

**Motor & Equipment Manufacturers Association**

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March 16, 2017

Dr. Michael S. Piwowar  
Acting Chairman  
U.S. Securities and Exchange Commission  
100 F Street, N.W.  
Washington, D.C. 20549

Dear Acting Chairman Piwowar:

The Motor & Equipment Manufacturers Association (MEMA) welcomes the opportunity to provide comments in response to your January 31 statement on the Securities and Exchange Commission (SEC) Conflict Minerals Rule (77 Fed. Reg. 56273), in which you encouraged interested parties to submit detailed comments.

MEMA represents vehicle suppliers that manufacture and remanufacture original equipment and aftermarket components and systems for use in passenger cars and commercial vehicles. By directly employing more than 871,000 Americans and generating a total employment impact of 4.2 million jobs, motor vehicle suppliers are the largest employer of manufacturing jobs in the United States. 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.

MEMA supports repeal of Section 1502 of the Dodd-Frank Act and urges the SEC to act quickly and fully suspend the Conflict Minerals Rule. While the humanitarian goals of the original legislation are laudable, the rule has instead led to job losses in legitimate mining operations in the region, failing to meet the goals. At the same time, the rule also has placed unnecessary onerous cost on business with no benefit to the region the rule is attempting to help.

MEMA members include large manufacturers that are issuers under the conflict mineral reporting requirements. Additionally, MEMA also represents small and medium motor vehicle parts manufacturers, many of which are privately owned and not filing reports with the SEC. However, this rule burdens a significant number of motor vehicle suppliers – large and small alike – including those not mandated to file annual reports with the SEC. Corporate customers, such as vehicle manufacturers, have required these privately-owned companies of all sizes to track the source of minerals in the products they sell up the supply chain. Actions to implement a full suspension should be taken quickly to lessen the burden the upcoming reporting deadline places on manufacturers.





Conflict minerals, as defined by the statute and the rule, are found in many automotive products, including, but not limited to, fuel tanks, seat cushions, batteries, brake pads, radiators, sealants, glass and electronics. Given the broad variety of motor vehicle parts that contain conflict minerals, publicly held Tier 1 suppliers and vehicle manufacturers have been forced to survey the thousands of suppliers throughout the many levels of production to attempt to determine the source of minerals in the tens of thousands of parts in each vehicle model.

The rule fails to recognize the complexity of the motor vehicle supply chain, ignoring the challenges the industry faces in both the accuracy and practicality of tracking back through the many layers of the supply chains. Under the reporting requirement, a publicly traded Tier 1 supplier – a company that sells assembled systems to the vehicle manufacturer – must determine the source of conflict minerals in their product. To do this, the Tier 1 supplier must request detailed information from their suppliers, ultimately requiring each layer in the production chain to go to the layer before. Assuming each layer of the supply chain can provide information regarding the source of minerals, a publicly held company will be able to determine the smelter of the minerals, if possible. Unfortunately, approximately 90 percent of the companies that filed Conflict Minerals reports in 2016 were unable to accurately cite the source of minerals in their products.<sup>1</sup>

In addition to the burden placed on large Tier 1 suppliers and other publicly traded companies, the rule is incredibly challenging for small- and medium-size suppliers further down the supply chain. These companies receive multiple information requests from the companies further up the supply chain to which they supply parts and materials. The information requests add costs to the companies, many of which divert resources from their core business priorities. Many of these privately held companies are in the process of finalizing contracts with vendors to process information for customer requests for 2017 filings. Prompt action by the SEC to suspend the rule will help alleviate these future costs and burdens.

In addition to the challenges of tracing minerals through the supply chain, the rule also places a significant financial cost on motor vehicle parts manufacturers. For example, a large Tier 1 supplier has estimated that annual expenditures have totaled approximately \$3 million since the annual reporting requirements took effect. These costs include tracking the supply chains and processes of over 7,000 lower tier suppliers, evaluating the minerals tracking efforts of all suppliers and, categorizing the likelihood that a supplier's products contain conflict minerals. Further costs are incurred as all findings from the company's

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<sup>1</sup> Emily Chasan. U.S. Firms Struggle to Trace 'Conflict Minerals. Wall Street Journal. August 3, 2016.



suppliers must be manually entered into a database and categorized so that the information provided may be utilized by the Tier 1 supplier in preparing filings.

For all these reasons, MEMA urges the SEC to immediately implement a full suspension of the Conflict Minerals Rule, Section 1502 of the Dodd-Frank Act.

On behalf of our member companies, I urge your prompt attention to this important issue. For additional information, contact Catherine Boland, MEMA vice president, legislative affairs at 202-312-9241 or [cboland@mema.org](mailto:cboland@mema.org).

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