



September 25, 2023

The President
The White House
Washington, D.C. 20500

Dear Mr. President,

New motor vehicle production and its importance to the national economy depend on a healthy and vibrant vehicle supplier industry. Whether it is providing Americans with safe and reliable transportation, or supporting the transformation to zero-emissions vehicles, vehicle suppliers are the backbone of U.S. auto manufacturing.

Many vehicle suppliers are still recovering following COVID, the chip crisis, and continued labor shortages. The recent work stoppages associated with the UAW-Detroit 3 contract negotiations have left distressed suppliers even more vulnerable. MEMA, The Vehicle Suppliers Association¹, urges you to effectuate federal assistance to ensure the survival and viability of this critical industry sector. Without federal assistance, the ability of the automotive industry to resume full manufacturing capacity is at risk.

Of immediate concern are smaller suppliers with annual revenues of less than \$200 million; these suppliers are in every state throughout the U.S. and are often the largest employer in a county or region. In a recent industry survey, half of these suppliers were identified as financially distressed. The strike has already forced layoffs, furloughs, and shutdowns at vehicle supplier locations. Given the interdependence of vehicle suppliers, vehicle production will be impacted long after a resolution to the strike due to harmed suppliers. Note that it only takes one component that is unavailable from a supplier to shut down an entire production line.

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MEMA, the Vehicle Suppliers Association, is the leading trade association in North America for vehicle suppliers, parts manufacturers, and remanufacturers. Automotive and commercial vehicle suppliers are the largest employer of manufacturing jobs in the United States, directly employing over 900,000 people throughout the country. Direct, indirect, and induced vehicle supplier employment accounts for over 4.8 million U.S. jobs and contributes 2.5 percent to U.S. GDP. Suppliers lead the way in new vehicle innovations. Vehicle suppliers conceive, design, and manufacture the original equipment (OE) systems and technologies that make up two-thirds of the value of every new vehicle.

Rapid resolution of the negotiations is one critical step. At the same time, the country is depending on these same suppliers to substantially transform their products and manufacturing facilities to address climate change. The financial stability of smaller suppliers even before the strike raised real questions regarding the ability of the supply base to manufacture parts and components for zero-emission vehicles.

The federal government must continue to work with the vehicle supplier sector toward a financially healthy industry that is ready to move with alacrity toward the transformation of our nation's vehicles. Without a strong supplier industry, the U.S. will be unable to compete in the manufacture of new, transformative technology and components, and will leave our nation more reliant on imports from other nations.

Therefore, MEMA urges the administration to:

- Establish a scalable program through existing authority and resources of the Small Business Administration (SBA) and/or other agencies to maintain workforce and operational capacity. This would allow the supply chain to resume full manufacturing capacity after the resolution of the strike.

This program should be available immediately and provide:

- loans with either low-interest rates or loan forgiveness;
 - flexibility to address pressing needs while maintaining the workforce and operations;
 - loans for companies with an average reported revenue of under \$200 million of motor vehicle revenue or the SBA definition based on NAICS codes;
 - minimum loan amounts starting at \$500,000 with a maximum of \$10 million; and
 - loans structured with capital accessible on a stated-need basis with up to 50 percent of the loan value for payroll.
- Initiate an immediate emergency workforce training program that will allow suppliers to keep workers in the facilities during the strike and work slowdown, actively training for transformative manufacturing and technology.
 - Reconsider the Total Project Value established in the Domestic Manufacturing Conversion Grant Program under the Inflation Reduction Act (IRA). The Department of Energy (DOE) has established anticipated project sizes, ranging from \$50 million to



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\$500 million. These project sizes are significantly larger than most supplier retooling and conversion investments, and grants at this level will do little to assist suppliers with project investment. Without changes to the program, it will not sustain and grow a viable U.S. supply base for the future.

These are difficult times for the automotive vehicle suppliers, but now is the time to strengthen the industry for current and future success. We would appreciate the opportunity to continue to work with your staff on the specifics of these proposals.

We urge you to act now to support the vehicle supplier community. Thank you for your time and consideration.

Sincerely,

Bill Long
President and CEO
MEMA, The Vehicle Suppliers Association