Testimony of the

Motor & Equipment Manufacturers Association

Before the

U.S. House of Representatives

Committee on Financial Services
and
Committee on Small Business

"Condition of Small Business and Commercial Real Estate Lending in Local Markets"

26 February 2010

The Motor & Equipment Manufacturers Association (MEMA) represents nearly 700 companies that manufacture motor vehicle parts for use in the light vehicle and heavy-duty original equipment and aftermarket industries. MEMA represents its members through three affiliate associations: Automotive Aftermarket Suppliers Association (AASA), Heavy Duty Manufacturers Association (HDMA), and Original Equipment Suppliers Association (OESA).

Motor vehicle parts suppliers are the nation's largest manufacturing sector, directly employing over 685,000 U.S. workers and contributing to over 3.2 million jobs across the country. Every supplier job creates another 4.8 jobs in local and state economies. Automotive suppliers are the largest manufacturing employer in eight states: Indiana; Kentucky; Michigan; Missouri; Ohio; Oklahoma; South Carolina; and, Tennessee. Furthermore, suppliers are responsible for two-thirds of the value of today's vehicles, nearly 30 percent of the total $16.6 billion automotive research and development investment, and are providing much of the intellectual capital required for the design, testing, and engineering of new parts and systems.

Over the past year, significant and unprecedented government and industry actions have prevented a collapse of the automotive industry, the largest manufacturing sector in the United States. But without specific attention to the future of the supply base, we will lose important manufacturing jobs and capabilities. Over the past three years, MEMA estimates that the country has lost over 100,000 supplier jobs; while the Bureau of Labor Statistics estimates that automotive suppliers alone will lose an additional 100,000 jobs over the next decade. Forecasters generally estimate that 2010 North American vehicle production will increase by at least two million units or 25 percent (about 10.5 to 11 million units), but a recovery will not be sustainable without a stable supply base. The future expansion, employment, economic contributions and structural viability of the supply base are dependent on continued access to credit. Only through continued coordinated action by the motor vehicle industry, the financial community, and the government will the industry be able to ramp-up and retooling costs be minimized.

Access to credit continues to be a pervasive issue for parts manufacturers – particularly small suppliers. Even with the improving economy and, specifically, vehicle production schedules, 25 percent of OESA members report that bank lending terms have actually tightened over the past three months. (See Attachment 1). Without an increase in lending activity, the fragile economic recovery is at risk, along with employment growth.

Despite the recent Federal Reserve Senior Loan Officer Opinion Survey on Bank Lending Practices that showed a decrease in demand for small business loans, a pilot loan enhancement program in Michigan clearly shows there is pent up demand for borrowing by automotive suppliers and general manufacturers that is being underserved by commercial banks. The fact is, for months, automotive suppliers in great need for capital have not been served by traditional lenders. Eventually, these borrowers give up on commercial banks, causing a perceived slack in demand. However, the need has not gone away. Suppliers are forced to turn to alternative private equity or other financial sources that may come with undesirable terms or management control provisions.

There remain three fundamental sources of systemic risk in the automotive industry: production volumes, asset valuations and supply base consolidation. The State of Michigan has a program that addresses these three critical impediments for the suppliers and the bankers:

- ***Cash Flow*** **–** Even though production will increase in 2010, production will remain at least 500,000 to 1 million units below 2004-2005 levels for the next five years. These volume levels will constrain revenues and cash flow. This public/private program addresses these shortfalls by purchasing a portion of a commercial credit facility and offering preferred terms for up to 36 months to borrowers.
- ***Collateral Value*** **–** While auto physical asset valuations and real estate prices have recovered slightly from the first half of 2009, valuations remain too low to support automotive asset backed lending. This issue is addressed by supplementing the collateral value on loan requests and depositing cash pledged to the bank.
- ***Transitional Risk*** **–** Consolidation of the supply base continues and often a decision criteria to de-source a supplier is not known by an individual bank. By creating a mezzanine (bank of banks) model, the risk of a supplier being consolidated out of business can be spread among several lenders and offer both debt and equity investment opportunities.

Michigan started its program in June of 2009 and was flooded with applications. The first program appropriation ($12 million) was fully committed within the first five months and was oversubscribed by nearly 300 percent. A second round began in January 2010 and it too became inundated with applications. The program has been successful in generating new loans by improving the health of the borrower from an underwriting perspective. In order to induce new loans in this environment, even healthy banks have to get comfortable with the borrower's cash flow and collateral coverage – the two biggest obstacles to loan approval today. The Michigan program is extremely effective in improving this calculus.

The Manufacturing Modernization and Diversification Act, H.R. 4629, creates a Michigan-type program on a national scale. We appreciate the Chairman's support and co-sponsorship of H.R. 4629 and we would like to thank Representatives Peters, Kanjorski and Dennis Moore for co-sponsoring the legislation. Slight changes may be necessary to make this legislation work for motor vehicle suppliers, but the goals and intents of the bill are important. In addition, MEMA supports the Administration's efforts to unlock credit for small businesses and to improve the effectiveness of the Small Business Administration.

The Administration's Small Business Lending Fund proposal is a good first step to opening up credit for small manufacturers. MEMA supports the efforts led by Representatives Peters, Levin and Dingell to combine these two legislative proposals and urges Congress to pass both pieces of legislation quickly.

Additionally, MEMA supports other efforts of Congress and the Administration. MEMA believes that the proposed increase in 7(a) loan limits, which is called for by S. 1817, will be particularly useful. We greatly appreciate the leadership of Congressman Peters in the passage of H.R. 3246, the Advanced Vehicle Technology Act, which was supported by many members of the Committees here today when it passed the House with bipartisan support. Finally, we support S. 1617 and H.R. 3083, the IMPACT Act, co-sponsored by Congresswoman Kilroy. These bills will provide greater access to near- and long-term funding for the supply base.

The Current Situation

Throughout 2009, MEMA, OESA, and other industry analysts warned about an impending implosion of the supply base. The risk was real. Because of this, the industry, the government, and the financial communities all contributed to prevent this implosion. The following events were critical in preventing such an implosion:

- The U.S. Government provided debtor-in-position (DIP) funding for GM and Chrysler bankruptcies preventing these companies from liquidating;
- The U.S. Treasury Auto Supplier Support Program assisted several hundred suppliers;
- Virtually all GM and Chrysler production suppliers were granted essential supplier status in bankruptcy and were paid 100 percent of their cure amounts;
- GM paid its June 2 payables on May 28, supporting the cash flow of many suppliers;
- Industry production volume ramp-up was delayed until the Car Allowance Rebate System ("Cash for Clunkers") took effect in July and August; and,
- Major suppliers filing for Chapter 11 obtained DIP financing from traditional and non-traditional sources preventing liquidation of major component suppliers.

Even with these noteworthy actions, over 50 U.S. suppliers filed for bankruptcy in 2009 and up to 200 suppliers may have liquidated (see Attachment 2). Significantly more bankruptcies did not occur because:

- Many suppliers liquidated without filing for bankruptcy protection;
- OEMs announced plans to source only 50 to 75 percent of their current supply base on future programs, yet these shifts have not fully occurred; and,
- Many other companies are undergoing out-of-court restructurings with drastic cost-cutting measures.

To survive through this period, suppliers have dramatically reduced their cost structures. Surveys of our member companies indicate that over the course of 2009 suppliers reduced their estimated North American production break-even point (the level of industry production where profitability begins) by 1 million units or almost 10 percent. Such dramatic reductions in a short time period are significant. In fact, a recent Towers Watson survey shows that automotive suppliers took significantly more radical actions to control human resource costs than the broader, national industries. A few of the Tower Watson findings include:

- **Salary Reductions –** 71 percent of OESA member companies implemented versus 16 percent of the national sample;

- **Increased Health Care Premiums –** 43 percent of OESA member companies implemented versus 25 percent of the national sample;
- **Reduced employer 401(k) match –** 57 percent of OESA member companies implemented versus 22 percent of the national sample;
- **Mandatory Shutdowns –** 69 percent of OESA member companies implemented versus 18 percent of the national sample; and
- **Reduced Workweek –** 74 percent of OESA member companies implemented versus 19 percent of the national sample

This means that even with a modest increase in production, suppliers, on average, should be above their breakeven point in 2010. However, currently there is significant pressure on the entire system to access adequate working capital as production levels increase. There is no existing excess cash or inventories in the companies and the supplier industry must look to financial institutions to provide this capital.

Overall, lending continues to be constrained because, in part, there is significant industry risk from on-going supplier rationalization actions, volatile production schedules and historically low collateral asset valuation levels. All analysts expect an increase in light vehicle production in 2010 and there must be increased access to capital through the entire supply chain – from the largest Tier 1 supplier to the smallest family-owned firm – in order to:

- Rehire workers and purchase raw materials for production increases;
- Retool for new programs; and,
- Restructure internal operations and consolidate external capacities.

On a case-by-case basis, the lending situation is improving. Still, the pace at which lending is improving may not be fast enough to support the industry. As one OESA member stated, “I pay my employees weekly, my leases every four weeks, my vendors every six weeks, and my customers pay me every eight weeks.” Access to capital is the cushion that keeps our supply base liquid.

Longer-term capital needs for restructuring, for new model launches, and for technology development projects is of particular concern. It is very typical for a $100 million supplier to have $5 to $10 million in customer tooling costs on their own balance sheet. There should be exploration of a national industrial bank to provide stable manufacturing funding in the future for tremendous re-tooling needs of the suppliers as well as all manufacturers.

While there has not been a widespread failure of the system as suppliers have restructured or liquidated, issues regarding access to capital are showing up and an inordinate amount of attention is required to keep the supply base running. These are just a few examples from our membership:

- A minority-owned supplier, which just was announced as an addition to an OEM joint research development program, can only obtain a one-year line of credit;
- A supplier looking for tooling capital for a strong performing OEM was turned down by traditional lenders and nearly 100 alternative sources of funds;
- A number of purchasing executives remain worried about smaller manufacturers in their supply base as banks are considering eliminating available credit;
- A smaller metal fabricating business could not get a loan to purchase equipment for a new line to deepen his capital base and keep his Midwest workforce competitive; and,
- A small metal fabricator could not raise additional capital to invest in his Michigan operations and lost the business to Mexico.

These are not examples of supplier capacity in need of rationalization. These are examples of suppliers that are looking to invest in the U.S., to compete against global competition, and to support a profitable, productive domestic auto industry.

Given that the parts supplier sector is operating just above 50 percent capacity utilization, we believe that there will be a continued stream of bankruptcies and closures through 2010. MEMA expects ongoing closures as the industry continues to operate at low – albeit increasing – production volumes. Although much of this is to be expected in an industry in transition, adequate capital is necessary to consolidate the industry in a rational, effective manner. A majority of OESA members surveyed in January of this year did not report confidence that sufficient credit existed for merger and acquisition opportunities. Production disruptions and failure of companies with critical capabilities may ensue and the restructuring of the supplier industry will cause needless job losses and economic upheaval in communities already hard hit.

Focus on Smaller Suppliers

Given the industry's significant capital requirements and the general mismatch of funding, a steady access to lines of credit and asset-backed loans is essential for the survival of the supply base. For example, many small suppliers invest $2 to $4 million for the design, engineering and tooling for a component on a new vehicle program. However, typically suppliers receive payment for this investment after the launch of production through the piece price of the component. The supplier might not begin receiving any cash flow on their investment for 12 to 24 months and will not completely be reimbursed until the product ends production in another 36 to 60 months. Again, these needs may be served through a national industrial bank arrangement that could blend private and public sources of capital to effectively address the needs of this capital intensive industry and its inherent risk profile.

Most analysts project that Tier 2 and 3 suppliers will require additional assistance with capital in 2010. A January survey of OESA members indicates that 9 percent of companies with revenue under $150 million (compared to 5 percent of all respondents) anticipate being out of compliance with commercial loan covenants during the first six months of 2010. Although Tier 1 suppliers and some vehicle manufacturers may continue to support working capital needs of suppliers in their supply base, this is hardly a long term solution. This practice continues to weaken an industry that is already under considerable stress.

Fitch Rating has forecasted a modest recovery for the U.S. automotive supplier industry in 2010 based primarily on higher projected light vehicle production. However, Fitch goes on to report:

> *" … Another credit concern for the suppliers is focused on working capital requirements. With vehicle production expected to rise, suppliers will need liquidity to fund working capital needs. Most suppliers should have ample liquidity but some Tier 2 and Tier 3 suppliers may continue to face liquidity challenges for greater working capital.*

Without a healthy parts manufacturing industry, the United States will lose a significant portion of this country's manufacturing innovation and employment base. The financial health of families and communities nationwide and the promise of a domestic 21st century motor vehicle industry depend on a strong supplier sector. MEMA strongly believes a program specifically aimed at the capital needs of small manufacturers must be the first step taken to address these challenges.

Conclusion

Manufacturing is essential to this nation's economy. The jobs and technology in the manufacturing sector provides for stable communities throughout this country. At this juncture, parts manufacturers need the support of our financial system to sustain a viable future. This support will require Congressional action.

MEMA understands and supports the need to consolidate the industry. However, we believe that without sufficient capital to provide a stable environment in which to restructure, the industry and its employees will witness unnecessary disruptions. Without assistance, this country will needlessly lose manufacturing capacity, technology development, and jobs. In addition to the legislation currently before Congress, MEMA would urge this Committee to consider the formation of an industrial bank to provide for stable manufacturing funding in the future.

In conclusion, parts manufacturers remain in a period of significant industry-wide transformation. Smaller firms at the foundation of the supply chain pyramid are continuing to have difficulty accessing capital. Given the supply base's significance to the economy and innovation, it is imperative that the government, the industry, and financial communities work together to provide access to credit at reasonable terms. In parallel, given the number of technology options the industry needs to develop and commercialize, all parties must work together to clarify these technology paths and reduce the investment risk for the development and manufacture of these advanced technologies so as to encourage capital back into the industry.

# # #

OESA
Automotive Supplier Barometer

January 2010

OESA
1301 W. Long Lake Road, Suite 225
Troy, MI 48098
248-952-6401
www.oesa.org

Attachment 1

January 2010 OESA Supplier Barometer Summary

- Coming in at 73.1, the OESA Supplier Sentiment Index remained solidly optimistic about the next 12 months. While it was expected that the index would slip back as respondents changed their views from becoming more optimistic in the November survey to "no change" in the current survey, 75 percent of the respondents noted they were "somewhat more" optimistic than they were two months ago.
- Respondent quotes show optimism being driven in three specific areas:
  - **Automotive revenue growth**: "There has been a marked increase in demand for current products and we have seen positive new business wins during the period."
  - **Diverse market revenue growth**: "We landed non-automotive and automotive work that will make 2010 positive regardless of car build levels."
  - **Competitive cost structures**: "We have dramatically lowered our breakeven point and expect the next 12 months to continue above this level."
- The financial health of the suppliers appear to have stabilized – at least in the short term. Only 10 percent of the respondent report that they are in violation of their loan covenants. This was as high as 25 to 30 percent in the 2nd quarter 2009. However, the crisis is not behind the industry as 5 percent of the respondents who are not in violation report that they may be in violation in 2010.
- The cost and availability of credit remains an industry concern. While the majority of respondents state their banking terms have remained unchanged over the past three months, over 20 percent of the respondents note tightening terms in their maximum size of credit lines, the cost of credit lines, commercial loan interest rates and commercial loan collaterization requirements

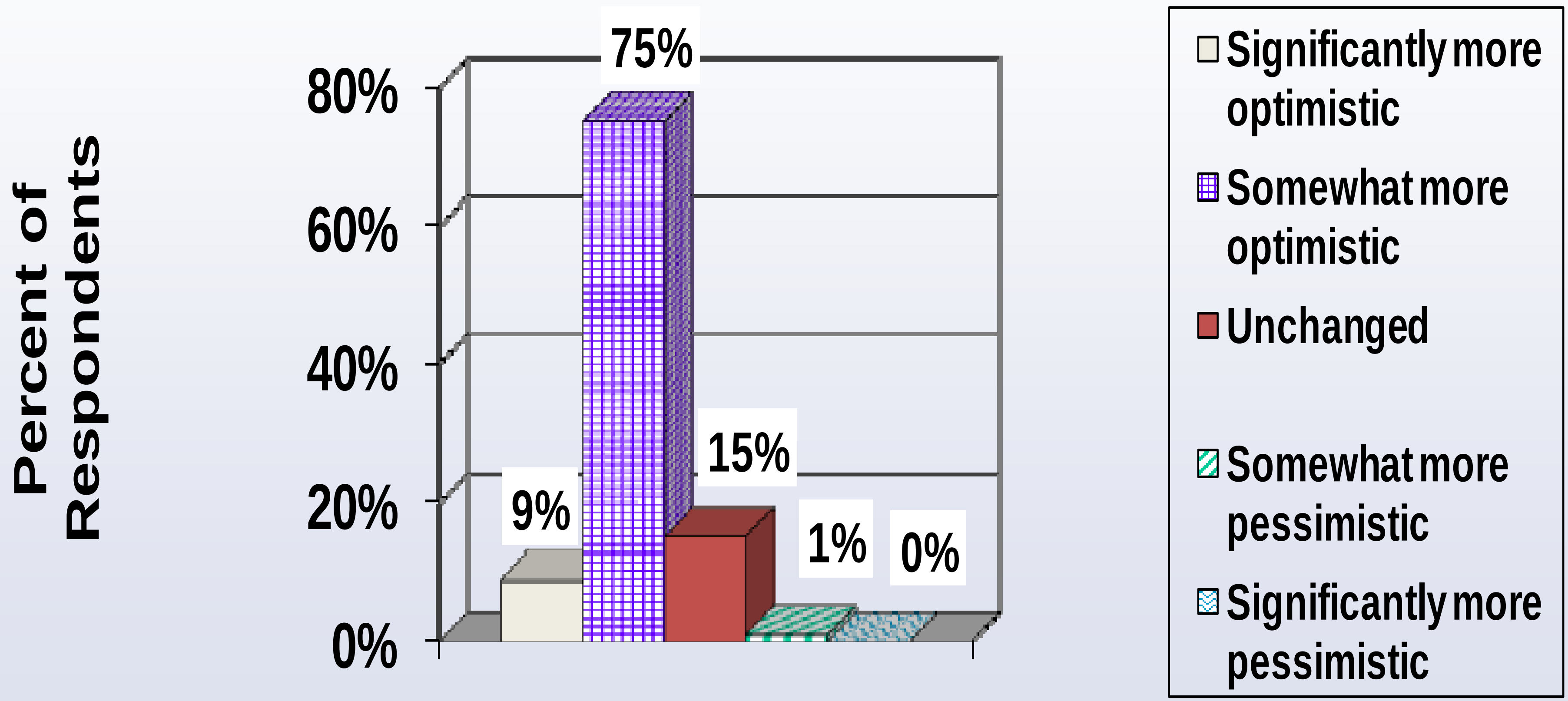
January 2010 OESA Supplier Barometer Summary (continued)

- Overall, the sample is confident they will have access to capital required for inventory financing, plant and equipment investment and other working capital needs. The greatest concern is adequate capital for merger and acquisition transactions.
- The Barometer probed issues suppliers expect to encounter as industry volumes return over the first quarter 2010. The most significant issues include:
  - Production overtime premiums (76 percent of respondents)
  - Outbound/inbound premium freight (51 and 62 percent of respondents, respectively)
  - Raw material shortages (56 percent of respondents)
  - Finished component shortages (40 percent of respondents)

  In addition, 40 percent of the respondents expect skilled labor shortages. Surprisingly, only 8 percent of the respondents believe liquidity issues will be a concern.
- The concept of running assembly plants around the clock on three shifts is being explored. Here, the suppliers have the greatest concerns around workforce staffing, production schedule stability, raw material availability and supply chain capabilities.
- Capacity rationalization continues to be a critical issue. Overall, for their primary product, the respondents estimate that 15 percent of capacity was rationalized in 2009. To reach full capacity in a 15 million unit production market, the respondents estimate another 18 percent needs to be taken out. As shown in questions 7a and 7b, there is a wide deviation around the "average" estimate of rationalization.
- Finally, a full 35 percent of the respondents believe they will need to change their benefit packages to reflect the health care reforms being proposed in Washington.

Attachment 1

Question 1: Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:



Responses = 133

Attachment 1

Question 1 Comments: Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:

Significantly More Optimistic

- “Increased focus during 2009 has resulted in strong consideration for future business awards.”
- “We have dramatically lowered our breakeven point and expect the next 12 months to continue above this level.”
- “Orders are picking up about 15%.”
- “We landed non-automotive and automotive work that will make 2010 positive regardless of car build levels.”
- “There has been a marked increase in demand for current products and we have seen positive new business wins during the period.”

Somewhat More Optimistic

- “Seeing stronger volumes through the first quarter than we anticipated!”
- “The level of automotive purchases during November and December were very positive news - providing a good book of business for us in January and February. Optimistic that levels will increase further as we move into spring and early summer.”
- “Production forecasts are more stable and we have seen a gradual improvement in production volumes in Q4 2009. The forecasted volume in Q1 shows the gradual improvement continuing.

Attachment 1

Question 1 Comments (continued): Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:

Somewhat More Optimistic (Continued)

- "A bit cautious, but more optimistic."
- "First quarter order book continues to hold firm."
- "First quarter releases and outlook are stronger than we expected. We hope it is sustainable."
- "JOEM releases continue to be strong while their vehicle inventories are good (<60 days)."
- "We are seeing better-than-expected strength in the North American market, and a good bounce-back in our non-automotive businesses in growth markets.
- "Stronger and more consistent vehicle production forecast is expected."
- "Releases are stable if not improving a bit."
- "Gradually improving NA production volumes are providing some lift."
- "Improved SAAR rates the past two months provide some optimism that the gradual improvement trend will hold through the 1st quarter."
- "Very concerned about reduced Detroit 3 production and lack of opportunity to substantially grow New Domestic business because of legendary and ongoing nationalistic sourcing practices."
- "1st quarter schedules are holding firm at 4th quarter 2009 levels."
- "We see an up-tick in volumes."

Question 1 Comments (continued): Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:

Somewhat More Optimistic (continued)

- "NA light vehicle sales have stabilized, and production forecasts have followed suit. New vehicle financing has thawed considerably following a year during which absolute inventory levels has been pulled down by about 50% and vehicle sales have been below the scrappage rate for a full year. This signals some upside in demand."
- "Volumes have improved, some production stability has returned. Still relatively low to historical levels, but small improvements can now make a significant impact."
- "It appears the market has stabilized and we are working on a number of new products that promise growth."
- "Economic indicators as well as customer releases seem to show stabilization in the market."
- "Ability to see he releases into 2010 gives us more confidence on what we had heard would be taking place in early 2010."
- "Customer requirements appear firm through Q1."
- "Orders are up for our automotive customers as well as other customers in other markets."
- "Sales orders are starting to increase."
- "Cautious optimism. I still feel the heavy truck sales will fall again."
- "Volumes are rebounding faster than forecasted."

Attachment 1

Question 1 Comments (continued): Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:

Somewhat More Optimistic (continued)

- "New product which adds to vehicle content."
- "I am concerned about raw material increases. Reductions saved us in 2009."
- "Volume has stabilized, new business is getting closer to launch and new program activity remains strong."

Unchanged

- "We are directly impacted by product launches and freshening. The future of new products is still very volatile regarding timing and certainty."
- "Slightly more optimistic for NA, slightly more pessimistic for Europe - on balance unchanged."

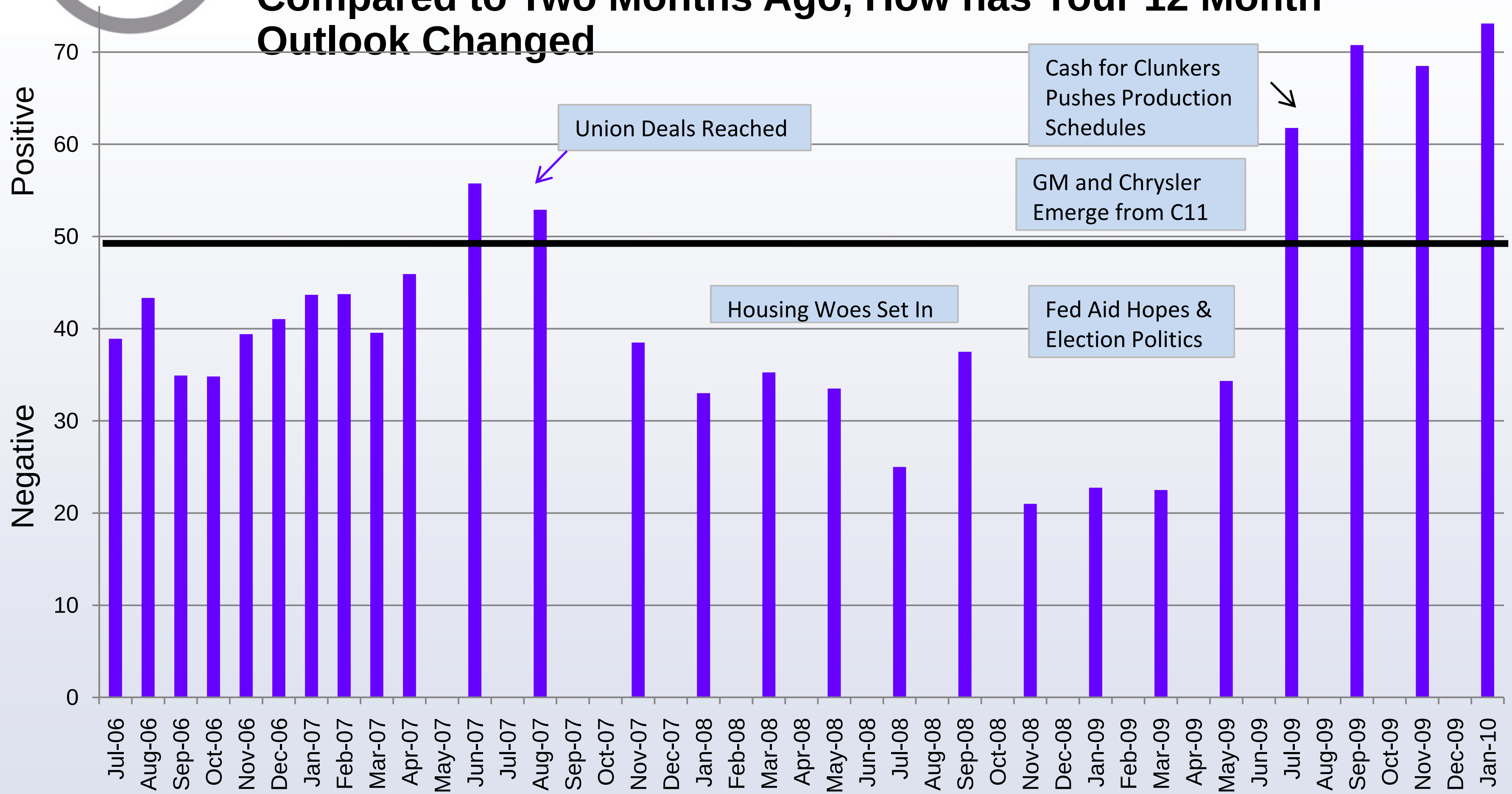
Somewhat More Pessimistic

- "It appears class 8 truck orders for the new 2010 compliant engines is dismal. We will be encountering a cliff event starting late in the first quarter."

Attachment 1

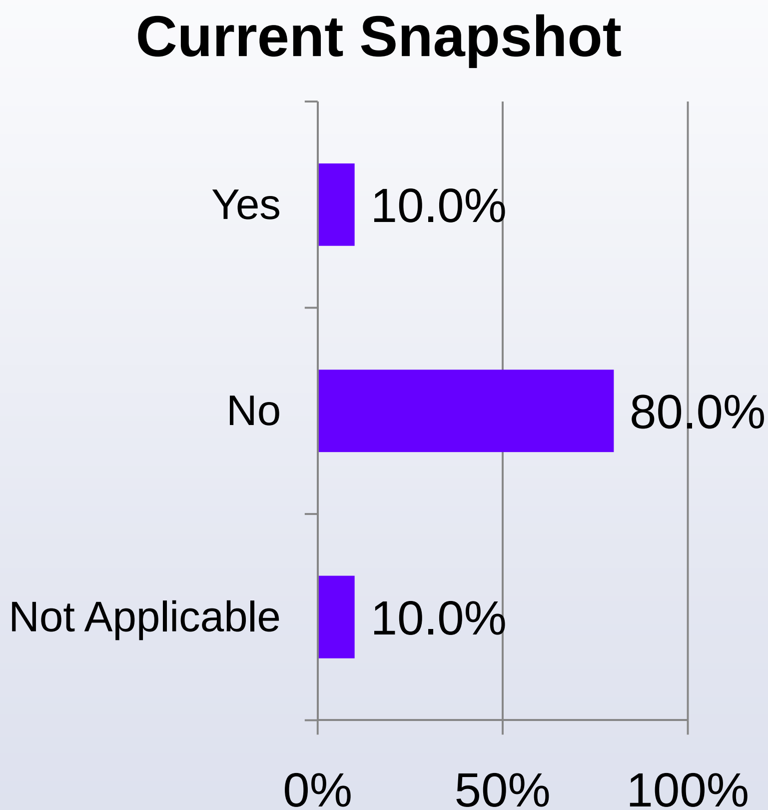
Supplier Sentiment Index

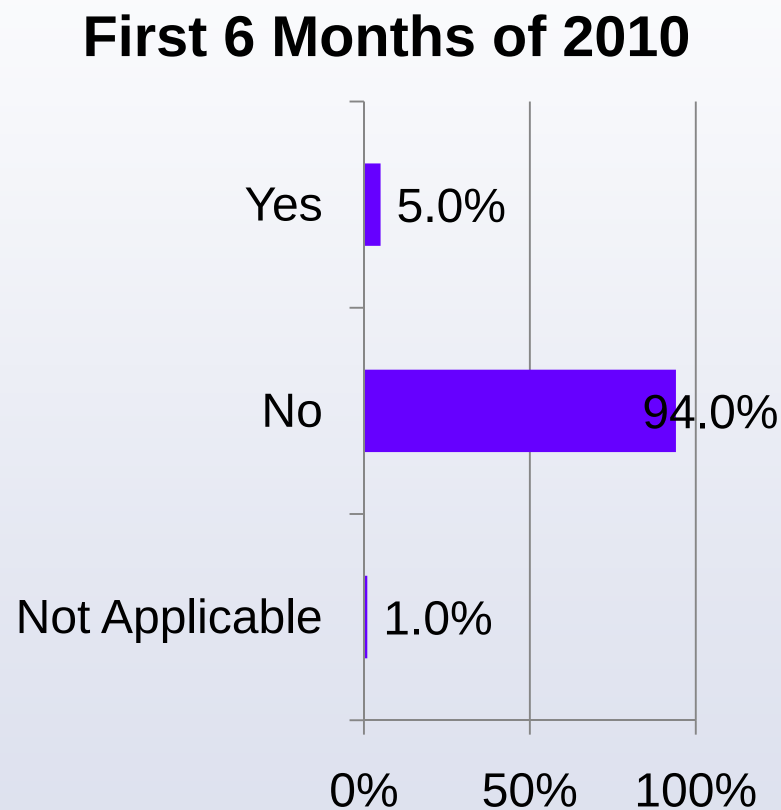
Compared to Two Months Ago, How has Your 12 Month Outlook Changed



Attachment 1

Question 2: Is your company currently out of compliance with its commercial loan covenants? If NO, do you anticipate your company being out of compliance in the first 6 months of 2010?





Responses = Current snapshot: 134; First 6 months of 2010: 113

Attachment 1

Question 3: Considering your lead commercial bank, over the PAST three months how have your terms of your commercial loan or credit line applications changed?

	Tightened Considerably	Tightened Somewhat	Basically Unchanged	Eased Somewhat	Eased Considerably
	1	2	3	4	5
Maximum Size of Credit Lines	5 %	16 %	72 %	4 %	3 %
Cost of Credit Line	9%	16%	71 %	3 %	2 %
Maximum Maturity of Credit Line	2 %	6 %	87 %	4 %	1 %
Maximum Size of Commercial Loan	3%	12 %	79%	5%	1 %
Commercial Loan Interest Rate	6 %	16%	75%	3 %	1 %
Commercial Loan Covenants	3 %	14%	76 %	5 %	2 %
Commercial Loan Collaterization requirements	6 %	14 %	77 %	2 %	1 %
Maximum Maturity of Commercial Loans	3 %	7 %	87 %	2 %	1 %

Responses = 115

Attachment 1

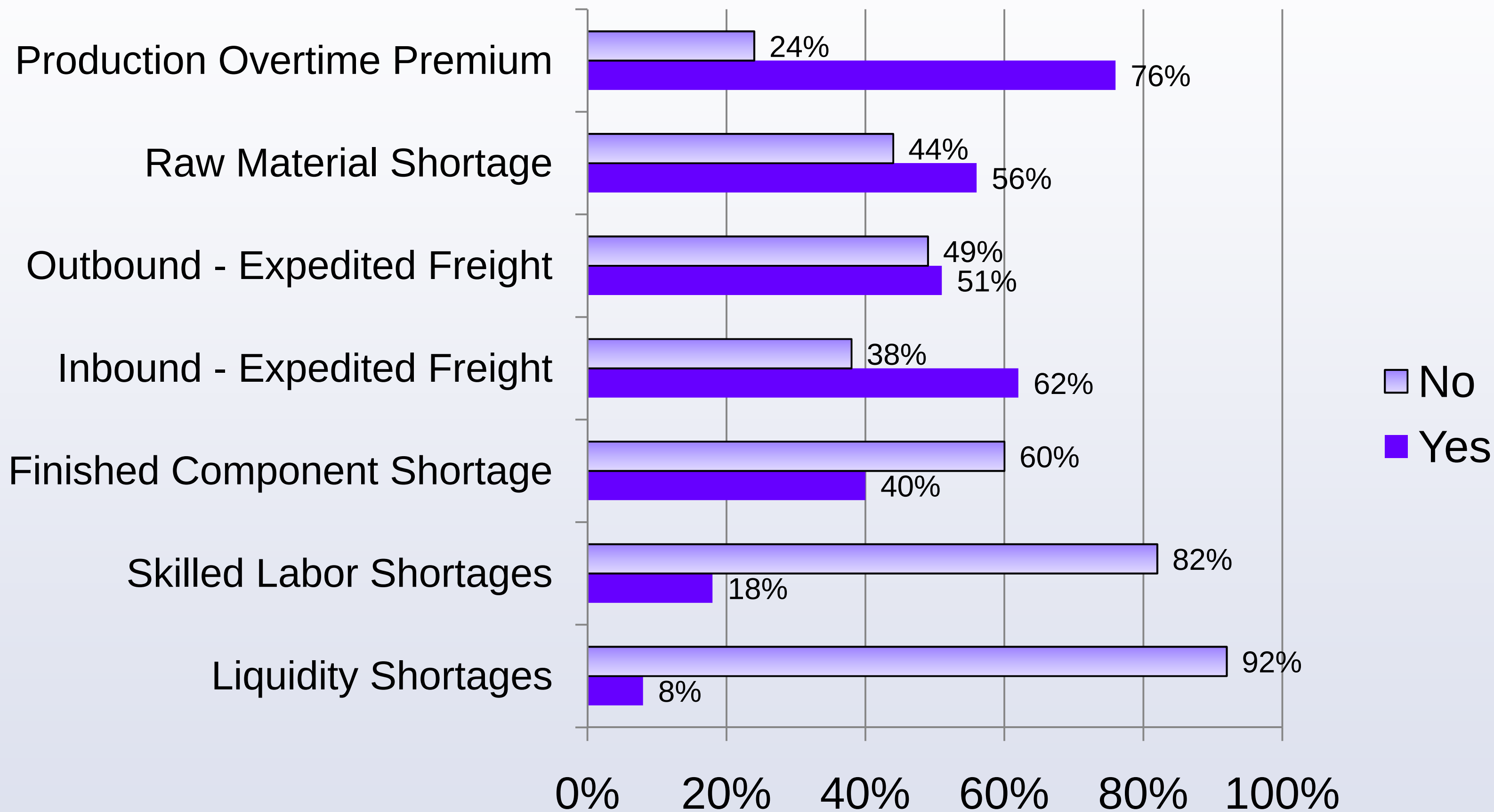
Question 4: Over the NEXT three months, do you have confidence that you will be able to access required levels of capital at appropriate costs for the following uses?

	Significantly Confident	Moderately Confident	Neither Confident or Unconfident	Moderately Unconfident	Significantly Unconfident
	1	2	3	4	5
Inventory Financing	46%	37%	15%	1%	1%
Accounts Payable Financing	44%	37%	17%	2%	0%
Plant and Equipment Investment	31%	35%	17%	15%	2%
Other Working Capital Needs	38%	33%	22%	6%	1%
Merger & Acquisition Opportunities	18%	29%	27%	19%	7%
Program Consolidation Opportunities	27%	33%	29%	9%	2%

Responses = 126

Attachment 1

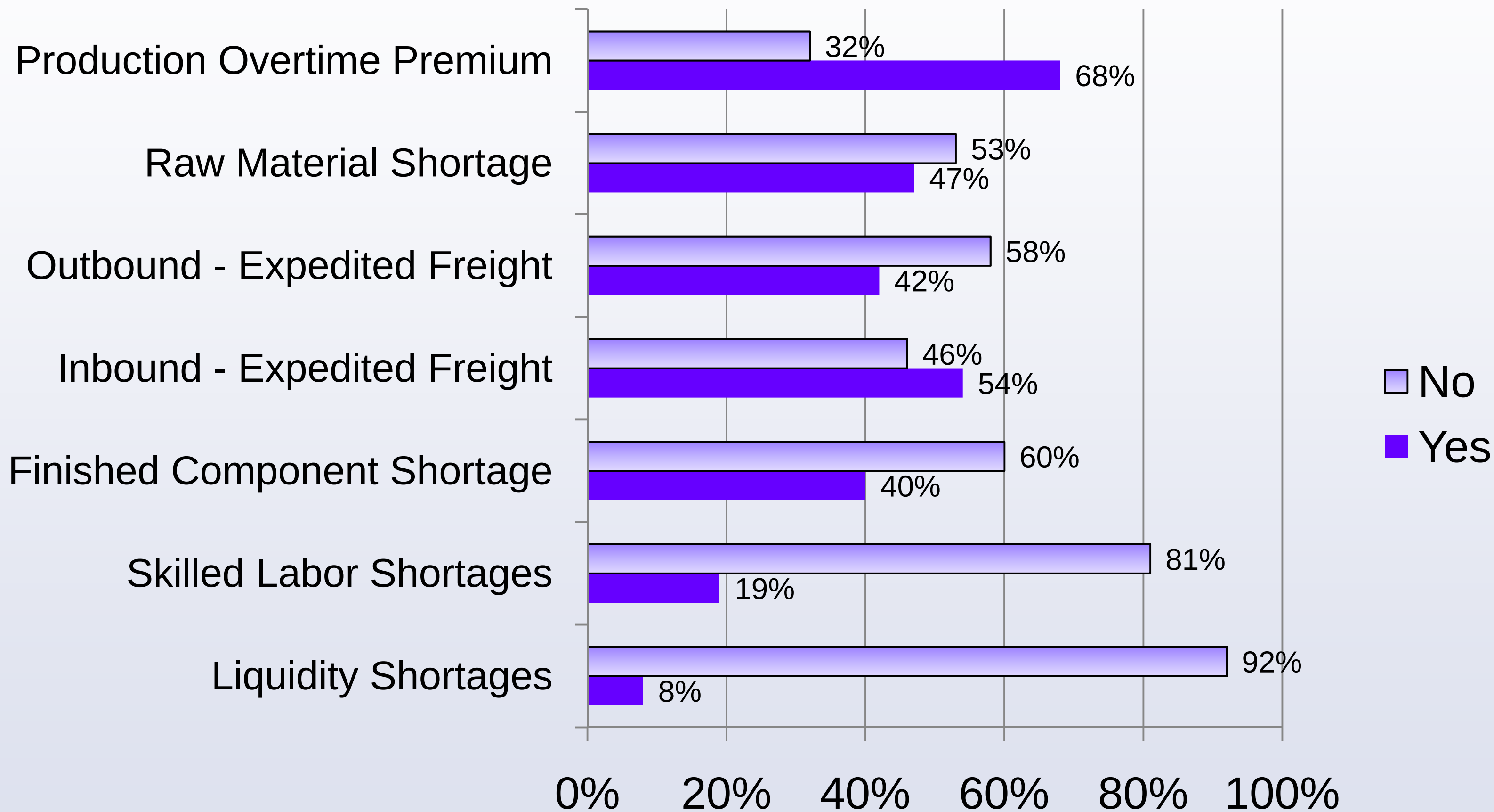
Question 5a: Over the PAST 3 months, what issues have you faced in meeting increased levels of production?



Responses = 130

Attachment 1

Question 5b: Over the NEXT 3 months, what issues have you faced in meeting increased levels of production?



Responses = 127

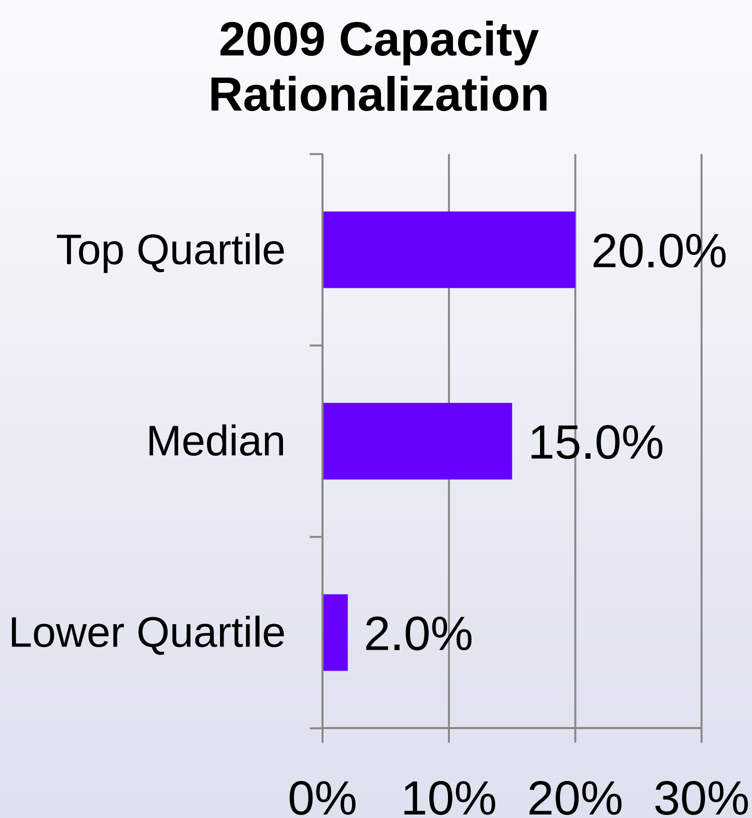
Attachment 1

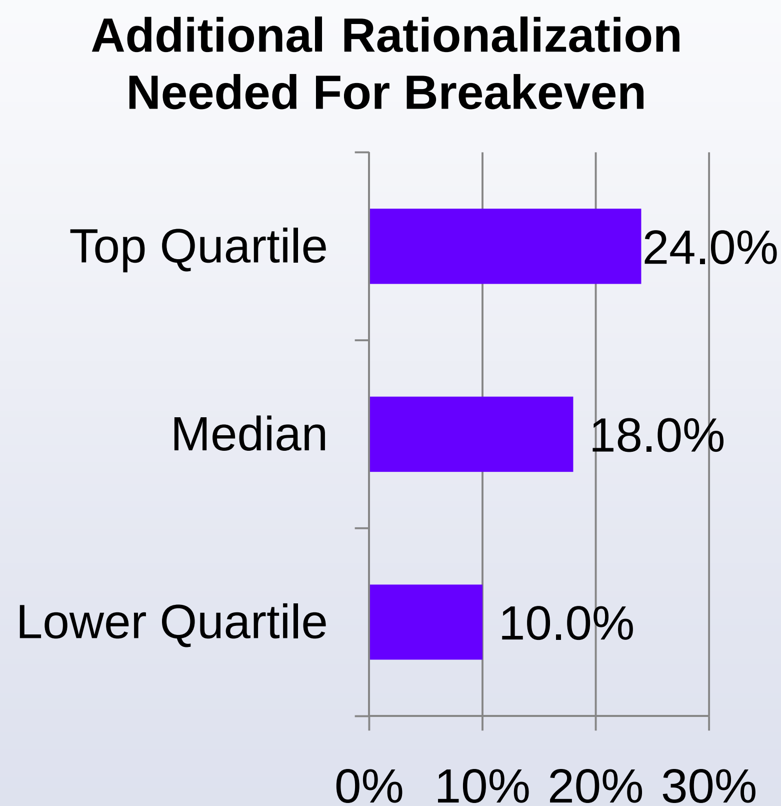
Question 6: GM has announced it will expand its Kansas, MO; Ft. Wayne, In; and Delta Twp., MI assembly plants to three shift operations. What are the three most significant implications to supplier operations to support three shift operations?

1. **Workforce Issues (35 mentions for greatest issue; 21 second place;**
   - Available skills, scheduling, overtime premiums, need to add shifts, training, etc.
2. **Production schedule stability (12 mentions for greatest issue; 5 second place;**
   - Sufficient lead times, stability, validity
3. **Raw material availability (10 mentions for greatest issue; 12 second place;**
   - Shortages, order lead times, etc.
4. **Supply chain support (8 mentions for greatest issue; 10 second place;**
   - Procurement planning, qualification of additional suppliers, component shortages, etc.
5. **Working capital and plant capital investment (6 mentions for greatest issue; 4 second mention;**
   - Need for increased working capital, plant expansion requirements, etc.
6. **Logistics (4 mentions for greatest issue; 2 second place;**
   - Transportation scheduling, sufficient packaging; etc.
7. **Equipment maintenance (3 mentions for greatest issue; 1 second mention;**
   - Maintenance, downtime, etc.
8. **Operations Planning (0 mentions for greatest issue; 5 second place mentions;**
   - Ramping up productions, achieving planned production, etc.
9. **None (10 mentions in first place)**

Attachment 1

Question 7a and 7b: Considering your most significant product, how much excess capacity has been taken out of the industry in your largest product area in 2009? Estimate how much more capacity needs to come out of the industry in your largest product area to achieve full capacity utilization in a 15 million North American production year?

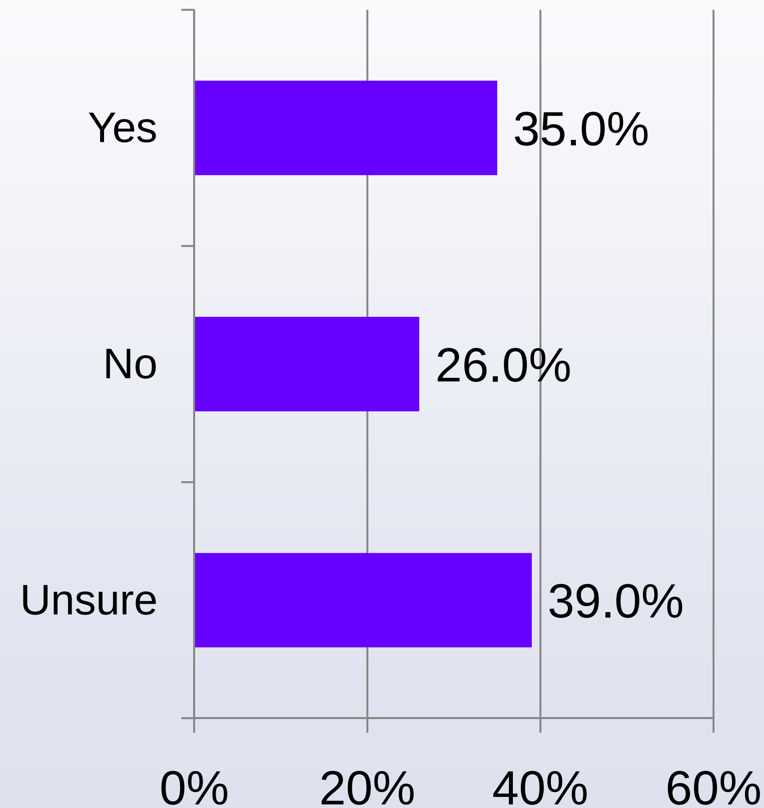




Responses = 2009 rationalization n = 109; future rationalization n = 102

Attachment 1

Question 8: Given what you know about the proposed health care reform legislation, do you foresee changing your health care benefit plans or coverage specifically due to the proposed legislative provisions?



Responses = 133

Attachment 1

Question 8: Given what you know about the proposed health care reform legislation, do you foresee changing your health care benefit plans or coverage specifically due to the proposed legislative provisions?

YES – We do foresee changes

- "Our coverage is way too rich for what will be required."
- "Cost of labor manufacturing in US structural costs of the full organization due to health care benefit plans and employees coverage ."
- "We had a very strong health care benefit plan until it was significantly downsized in 2009 as a means to reduce costs and continue in business. We will be very slow to restore the benefits and will closely look at government sponsored actions / plans that might reduce our cost structure."
- "Public option."
- "Benefit content. Higher costs for less benefits. Punitive fees/taxes imposed by the Feds."
- "If the Government provides more, companies will provide less. Just like other countries."

Question 8: Given what you know about the proposed health care reform legislation, do you foresee changing your health care benefit plans or coverage specifically due to the proposed legislative provisions?

YES – We do foresee changes

- “Right now, we don’t have a Cadillac program as specified by the bill but see loop holes created to pull us in as having a Cadillac program. When this happens we would have to make coverage adjustments to reduce our cost/coverage.”
- “No changes planned yet although we're concerned about fees and or additional taxes placed on self insured plans which may require us to change our employees costs.”
- “We will look hard at the final legislation's impact on employer total cost and revise our 2011 health care programs for non-bargained and bargained (must negotiate) employees accordingly.”
- “I am sure once the final bill is fully understood there will be changes .”
- “There are too many variables to give a definitive answer yet. Should the Plan be adopted in a manner that makes it less competitive for us to keep our existing plans, we will change as needed.”
- “Do not know specifics of plan but likely would further reduce company provided benefits to offload costs to employee and government plan if passed.”

Responses = 133

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Question 8: Given what you know about the proposed health care reform legislation, do you foresee changing your health care benefit plans or coverage specifically due to the proposed legislative provisions?

YES – We do foresee changes

- “Too early to tell what our specific changes would be, but I think it is pretty clear that we will react to the new legislation.”
- “\Will need to change self-directed plans such as HRA’.”
- “We are concerned that any plan that is fair to employees will be deemed a “Cadillac”; plan and invoke the new tax. We are exploring modified health and wellness plans for our employees so as to maintain benefits while avoiding the tax.”
- “We will go the most cost effective plan.”
- “If there is a cheaper government plan, employees will have to bite the bullet and accept it.”
- “Our current health care plan would fall into the Cadillac plans which would be taxed under the current proposal .”

Question 8: Given what you know about the proposed health care reform legislation, do you foresee changing your health care benefit plans or coverage specifically due to the proposed legislative provisions?

NO – We do not foresee changes

- “We provide our hourly and salary employees health care benefits. We do not expect the proposed legislation will have an effect on our plan.”
- “Too early to tell about everything, but we already offer health care and don't expect major changes.”
- “We already made aggressive changes in 2010: a high deductible plan with 70/30 co-pay.”
- “We just moved to a National Carrier.”
- “Our plans far exceed what the government has proposed.”
- “I will not develop a plan until I understand the impact of the final approved health care reform legislation.”
- “Seriously consider cost implications of production in USA, versus our other locations, in support of future programs.”
- “Easy to say no at the moment, but if the industry shifts all will be forced to consider.”
- “Due to labor union in place.”

Question 8: Given what you know about the proposed health care reform legislation, do you foresee changing your health care benefit plans or coverage specifically due to the proposed legislative provisions?

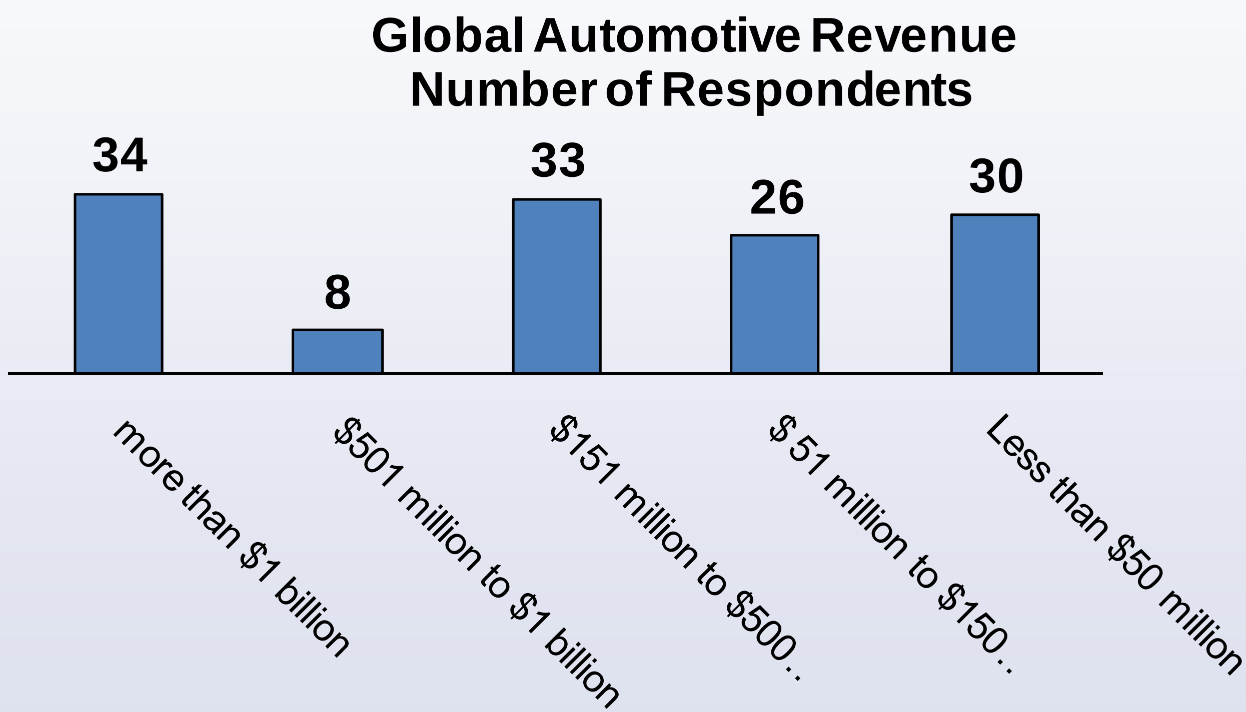
Unsure – If we will need to make changes

- "Have to see details."
- "I expect cost to go up and we will adjust benefits within allowable rules to keep our cost where they are today."
- "I am not sure how the plan being presented stacks up to our current plan. Government running anything can't be a good thing."
- "Too many potentially moving pieces yet."
- "There is limited detail and the bill is continuing to be refined."
- 'Waiting to see how they reconcile the bills."
- "Unclear on what the legislation is."
- "With no final version it is only a guess at this time."
- "Too many of the details are being kept secret to know the impact on our business. Do I think our healthcare plan will change because of this reform legislation and the answer is Yes!"

Attachment 1

Respondent Profile

There were 133 individual respondents from 112 OESA member companies. The January 2010 OESA Automotive Supplier Barometer was conducted between January 11 – 13, 2010.



Responses = 133

Attachment 1

THANK YOU FOR YOUR PARTICIPATION

The OESA Automotive Supplier Barometer survey is published every-other month. The next survey will be launched on Monday, March 8, 2010 and will be released, Friday, March 12, 2010.

For comments and suggestions for future Barometer surveys, contact:

Dave Andrea, Vice President
Industry Analysis and Economics
OESA
1301 W. Long Lake Road, Suite 225
Troy, MI 48098

248-952-6401 x 228
dandrea@oesa.org
www.oesa.org

Attachment 2

Supplier Bankruptcy Filings for 2009

No.	Company	Date	Assets (Millions)	Debt (Millions)	Revenue* (Millions)	Ownership	DIP Financing (Millions)	Components Produced	Bankruptcy Case Number
1	Fuba Printed Circuits GMBH	1/15/2009			$84			Printed circuit boards for automotive, industrial, and telecommunications.	Filed in Germany
2	Checker Motors Corp	1/16/2009	$24.5	$21.8	$9.4			Stamping and welding for hood assemblies, rear panels and other parts	U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-42392.
3	Von Weise Inc.	1/16/2009				Sun Capital Partners Inc.			U.S. Bankruptcy Court, District of Delaware, No. 09-10186
4	Smurfit-Stone Container Corp	1/26/2009	$7,450	$5,580	$7,500		$750	Corrugated packaging maker (paperboard and paper-based packaging)	U.S. Bankruptcy Court, District of Delaware, No. 09-10235
5	Contech LLC	1/30/2009	> $100	> $100	$222.8	Marathon Automotive Group, LLC Marathon Asset Management		Light-weight cast components for cars and trucks It also produces forged steel automotive components, and fabricates tubular steel components.	Contech U.S., LLC - U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-42392 Contech, LLC - U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-42405 MAG Contech, LLC - U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-42409
6	Edscha AG	2/2/2009			$1,080 (Euros)	The Carlyle Group		Door hinges and door checks in the Hinge Systems Division; Convertible Roof Systems; Driver Controls - foot controls and parking brakes	Filed in Germany
7	Mathson Industries	2/4/2009	$2	$8				Powder injection molded, plastic and ceramic components	U.S. Bankruptcy Court, No. 09-42894-TJT
8	Fluid Routing Solutions Inc	2/6/2009	$10 - $50	$10 - $50	$211.5	Sun Capital	$12	Hoses and other parts	U.S. Bankruptcy Court, District of Delaware, No. 09-10384
9	Court Valve	2/6/2009				Court Holdings Ltd. of Beamsville		Manufactures power train transmission components	Filed in Canada
10	Aleris International	2/12/2009	$4,900	$4,200	$5.91	TPG	$1,075	Producer and recycler of aluminum products	U.S. Bankruptcy Court, District of Delaware, No. 09-10478
11	Foamex International Inc	2/18/2009	$363.8	$379.7	$980		$95	Polyurethane foam for bedding and cushions	U.S. Bankruptcy Court, District of Delaware, No.09-10560
12	Wiltec Industries	2/25/2009						Precision machined parts	U.S. Bankruptcy Court, District of Minnesota
13	Plastal Group AB	3/5/2009						Injection-molded and surface-treated plastic to the automotive industry	Filed in Sweden
14	Fabtech Industries, Inc	3/9/2009						Suspension systems and accessories for off-road	U.S. Bankruptcy Court, Central District of California, No. 09-14185
15	Milacron Inc	3/10/2009	$523.3	$752	$175	Avenue Capital Group and DDJ Capital Management LLC	$135	Largest U.S. maker of plastics machinery — also makes industrial fluids used in metal cutting.	U.S. Bankruptcy Court in Cincinnati, Ohio & Canada Filing did not affect DME
16	Pelican Metal Products	3/27/2009						Manufacturer of Welded and Painted Shipping Racks and Containers, and Custom Formed Products for Automotive and Related Industries	U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-49428
17	Silicon Graphics Inc	4/1/2009	$390.5	$526.5	$354			Servers and data storage products	U.S. Bankruptcy Court, Southern District of New York, No. 09-11701
18	AE Group AG	4/3/2009			$200			Automotive aluminum die castings	Filed in Germany
19	Lindenmaier AG	4/6/2009			$113			Machining and Assembly - Powertrain components	Filed in Germany
20	Karmann	4/8/2009						Convertible tops	Filed in Germany
21	LKI Enterprises, Inc. d/b/a Superlift Suspension Systems	4/8/2009						Manufactures and supplies suspension systems	U.S. Bankruptcy Court, Western District of Louisiana, No. 09-30674
22	B & C Corporation d/b/a JR Engineering	4/10/2009	$42	$25				Specializing in high-volume production of difficult precision components for both OEM and aftermarket applications	U.S. Bankruptcy Court, Northern District of Ohio, No. 09-51455
23	Noble International Ltd.	4/15/2009	$190.8	$38.7				Laser-welded tubes, roll-formed products and other steel components	Noble International - U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-51720 Tailor Steel America LLC - U.S. bankruptcy Court, Eastern Michigan, No. 09-51752
24	LyondellBasel	4/24/2009	$33,800	$30,300		Access Industries	$8,000	Fuels, chemicals and plastics	U.S. Bankruptcy Court, Southern District of New York, No. 09-10021 & 09-10023

Attachment 2

Supplier Bankruptcy Filings for 2009

No.	Company	Date	Assets (Millions)	Debt (Millions)	Revenue* (Millions)	Ownership	DIP Financing (Millions)	Components Produced	Bankruptcy Case Number
25	Mark IV Dayco Products	4/30/2009	$500	$1,000	$1,200	Sun Capital Partners Inc	$90	Power transmission, air intake and cooling, and information display systems	Mark IV Industries, Inc. - U.S. Bankruptcy Court, Southern District of New York, No. 09-12795 Dayco Products, LLC - U.S. Bankruptcy Court, Southern District of New York, No. 09-12803 F-P Technologies Holding Corp. - U.S. Bankruptcy Court, Southern District of New York, No. 09-12805
26	Hayes Lemmerz	5/11/2009	$1,300	$1,400	$1,900		$200	Steel & aluminum wheels	U.S. Bankruptcy Code, District of Delaware, No. 09-11655
27	Sanderson Industries	5/11/2009	$12.9	$16.5				Metal stampings and welded components to Tier 1 and Tier 2	U.S. Bankruptcy Court, Northern District of Georgia, No. 09-72311
28	Visteon Corp	5/27/2009	$4,580	$5,320	$9,544			Climate systems, interior parts, lighting and electronic systems	U.S. Bankruptcy Court, District of Delaware, Lead Case No. 09-11786
29	Metaldyne	5/27/2009		$929	$1,570	Asahi Tec Corporation	$18.5	Components, assemblies and modules for transportation-related powertrain and chassis applications	U.S. Bankruptcy Court, Southern District of New York, Lead Case No. 09-13412
30	Fort Wayne Foundry Corporation	6/3/2009	$1 - $10	$10 - $50		Cole Pattern and Engineering Co. (who also filed for bankruptcy)		Aluminum Sand Castings	U.S. Bankruptcy Court, Northern District of Indiana, No. 09-12423
31	Tricon Industries	6/8/2009			$19			Injection molding	Shutdown and auctioned. No filing found.
32	Advanced Nitriding Solutions, LLC	6/15/2009						Ion Nitriding for Surface hardening on Crank Shafts & Die Casting Molds	U.S. Bankruptcy Court, Southern District of Indiana, No. 09-92060
33	Kiekert & Nieland	6/25/2009			$11			Automotive stampings	Filed in Germany
34	Advanced Accessory Holdings Corporation	6/26/2009	$0	$72		Castle Harlan		Manufactures roof racks, towing hitches and pickup truck rails	U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-60110
35	Grede Foundries, Inc	6/30/2009	$144	$148				Ductile/gray iron and specialty metal parts. One of the largest US cast-iron foundries.	US Bankruptcy Court, Western District of Wisconsin, No. 09-14337
36	Global Safety Textiles Holdings LLC	6/30/2009	$100 - $500	$100 - $500		International Textile Group Inc		Automotive airbag fabric	U.S. Bankruptcy Court, District of Delaware, No. 09-12234
37	Proliance International Inc.	7/2/2009	$50 - $100	$133.5	$350			Radiators	Proliance - U.S. Bankruptcy Court, District of Delaware, No. 09-12278 Aftermarket LLC - U.S. Bankruptcy Court, Southern District of New York, No. 09-12281
38	Advanced Materials Group	7/2/2009						Advanced metals manufacturing & processing	Advanced Materials Group - U.S. Bankruptcy Court, Central District of California, No. 09-16529 Advanced Materials, Inc. - U.S. Bankruptcy Court, Central District of California, No. 09-16548
39	Lear	7/7/2009	$1,300	$4,500	$13,570		$500	Automotive seating systems, electrical distribution systems and electronics	U.S. Bankruptcy Court, Southern District of New York, No. 09-14326
40	he International Metals & Chemicals Grou	7/7/2009						Manufactures and markets non-ferrous metals and chemicals	U.S. Bankruptcy Court, Eastern District of Pennsylvania
41	J.L. French	7/13/2009	$100 - $500	$100 - $500			$15	Aluminum die-cast auto parts	U.S. District Court, District of Delaware, No. 09-12445
42	RathGibson Inc.	7/13/2009	> $305	$319		DLJ Merchant Banking Partners		Global manufacturer of stainless steel and high-alloy tubing products	U.S. Bankruptcy Court, District of Delaware, No. 09-12452
43	Stant Corp.	7/27/2009	$50 - $100	$50 - $100			$11	111-year-old maker of automotive fuel systems, fuel and radiator caps and thermostats	U.S. Bankruptcy Court, District of Delaware, No. 09-12647 (Stant Parent Corp.)
44	B&C Machine Co., LLC	7/27/2009				96% owned by Bilinovich family rest - B&C Partners LLC		Manufacture, heat treatment, finishing and assembly of precision-machined components	U.S. Bankruptcy Court, Northern District of Ohio, No. 09-53294
45	Vincent Industrial	7/29/2009						Plastic injection molded components used on virtually every vehicle made in North America	

Attachment 2

Supplier Bankruptcy Filings for 2009

No.	Company	Date	Assets (Millions)	Debt (Millions)	Revenue* (Millions)	Ownership	DIP Financing (Millions)	Components Produced	Bankruptcy Case Number
46	Cooper-Standard Holdings Inc.	8/3/2009	$1,700	$1,800	$2,600	Goldman Sachs and Cypress Group LLC each own 49.2 percent	$175	Sealing and fluid systems as well as parts to cut down on noise and vibration in cars and trucks	U.S. Bankruptcy Court, District of Delaware, No. 09-12743
47	Meridian Automotive	8/7/2009						Bumpers and lighting parts	U.S. Bankruptcy Court, District of Delaware, No. 09- 12806
48	FormTech Industries LLC	8/26/2009	$100 - $500	$50 - $100				Provider of forged metal components to the automotive light vehicle, heavy truck and industrial markets in North America.	FormTech Industries, LLC - U.S. Bankruptcy Court, District of Delaware, No. 09-12964 FormTech Industries Holdings LLC - U.S. Bankruptcy Court, District of Delaware, No. 09-12965
49	Auto Cast Inc.	8/24/2009	$1-$10	$1-$10			$4	Aluminum and zinc die cast	U.S. Bankruptcy Court, Western District of Michigan, No. 09-9958
50	Alternative Distribution Systems, Inc. (ADS Logistics)	9/2/2009	$0-$.05	$10-$50				A metals targeted logistics company that facilitates supply chain management of metals products	U.S. Bankruptcy Court, District of Delaware, No. 09-13099
51	Gertz Schiele Holding GMbH	9/11/2009						Automotive forgings	U.S. Bankruptcy Court, Eastern District of Michigan
52	Holley Performance Products	9/28/2009	$100 - $500	$100 - $500				Carburetors, manifolds and other tuning parts for street, marine, and race applications.	U.S. Bankruptcy Court, District of Delaware, No. 09-13333 (Holley Performance Products) U.S. Bankruptcy Court, District of Delaware, No. 09-13334 (Holley Performance Products Holdings) U.S. Bankruptcy Court, District of Delaware, No. 09-13336 (Holley Performance Systems) U.S. Bankruptcy Court, District of Delaware, No. 09-13337 (Nitrous Oxide Systems, Inc.) U.S. Bankruptcy Court, District of Delaware, No. 09-13338 (Weiand Automotive Industries)
53	Accuride Corporation	10/8/2009	$682	$847				Steel & aluminum wheels	U.S. Bankruptcy Court, District of Delaware, No. 09-13449
54	Recticel Interiors North America LLC Recticel North America Inc.	10/30/2009	$10 - $50	$100 - $500	$28			Coatings for interior components including dashboards and door panels	Recticel Interiors North America LLC: U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-73419 Recticel NA: U.S. Bankruptcy Court, Eastern District of Michigan, No. 09-73411

Other known failures:
May & Scofield did not file Chapter 11, but were foreclosed by Bank of America January, 2009
Player Wire Wheels Ltd., filed chapter 11 on March 21, 2009

Updated Dec 07, 2009
Note: This listing and details are as complete as currently known by OESA .

* At the end of the last fiscal year