

Motor & Equipment Manufacturers Association

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May 31, 2018

California Senate Committee on Transportation and Housing
California State Assembly
State Capitol, Room 2209
Sacramento, CA 95814

RE: A.B. 2107

Dear Transportation and Housing Committee members:

On behalf of the more than 1,000 member of the Motor & Equipment Manufacturers Association, I am writing to express our concerns with A.B. 2107, which as passed by the Assembly would negatively impact consumers and the aftermarket vehicle parts industry.

Unlike traditional franchise bills governing the relationship between vehicle manufacturers and franchised new car dealers, A.B. 2107 seeks to codify sales and pricing practices for aftermarket retail parts. Furthermore, it is overly proscriptive with respect to how prices are established and who determines the rate & reimbursement for such parts.

The language of the bill would prohibit vehicle manufacturer branded parts from being sold to anyone other than a franchised dealer; as a result, parts distributors, retailers, and independent repair shops would not be able to purchase a full range of products for their repair needs, and would only be able to purchase some replacement parts from a franchised new car dealer. This concerns us because it appears anti-competitive and has the potential to result in price fixing.

If A.B. 2107 is enacted, consumers will be faced with fewer choices and higher repair costs because of limited access and choices for aftermarket parts.

About MEMA

The Motor & Equipment Manufacturers Association (MEMA) represents vehicle suppliers that manufacture and remanufacture components and systems for use in passenger cars and heavy trucks providing original equipment (OE) to new vehicles as well as aftermarket parts to service, maintain and repair over 256 million vehicles on the road today. Suppliers are the largest employers of manufacturing jobs in the U.S. directly employing over 871,831 Americans with a total employment impact of 4.2 million jobs; over 31,000 in the state of California.

Our members lead the way in developing advanced, transformative technologies that enable safer, smarter and more efficient vehicles, all within a rapidly growing global marketplace with increased regulatory and customer demands. Ultimately, about two-thirds of the value of today's vehicles come from suppliers. MEMA represents vehicle suppliers through the following four divisions: Automotive Aftermarket Suppliers Association (AASA), Heavy Duty Manufacturers Association (HDMA), Motor &



Equipment Remanufacturers Association (MERA) and Original Equipment Suppliers Association (OESA). For more information on the motor vehicle component supplier industry, visit www.mema.org.

The Aftermarket Industry

The U.S. automotive light vehicle aftermarket is a \$246.7 billion industry that includes manufacturing, remanufacturing, distribution, retailing, and installation of all vehicle parts, chemicals, tools, equipment, and accessories. Most automotive aftermarket maintenance and repair work takes place in independent repair shops or at vehicle manufacturers' dealerships. There is also a significant "do-it-yourself" market, which comprises individuals who perform their own vehicle repair and maintenance.

With the average age of U.S. light vehicles (passenger cars and pick-up trucks) at 11.5 years, the owners of these vehicles often demand cost-effective solutions for their maintenance and repair needs.¹ As such, the independent aftermarket (e.g. independent repair shops and local repair technicians) has about 70 percent of the service bay capacity to maintain and repair passenger vehicles. In contrast, new vehicle dealers only represent about 28 percent of the service bays.² Therefore, consumers have come to rely on the independent aftermarket to provide both quality repair parts and related services.

The aftermarket industry also includes Remanufacturing, which is as a standardized industrial process by which previously sold, worn, or non-functional products are returned to same-as-new, or better condition and performance. Examples of remanufactured components in the industry include engines, transmissions, alternators, starters, brakes, turbochargers, steering and suspension components, and electronic control modules. Remanufacturing preserves the value of the original manufacturing – including material and energy costs and investments in capital and labor – which recycling alone cannot do. Remanufacturing saves 85 percent of the energy and material used to manufacture equivalent new parts, making it a sustainable and economically viable response to increased global trade pressures, resource scarcity and rising energy costs. For example, new automotive starters require nine times more raw materials by weight as compared to a remanufactured starter.

State governments are increasingly recognizing the benefits of remanufacturing. In 2012 California and Michigan prioritized the use of remanufactured parts and components in their vehicle fleets, and Pennsylvania did so in 2007. New York State in 2000 provided a tax credit for remanufacturing companies and passed legislation in 1998 encouraging the purchase of remanufactured goods. Connecticut and Texas also passed legislation in 1999 promoting the purchase of remanufactured products.

At the Federal level, there is growing support for the benefits of remanufactured motor vehicle parts and components. Congress passed S. 565, The Federal Vehicle Cost Savings Act of 2015, which was signed by the President ([Public Law 114-65](#)) on October 7, 2015. This Act directs all federal agencies to encourage the use of remanufactured vehicle components in maintaining the federal vehicle fleet and defines remanufactured vehicle components as having been "returned to same-as-new, or better,

¹ Source: IHS, July 29, 2015.

² New vehicle dealers represent about 14 percent of the total automotive service outlets in the U.S.

condition and performance by a standardized industrial process that incorporates technical specifications (including engineering, quality, and testing standards) to yield fully warranted products”.

Conclusion

The legislation limits the availability, pricing, and consumer choice for aftermarket parts used in vehicle repairs. This will have a negative impact on parts distributors, retailers, and independent repair shops unable to purchase the parts they need. Ultimately consumers will be faced with fewer parts options and higher prices from limited sources.

We appreciate the opportunity to provide comments; please contact me at (202)-312-9253 or tlehner@mema.org if you have any questions or would like additional information. Thank you.

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

cc: California Senate Committee on Transportation and Housing