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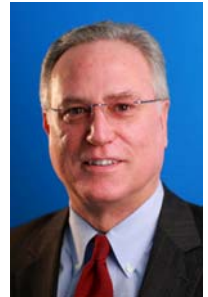
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- OESA 13<sup>th</sup> Annual Outlook Conference Sets the Stage for 2012
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## GM Town Hall Features Purchasing and Engineering Executives

Dave Andrea, OESA

OESA will host a members-only town hall meeting with GM purchasing and engineering staffs on Nov. 16, 2011, at the Somerset Inn, Troy, Mich. OESA members will have a unique opportunity to participate in an open question and answer session with **Bob Socia**, vice president, global purchasing and supply chain, **John Calabrese**, vice president, global vehicle engineering, and **Sam Winegarden**, vice president, global powertrain engineering, General Motors Company. Additional GM personnel from each of the staffs will be available for informal conversations before and after the meeting. This meeting is open to OESA regular and affiliate members only.



**Bob Socia**  
General Motors  
Company

Nearly 400 executives attended the 2010 GM Town Hall. As one attendee from the 2010 town hall noted, "The Q-and-A session was good, and I applaud the turnout of GM staff; I counted 22 people from GM here, very impressive." The town hall format provides many opportunities for individual customer conversations regarding supplier-specific topics as well as dialogue on issues affecting all suppliers. As another 2010 attendee noted, "Plenty of things to improve, but the openness of taking all questions is a start toward improved relationships."

Without a doubt, the past 30 months have been transformational for GM; it is operating with a significantly lower risk profile, leveraging global assets for growth and implementing new business models. All GM's internal resources and external relations – especially with suppliers – are affected by new operating mindsets including straight-line investment strategies, break-even at economic troughs and a fortress balance sheet.

*(Continued on page 9)*

## Mastering the Sales Process: From Contact to Contract

Glenn Stevens, OESA

On Nov. 15, 2011, at the Auburn Hills Marriott Pontiac at Centerpoint, Pontiac, Mich., OESA will hold a seminar led by three proven professionals in the areas of automotive supplier sales management, the legal area of the supply chain and professional sales training.

This session will focus on the key issues and aspects of winning, closing and navigating a program platform award in the North American automotive industry. Attendees will hear from professionals that know the customer-supplier relationship, contract law aspects of the agreement, and personal sales and communications sides of the business relationship. The session will feature presentations and interactive dialogue with:

- **Gerry Weinberg**, President, Gerry Weinberg & Associates
- **Tom VanderLaan**, Vice President, Global Automotive and Hybrid Sales, Remy International, Inc.
- **Dan Sharkey**, Member, Brooks Wilkins Sharkey & Turco PLLC

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# De KOKER's CORNER

## OESA Value Proposition Alive and Strong

Neil De Koker, OESA

Join. Engage. Profit. These simple words represent the OESA value proposition. Since 1998, OESA promoted *joining* OESA to be part of the automotive supplier community's leading forum, voice and resource. OESA committed that if a member became *engaged* in our organization they will gain knowledge and access not available through any other source. And, finally, we pledged that companies will *profit* by applying the knowledge gained and leveraging the network accessed. We believe that after 13 years we are delivering a strong value proposition for the entire industry. We have taken many steps to evolve OESA's value proposition over the years. For suppliers not yet a part of OESA, I urge you to take your first step and explore OESA membership.



OESA members are connected to a network of 400 member organizations that generate a combined \$300 billion in annual global revenue and represent nearly every tier, every component, every size, both public and private as well as professional services. Joining OESA gives member company executives access to ongoing dialogue with OEMs and peers on commercial, intellectual property, technical and warranty issues, and other critical topics. OESA OEM town halls are examples of this access. Members also gain knowledge through our topical analyses, such as the *OEM Production P.O. Contract Terms and Conditions Comparative Analysis*, *Model Purchase Order Contract Terms and Conditions* and updated for 2011, the *Comparative Analysis of OEM Warranty Programs*.

However, beyond simply joining OESA, extracting value from membership requires action. Our members tell us that actively engaging in councils, committees, events and surveys is the single most important action they take to reap value from membership. Need proof? Just ask a current member. We are confident that members who are engaged will tell you that the output gained far exceeds the input given. And that leads to profit – for the companies and the individual participants.

Ultimately, OESA gives members the opportunity to develop relationships throughout the supply chain including OEMs and other groups, such as government agencies, to discuss issues of common concern, and gain insight into strategies to make their companies more successful. OESA membership enhances a company's ability to make informed business decisions that impact the bottom line. From surveys and industry studies to the value provided through our industry lobbying efforts, OESA provides a return that exceeds investment. Today, all companies need to do more with the same (as most cannot go any less). We realize this and attempt to fill the void with activities that add value, such as industry benchmarking surveys that allow members to make key decisions based on current industry practices and lobbying efforts in Washington, D.C., that keep member interests at the forefront.

Now, while suppliers are OESA's primary customer, I want to thank all the OEMs, government agencies, academics, trade and professional associations, media and other industry stakeholders that work with, and through, OESA. Your engagement helps OESA deliver its value proposition. Join. Engage. Profit. It works.

As always, feel free to contact me on this topic or any other. You can reach me at 248.952.6401 ext. 224 or [ndekoker@oesa.org](mailto:ndekoker@oesa.org).

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OESA

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Planning and Global Services Practice  
Plante & Moran PLLC

**Douglas J. Grimm**  
Chairman, President and CEO  
Grede Holdings LLC

*\*Executive committee*

*Continued on page 6*

## OESA Welcomes New Members

### **Royal Die & Stamping Co.**

949 E. Green Street  
Bensenville, Ill. 60106  
Phone: 630.766.2685  
Http://www.royaldie.com

Member Representative: Erik Freitag, President  
Alternative Representative: John Jaszka, CFO

*Royal Die & Stamping Co., Inc.*

Royal Die & Stamping specializes in high speed stamping and the production of intricate parts. Established in 1938, Royal Die has a vast amount of experience. The company continues to be led by the descendants of the founder and takes pride in providing quality parts at reasonable prices. Royal Die & Stamping builds world class tools and dies and also offers molding, assembly and prototyping services. Royal Die is a QS-9000 certified company and leads the manufacturing industry in stamping and tool build technology.

### **Baker Tilly**

1 Towne Square # 600  
Southfield, Mich. 48076  
Phone: 248.372.7300  
Fax: 248.368.8950  
Http://www.bakertilly.com

Member Representative: Kevin Prather, Partner  
Alternative Representative: Alan Whitman, Managing Partner



Accountants and Advisors

With staff totaling more than 1,350, Baker Tilly provides a wide range of accounting, tax, assurance and consulting services. Ranked as the 16th largest firm in the country according to the 2011 *Accounting Today* "Top 100 Firms," Baker Tilly serves clients from offices in Detroit, Chicago, Minneapolis, New York, Washington, D.C., and Wisconsin.

### **DTE Energy**

1 Energy Plaza  
Detroit, Mich. 48226  
Phone: 313.235.8528  
Fax: 313.235.9583  
Http://www.dteenergy.com

Member Representative: Markus Leeker, Manager, Corporate Energy Forecasting  
Alternative Representative: William Hickey, Corporate Economist



DTE Energy Co. is a Detroit, Mich.-based utility, incorporated in 1995, that involved in the development and management of energy-related businesses and services nationwide. DTE Energy's largest operating subsidiaries are Detroit Edison, an investor-owned electric utility serving 2.1 million customers in Southeastern Michigan, and Michigan Consolidated Gas Co. (MichCon), a natural gas utility serving 1.2 million customers in Michigan.

### **iGATE Patni**

1 Broadway, Floor 15  
Cambridge, Mass. 02142  
Phone: 617.914.8000  
Fax: 617.914.8200  
Http://www.patni.com

Member Representative: Frank Khoshnoud, Senior Vice President  
Alternative Representative: Abhay Mahagadkar, Vice President



iGATE Patni is a \$1 billion organization, providing full-spectrum consulting, technology and business process outsourcing services differentiated by a business outcomes-based business model. iGATE Patni provides innovative solutions to over 350 Fortune 1000 clients globally, across a wide set of vertical markets.

# MEMBERS

## AISIN Supports Drivers Training Program for High School Students

For the third consecutive year, FT Techno of America (FTTA), an Aisin Holdings of America company, is making it possible for Fowlerville (Mich.) High School students to take advantage of a program intended to help save lives through better driving.

FTTA has partnered with the Tire Rack Street Survival School, a national program that teaches teens how to drive better, safer and smarter. The program took place Saturday, Sept. 24, 2011, at FTTA's 870-acre test track and proving ground in Handy Township, Mich.

**Terry Takano**, vice president, FTTA, said use of the proving ground provides the advantage of a large, controlled facility that was designed with driver safety as the highest priority. He added that partnering with Street Survival and Fowlerville High School makes sense given the growing number of young drivers on the road.

"We feel strongly about hosting this program again and helping young drivers to become safer and smarter drivers," said **Takano**. "Our secondary goal is to encourage high school students to become interested in the auto industry, by exposing them to a state-of-the-art global test track and R&D facility in their own backyard."

**Takano** said today's drivers are more distracted than ever because of cell phone use, and motor vehicle crashes remain the leading (and most preventable) cause of death among 13-19 year olds in the United States.

"Day-to-day, our company is focused on improving safety and reliability through vehicle development; we see this training as a natural extension of our work," he said.

FTTA also recently hosted an annual driver certification training for the Livingston County EMS, along with the Livingston County Sheriff's Department, and several other municipal public safety departments.

The one-day program provides a mix of classroom and hands-on exercises with an instructor alongside each student in their own vehicle. In the classroom, students learned about proper seating and hand positions, mirror placement, the concept of the contact patch with the tires, theories of weight transfer and the use of long distance vision and situational awareness.

On the course, students experienced real life situations in a safe environment and learned a variety of driving tactics including skid control on a wet skid pad, lane changes/accident avoidance maneuvers and braking exercises. Students also drove a on a slalom course to learn about vehicle weight transfer.

*For more information, contact Joe Rohatynski can be reached at [joe@joepr.com](mailto:joe@joepr.com).*



# COUNCILS

## CEOs Debate 2012 Production Volumes

Margaret Baxter, OESA

At the fall CEO Council meeting, CEOs exchanged thoughts and projections for production planning volumes for the balance of 2011 and for 2012. Many CEOs indicated confidence in a strong finish to the current year, and engaged in debate over 2012 volumes. Many agreed that the balance between the current economic slump and pent-up demand for new vehicles is one that could tip either way, but that will ultimately drive 2012's numbers. When individual CEOs shared their production planning volumes for 2012, the highest number cited was 15 million units, the low was 13 million and the average of the 48 CEOs present was 13.55 million.

After the CEO discussion, **Michael Robinet**, director, global production forecasting, IHS Automotive, presented a global auto forecast for 2012 and beyond, with a focus on factors that will influence the "optimistic" and "pessimistic" scenarios. He further discussed the competitive position of the various OEMs. The number that he cited for 2012 was 13.7 million – slightly more optimistic than the CEO group average. When discussing the need for and difficulty of accurate forecasting, one CEO said "We need to face the fact that we are going to see volatility in production for the next five years at least; the key to managing this is being able to react quickly to changes – either up or down."

Additional meeting discussion centered on three presentations that were shared as part of a "CEO Spotlight" series, where CEOs are asked to identify something that they do well within their organizations and share insight on what that is, who it involves, where it adds value and why they are successful. **Dieter Ehrmanntraut**, president and CEO, Yazaki North America, Inc., shared comments on Yazaki's implementation of vertical organization integration, **Mark Sullivan**, president and CEO, North America Inergy Automotive Systems, shared a presentation on the team industrialization process that the company developed, and **Jan Kowal**, president, Brose North America, Inc., presented on global transfer of competence.

The CEO Council is open to the top executive in North America responsible for automotive business. For more information on the council, or to request an invitation to an upcoming meeting, contact Michelle Maki at 248.952.6401 ext. 229 or [mmaki@oesa.org](mailto:mmaki@oesa.org).

### About OESA Councils:

OESA provides forums for members to address issues of common concern through 13 peer group councils. Executives from OESA regular member companies in good standing may apply for council membership. Typically, eligibility requires the individual to be the top executive of the regular member company in the area of responsibility covered by the council. For more information, and to connect with the OESA staff members responsible for facilitation and management of the councils, visit the OESA website or contact Brenna McCann at 248.952.6401 ext. 226 or [bmccann@oesa.org](mailto:bmccann@oesa.org).

## OESA Board of Directors

Continued from page 4

### Directors:

Linda Hasenfratz  
CEO  
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\* Executive Committee

# COUNCILS

## OESA Councils

*Including council chairmen*

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Americas Tire Operations, LLC

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Allen Campbell  
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Delphi Corporation

### Human Resources

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SKF Automotive, N.A.

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Ron DiLiddo  
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### Warranty Management

Michael Hirt  
Manager, Warranty and Service Quality  
ADAC Automotive

### Automotive Public Relations

Kurt Ruecke  
Director, Marketing and Communications  
T-Systems North America

### Automotive Technology Forum

*no chairperson*

## December SME Presidents Council Focuses on 2012

*Dave Andrea, OESA*

The OESA Small and Medium Enterprise Presidents Council is the OESA leadership forum for regular member companies with revenues under \$250 million. This is the peer group of presidents, CEOs and COOs of suppliers that creatively deliver day-in and day-out with extremely constrained human and financial resources. The SME Presidents Council provides a constructive forum to address leaders' personal challenges in developing company strategies and operational tactics. Most participants have revenues between \$50 and \$150 million.

OESA regular members that fit this profile and are not members of the SME Presidents Council are invited to participate at no cost at the Dec. 1, 2011, meeting at the Somerset Inn in Troy, Mich. During this meeting, executives will have a roundtable discussion on two specific questions:

- What are the likely North American vehicle production and sales scenarios? – led by **Mike Jackson**, director, North American forecasts, IHS Automotive
- How does my performance review process stack up against my peers? – led by council member **Jim Bradbury**, president, Grand Rapids Controls

In addition, there will be a 75-minute open roundtable where participants submit specific questions and issues for their peers to discuss. Topics range from raw material markets to organizational design, global expansion strategies, capital markets customer diversification and other topics that are top of mind with every small business leader.

To join the Dec. 1, 2011, meeting as a guest to audit the value of the council discussion format and the peer group network, presidents, CEOs and COOs from OESA regular member companies may contact Pam Minard at 248.952.6401 ext. 221 or [pminard@oesa.org](mailto:pminard@oesa.org). To view the meeting agenda or a list of participating companies, visit the council section of <http://www.oesa.org>.

The SME Presidents Council's quarterly meetings offer an efficient way to gain peer perspectives and access to subject matter experts. As one member noted, "I have used information presented at the SME Presidents Council to increase my company's profitability." This group understands small business challenges. For additional information on the council contact Dave Andrea at 248.952.6401 ext. 228 or [dandrea@oesa.org](mailto:dandrea@oesa.org).

# COUNCILS

## Warranty Council Members Gain Insight on OEM Warranty Processes

*Greg Janicki, OESA*

The Sept. 15, 2011, OESA Warranty Management Council meeting featured presentations from OEMs and industry experts. **Dale Zajac**, supplier quality engineer, purchasing and supplier quality, Chrysler Group, LLC, led off the meeting by sharing an update on the Chrysler warranty program. **Zajac** walked council members through the Supplier Associated Warranty Reduction Program (SAWRP), the new Chrysler warranty system. **Zajac** also spoke about the External Balanced Scorecard.

Warranty Management Council Chairman **Michael Hirt**, manager warranty and quality systems, ADAC, led a discussion surrounding the warranty terms comparative analysis document, which the council is updating for 2011. The document, *Comparative Analysis of OEM Warranty Programs*, provides a reference to help suppliers in their warranty management efforts. For more information on the publication please see related article on page 12.

**Tim O'Connor**, principal, and **Ronald Harbour**, partner, Oliver Wyman, gave a presentation on warranty trends, which focused on how the increased burden of warranty has shifted from the OEMs to suppliers.

**Jason Payne**, warranty intelligence engineering manager, Schrader Electronics, gave an overview presentation of the Nissan Warranty Action Teams. In his presentation, **Payne** identified areas the joint Nissan-supplier group is focusing on and action steps that are emerging on how to collaboratively attack warranty issues.

Finally, the member roundtable provided an opportunity for council members to discuss critical issues facing their companies. Topics included the latest action on the OESA-CLEPA-JAPIA Warranty Principles and Protocols document and various warranty processes issues and changes with North American OEMs.

The Warranty Management Council is open to senior executives or functional managers responsible for warranty or the warranty process from OESA regular member companies. The council's purpose is to identify and address strategic issues, share best practices, recommend solutions and promote the welfare of the supplier industry by supporting the effective implementation of warranty practices. For more information, contact Keiyania Mann at 248.952.6401 ext. 236 or [kmann@oesa.org](mailto:kmann@oesa.org).

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## A Proactive Approach to Product Development and Warranty Management

*Mike Shapiro, OESA*

On Dec. 8, 2011, OESA's Product Development and Warranty Management Councils will hold a joint meeting to address common concerns. The purpose of the joint council meeting is to open a dialogue between the two disciplines to determine how each council can achieve its own objectives by closer collaboration with the other. Through separate discussions at each council, a corollary was drawn between product development activities and warranty procedures. At the same time, improvements in warranty management procedures are often developed through products already on the market. This joint meeting will be the first of many discussions on collaborative and proactive problem solving between these two essential areas.

The Warranty Management Council and Product Development Council are open to senior executives or functional managers from OESA regular member companies responsible for warranty or the warranty process (Warranty Management); and managing or overseeing engineering, product development, innovation or new technology activities (Product Development). For more information regarding these councils, contact Greg Janicki (Warranty Management) [gjanicki@oesa.org](mailto:gjanicki@oesa.org) or Mike Shapiro (Product Development) [mshapiro@oesa.org](mailto:mshapiro@oesa.org).

# EVENTS

## GM Town Hall Features Purchasing and Engineering Executives

*Continued from page 1*

Core to the successful corporate transformation is the linkage between purchasing, engineering and GM's supply base. This town hall with purchasing and engineering is timely as GM undertakes a series of initiatives including:

- Co-locating and realigning the purchasing and engineering organizations
- Enhancing global capacity management out to 18 to 24 month visibility
- Improving schedule stability
- Revamping purchasing and engineering processes

GM executives will be available during the 60-minute registration and networking session that begins at 1 p.m. The town hall program, which runs from 2 p.m. to 4 p.m., includes approximately 45 minutes for prepared remarks by **Socia**, **Calabrese** and **Winegarden**. Following the purchasing, vehicle engineering and powertrain engineering updates, the three vice presidents will participate in a 60-minute question and answer session. Additional GM purchasing and engineering executives will also be available before and after the meeting.

OESA members may register in the events section of <http://www.oesa.org>. For registration assistance, contact Felece Hickman at 248.952.6401 ext. 237 or [fhickman@oesa.org](mailto:fhickman@oesa.org). For program information, contact Dave Andrea at 248.952.6401 ext. 228 or [dandrea@oesa.org](mailto:dandrea@oesa.org).

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## Mastering the Sales Process: From Contact to Contract

*Continued from page 1*

This session provides practical information and the latest supply chain and customer relationship information. It is ideal for those who are a sales and/or engineering executive, program manager, account manager or actively involved in the pursuit of program awards, the closing process and the execution of parts supply.

OESA members and industry guests may register in the events section of <http://www.oesa.org>. For registration assistance, contact Felece Hickman at 249.952.6401 ext. 237 or [fhickman@oesa.org](mailto:fhickman@oesa.org). For program content information, contact Glenn Stevens at 248.952.6401 ext. 225 or [gstevens@oesa.org](mailto:gstevens@oesa.org).

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**Tom VanderLaan**  
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**Dan Sharkey**  
Brooks Wilkins Sharkey & Turco PLLC

# EVENTS

## Ford Town Hall Meeting: Registration Now Open

Dave Andrea, OESA

OESA will host a members-only town hall meeting with **Tony Brown**, group vice president, global purchasing, Ford Motor Company, and Ford purchasing staff on Dec. 13, 2011, at the Dearborn Inn, Dearborn, Mich.



More than 300 members attended the 2010 Ford Town Hall. The company update, question session and opportunities to speak with customer executives provided at these town halls are invaluable for current Ford suppliers, prospective suppliers and suppliers in Ford's value chain who ultimately are dependent upon Ford's market success and purchasing practices.

Ford has invited additional purchasing executives to attend the session and be available before and after the town hall. Registration and networking begins at 2 p.m. with Ford purchasing executives available from that time. The town hall program runs from 3 p.m. to 4:30 p.m. and includes approximately 20 minutes for **Brown** to deliver prepared remarks followed by a 60-minute question and answer session.

OESA members may register in the events section of <http://www.oesa.org>. For registration assistance, contact Felece Hickman at 248.952.6401 ext. 237 or [fhickman@oesa.org](mailto:fhickman@oesa.org). For program information, contact Dave Andrea at 248.952.6401 ext. 228 or [dandrea@oesa.org](mailto:dandrea@oesa.org).

## OESA Legal Corner: Using Contracts to Manage Capacity in this Up-Down World

Dan Sharkey, Brooks Wilkins Sharkey & Turco PLLC

As **Yogi Berra** said, "Predicting is hard, especially about the future." Suppliers would love slow and steady growth, but instead, volumes have fluctuated wildly over the past few years.

Contracts can help suppliers manage volume uncertainty. Because demand for vehicles is inherently unpredictable, few automotive supply contracts list a specific quantity. Under the law, however, contracts must have a quantity, unless they are expressly tied to customer requirements. And if a customer provides an estimate of volume, the customer cannot demand an amount "unreasonably disproportionate" to that estimate.

Quotes often condition pricing upon actual production volumes being within a certain range of forecasted volumes, but most terms and conditions of purchase say the opposite: that volumes are not guaranteed, but prices are, regardless of volume.

While the legal landscape is far from certain, suppliers have options to lessen the sting of volume swings:

1. Tie prices to volume ranges (e.g., require price adjustments for anything beyond plus or minus X% of projections).
2. Index variable costs (e.g., raw material) to market costs.
3. Treat any dedicated initial investment (e.g., capital and equipment) separately, akin to tooling, or amortize it over the lowest possible volume.
4. Communicate to sub-suppliers the volumes committed to the customer and lock those same volumes in with them.
5. Raise your floor: reserve the right to not only increase prices, but also reallocate capacity if forecast volumes do not materialize.
6. Lower your ceiling: document maximum capacity and do not promise a volume that you or your suppliers cannot reach.

The first time that you ask for these capacity protection measures, your customer will almost certainly say "no," and may tell you that you are the only one asking. But these tough discussions are happening, and those willing to have them are not only surviving, but prospering.

Before you enter into your next contract, think about your capacity and what will happen if volume is twice, or half, what you anticipate. With see-sawing volume, capacity issues in the supply chain will surely continue. Whether a rebound or a nosedive comes next, thinking through your contracts with both your customers and suppliers can only help your company.

For a more detailed version of this article, contact Dan Sharkey, partner, Brooks Wilkins Sharkey & Turco PLLC at 248.971.1712, [sharkey@bwst-law.com](mailto:sharkey@bwst-law.com), or consider attending "Mastering the Sales Process: From Contact to Contract" on Nov. 15, 2011.

*The OESA Legal Corner is a monthly feature in OESA News. OESA affiliate law firm members contribute short legal updates to keep members informed on critical issues affecting their businesses. OESA enforces a strict policy of no legalese for these briefs. For more information or to request or suggest a topic, contact Margaret Baxter at 248.952.6401 ext. 223 or [mbaxter@oesa.org](mailto:mbaxter@oesa.org).*

# EVENTS

## Best-in-Class Tooling Management

Margaret Baxter, OESA

Supporting Partner:

On Jan. 19, 2012, OESA and Harbour Results, Inc. will take an in-depth look at the state of tooling. The meeting will feature **Laurie Harbour**, president, Harbour Results, Inc., who will draw from more than 20 years of experience as an automotive industry analyst and operational insider to discuss current tooling practices that drive cost, complexity and extended product development. She will emphasize the solutions required to significantly cut these costs in order to drive value through the supply chain. To illustrate the upside of “change” ingrained in the automotive culture, **Harbour** will discuss best-in-class tooling management, from cradle to grave.



**Harbour** will be joined by **Dan King**, COO, Riviera Tool, **Erin Hoffmann**, president, ITS Manufacturing Solutions, and **Brendan Wenzlik**, president, Prospect Mold, who will provide case studies highlighting innovations in the tool making process, the drive toward a lean organization, behaviors that the OEM, Tier 1 and toolmaker can adopt to drive cost out of the tooling process, and best practices in low-cost country sourcing.

The meeting will take place at the MSU Management Education Center in Troy, Mich. Full meeting details will be sent to OESA members in early December. For more information, contact Margaret Baxter at 248.952.6401 ext. 223 or [mbaxter@oesa.org](mailto:mbaxter@oesa.org).

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## Achieving Growth and Recovery Through “Monozukuri”

By Margaret Baxter, OESA

On Dec. 8, 2011, OESA, the Japan External Trade Organization, Japan Auto Parts Industries Association and the Japan Business Society of Detroit will host “Japan’s Automotive Industry: Achieving Recovery and Growth Through Monozukuri,” a seminar at the Suburban Collection Showplace, Novi, Mich.

The Great East Japan Earthquake spurred an unprecedented recovery effort from the Japanese automotive and manufacturing communities. Through intensive collaboration and the shared mindset of *Monozukuri* – the spirit and quest for manufacturing excellence – Japanese automotive suppliers and OEMs managed to quickly recover production in the face of crisis.

Attendees will hear perspectives from Japanese OEMs and parts suppliers on how they were affected by the March disaster, how crisis and recovery management played out both in Japan and the United States, and on the future prospects for growth and opportunity.

Speakers include **Nampachi Hayashi**, senior technical executive, Toyota Motor Corporation, Japan, **Teruo Takahashi**, vice president, vehicle engineering, Nissan Technical Center N.A., **Dave Thomas**, plant manager, Keihin IPT Mfg., and **Hiromi Ikehata**, president, Toyoda Gosei North America Corporation.

The theme of *Monozukuri* will be presented as a catalyst to foster innovation in manufacturing technologies, sustain a talented workforce, and encourage collaboration, interaction and cooperation between American and Japanese manufacturers. The meeting will begin over lunch, and the afternoon session will include simultaneous translation. A networking session will take place immediately following the seminar at 5 p.m.

Full meeting details and registration information is available on the OESA website <http://www.oesa.org>. For registration information, contact Felece Hickman at 248.952.6401 ext. 237 or [fhickman@oesa.org](mailto:fhickman@oesa.org). For program information, contact Kevin Kalb at JETRO Chicago at 312.832.6023 or [Kevin\\_Kalb@jetro.go.jp](mailto:Kevin_Kalb@jetro.go.jp).



Japan External Trade Organization



# PUBLICATIONS

## **2012 OEM PO Terms and Conditions Comparative Analysis Available**

*Margaret Baxter, OESA*

The 2012 “OEM North American Production Purchase Order Contract Terms and Conditions Comparative Analysis” (revised in October 2011) is now available to OESA members. This document is a comparative analysis of general contract terms and conditions issued by automotive OEMs in North America for production parts purchased in North America. OEMs included in the document include: BMW, Chrysler, Ford, General Motors, Honda, Hyundai, Kia, Mercedes, Nissan, Toyota and Volkswagen. The analysis also includes the “OESA Model Terms and Conditions”.

The purpose of this “Comparative Analysis” is to provide OESA members a ready reference to understand the standard terms and conditions OEMs routinely incorporate into purchase orders, and to highlight those areas most critical to today’s industry environment. This is especially relevant as the pace of change – and the magnitude of challenges – continue to escalate.

It is OESA’s hope that the analysis will provide a useful reference guide and starting point for risk assessment and contract and dispute negotiations. The comments in the body of the “Comparative Analysis” are intended to highlight critical areas and hot-button issues in today’s supplier/OEM relationships.

The “Comparative Analysis” is available in hard copy to members and non-members, and in e-copy with a company-wide license. For pricing, ordering information and to view sample pages, visit the publication section of <http://www.oesa.org>.

OESA gratefully acknowledges the contribution of Butzel Long to the content and development of this publication. Butzel provided the true analysis contained within the document, building upon the original idea and analysis by the OESA OE Sales & Marketing Council and Legal Issues Council. This is the 5<sup>th</sup> iteration of the “Comparative Analysis”.

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## **OESA Releases Updated Comparative Analysis of OEM Warranty Programs Publication**

*Greg Janicki, OESA*

OESA has released an updated version of the “Comparative Analysis of OEM Warranty Programs”. The publication provides suppliers with tools to drive best practices in warranty management, flow information through the tiers, and, ultimately drive toward zero or near-zero warranty. The document provides an overview of each OEM warranty program and details:

- Customer process
  - Process flow
  - Parts handling
  - Warranty data management
  - Data accessibility
- Commercial implications
  - Pay points
  - Cost structure breakdown
- No trouble found liability
- Other comments

OEM customers in the “Analysis” includes: BMW, Chrysler, Ford, General Motors, Honda, Hyundai, Mercedes, Nissan, Toyota and Volkswagen.

The publication cost is \$50 for members and \$100 for non-members. To order a copy, visit the publications section of <http://www.oesa.org>. For further information contact Greg Janicki at 248.952.6401 ext. 245 or [gjanicki@oesa.org](mailto:gjanicki@oesa.org).

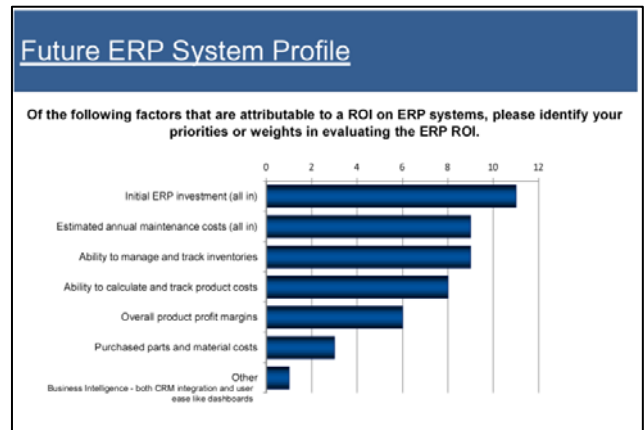
# SURVEYS

## Enterprise Resource Planning – Future Systems and Factors Driving Implementation

Kathy Reiss, OESA

Given the pressure suppliers are under to “do more with the same,” the OESA Chief Financial Officers Council initiated a survey of members to understand companies’ current enterprise resource planning (ERP) systems installations and future investment considerations. This survey captured the demographic details of ERP system integration, system requirements, operational life and system security.

Of the 15 survey responses, seven represent a global ERP perspective while eight answered from a regional, North American perspective. The number of manufacturing facilities utilizing these company-integrated ERP systems ranged from 1 to 11 with the median of 54 percent of the facilities being integrated into a single common platform. The majority (76 percent) of the current ERP systems have been in place six or more years. On a 1 to 7 scale, where 7 equals exceptional, companies rated their current ERP systems on several dimensions including ease of data entry (receiving a weighted score of 3.87), shipping/receiving report generation (3.80) and planning/control decision support (3.80).



Given the generally low performance rating, it is no surprise that 60 percent of responding companies are considering an upgrade or a new ERP system. Of these nine companies, only two are able to make ERP improvements without incurring charges to their existing systems.

When considering upgrades or new ERP enhancements, some of the functions identified as important in the selection process are inventory control, maintenance management, financial reporting, production/capacity planning, quoting and system integration. Cloud computing is being considered by approximately half of respondent companies. The criteria used in evaluating ERP ROI is shown in the chart above with initial ERP investment considered a priority by 11 of the 15 responding companies. The investment payback metric ranged from six months to four years with 54 percent of companies targeting a one- to two-year payback period.

Additional profile information may be gleaned from the survey including that hardware and software are owned by 73 percent and 80 percent of respondent companies, respectively, with the remaining companies stating that Software as a Service (SaaS) is being outsourced or paid on a maintenance contract. Eighty-seven percent of companies have ERP systems integrated into their supplier EDI systems.

The survey provides benchmark data to evaluate ERP systems. The CFO Council will continue this discussion at its Nov. 30, 2011 meeting with a plant material manager. The CFO Council is open to executives responsible for the finance function from OESA regular member companies. Executives not currently members may contact Keiyania Mann at 248.952.6401 ext. 236 or [kmann@oesa.org](mailto:kmann@oesa.org) to audit this meeting.

Kathy Reiss can be reached at 248.952.6401 ext. 247 or [kreiss@oesa.org](mailto:kreiss@oesa.org).

### **About OESA Surveys:**

Membership surveys can be requested or suggested by an individual member of an OESA council. Staff then works to determine the target audience for the questionnaire, which might go to one council, several councils or another group within the OESA membership. All survey questions and results are reviewed by OESA legal counsel to ensure that OESA steers clear of potential antitrust issues. Compiled results are then shared with survey respondents.

# LEGISLATIVE

## Numbers to Remember

*Ann Wilson, MEMA*

With the 2012 elections around the corner, there is widespread political tension in Washington, D.C., and throughout the country. This tension makes it even more important that suppliers continue to press their views on key issues. But, why should you as a member of OESA be concerned? Just focus on these five numbers:

**685,000 . . . 49 . . . 4 . . . 65% . . . 5 . . .**

### **685,000 – Manufacturing Jobs Matter!**

Motor vehicle parts manufacturers directly employ well over 600,000 individuals in the United States. This makes the supplier community the largest manufacturing employer in the country. Make no mistake about it – these jobs matter.

On behalf of OESA members and the other MEMA-affiliated associations, MEMA promotes pro-manufacturing, pro-supplier policies. For example, MEMA has:

- Strongly opposed the Obama administration's overreach with labor regulations
- Worked with other manufacturers to lessen the impact on mandated reporting regulations on conflict minerals
- Supported legislation to wind back restrictive and unnecessary EPA regulations
- Supported free trade agreements with Colombia, South Korea and Panama
- Pushed for investment and tax policies that promote manufacturing in the United States

### **49 – The U.S. House of Representatives**

Republicans have a 49-seat majority in the House and it seems highly unlikely that the Democrats will return to control in 2012. Yet, especially with redistricting, these races will be fought on a local level, and it is too early to determine the outcome of next year's election. Whether the House is controlled by Republicans or Democrats, the industry needs leaders that understand the needs of manufacturers, especially parts suppliers.

### **4 – The U.S. Senate**

Currently, the Democrats have a four-seat majority in the U.S. Senate. For the 2012 elections, there are 31 Senate seats up for election in 2012 and the Democrats have to protect 21 of those seats. The Republicans have less than half that number (10) to defend. In 2013, chances of a Republican majority in the U.S. Senate are good. The Senate has been the stumbling block for much of the pro-manufacturing legislation that has passed the Republican-controlled House. If the House and the Senate are controlled by Republicans, it is much more likely that pro-manufacturing legislation will become law.

### **65% – Your Effectiveness on Capitol Hill**

MEMA carefully tracks who listens to the supplier message on the Hill. This year, MEMA has found a 65 percent open rate for its communications to Capitol Hill. These communications have included messages opposing the overreach of the NLRB and Department of Labor, supporting limitations on efforts by EPA to over-regulate manufacturers and support for free trade.

### **5 – Actions OESA Members Should Take**

- 1) Look for and complete the annual Priority Issue Survey which will be e-mailed to all OESA members in mid-November
- 2) Participate in the Government Affairs Committee and the Regulatory Affairs Committee – the next meeting for each is Dec. 7, 2011, in the Detroit area
- 3) Come to Washington for the annual Legislative Summit on Feb. 29 – March 1, 2012
- 4) Learn more about how to get involved with MEMA PAC
- 5) Connect with MEMA D.C. staff directly, on any issue, at any time

MEMA's Washington office is here to work with you to help represent this great industry – let's get to work!

*Ann Wilson may be contacted at 202.312.9246 or [awilson@mema.org](mailto:awilson@mema.org).*

# GUEST COLUMN

## The Fallacy of the Regional Auto Industry

*Aaron Bragman, IHS Automotive*

Listen to IHS Automotive's **Michael Robinet** for a few minutes, and you may start to realize something about your own business. As you listen to his reports on where the industry is headed, you will quickly start to realize that if your company is not already a global player, then you are already behind the game.

"There really is no more 'American' auto industry," he will say. Just as there is no Japanese industry, no European industry, no Brazilian industry. The idea of regional auto industries is a concept whose time has come and gone with the globalization of nearly every facet of the car making business. Sourcing, component manufacturing, assembly, customer service, logistics, even marketing and parts distribution have become global businesses.

This slow creep toward complete global interconnectedness has been ongoing for some time, but made more relevant with the advent of the Internet, and the ability of people to now share huge quantities of information instantaneously. This has allowed developing countries to use human resources to take on information technology roles for all manner of businesses, and it has enabled consumers to see product offerings in other markets with little more than a whim and a click of their fingers. The cost benefits that are being realized are huge, which only makes the push toward globalization happen with that much more enthusiasm.

Just how interconnected the global industry is was proven earlier this year with the tragic Japanese earthquake and tsunami that devastated a (comparatively speaking) small part of world, yet impacted people in faraway lands and the effects of which are still being felt. One small region of the world disappears, and plants around the world shut down, people stop working to build cars, sales of certain manufacturers tumble, earnings are impacted and lives are affected globally. And interestingly enough, the solution to prevent such occurrences from having such a widespread impact in the future is to further globalize and diversify everything from design and sourcing to manufacturing and supply chains.

Yet globalization is occurring in different ways for different manufacturers. The U.S. automakers are just now beginning to find their global legs, utilizing resources around the world to create products that will be largely common irrespective of sales region. Ford's "One Ford" plan epitomizes this, and products like the latest Focus (in which well over three-quarters of the parts are common in all markets) are excellent examples of the trend. General Motors has started to leverage its global design centers to start offering common vehicles around the world, rebadging as necessary, but eliminating a lot of duplication of efforts and the subsequent costs associated with them. But bucking the trend toward globalization are the European and Japanese automakers; Volkswagen has embraced the idea that in order to grow, it needs to tailor vehicles to the regions in which it sells, as evidenced by the new American-style mid-size Passat. While this may seem to buck the trend and fly against the newfound global conventional wisdom, it seems to be working for VW, which is experiencing substantial sales gains through the strategy.

The limit to what can be accomplished through the push for globalization has yet to be discovered. Ford is even using common marketing materials and themes for nearly all of the markets in which it sells the new global Focus. These are activities that other international automakers have performed for years now. With the Americans finally catching wind of the strategy and implementing it successfully thus far, the time to contemplate whether your own business should be a global player is quite likely overdue.

*Aaron Bragman can be contacted at [Aaron.Bragman@ihs.com](mailto:Aaron.Bragman@ihs.com).*

# GUEST COLUMN

## Don't Miss Out on Valuable Facility Review Tax Credits

*John Hoffman, Baker Tilly Virchow Krause, LLP*

Many businesses overlook significant tax credit and incentive savings that offer tax reductions, refunds and other payouts related to investments in their facilities. Numerous governmental entities offer tax credits or incentives to businesses to encourage development, create jobs, promote research, save energy or otherwise boost the recovering economy. To utilize the credits and incentives available, companies must evaluate their costs and activities and then evaluate which tax-related opportunities may be applicable and beneficial. This can be challenging if they lack the appropriate resources. As a result, sizeable dollars in credits and incentives go unused every year.

Various events and expenditures can make a company eligible for credits and incentives. Situations that could potentially qualify a company for tax savings include:

- New construction
- Remodeling or retrofitting existing facilities
- Moving
- Lease renewal or leasehold improvement investments
- Acquiring a business or undergoing a merger
- Job creation and/or retention
- Training needs
- International expansion
- Transferring equipment or employees

Considerable tax credits and incentives may be available for a company's facility-related expenditures but companies should conduct a comprehensive review of the estimated costs associated with facility enhancement or construction to obtain the maximum benefit.

Federal tax incentives associated with building or renovating a facility include:

- Cost segregation to accelerate depreciation and prevent a company from "pre-paying" taxes
- Energy incentives, including renewable energy opportunities, qualified energy projects and energy-efficient commercial building deductions
- The Research Tax Credit that includes a current deduction of certain building expansion design and engineering costs
- Federal New Markets Tax Credits to encourage commercial investment in low-income communities
- The Domestic Production Activities Deduction
- Federal Wage Tax Credit incentives
- Capital gain exclusion for the sale of certain assets
- Building usage and performance-related incentives

State and local tax opportunities and incentives include:

- Property tax-related savings and incentives
- Adjusting what companies pay when they either sell, lease or rent property or obtaining a refund if they have overpaid
- Tax credit or exemption for the purchase of qualified manufacturing machinery
- Training grants for new employees
- State research tax credits
- Utility rate reductions

Depending on a company's location, international credits and incentives may also be available.

To increase the likelihood of obtaining valuable credits and incentives, it is crucial to compile accurate data and information about the scope of the investment and the number of jobs it will create. Companies also need to develop a compelling story about their work and the benefits the investment will provide to the community. Before applying for a tax credit or incentive, consider the following:

- Analyze state and local tax impacts for potential sites
- Conduct research to learn about available tax credits and incentives
- Keep thoughts and plans confidential – defer public announcements to appropriate times
- Plan meetings with state and local officials
- Request a preliminary credits and incentives proposal
- Prepare the application and gather the requested financial and operational data
- Complete any second round of information requests on a timely basis
- Anticipate how to address potential roadblocks
- Lock in the credits and incentives package through contracts and final applications; ask for a review by outside or corporate legal counsel before signing
- Be sure all ongoing compliance requirements that are included in the final contract are understood and can be met

Using local, state, federal and international tax credits and incentives can save companies a considerable amount of money — and, in turn, help them vastly increase their profitability.

*John Hoffman can be reached at [john.hoffman@bakertilly.com](mailto:john.hoffman@bakertilly.com).*

# GUEST COLUMN

## Next-Life Opportunities for Lithium-Ion Batteries

*Earl Bloom, Dow Kokam*

While the lifespan of lithium-ion batteries in transportation applications is a critical factor in performance, the fact is that at the end of its “useful” life in a vehicle, a battery still has approximately 80 percent of its capacity remaining and therefore significant value.

This has led to much discussion as battery companies, OEMs, universities and national labs explore the optimal options to ensure a closed-loop lifecycle for lithium-ion batteries that can minimize environmental impact and maximize value. Looking beyond wasteful disposal solutions to both second-use and recycling of raw materials, components and e-systems, these “next life” opportunities of operationally capable lithium-ion batteries can open new channels of revenue for innovative suppliers that can manage the new rung on the supply chain.

### Second-use

After its useful life, while a battery may no longer be effective for powering a vehicle, it can still have enough capacity and power to safely deploy in a “second-use” application. “Second-use” applications could significantly increase the total lifetime value of the battery, and thus reduce its cost to the automotive user. Second-life applications include the following:

- Grid-based stationary (e.g. energy time-shifting, renewables support)
- Off-grid stationary (e.g. backup power, remote installations)
- Mobile stationary (e.g. auxiliary systems)

There are currently many factors which must be taken into account as a second-life market is developed including:

- The rate at which a battery degrades after 80 percent capacity
- The cost of refurbishing and integrating batteries
- The quick pace of development of competing technologies for renewable energy storage
- Lack of a clear logistics and distribution channel to collect batteries after their primary life
- Lack of market mechanisms and presence of regulation

### Recycling

Battery recycling has been the norm for close to 100 years, and many of the same processes employed in primary battery recycling can be replicated with lithium-ion batteries. Currently, there are several recycling companies collecting and recycling lithium-ion batteries. Depending on the metals employed in the battery, the value generated from recycling can exceed the cost of disposal. While this concept is still in its infancy, the development of regulations and processes related to the recycling of lithium-ion batteries would facilitate its advancement in the coming years.

In closing, it is clear that there are viable alternatives that can extend the life (and hence the value) of lithium-ion batteries used in xEV applications. It is evident that this market has the potential to grow exponentially as electric vehicle adoption enters the mainstream further, providing new business opportunities for suppliers throughout the value chain.

*Earl Bloom can be contacted at [ebloom@dowkokam.com](mailto:ebloom@dowkokam.com).*

# "JUST-IN-TIME" NEWS

## OESA 13<sup>th</sup> Annual Outlook Conference Sets the Stage for 2012

Greg Janicki, OESA

More than 600 automotive industry executives will be in attendance at the **OESA 2011 Outlook Conference and 13<sup>th</sup> Annual Meeting of Members** on Nov. 7, 2011, at the Detroit Marriott Renaissance Center, Detroit, Mich.

This event is attractive for suppliers of all tiers and all sizes and features more than a dozen presentations from OEM executives, supplier CEOs, government leaders and industry experts.

Attendees of the event will:

- Experience networking opportunities with OEM purchasing executives and supplier CEOs
- Hear an industry outlook for 2012 and beyond from an expert panel of analysts
- Learn OEM perspectives and supplier CEO strategies and vision

Michigan Governor **Rick Snyder**, will kick off the conference with the opening keynote address. **William Clay Ford, Jr.**, executive chairman, Ford Motor Company, will provide the lunch keynote.

Additional presenters include **Olivier Francois**, head of Fiat brand worldwide, chief marketing officer, Chrysler and Fiat Groups, **Rebecca Vest**, vice president, purchasing, Renault-Nissan Purchasing Organizations, and **Ray Tanguay**, chairman, Toyota Motor Manufacturing Canada, senior managing officer, Toyota Motor Corporation, and chief risk officer, Toyota Motor Corporation. The conference also features presentations from supplier CEOs and an outlook panel of industry analysts.

OESA members and industry guests may register in the events section of <http://www.oesa.org>. For registration assistance, contact Felece Hickman at 248.952.6401 ext. 237 or [fhickman@oesa.org](mailto:fhickman@oesa.org). For program information, contact Greg Janicki at 248.952.6401 ext. 245 or [gjanicki@oesa.org](mailto:gjanicki@oesa.org)

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## Upcoming OESA Activities

### Nov. 1, 2011

OEM Warranty Comparative Analysis  
MSU Management Education Center  
Troy, Mich.

### Nov. 7, 2011

OESA 2011 Outlook Conference and 13<sup>th</sup> Annual Meeting of Members  
Detroit Marriott Renaissance Center  
Detroit, Mich.

### Nov. 15, 2011

OESA Chief Purchasing Officers Council\*  
Somerset Inn  
Troy, Mich.

### Nov. 15, 2011

Mastering the Sales Process: From Contact to Contract  
Auburn Hills Pontiac Marriott at Centerpoint  
Pontiac, Mich.

### Nov. 16, 2011

OESA General Motors Town Hall  
Somerset Inn  
Troy, Mich.

### Nov. 16, 2011

OESA Communications Executives Council\*  
TI Automotive  
Auburn Hills, Mich.

### Nov. 30, 2011

OESA Chief Financial Officers Council\*  
Oakland Hills Country Club  
Bloomfield Hills, Mich.

\*Open to council members and invited guests only.