. Companies that did not pre-register must still register and guidance documents on how to do so are available on the [ECHA website](#).

European Union (EU) Extended Producer Responsibility (EPR) and End of Life Vehicles (ELV) Directive

ELV is the primary law in the EU covering original equipment (OE) automotive products and vehicles. The directive seeks to prevent pollution and make vehicle dismantling and recycling more environmentally-friendly and emphasizes the importance of increasing the use of recycled materials in vehicle manufacture. The directive's total recovery target is 95 percent by Jan. 1, 2015. A [March 2007 study](#) (adopted by the European Commission) showed that progress was slowing due to concerns of imposing additional costs on automakers and other issues considered barriers to implementation. EU authorities will continue to review progress toward attainment of ELV targets.

In the U.S., there is no federal law governing extended producer responsibility (EPR). Typically, in the U.S., practices related to EPR fall under "product stewardship" – which calls upon all parties involved in a product's life cycle (i.e., producers, manufacturers, retailers, users, and disposers) to share responsibility for reducing the product's impacts on the environment. The focus of most product stewardship programs related to vehicles at the national level in the U.S. has been on voluntary measures to address contaminants of particular concern or to further specific recycling goals, such as mercury switches and tires. Several states have taken specific actions to prevent pollution associated with mercury in vehicles scrap tires, and lead-acid batteries. Recycling and life cycle analysis are increasingly an important part of the way U.S. manufacturers develop vehicles. EPA has an updated Fact Sheet on this topic – [click here for link](#).

WEEE (Waste of Electrical and Electronic Equipment) and RoHA (Restriction of Hazardous Substances)

WEEE is an EU directive that mandates that producers are financially responsible for the collection and treatment of waste electrical equipment. While the ELV Directive (above) is the primary law covering the recycling and reuse of automotive products sold in the EU, WEEE, however, still has an impact on production of automotive products and sale of aftermarket

products. The RoHS directive, effective since 2006, is a partner directive to the WEEE Directive and is mandatory in 27 EU countries¹. The RoHS directive restricts the use of cadmium, lead, mercury, hexavalent chromium, and the polybrominated flame-retardants PBBs and PBDEs.

In Dec. 2008, the EU published a notification that the WEEE and RoHS Directives will undergo revision and clarification. The objective of the proposed directives is to develop a better regulatory environment, one that is simple, understandable, effective and enforceable. The scope and definitions of both directives would thus be clarified. The proposed directives would also improve their compatibility with other EU legislation such as the Waste Framework Directive and REACH and the recent "Marketing of Products" package. They would enhance the implementation and enforcement of current provisions and lessen the administrative burden on businesses. For full details, view the [EU press release](#).

China RoHS

China's "Administrative Measures on the Control of Pollution Caused by Electronic Information Products," more commonly referred to as "China RoHS," took effect March 1, 2007. Although China RoHS has its roots in the EU's RoHS directive, China's regulation differs in several important areas, including a different scope of products; unique certification testing and labeling requirements; and the lack of an exemption process.

China's regulation will be implemented in two phases. The first phase, which took effect March 2007, requires the disclosure of the six EU RoHS substances contained in electronic information products (EIP) as defined by China's Ministry of Industry and Information Technology (MIIT).

During the second phase, China will publish a "Priority Products Catalogue" specifying the products covered, substances restricted, and timelines for each restriction. The products that are included in the catalog will need to undergo testing and certification in a Chinese laboratory for compliance. The catalog is not expected to be published until mid-2009. The catalog will describe the substances that are subject to restriction in the products and it is here that "exemptions" are expected to be defined. Although, the MIIT seems to want to avoid any sort of exemptions; this could limit what can potentially be in the catalog.

RoHS in other Countries

Japan, Korea, Argentina, Australia, Canada (specifically, Nova Scotia), Malaysia, Russia, Taiwan, Thailand have adopted or are considering adoption of a regulation based in part on EU RoHS. Details and enforcement vary from country to country.

EuP (Energy Using Products)

The EuP "Framework" Directive, implemented in August 2007, requires products meet environmental targets beginning with the design stage, running through the manufacturing process, and ending with the waste collection cycle. The purpose of the directive is to enforce energy efficiency targets, but it could affect other areas such as resource selection, water consumption, waste generation, and noise emissions.

July 2008, the European Commission published its draft EuP Working plan 2009-2011, setting out an indicative list of energy-using product groups for the next three years – considered priorities for the implementation. Transportation is excluded, but automotive aftermarket products may still be affected.

¹ This figure may change.

Impact on Industry: Cost of global regulatory compliance is growing for suppliers and their customers. MEMA does not have quantitative estimates of the cost of compliance to the domestic motor vehicle parts supplier automotive industry. Cost of compliance could be mitigated to some degree by harmonization of environmental regulations, especially between the United States and the EU. Progress in achieving this goal, however, has been slow. ***MEMA urges automotive and heavy duty suppliers to research regulatory requirements in markets where their products are sold and to contact MEMA with specific concerns.***

2009 Anticipated Action: MEMA will work independently with member companies and in coalition with the National Association of Manufacturers (NAM), as appropriate, on monitoring developments and transmitting the industry's views to the appropriate authorities in the U.S. and abroad.

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Heavy Duty Diesel Emissions

Clean Diesel Engine Standards (a.k.a. EPA 2010)

Background: Clean Diesel Engine Standards adopted in 2000 took effect in 2007. These rules require dramatic reductions in emissions of nitrogen oxides and particulate matter – by over 90 percent from current levels – resulting in diesel engines having near zero emissions when the regulations are fully implemented.

Status: By law, Clean Diesel Engine Standards for heavy duty vehicles are to be fully implemented by Model Year 2010.

Heavy Duty Vehicle and Engine On-Board Diagnostic (OBD) Requirements

Background: In September 2008, EPA granted a waiver from federal preemption to the State of California, allowing it to implement/establish heavy-duty onboard diagnostic (HDOBD) requirements. EPA has worked closely with California on the proposed rule and with both California and industry stakeholders on this final rule in an effort to develop a consistent set of HDOBD requirements.

Status: EPA's published its finalized HDOBD program in December 2008. EPA acknowledges some minor differences do exist between the federal and California requirements. Overall, however, the end result will be OBD systems that are compliant with both programs.

EPA's final rule requires:

- Installation of OBD systems to monitor functioning of emission control components and alert the vehicle operator to any detected need for emission-related repair.
- When a malfunction occurs, diagnostic information must be stored in the engine's computer to assist in diagnosis and repair of the malfunction.
- Manufacturers are required to make available to the service and repair industry information necessary to perform repair and maintenance service on OBD systems and other emission related engine components.

These requirements will help to ensure that the benefits of EPA's 2007 and 2010 heavy-duty highway standards will be realized in-use.

National Academy of Science Study for Commercial Vehicle Fuel Economy Standards

Background: The Energy Independence & Security Act of 2007 (EISA) called for a National Academy of Science (NAS) study to examine fuel efficiency of commercial medium and heavy duty on-highway vehicles and work trucks. The law indicated that the USDOT must enter into an agreement with the NAS "as soon as practicable" to develop such a report. NAS must submit the report to USDOT and Congress not less than one year after the date on which the agreement was executed. The other deadlines include one year after study is published, the Dept of Energy and EPA must examine the results and determine the appropriate test procedures, methods of measure, and performance factors and conditions affecting a fuel economy program. Not less than two years after the NAS study is completed, the Dept of Energy and EPA shall determine how to implement a commercial fuel efficiency improvement program.

Status: Since EISA was enacted in Dec. 2007, there have been no indications that USDOT/NHTSA have commissioned and engaged the NAS study. Given the Obama Administrations strong environmental stance, it is likely to be part of the agency's goals to get the NAS study underway. The commencement of an NAS study will set the clock in motion for the report and related rulemaking deadlines.

Impact on Industry: All of these requirements have significant economic implications for the heavy duty industry.

2009 Anticipated Action: MEMA will continue to examine issues affecting the heavy duty truck industry related to the emissions standard implementation.

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Import Safety

Background: The Interagency Working Group on Import Safety was formed in July 2007 to study and respond to recent import safety problems, particularly with respect to China. Several agencies are involved; the U.S. Department of Transportation tasked the National Highway Traffic Safety Administration to manage issues relative to motor vehicles and motor vehicle equipment imports. In November 2007, the Working Group issued its *Action Plan for Import Safety*; the plan focused largely on safety of imported food, toys, and consumer non-durable goods and did not make specific recommendations about NHTSA. Throughout the rest of 2007 and much of 2008, MEMA worked closely with NHTSA officials and collaborated at industry meetings, conferences, and other events to discuss import safety and educate manufacturers and importers about their obligations under the law.

Status: On July 8, 2008, NHTSA published a “Request for Comments on Guidance and Recommended Best Importer Practices to Enhance the Safety of Imported Motor Vehicles and Motor Vehicle Equipment.” In response, MEMA submitted comments on Aug. 7, 2008 to NHTSA. Overall, MEMA supported the agency’s recommended guidance stating that “NHTSA’s proposed guidance is well-crafted and covers many elements that our industry agrees are integral to a comprehensive and understandable set of best practices for importers.” NHTSA published its Final Guidance document on Dec. 24, 2008. The agency accepted in whole or in part some of MEMA’s key suggestions:

- Stated that fabricating manufacturers or importers, in addition to ‘country of origin’ information, voluntarily mark their products with their companies’ names, date or lot codes, and industry recommended information (such as SAE J759 for lighting equipment).
- Reinforced that importers must maintain certain records under 49 CFR Parts 576, as well as parts of Part 574, and 588; encouraged importers to inquire whether their manufacturing partners comply with these regulations.
- Referenced ISO/TS16949, an internationally recognized Quality Management System.

NHTSA’s Final Guidance document is a set of recommended best practices and does not carry the weight of law.

Impact on Industry: There are no quantitative estimates of the cost of the import safety problem to U.S. industry. Manufacturers of parts and components regulated by Federal Motor Vehicle Safety Standards believe that imported low-cost, non-compliant, poorly made products have deeply penetrated the American market and over time have increased market share. American manufacturers that invest in product standards and testing are working at a disadvantage to foreign producers who do not comply with safety regulations.

2009 Anticipated Action: NHTSA and MEMA have collaborated to put together an industry panel regarding import safety at the 2009 SAE Government-Industry Meeting in Washington, DC. As part of that panel, a NHTSA official will review the Final Guidance document. MEMA will continue to keep members informed of related developments in import safety, to educate them on their obligations under the law, and to provide resources and assistance as appropriate.

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Stopping Distance for Heavy Duty Trucks

Background: In 2005, the National Highway Traffic Safety Administration (NHTSA) put forth a proposed rule – based on safety trend data and brake system technologies for truck tractors – that would reduce the required stopping distance for these vehicles by 20 to 30 percent with existing technologies. This rulemaking applies to Federal Motor Vehicle Safety Standard (FMVSS) Number 121 – the stopping distance requirements for truck tractors equipped with air brake systems. The agency performed test track evaluations of large trucks equipped with conventional, air disc, and hybrid (air disc equipped steer axle, conventionally braked drive axles) brakes and met extensively with industry stakeholders to gather additional data and information.

On April 14, 2006, in partnership with the Heavy Duty Brake Manufacturers Council (HDBMC), MEMA submitted comments on this proposed rule.

Impact on Industry: NHTSA’s upgrade to the air brake standard will have a substantial affect on the heavy duty industry as a whole. While NHTSA is only addressing truck tractors in this rule, the agency has expressed concern of the braking performance of other types of heavy vehicles (i.e. trailers, straight trucks, and buses) as well. NHTSA has indicated it may address stopping distance requirements for those vehicles in a future rulemaking.

Status: For most of 2008, NHTSA action-to-publish deadline goals for this Final Rule were continuously pushed back throughout the year. On June 25, 2008, MEMA sent a letter to U.S. Department of Transportation Secretary Mary Peters that expressed industry’s concerns with the successive delays and encouraged her to expedite and publish the final rule as soon as possible and before the end of the outgoing Bush Administration. MEMA received a response from the NHTSA Administrator who indicated that the rule would be published before end of 2008. However, this did not occur. According to January 2009 U.S. DOT deadline targets, the long-awaited Final Rule for air brake systems is slated to be published in May 2009.

A January 20, 2009 White House memo directed no further rules – finished or proposed – were to be published until the newly appointed/confirmed department and agency heads can review rules in the queue. Since so much time has passed during this rulemaking’s process, there is the possibility that the Obama Administration may re-evaluate and/or reconsider the FMVSS No 121 final rule.

2009 Anticipated Action: MEMA will continue to work with NHTSA to monitor progress and assist the agency through the process of this and future related rulemakings. MEMA will also continue collaboration with HDBMC on this and related matters.

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Vehicle Safety Regulations

Description: Motor vehicle safety is at the heart of the automotive and heavy duty supplier industry. Two primary agencies at the U.S. Department of Transportation that manage safety regulations for light duty motor vehicles and for heavy duty commercial vehicles are the National Highway Traffic Safety Administration (NHTSA) and Federal Motor Carrier Safety Administration (FMCSA). [NHTSA](#) and [FMCSA](#) work to promote effective research, rulemaking, and enforcement initiatives that achieve major safety improvements in the areas of vehicle and highway safety. Both agencies achieve their goals to save lives and prevent injuries through the development of innovative approaches to crash avoidance and crashworthiness. NHTSA has jurisdiction over Federal Motor Vehicle Safety Standards (FMVSSs); FMCSA has jurisdiction over Federal Motor Carrier Safety Regulations (FMCSRs).

Suppliers play a critical role in the advancement of vehicle technologies and will continue to drive initiatives that reduce critical safety problems on America's roads.

Status: Over the years, MEMA submitted comments on various other rulemaking subjects such as light vehicle electronic stability control, early warning reporting requirements, New Car Assessment Program (NCAP), and NHTSA's research and development plans. In 2008, MEMA submitted formal comments on as well as follow-up correspondence to rulemakings promulgated by NHTSA that addressed the following:

- Corporate Average Fuel Economy (CAFE) Standards
- Pending final rule for FMVSS No. 121, Air brake systems (stopping distance for heavy vehicles)
- FMVSS No. 108 Administrative Rewrite (vehicle lighting and conspicuity)
- NHTSA Effectiveness Evaluation Plan, 2008-2012 (specifically FMVSS No. 201)

Impact on Industry: FMVSS set the stage for the design and use of motor vehicles and motor vehicle equipment. These regulatory actions have the potential to affect all industry sections.

2009 Anticipated Action: MEMA will continue to work with the market segment associations and the MEMA councils to represent consensus views before NHTSA. In 2009, we expect to continue work on FMVSS No. 108, heavy vehicle stopping distance, and CAFE Standards; we will continue to monitor developments in New Car Assessment Program (NCAP), "Kids & Cars Act" related mandates (rearward visibility performance requirement and power window obstruction detection), heavy vehicle roll stability control, brake monitoring and crash avoidance systems, and other issues. MEMA will continue to work with NHTSA and FMCSA agency staff and keep members informed of regulatory developments affecting the supplier industry.

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Other Regulatory Areas of Interest - NHTSA

CAFE Standards

Ejection Mitigation

Early Warning Reporting Requirements

Roll Stability Control

Speed Governors/Limiters

Other Regulatory Areas of Interest - FMCSA

*Hours of Service & Electric On-Board Recorders
Requirements for Intermodal Equipment Providers*

Other Regulatory Areas of Interest - FTA

Bus Testing: Performance Brakes

Other Regulatory Areas of Interest

U.S. Environmental Protection Agency

U.S. Department of Labor

Other Regulatory Issues of Interest

U.S. Department of Transportation - NHTSA

Corporate Average Fuel Economy (CAFE) Standards

Status: In May 2008, NHTSA published proposed corporate average fuel economy (CAFE) standards for passenger cars and light trucks for model years 2011-2015. On July 1, 2008, MEMA submitted industry comments that primarily focused on various families of components and technologies that can help improve vehicle fuel economy. The CAFE final rule was not published before the close of the outgoing Bush Administration.

2009 Anticipated Action: On Jan. 26, 2009, President Obama issued a directive to the U.S. DOT Secretary and the NHTSA Administrator to publish the final rule on time (statutory deadline March 30, 2009) so that changes can begin with MY2011; to consider all legal, scientific, and public input on the NPRM; and to consider whether any provisions regarding preemptions are consistent with EISA, *Massachusetts v. EPA*, and other relevant law or policies. MEMA will track this issue closely.

Ejection Mitigation

Status: The SAFETEA-LU legislation requires that: "[t]he Secretary shall also initiate a rulemaking proceeding to establish performance standards to reduce complete and partial ejections of vehicle occupants from outboard seating positions. In formulating the standards the Secretary shall consider various ejection mitigation systems. The Secretary shall issue a final rule under this paragraph no later than October 1, 2009."

This rulemaking would create a new Federal Motor Vehicle Safety Standard (FMVSS) for reducing occupant ejection. This rulemaking would propose new requirements for reducing occupant ejection through passenger vehicle side windows, chiefly through an occupant containment requirement on the amount of allowable excursion through passenger vehicle side windows.

2009 Anticipated Action: MEMA Washington office staff estimate an NPRM will be published in 2nd or 3rd Quarter of 2009. Some MEMA members may be directly affected by this rule. MEMA will track this rulemaking action once promulgated.

Early Warning Reporting (EWR) Requirements

Status: December 2008, NHTSA filed a Notice of Proposed Rulemaking (NPRM) to amend certain provisions of EWR rule (TREAD Act). EWR includes a variety of provisions including defect and noncompliance reporting.

2009 Anticipated Action: The NPRM proposes to add "country of origin" information to the initial defect/noncompliance report – which is due within five working days of determination that there is a product with a defect or is noncompliant. While MEMA agrees with the inclusion of country of origin information, MEMA submitted a brief comment requesting that the submitters may not have country of origin information available in that time frame for the initial report and requested to have the option to submit country of origin in a subsequent report.

MEMA will continue to monitor general EWR issues. As specific issues affecting motor vehicle equipment manufacturers arise under future EWR revisions, MEMA will notify members and react accordingly.

Roll Stability Control Systems

Background: Throughout 2008, NHTSA has been examining, studying, and collecting test data on roll stability control systems for trucks. NHTSA contracted its own tests; the Truck Manufacturers Association (TMA) was slated to supplement the NHTSA data with additional tests that TMA

contracted. The agency was expected to make a decision about whether or not they would pursue rulemaking for RSC in 2008, but no decision was made before the end of the Bush Administration.

2009 Anticipated Action: Expect a decision to promulgate rulemaking on RSC from NHTSA sometime during 2009. (Given the recent attention to major motor coach bus accidents, a plan to include RSC for these vehicle classes is also likely to be included.)

MEMA will be actively involved in tracking this issue and will coordinate any corresponding industry action with HDMA/HDBMC.

Speed Governors / Limiters

Background: In October 2006, the American Trucking Associations (ATA) petitioned USDOT/NHTSA to initiate a rulemaking to have the top speed for all new Class 7 and 8 trucks electronically limited to no more than 68 mph at the time of manufacture. The goal of this ATA initiative is to assure that the safety and environmental benefits of setting a maximum governed truck speed are realized across the trucking industry, and by the motoring public. NHTSA issued in January 2007 a Notice in the *Federal Register* seeking additional information on this issue in order to make an informed decision on these petitions.

2009 Anticipated Action: There is a significant amount of opposition from independent owner-operators. The docket submissions are in the thousands. By end of 2008, NHTSA had not yet granted nor had it denied the ATA's petition for rulemaking. MEMA will continue to monitor the issue.

U.S. Department of Transportation - FMCSA

Hours-Of-Service & Electronic On-Board Recorders

Hours-of-Service: On Nov. 18, 2008, FMCSA published a final rule for hours-of-service for truck drivers. The rule limits driving to 11 hours and working for no more than a total of 14 hours each day with a required 10-hour rest period between shifts before being allowed back on the road. Drivers also cannot operate a truck if they have worked more than 60 hours in a given week. Under the new rules, drivers that rest for at least 34 hours can reset their weekly work schedule.

2009 Anticipated Action: FMCSA denied petitions for reconsideration on Jan. 16, 2009. Petitioners have 60 days to file for judicial review, should they decide to do so. The rule was effective Jan. 19, 2009.

Electronic On-Board Recorders: In January 2007, FMCSA issued a proposed EOBR rule containing: (1) proposed incentives to encourage carriers to voluntarily adopt EOBRs; (2) a proposed EOBR mandate for carriers found to have HOS compliance problems during two compliance reviews over any two-year period; and, (3) proposed performance specifications for how the device must perform.

2009 Anticipated Action: A final EOBR rule is pending some time in 2009.

Requirements for Intermodal Equipment Providers and for Motor Carriers and Drivers Operating Intermodal Equipment

Status: On Dec. 16, 2008, FMCSA published final rule that requires intermodal equipment providers (IEPs) to: **a)** register and file with FMCSA an Intermodal Equipment Provider Identification Report (Form MCS-150C); **b)** establish a systematic inspection, repair, and maintenance program to assure the safe operating condition of each intermodal chassis; **c)** maintain documentation of their maintenance program; and **d)** provide a means to effectively respond to driver and motor carrier reports about intermodal chassis mechanical defects and deficiencies.

2009 Anticipated Action: Effective date of this final rule is June 17, 2009. However, if this rule is re-evaluated by Obama Administration, the effective date may change.

U.S. Department of Transportation - FTA

Bus Testing; Performance Brakes

Status: On Sept. 30, 2008, the Federal Transit Administration (FTA) published an NPRM on proposed changes to its Bus Testing Regulation, which included brake performance. On Dec. 1, 2008, MEMA in conjunction with HDBMC provided technical comments and feedback on the proposed test protocol to the public docket.

2009 Anticipated Action: MEMA will continue to monitor any progress on this proposed rule and report to the HDBMC as appropriate.

U.S. Environmental Protection Agency

Background: There are a variety of EPA subjects that MEMA screens regularly, particularly those requirements that impact automotive chemicals, vehicle emissions, and manufacturing facilities. Thus, MEMA screens activity on Chemicals Assessment Management Program (ChAMP), volatile organic compound (VOC) emissions, fuels and fuel additives, significant new alternatives policy (SNAP) program (e.g. A/C refrigerant substitutes), Clean Air Act, NAAQS, greenhouse gas emissions (stationary and mobile sources), and more.

MEMA urges suppliers to research environmental regulatory requirements affecting their products and to contact MEMA with specific concerns.

2009 Anticipated Action: MEMA will work independently with member companies and in coalition with related trade associations, as appropriate, on monitoring developments and transmitting the industry's views to the appropriate EPA departments/entities.


MEMA will also continue to actively participate in the [Automotive Specialty Products Alliance](#) (ASPA), which draws upon the combined services offered to companies in the automotive chemical and vehicle appearance product markets through MEMA, the Automotive Aftermarket Industry Association (AAIA), and the Consumer Specialty Products Association (CSPA).

U.S. Department of Labor

Background: MEMA regularly monitors DOL activities, particularly those under the Occupational Safety and Health Administration (OSHA) and those issues affecting worker and workplace safety (combustible dust, ergonomics, hazard exposure, etc.).

2009 Anticipated Action: MEMA will work independently with member companies and in coalition with related trade associations, as appropriate, on monitoring developments and transmitting the industry's views to the appropriate DOL/OSHA officials.

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A photograph of the United States Capitol building in Washington, D.C. The image is centered on the large, white, domed structure. The text "State Issues" is overlaid in a black, sans-serif font across the middle of the dome. The building's facade features a portico with tall columns and arched windows. In the foreground, there is a metal fence and a sign that reads "UNITED STATES CAPITOL POLICE".

State Issues

State Issues

Description: Various state legislatures continue to be active on issues affecting the automotive and heavy duty suppliers. Legislation introduced on the state level can sometimes lead into legislation being introduced on a Federal level, with both the U.S. House and Senate submitting similar, if not exact, bills.

Status: MEMA is currently monitoring legislation targeting the motor vehicle parts supplier industry, including the following issues, in all state legislatures:

- aftermarket parts;
- California low emissions vehicles (LEV);
- disposal requirements;
- driver distraction;
- electronic data recorders;
- emissions/climate change;
- right to repair; and
- warranties/service contracts;

Detailed information on all bills introduced so far this year is available through <http://stateside.com/iStateLink/login.asp> by using the Login of “parts1.”

2009 Anticipated Action: MEMA will continue to follow state legislation concerning the issues mentioned above. The Washington office staff will report on active state legislation in its *Washington Insider* publication on Tuesdays and Fridays and will seek opportunities to represent the industry at the state level.

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