

Motor & Equipment Manufacturers Association

1030 15th Street, NW Suite 500 East Washington, DC 20005
Tel 202.393.6362 Fax 202.737.3742 E-mail info@mema.org



May 16, 2018

The Honorable Robert B. Jacquard
Rhode Island House of Representatives
82 Smith Street
Providence, RI 02903
rep-jacquard@rilegislature.gov

RE: Opposition to S. 2679

Dear Representative Jacquard:

On behalf of the more than 1,000 member of the Motor & Equipment Manufacturers Association, I am writing to express our concerns with S. 2679 as amended, which awaits further consideration before the House Corporations Committee.

Specifically, we believe the language in the bill discourages the use of aftermarket replacement parts for motor vehicles less than 48 months old. As amended, the bill encompasses all aftermarket replacements parts, not just body parts. We believe that if enacted, consumers will be faced with higher repair costs and fewer repair choices, and manufacturing jobs would suffer due to less demand for aftermarket products.

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; nearly 2,000 in the state of Rhode Island. 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.

Aftermarket and Remanufacturing Industries

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.

Remanufacturing is 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.

The United States is the world's largest producer, consumer, and exporter of remanufactured goods. According to a 2012 U.S. International Trade Commission (ITC) report, the industry supports at least 180,000 full-time jobs. Motor vehicle parts remanufacturers are in the top three sectors of the industry, accounting for 30,653 direct, full-time jobs in the U.S. The ITC report also states that production of remanufactured goods in the U.S. increased by 15 percent from 2009 to 2011, and exports totaled some \$ 11.7 billion annually.

Government Support for Remanufactured Parts and Components

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

¹ Source: IHS, July 29, 2015.

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

Prior to the passage of The Federal Vehicle Cost Savings Act of 2015, the Government Accountability Office (GAO) issued a report ([13-316R](#)) on the use of Remanufactured Parts in the Federal Vehicle Fleet. The report identified that there are approximately 588,000 vehicles in the federal fleet, which costs approximately \$ 975 million annually to maintain. The report confirmed that Remanufactured parts are up to 25% less expensive than new parts.

In 2014, the Federal Trade Commission (FTC) revised its "[Guides for the Rebuilt, Reconditioned and Other Used Automobile Parts Industry](#)". The updated guidelines contained a revision to prohibit the use of the terms "remanufactured" or "factory rebuilt" to describe automotive parts not produced in a factory setting. The FTC noted: "The term 'remanufactured' like the term 'factory rebuilt' should be used only if the product was rebuilt 'in a factory setting generally engaged in the rebuilding' of industry products."

Conclusion

The legislation in its current form discourages the use of quality aftermarket and remanufactured parts, which is not only harmful to the industry and consumers, but ignores the value and benefit of aftermarket and remanufactured motor vehicle components. MEMA respectfully requests that the bill be amended to allow for aftermarket and remanufactured parts to be used in vehicle repairs, and that you preserve consumers' choice in recognition of the high-quality, cost-effective, environmentally-friendly options for motor vehicles.

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,



Ann Wilson
Senior Vice President, Government Affairs

cc: members of the Rhode Island House of Representatives