



The Report of the
Joint Select Committee on the
Impact of the Changing
Automobile Industry in Ohio

October 2009

Table of Contents

Table of Contents.....	2
Introduction.....	3
The Report of the Joint Select Committee on the Impact of the Changing Automobile Industry in Ohio	6
Automotive Industry Statistics and Data	7
Recommendations of the Joint Select Committee on the Impact of the Changing Automobile Industry in Ohio.....	9
I. Economic Development	9
A. Recommendation: Create a central point of contact for the automobile industry in the Department of Development	9
B. Recommendation: Create an Ohio Leaders Auto Committee	10
C. Recommendation: Create better working relationships with surrounding states	10
D. Recommendation: Improve and enhance credit availabilities to the automobile industry	10
E. Recommendation: Facilitate open and active dialogue between the automobile industry and utility companies	10
F. Recommendation: Promote active and continual legislative involvement to ensure assistance to the automotive industry.....	10
II. Worker Training and Education.....	11
A. Recommendation: Retool worker training programs	11
B. Recommendation: Position Ohio for world-class automotive research	11
III. Tax Incentives and Programs	12
A. Recommendation: Restructure Ohio's Job Retention Tax Credit and Ohio's Job Creation Tax Credit	12
B. Recommendation: Continue to foster a favorable tax environment for the automotive industry.....	12
C. Recommendation: Revitalize closed manufacturers and supply facilities.....	13
D. Recommendation: Review other Ohio economic development programs.....	13
IV. Franchise Law	13
A. Recommendation: Update Ohio's motor vehicle dealership laws	13
B. Recommendation: Ensure a responsive and timely motor vehicle dealers board	14
C. Recommendation: Change Ohio's public auction requirements	14
V. Protecting Employees	15
A. Recommendation: Find ways to help manufacturers keep promises to employees	15
VI. Non-Consensus Recommendations	16
A. Recommendation: Examine the Worker Adjustment Retraining Notification program.....	16

Introduction

The Joint Select Committee on the Impact of the Changing Automobile Industry in Ohio was created by H.C.R. 24 of the 128th General Assembly to study the automobile industry in Ohio as it relates to manufacturers, suppliers, dealers, and consumers, including franchise laws, consumer protection issues, and warranties and to make recommendations concerning Ohio's law regulating and supporting the automobile industry. The Committee was required to formulate such recommendations as it considered advisable, to compile a written report that contained its findings and recommendations, and to submit its report to the Governor, the President of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives. The Committee consisted of the following six members:

- Co-chairman: Representative Matt Lundy (D)
- Co-chairman: Senator Mark Wagoner (R)
- Representative Robert F. Hagan (D)
- Representative Barbara R. Sears (R)
- Senator Stephen Buehrer (R)
- Senator Capri S. Cafaro (D)

The Committee traveled to different regions of the state to gather testimony in order to accomplish adequately the goal of studying the automobile industry in Ohio. It held five public hearings from August to September of 2009 and heard testimony from a wide variety of interested parties, including automobile dealers, the Ohio Attorney General, automobile finance entities, automobile manufacturers, union representatives, and concerned citizens. The Committee's hearings were held on the following dates in the following places:

- August 3, 2009 – University of Toledo, Toledo, Ohio
- August 18, 2009 – Lorain County Community College, Elyria, Ohio
- August 21, 2009 – Kent State University, Trumbull Campus, Warren, Ohio
- August 25, 2009 – Sinclair Community College, Dayton, Ohio
- September 8, 2009 – North Central State, Shelby, Ohio

Minutes of the hearings, agendas, and written testimony submitted into the record are attached to this report in Appendix A. The following individuals testified:

- Carty Finkbeiner, Mayor of Toledo
- Bernard Swiecki, Center for Automotive Research
- Tim Doran, President, Ohio Automobile Dealers Association
- Dr. Anand Kunnathur and James Pope, University of Toledo
- Trish Lazich, Ohio Attorney General's office

- Eric Walker, Director, Lucas County Workforce Development Agency
- Robb Brown, President and Owner, Brown Pontiac, Mazda, and Honda
- Charles Chambers and Bill Wersell, Toledo Regional Chamber of Commerce
- Joan Browne, President, Lott Industries
- Margarita De Leon, Diamante Scholarship Awards
- Dr. Roy Church, President, Lorain County Community College
- Karl Zuber, Mayor of Avon Lake
- John Hunter, Mayor of Sheffield Village
- Dean DePeiro, Mayor of Parma
- Nick Abraham, Owner, Abraham Motors
- Anthony Giardini, Legal Counsel for Spitzer Auto Group
- Kevin Schmidt, Director, Ohio Manufacturer's Association
- Frank DeTillio, Lorain County Chamber of Commerce
- Steve Morey, Team Lorain County
- Jerry Skully, Executive Director, United Way of Greater Lorain County
- John Donahoe, Lordstown General Motors Plant
- John Graham, President, United Auto Workers Local 1112
- David Green, President, United Auto Workers Local 1714
- Antony Paglia, Vice President, Governmental Affairs for Youngstown/Warren Chamber of Commerce
- Karen Crolopp, President, IUE-CWA Local 717
- Michael O'Brien, Mayor of Warren
- Bruce Gump, Legislative Chair, Delphi Salaried Retirees Association
- Representative Tom Letson, Ohio House of Representatives, on behalf of Michael Chaffee, Mayor of Lordstown
- Sarah Lynn, Deputy Chair Council, Ohio Attorney General
- Max Blackman, representative of Senator Sherrod Brown, United States Senate
- Greg Greenwood, President and Owner, Greenwood Chevy/Hummer
- David Brown, Outside Council for the Ohio Automobile Dealers Association
- Vicki Thompson, Director of Education, Trumbull County Technical College

- Cheryl Lewis, Mahoning Valley United Way
- Frank Elemlia, Ohio Department of Job and Family Services, Trumbull County One-stop
- Dr. Steven Lee Johnson, President, Sinclair Community College
- David Berger, Mayor of Lima
- Mark Barbash, Interim Director of the Department of Development
- Dennis Wojtanowski, President of the Ohio Auto Council
- Chris Kershner, Dayton Area Chamber of Commerce
- Ohio Attorney General Richard Cordray
- Jerry Kronenberger, Dayton Supply and Tool
- Tom Rose, Delphi Salaried Retirees Association
- Gregory Stout, Voss Auto Group
- Douglas Lumpkin, Director, Ohio Department of Job and Family Services
- Jean R. Robertson, Chair of Business Restructuring and Bankruptcy Practice Group, Calfee, Halter & Griswold LLP
- Edward Hill, Jim Samuel, and Fran Stewart, Compete Columbus
- Bob Kodger, Regional Facilities Manager, BMW Financial Services NA, LLC
- Edward Hill, Dean, Levin College of Urban Affairs, Cleveland State University
- Kenneth Bender, Mayor of Ontario, Ohio

Through the hearing process, the Committee reached a consensus that the challenges facing the automobile industry in Ohio need to be addressed. This report includes specific recommendations to improve the climate for the automobile industry in Ohio.



The Report of the Joint Select Committee on the Impact of the Changing Automobile Industry in Ohio

The Joint Select Committee on the Impact of the Changing Automobile Industry in Ohio unanimously agrees that the automotive industry is a critical asset to our state. In the past, the automobile industry positively impacted all of Ohio's economy, allowing Ohio to lead the way in areas like aerospace and defense, and has positioned Ohio for future success in industries such as advanced energy. The Committee was formed to evaluate the consequences of the industry's current setback and to recommend actions to help the industry succeed in the future.

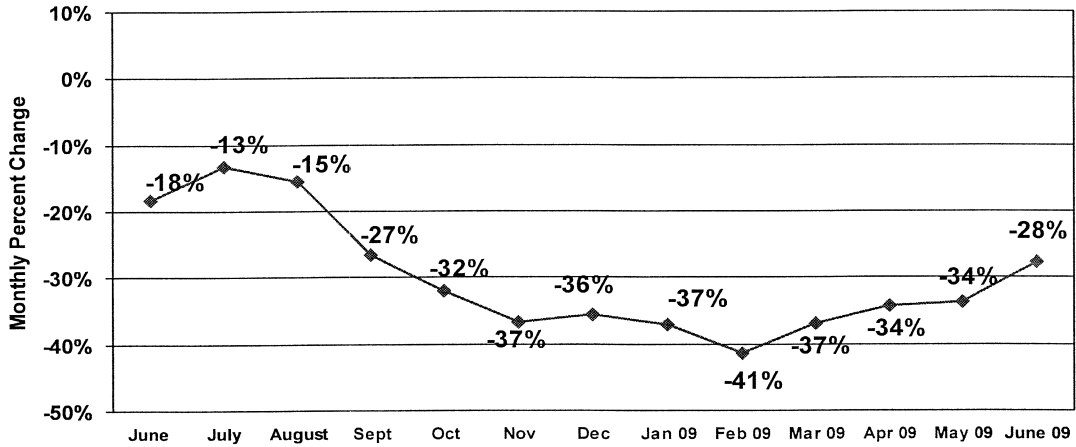
The automotive industry is a vital part of Ohio's economy, creating \$19.3 billion worth of goods in 2006 (the most recent year in which data is available), which represents 13.4 per cent of total U.S. automotive output, second only to Michigan. In that year, 5 per cent of Ohio's Gross Domestic Product was from the automotive industry and nearly 127,000 people in Ohio were employed directly in the motor vehicle production industry. 16 per cent of Ohio's total private sector job market is related to the automotive industry.¹

After holding hearings in five cities around the state, it is apparent that every pillar of the automotive industry has been hit hard over the last year. The Committee heard testimony from vehicle manufacturers, parts suppliers, automotive dealers, industry workers, and the communities in which those witnesses are located. All have faced unprecedented change in the face of the current crisis. The Committee's report addresses the challenges facing each of these parties and aims to minimize the current damages while positioning every facet of the automotive industry for future success. The report is consequently divided into five sections: (1) Economic Development, (2) Worker Training, Retraining and Education, (3) Tax Incentives and Programs, (4) Franchise Law and Automotive Dealers, and (5) Protecting Workers.

¹ Ohio Department of Development, "The Ohio Motor Vehicle Industry Snapshot," accessed October 20, 2009, at [http://www.development.ohio.gov/cms/uploadedfiles/Research/B401\(4\).pdf](http://www.development.ohio.gov/cms/uploadedfiles/Research/B401(4).pdf).

Automotive Industry Statistics and Data

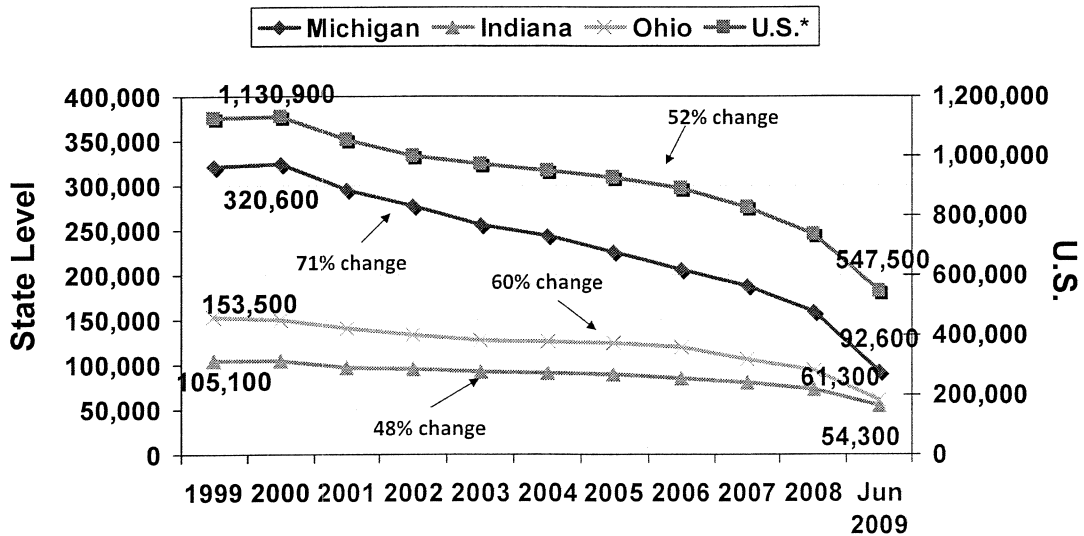
U.S. Light Vehicle Sales Monthly Percentage Change*: June 2008 through June 2009



Source: Automotive News Data Center

*Percent change is a comparison of the given month's sales volume to its corresponding value in the previous year.

Motor Vehicle & Parts Manufacturing Employment 1999 - May 2009

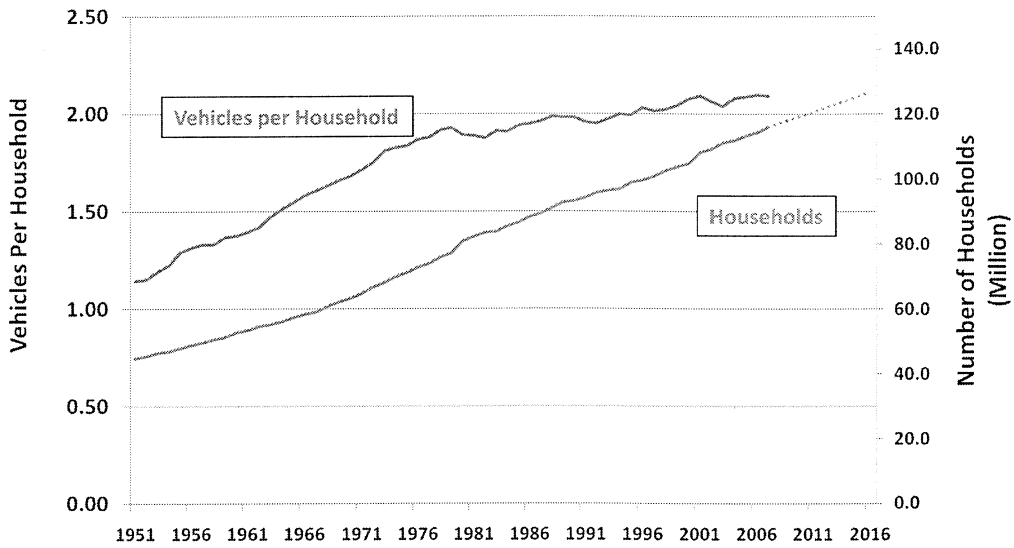


Source: BLS, U.S. DOL, July 2009

*U.S. through May 2009

Number of Households and Vehicles Per Household

(adding 10 million households means 20 million+ more operating vehicles by 2016)



Source: U.S. Census Bureau, Current Population Reports, "Families and Living Arrangements";
U.S. Federal Highway Administration, Highway Statistics

These charts have been provided by the Center for Automotive Research. For more information go to www.cargroup.org.

Recommendations of the Joint Select Committee on the Impact of the Changing Automobile Industry in Ohio

I. Economic Development

As we look at the automotive industry through the lens of business attraction, expansion, and retention, it is important as economic development professionals that we create a business friendly environment and have the right tools and incentives to make it easy for firms to do business in Lorain County and throughout the state.

*Steve Morey, President and CEO, Team Lorain County
August 18, 2009*

A. Recommendation: Create a central point of contact for the automobile industry in the Department of Development

- The Committee recommends that a central point of contact for the automobile industry be created in the Department of Development (hereinafter, the "Auto Development Director"). Right now, automobile companies must work within a byzantine regulatory structure with too many state departments. For example, it is common for the automobile industry to have to work with the Department of Development, Air Quality Development Authority, Department of Job and Family Services, Ohio EPA, and many other departments and agencies. The Auto Development Director should be proactive, not reactive, in working with existing automobile manufacturing facilities to identify ways in which the state can help with future expansion needs and should be the central point of contact across all state agencies.
- The Committee recommends that the Auto Development Director annually submit a written report to the General Assembly ascertaining why manufacturers rejected Ohio incentives and, instead, elected to do business in other states. In addition, the report should outline what incentives Ohio should develop to compete with neighboring states when vying for new automobile facilities and when attempting to retain existing Ohio-based facilities.
 - The Committee recommends that in this report the Auto Development Director also detail Ohio's competitive advantages and disadvantages in helping automobile manufacturers locate, retain current operations, and expand facilities in Ohio.
 - The Committee also suggests that this report should include recommendations that would enhance Ohio's competitive incentives in the economic development "tool box."
- The Committee recommends that efficiency, transparency, and communication between the Department of Development and political subdivisions be improved.
- The Committee recommends that the Auto Development Director conduct a thorough review of the 2006 Auto Industry Task Force findings to determine whether all of the recommendations in those findings have been implemented, and for those that were not, to determine why.

- The Committee recognizes that Ohio holds an advantage in the number of Tier 1, Tier 2, and Tier 3 suppliers that are based in the state. Manufacturers often look to locate near their suppliers. Having a strong supplier base creates synergies that allow for future growth. Therefore, the Committee recommends that the Auto Development Director cultivate this advantage and focus on policies that grow a strong supplier base in Ohio.
- The Committee recommends that the Auto Development Director should work to create a system to better communicate with legislators about activity in the legislators' districts.

B. Recommendation: Create an Ohio Leaders Auto Committee

- The Committee recommends that an "Ohio Auto Leaders Committee" be created. The membership of the Ohio Auto Leaders Committee will consist of the Auto Development Director and mayors of cities with resident automobile manufacturers. The Ohio Auto Leaders Committee should meet quarterly to discuss industry retention and expansion. The Ohio Auto Leaders Committee should work to improve the coordination between state and local government.

C. Recommendation: Create better working relationships with surrounding states

- The Committee recommends that legislation and policies be adopted that create regional incentives that target neighboring states that employ Ohio workers or that support businesses based in Ohio. Regional collaboration with neighboring states should involve providing incentives across borders. In addition, meetings should be held with leaders of neighboring states to begin this dialogue.

D. Recommendation: Improve and enhance credit availabilities to the automobile industry

- The Committee recommends that changes to Ohio law be made that would encourage the expansion of availability of credit and loans for dealers and suppliers.
- The Committee recommends that, under the Ohio Capital Access Program, Ohio's reserve deposit should be increased from 10% to 20% of the principal balance of loans after the third loan is originated by the same lender.

E. Recommendation: Facilitate open and active dialogue between the automobile industry and utility companies

- The Committee recommends that the state and utility companies engage in a direct dialogue to address automobile industry concerns about current and future utility costs.

F. Recommendation: Promote active and continual legislative involvement to ensure assistance to the automotive industry

- The Committee recommends that an ongoing joint committee be created to coordinate future communication with the automobile industry.

II. Worker Training and Education

A. Recommendation: Retool worker training programs

- The Committee recognizes that Ohio has a world-class automobile workforce. Our workers continually win national awards for having the best and most productive automobile plants in North America. Unfortunately, while our workers are the best, Ohio's workforce development lags far behind. To stay competitive, we need to continue to maintain a highly skilled workforce. A key theme that came through the hearings was that Ohio's workforce development programs are too slow and inflexible. The Committee recommends that more flexibility be provided in our worker training dollars and better partnerships with development programs be created. The city of Lima has created a good model and one that Ohio may want to consider adopting statewide.
- The Committee recommends exploring all sources of funding for workforce training programs, specifically the Workforce Guarantee Program used for incumbent worker training.
- The Committee recommends an evaluation of the state's economic development programs, specifically the Workforce Guarantee Program, to ensure such programs are flexible enough to meet the needs of Ohio's automotive industry. In addition, the Committee recommends that the state push for more flexibility from the federal government in the use of training dollars to provide tuition assistance or reimbursement for automobile workers who need to upgrade skills or retrain. Included in this is to allow companies the ability to follow individual business plans.
- The Committee recommends that training programs be optimized by reducing the reaction time with respect to production closures, anticipating future trends, and identifying the demand for specific worker skills.
- The Committee recommends that, in cooperation with the Board of Regents, a state accredited manufacturing technical certificate be created.
- The Committee finds that Ohio's training programs are under-allocated in comparison to other states. The Committee recommends that employer reimbursement restrictions be reduced to increase the impact of training dollars.

B. Recommendation: Position Ohio for world-class automotive research

- The Committee recognizes that another key area on which Ohio must focus is ensuring that world-class automotive research is being done in our state. This is a time of extraordinary change in the automobile industry and we need to ensure that the best automobile minds in the industry are in our state and working to support the automobile industry. The automobile companies of tomorrow will locate close to the world-class research talent. The Committee recommends using Ohio's Research Scholars program to accomplish these goals.
- The Committee recommends the use of Third Frontier dollars to make designated universities leaders in the field of automobile industry research to test and build cars of the future.

III. Tax Incentives and Programs

And let's be frank about this, if a company needs to invest for its future and retain jobs but isn't able to get a tax credit or incentive in Ohio, they will most likely go to another state that provides such incentives.

*Antony Paglia, Vice President of Governmental Affairs,
Youngstown/Warren Chamber of Commerce
August 21, 2009*

A. Recommendation: Restructure Ohio's Job Retention Tax Credit and Ohio's Job Creation Tax Credit

- The Committee recommends that Ohio's Job Retention Tax Credit (hereinafter, "JRTC") be made refundable, like our surrounding states of Michigan and Kentucky.
- The Committee recommends that the minimum investment and employee threshold of the JRTC be reduced to allow small suppliers to participate in the program.
- The Committee recommends that the unit of measure for the JRTC and the Job Creation Tax Credit (hereinafter, "JCTC") be changed from individuals working at least 35 hours per week to recognize payroll growth and full-time equivalent employees.
- The Committee recommends that the annual reporting requirements for companies that participate in the JCTC and JRTC be simplified.
- To create better paying jobs, the Committee recommends that, in order to qualify for either the JRTC or JCTC, a project should propose to or actually pay and maintain an average employee hourly base wage rate of at least 175% of the federal minimum wage, except for projects in counties where the per capita income in the county is less than 175% of the federal minimum wage.

B. Recommendation: Continue to foster a favorable tax environment for the automotive industry

- The Committee acknowledges that over the past five years, much progress has been made in Ohio in restructuring our state tax system. The Committee finds that many of these changes have benefitted Ohio manufacturers in significant and positive ways. The Committee recommends that we need to continue to push pro-manufacturing tax policies in Ohio to encourage further growth of the automobile industry.
- The Committee recommends that a manufacturer should receive a tax credit if a manufacturing facility is renovated or expanded and the manufacturer uses Ohio-based construction companies and construction suppliers in the renovation or expansion.

C. Recommendation: Revitalize closed manufacturers and supply facilities

- The Committee recommends a review of the Ohio Environmental Protection Agency Voluntary Action Program be completed to determine if tax credit, low interest loans, or fee waivers could be used to provide incentive for the remediation of closed manufacturing and supplier buildings.
- The Committee recommends that returning closed dealerships to reusable land be considered. In doing so, community outreach should be conducted with financial and technical help.
- The Committee recommends that environmental regulations regarding brownfields and permitting be improved.
- The Committee recommends that efforts amongst state agencies to identify, engage, and secure new users for vacant automotive-related production facilities be coordinated by the Auto Development Director.

D. Recommendation: Review other Ohio economic development programs

- The Committee recommends that assistance be offered to automobile suppliers to help such suppliers diversify into other industries, such as advanced energy or defense.
- The Committee recommends that more flexibility be provided for local match requirements for participation in Ohio development programs.
- The Committee recommends that the Enterprise Zone Program be extended in its current form for 12 additional months to allow for the development of reforms to the system. Upon the expiration of the extension, the Enterprise Zone Program should sunset, and all property tax abatements should be consolidated into a single program.
- Ohio should also recognize that manufacturers of recreational vehicles are a major part of Ohio's automobile industry. Programs that are available to Ohio's automobile industry should also be extended to Ohio's recreational vehicle industry.

IV. Franchise Law

Ohio's franchise law was one of the first in the country. Many states' franchise laws are far more comprehensive and address concerns which were unforeseen at the time Ohio's statute was enacted.

*Tim Doran, Ohio Automobile Dealers Association
September 8, 2009*

A. Recommendation: Update Ohio's motor vehicle dealership laws

- The Committee acknowledges that Ohio automobile dealers were faced with real problems during the recent bankruptcies of some of the large automobile manufacturers. Just like our manufacturing base, Ohio's automobile dealers are

a major part of our economy. Dealership laws are often complex and require a fair balancing of the needs of the automobile dealers and the manufacturers. Yet, Ohio's dealership laws are outdated. The Committee recommends that a review of the dealer franchise law be conducted and that changes be made to the automobile dealer franchise law to specifically address all of the following, among others:

- Reasonable compensation for dealers in the event that a manufacturer ceases to operate, discontinues a product line, or otherwise acts in such a way that devalues the franchise;
- Unreasonable requirements from manufacturers concerning the delivery of automobiles;
- Ensuring that manufacturers timely pay dealers for rebates, incentives, warranty work, and charge-backs;
- Reasonable limits to the timeframe in which a manufacturer may conduct an audit of a dealer;
- Prevention of reassignment of dealership franchises, in specified instances. If a dealer's franchise is cancelled and the manufacturer grants a franchise of the same make to another dealer within two miles of the cancelled dealer's franchise, then the dealer who owned the cancelled franchise should be able to recover the franchise at a reduced cost. If a dealer's franchise is cancelled and the manufacturer improperly reassigns the franchise to another dealer, then the dealer should be able to recover the fair market price of the franchise from the manufacturer.
- Discourage automobile dealers of the same line-make from protesting the relocation of another dealership if the relocating dealership moves within two miles of its current location, so long as quality standards are maintained.
- Allow reasonable reuse of a dealership building that does not significantly impact current sales.

B. Recommendation: Ensure a responsive and timely motor vehicle dealers board

- The Committee recommends that the operations of the Motor Vehicle Dealers Board be reviewed to ensure that the Board can effectively handle issues in a timely manner.

C. Recommendation: Change Ohio's public auction requirements

- The Committee learned about Ohio's problems with repossession laws. Repossession laws in Ohio related to retail financing require vehicles be disposed of at public auction. For this reason, manufacturers are faced with a more burdensome regulatory scheme as direct lenders. This format requires manufacturers to not only license each credit office location, but also to obtain licenses at each Ohio dealer location from which they purchase contracts. If the public auction requirement were eliminated, manufacturers would obtain

licensing as an indirect lender and dispose of repossessed vehicles at private auction as manufacturers do in most every other state. This would remove the need to maintain licensing at dealer sites in Ohio. Therefore, the Committee recommends that the public auction repossession requirements be removed from the Revised Code.

V. Protecting Employees

Presently, there are 3,000 Delphi retirees from year 2000 to present. Those retirees are at a risk of losing an average of \$1,300 per month of income—let alone the additional loss due to the result PBGC based on most recent guidelines. Couple that loss with the added expenses of providing their own healthcare—that will be eliminated—the disposable loss of income will be another devastating blow to our fragile local economy, as well as to those retirees.

Economic professionals have estimated a potential loss of \$20 million per month as a result of this pension elimination. Needless to say, that would be a financial devastation to our city. As a result, every business, every church, every nonprofit, every government, every school, literally, every resident in our community will suffer deeply.

*Michael O'Brien, Mayor, City of Warren
August 21, 2009*

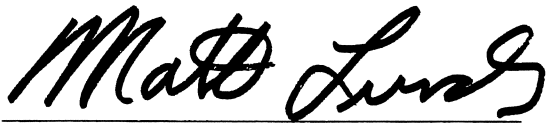
A. Recommendation: Find ways to help manufacturers keep promises to employees

- The Committee recognizes a need to hold manufacturers accountable for health insurance and pension obligations to Ohio automobile industry workers. These requirements should be identified and provided to the Ohio Attorney General in order to reduce economic hardships for families, communities, and the state.
- The Committee acknowledges that another theme that emerged in the hearings was the devastation many Ohio families faced when some companies significantly restructured their pensions. The Committee recommends that a concurrent resolution be adopted by the General Assembly to urge Congress to take up the issue of pension protection reform.
- The Committee recommends that a resolution be adopted by the General Assembly to encourage Congress to reform bankruptcy laws to hold companies more accountable with respect to health insurance and pension obligations. Included in this is that the federal government be encouraged to review federal bankruptcy laws so that courts are not used simply to shed all obligations that could negatively impact states and consumers financially. Additionally, greater levels of accountability and recognition of laws to protect Ohio businesses and consumers should be determined.

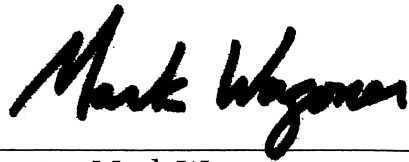
VI. Non-Consensus Recommendations

A. Recommendation: Examine the Worker Adjustment Retraining Notification program

- Select members of the Committee recommend that a re-examination of the Worker Adjustment Retraining Notification program be completed. Such an examination should determine whether the program can be used to combat workforce issues related to the automotive industry.



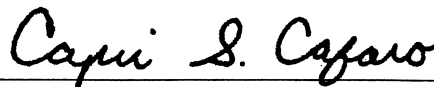
Representative Matt Lundy



Senator Mark Wagoner



Representative Barbara R. Sears



Senator Capri S. Cafaro



Senator Stephen Buehrer

R1876-3-128.docx/ss

APPENDIX A:

**Testimony Received by the Joint Select Committee on
the Impact of the Changing Automobile Industry in Ohio**



JOINT SELECT COMMITTEE ON THE FUTURE OF THE AUTO INDUSTRY
University of Toledo, Driscoll Alumni Center Auditorium
1:00pm

Meeting Minutes for August 3, 2009

Present:

Senator Wagoner, Chairman
Representative Lundy, Chairman
Senator Fedor
Representative Hagan
Representative Sears

Absent:

Senator Buehrer
Senator Cafaro

Co-Chairman Wagoner called the committee to order at approximately 1:13pm. Attendance was taken and Senator Fedor was seated in place of Senator Cafaro. A quorum was present. Rep. Hagan was unanimously selected as the committee's Secretary.

The first order of business was the discussion of background information and committee procedure by Co-Chairman Wagoner. Co-Chairman Lundy was asked to give remarks pertaining to the committee. Representative Sears, Senator Fedor and Representative Hagan gave remarks before testimony began.

Co-Chairman Wagoner then called Toledo Mayor Carty Finkbeiner. The witness addressed various initiatives that were utilized to keep and expand upon jobs in the auto industry including the "Keep Jeep" program. The witness then answered questions from Co-Chairman Wagoner, Co-Chairman Lundy, Representatives Sears and Hagan and Senator Fedor.

Co-Chairman Wagoner then called Bernard Swiecki, from the Center for Automotive Research, who gave written testimony and remarks in the form of a Powerpoint presentation. The witness discussed the economic impact of the lagging auto industry and how it has affected employment in Ohio. Co-Chairmen Wagoner and Lundy, Representative Hagan and Senator Fedor then questioned the witness.

The Co-Chairman then called forward Tim Doran, President of the Ohio Automobile Dealer's Association. Planning to attend and testify at the next committee meeting, per request of the committee, he briefly gave prepared testimony and then stepped aside.

The Co-Chairman Wagoner then called forward Dr. Anand Kunnathur and Jim Pope, from the University of Toledo, who gave written testimony discussing recommendations to restructure Ohio's workforce. The witnesses then answered questions from Rep. Sears.

Co-Chairman Wagoner then called forward Trish Lazich, Assistant Section Chief of the Attorney General's office. The witness discussed how the crisis in the industry has affected workers compensation. She also discussed how the Attorney General's office has been protecting consumers with the closing dealerships, customer privacy concerns and environmental concerns. The witness responded to questions from Co-Chairmen Lundy and Wagoner.

Co-Chairman Wagoner then called forward Eric Walker, Director of the Lucas County Workforce Development program. The witness provided written testimony which addressed the training and retraining of workforce. The witness answered questions from Co-Chairman Wagoner, Representative Hagan and Senator Fedor.

Co-Chairman Wagoner called forward Robb Brown, President and Owner of Brown Pontiac, Mazda and Honda. As a dealer, he discussed his experiences with the closing of plants by manufacturers and its effect on retaining a dealership franchise. The witness answered questions from Co-Chairmen Wagoner and Lundy and Representatives Hagan and Sears and Senator Fedor.

Co-Chairman Wagoner called forward Bill Wersell and Charles Chambers, who both gave prepared testimony which addressed the business environment for the auto industry.

Co-Chairman Wagoner called forward Joan Browne, President of Lott Industries to discuss the affects the auto manufacturing industry was having on her business. Co-Chairman Wagoner asked a question of this witness.

Co-Chairman Wagoner then called forward Margarita De Leon from the Diamante Scholarship Awards. She provided written remarks about the effect the Chrysler plant had on her organization.

After some remarks from Senator Fedor and with no further business at hand, Co-Chairman Wagoner adjourned the committee at approximately 4:31 pm.

Respectfully submitted,



Mark Wagoner, Chairman

Robert Hagan, Secretary

**Remarks for Mayor Finkbeiner
Ohio Legislature Joint Auto Committee Meeting
Monday, August 3rd 1:00 p.m.
Driscoll Alumni Center - 2801 W. Bancroft Street**

Toledo has always been in the forefront of the automotive industry for decades.

However, as in many other communities around the country, we are seeing our sources of revenue for essential city services shrink dramatically as the downturn in the auto industry is now directly affecting not only autoworkers and their families, but thousands of auto dealers and auto parts suppliers, and ultimately, our quality of life here in Toledo.

Because of the economic downturn, largely driven by the auto industry, I have been actively involved with the Mayors and

Municipalities Automotive Coalition (MMAC).

MMAC is a national group of local governments that seek federal support for the U.S. automotive industry, including communities where plants have closed.

Representatives include local elected and appointed officials in cities that are the home to American automotive manufacturing, supplier, assembly, and related automotive entities. Our communities are struggling to keep automotive facilities open and retain jobs. We are dealing with the idling and closing of facilities and the associated economic and community impact. The State of Ohio can be a significant partner in this mission.

Together, members of the MMAC committee are actively working with the Obama Administration and Congress to provide emergency funding for U.S. automakers to help rebuild idled automotive centers, and to provide federal support to transform the U.S. auto industry through job training grants to local governments for re-tooling closed plants. The State of Ohio needs to support these efforts with funding for worker training programs, brownfield redevelopment funds, and aggressive economic development tools to attract capital investment.

As the automotive industry transitions to clean and green vehicles, Toledo's auto industry workers will play a key role in the

coming revolution of alternative energy-based advanced automotive manufacturing. Toledo is unique, because our labor force possesses the skills and knowledge needed to move our community into clean, green automotive assembly and production. In fact, we have three of the country's most modern automotive manufacturing plants in our GM Powertrain, and our two Chrysler Assembly Plants. The fact that The Harbour Report named our GM and Jeep workers as the two most productive automotive workforces in North America helps assure that Toledo's Jeep and GM workers will be at the center of advanced automotive manufacturing.

I visited with Ed Montgomery, President Obama's liaison to automotive communities in Washington recently.

He encouraged me to encourage the State to explore and exploit opportunities in the world's manufacturing economy to create more "high value-added" functions.

While the number of manufacturing jobs is on the decline, not only in the U.S., but even in China, the world's manufacturing output keeps going up. Different parts of the manufacturing process have moved to different parts of the globe, but those portions of the process where the most economic value is added are staying in the U.S.

In 1997, the city launched the Keep Jeep Campaign to attract Chrysler's multi billion-dollar investment in the Toledo North Assembly Plant. The campaign was victorious as we now have that plant and a second Toledo Supplier Plant, with input from several different countries on those Toledo auto campuses.

Going forward, cities, counties and the State of Ohio need to have a number of economic development tools at our disposal to attract investment, including funds for infrastructure upgrades, environmental cleanup, tax incentives and grants. We need to compete with communities around the country and indeed around the world - so we

need to work together at all levels of government.

However, as we discuss the strategy for recovery for American automotive communities, I will mention that Toledo will be in need of resources from our federal government and the State of Ohio to train our workers as we blend our economy with manufacturing and green technology. The federal government, the State and our communities must work together to support and revitalize auto industry communities and workers.

Toledo, once a strong manufacturing community, is now transitioning to a manufacturing and knowledge based economy.

Toledo remains deeply committed to manufacturing and will be in the years to come. The alternative energy industry and the knowledge that comes with it to Toledo, will help our production and assembly of automobiles to be even more productive and energy efficient.

To summarize, how can the state help? I suggest you do the following:

1. Provide Environmental cleanup and demolition funds in order for us to rebuild and revitalize our urban areas.
2. Provide funding for worker training programs to support our transition to clean, green vehicles.

3. Provide the economic development tools that are essential for attracting capital investment.

Finally, we are still in need of support from all Americans^N to buy American. Selling American-made cars will support our local economy and support jobs for Toledoans.

Now, is ~~one~~ a great time to buy a car.

There are great deals - and plenty of incentives. And credit is available. Plus the vehicles are of high quality and the most fuel-efficient ever.

Most importantly, in this year so important to the American automobile industry, I have urged all Toledoans to buy a Chrysler, General Motors or Ford vehicle. The City of

Toledo believes in the Buy American concept and has supported this effort for years. We buy American; most recently, the city bought 38 Dodge Charger police cars in support of Chrysler. I encourage the State of Ohio and other local communities to follow. Yes, it is time to be as patriotic as possible - and buy an American-based automobile. Our new President has asked all Americans to participate in our economic recovery - and take responsibility for making it happen!

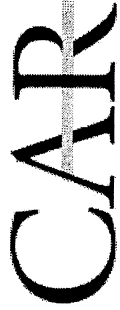
We have Washington, D.C. committed to aiding the American automobile industry. The Car Allowance Rebate System (C.A.R.S.) program pays consumers up to \$4,500 in credit for trading in their gas guzzling cars or trucks for those that are more fuel-efficient.

Now it is time for American consumers to
step up and buy American designed
automobiles. By choosing to buy American
Automobiles, you are putting Americans back
to work and supporting local communities.
It's time for us to put the American worker
- and the American economy FIRST!

Automotive Industry Update

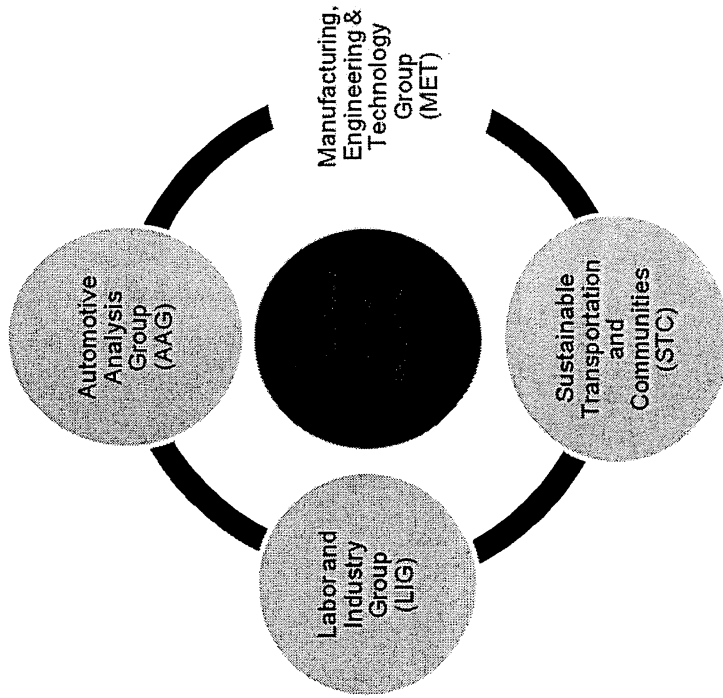
***Testimony before the
Joint Select Committee on the Impact of the
Changing Auto Industry on Ohio,
Ohio State Senate
August 3 2009***

***Bernard Swiecki
Director, Market Analysis
Center for Automotive Research (CAR)***



CENTER FOR AUTOMOTIVE RESEARCH

Center For Automotive Research (CAR)



Mission

“..... To assist the global automotive industry’s competitiveness and technological advancement through unbiased research and support.....”

CAR is an independent, not-for-profit organization with research activities in manufacturing, economics, and transportation.

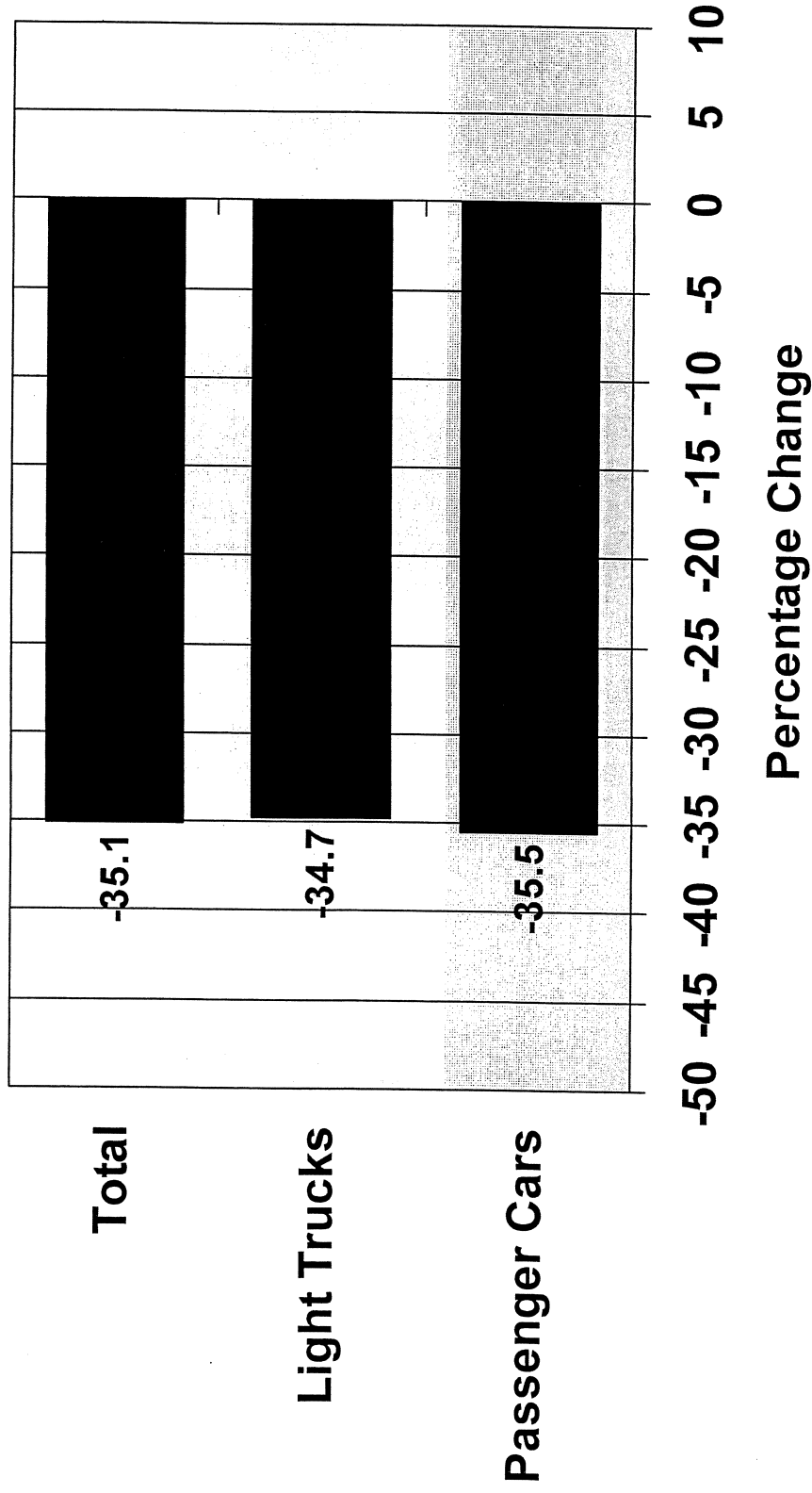
CAR was formerly OSAT with a 25-year history at the Univ. of Michigan prior to spinning off in 2000 and becoming independent.

The Current U.S. Sales Market

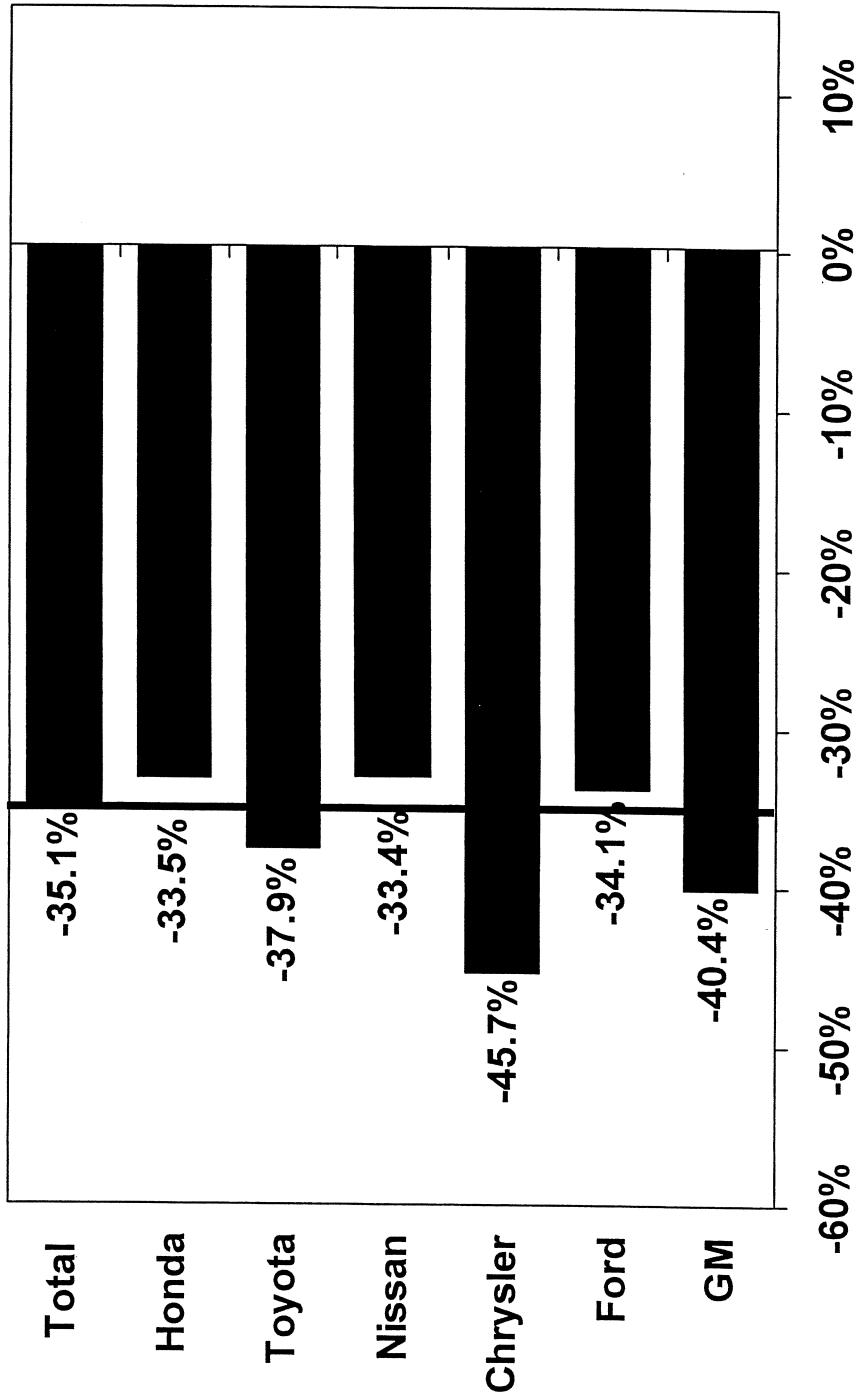
Segment Breakdown - U.S. LV Sales

YOY % Change

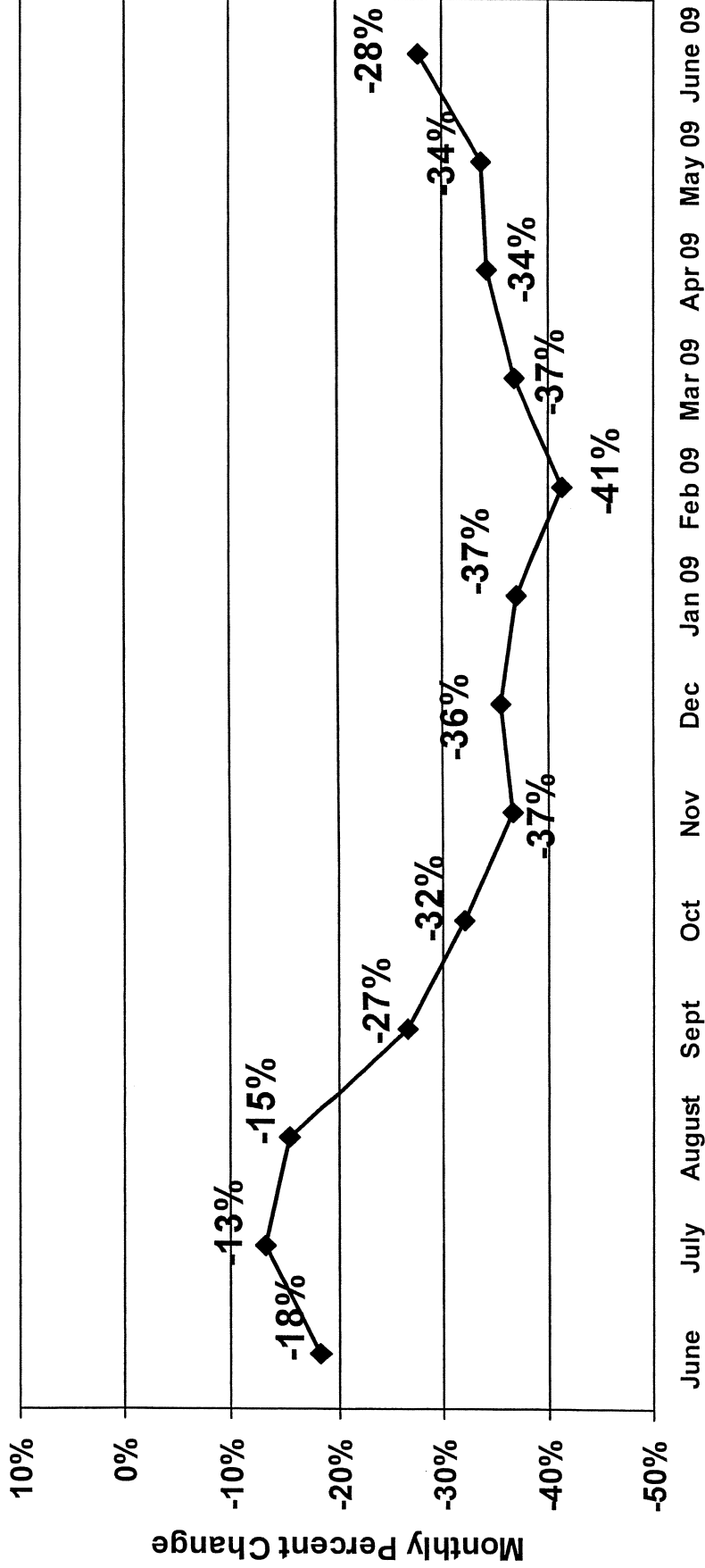
YTD Through June: 2009 vs. 2008



Percentage Change in Sales of Light Vehicles Per OEM: YTD Through June 2009 vs. 2008



U.S. Light Vehicle Sales Monthly Percentage Change*: June 2008 through June 2009



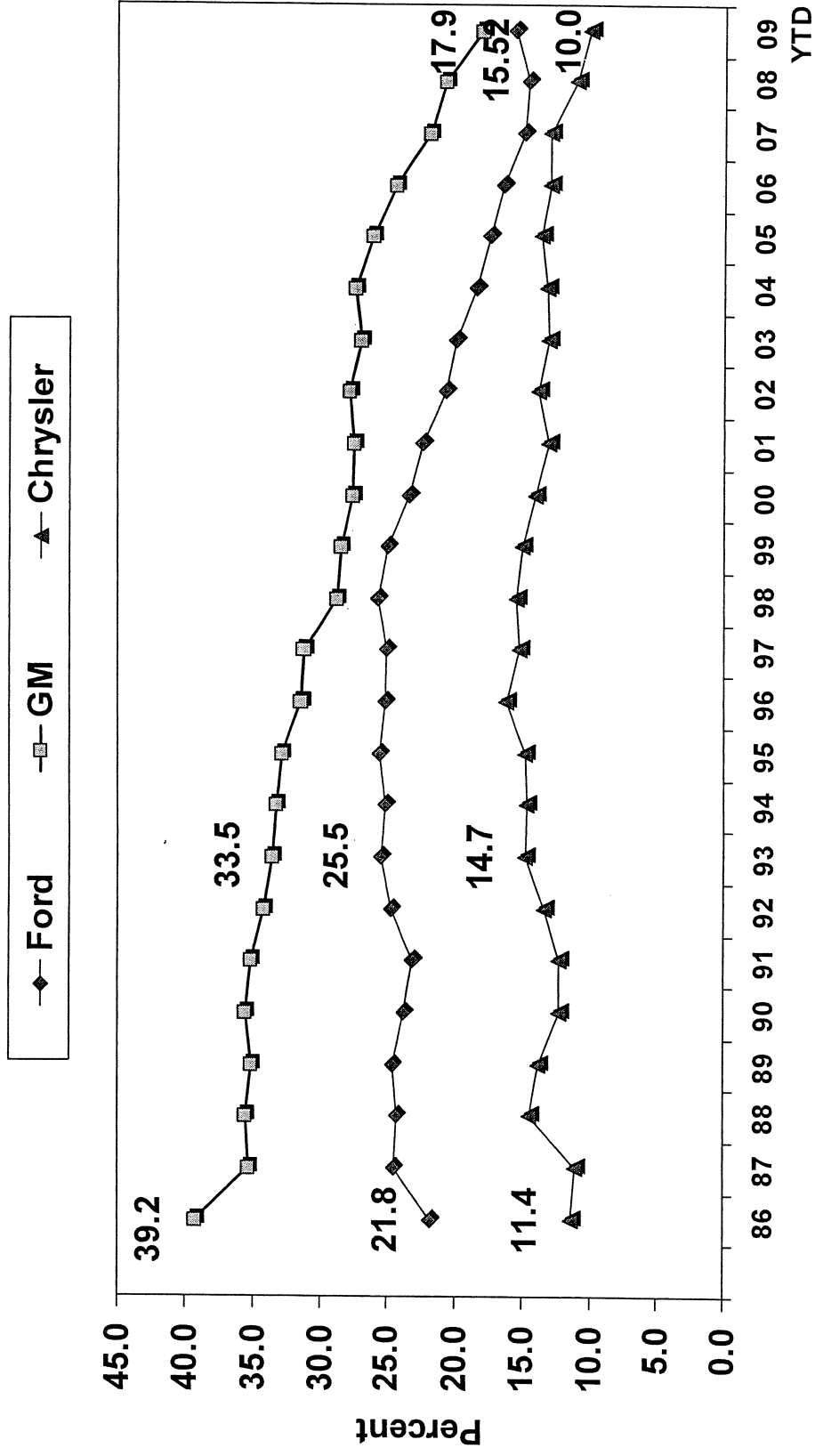
Source: Automotive News Data Center

*Percent change is a comparison of the given month's sales volume to its corresponding value in the previous year.

Down Below 50% "Detroit 3" U.S. Market Share

1986 – June 2009

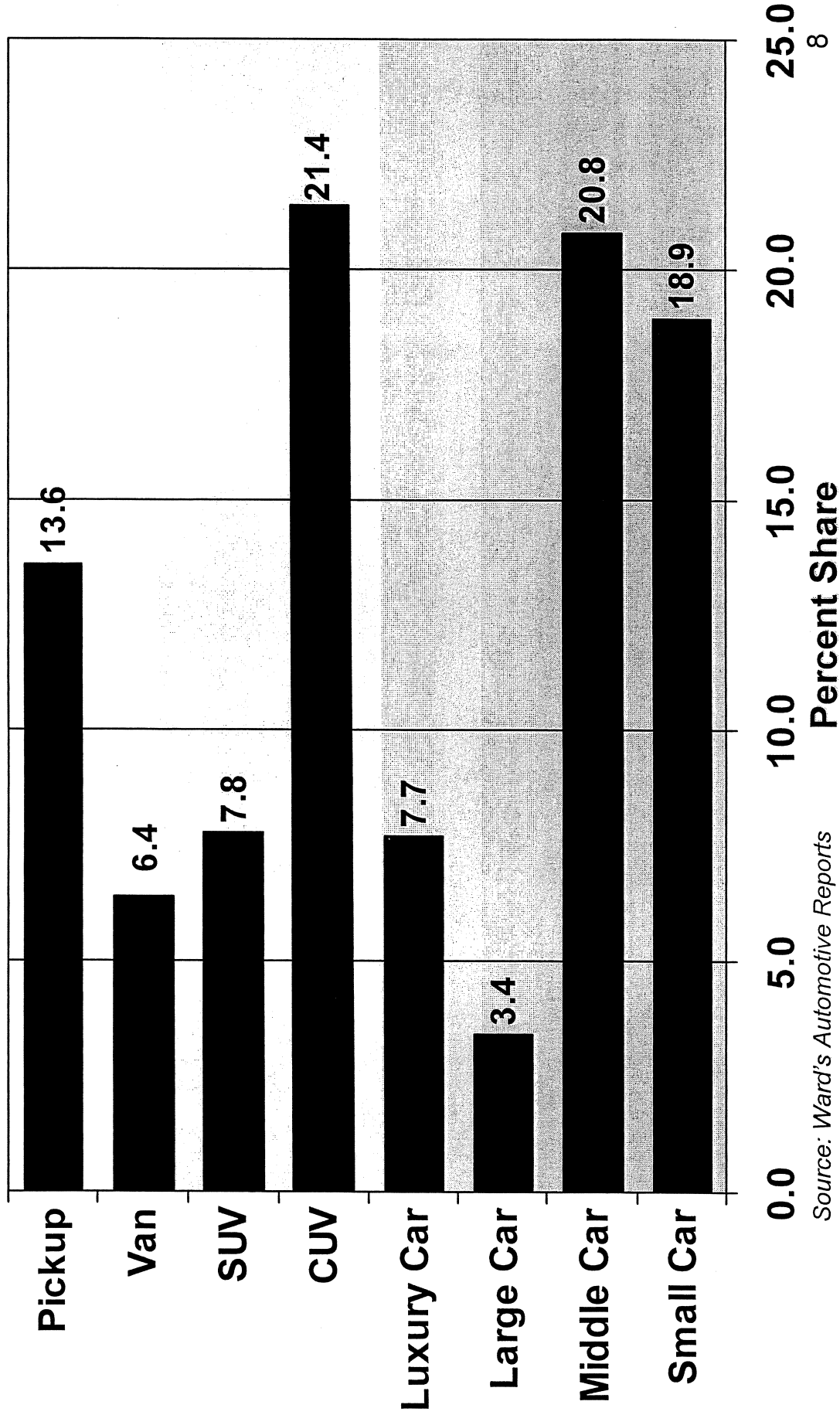
(Sales of Detroit 3 N. American "owned" production)



Source: CAR Research

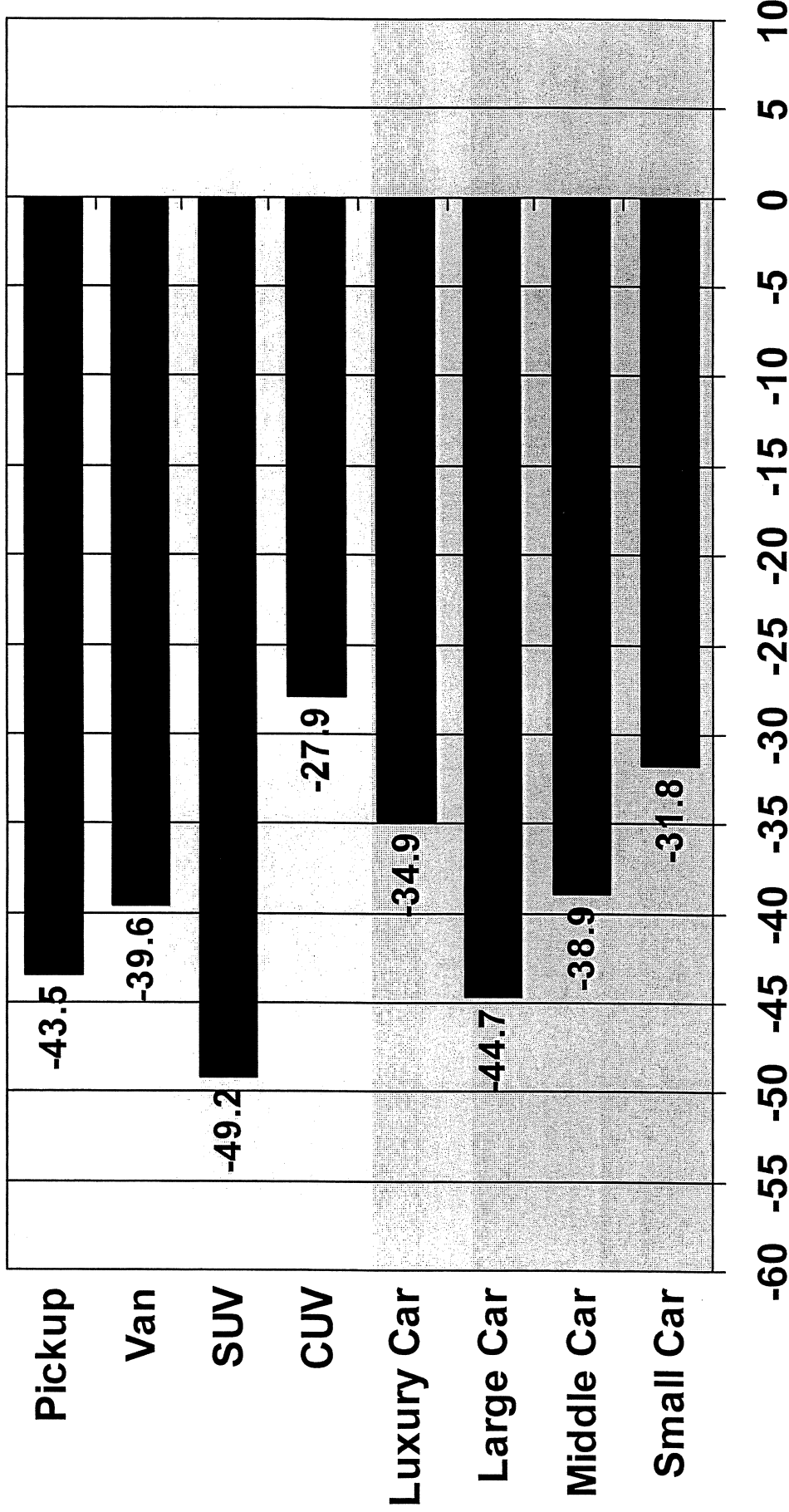
Year

Market Share: Segment Breakdown - U.S. LV Sales Through April: 2009



Source: Ward's Automotive Reports

Segment Breakdown - U.S. LV Sales YOY % Change Through April: 2009



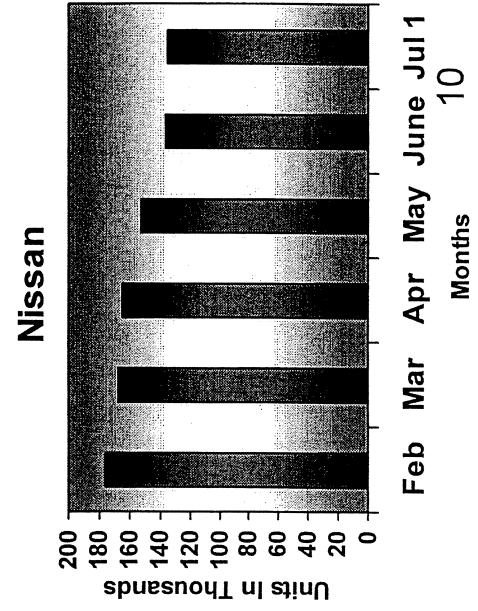
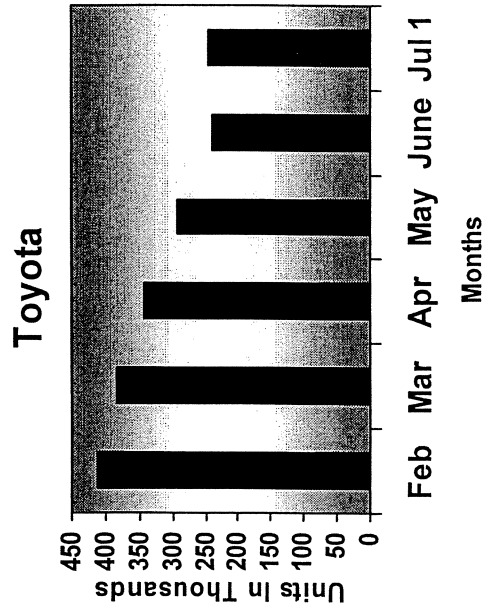
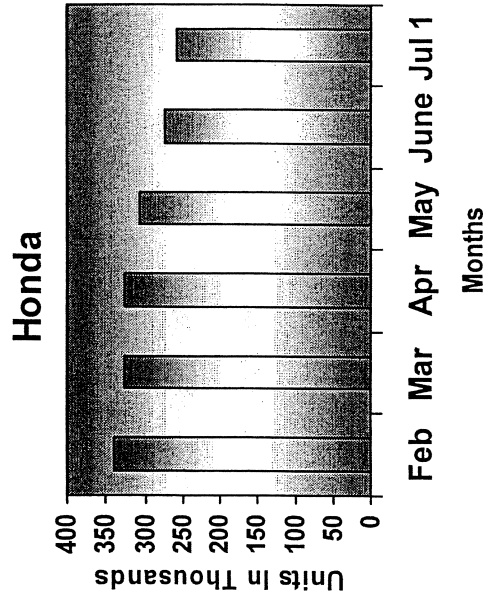
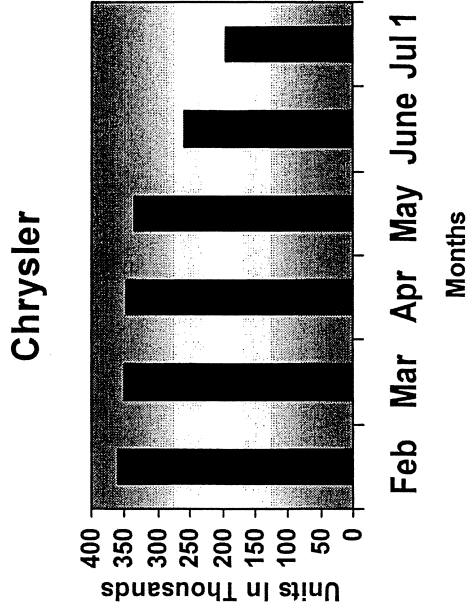
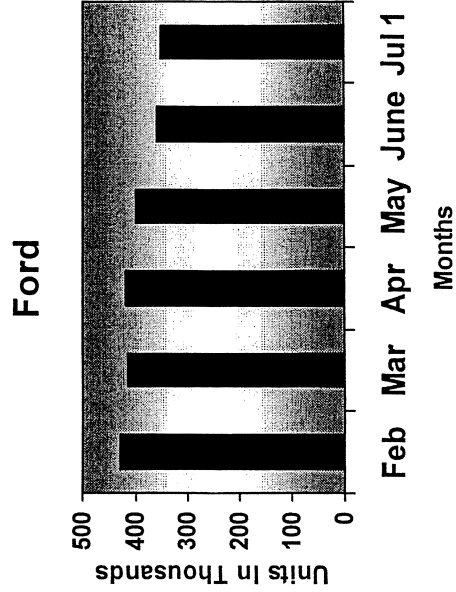
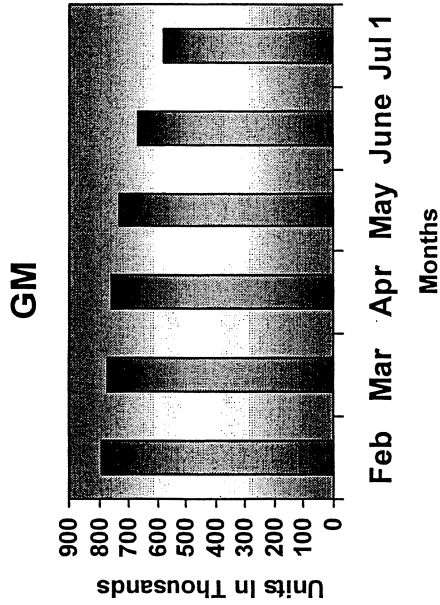
Source: Ward's Automotive Reports

Percentage Change

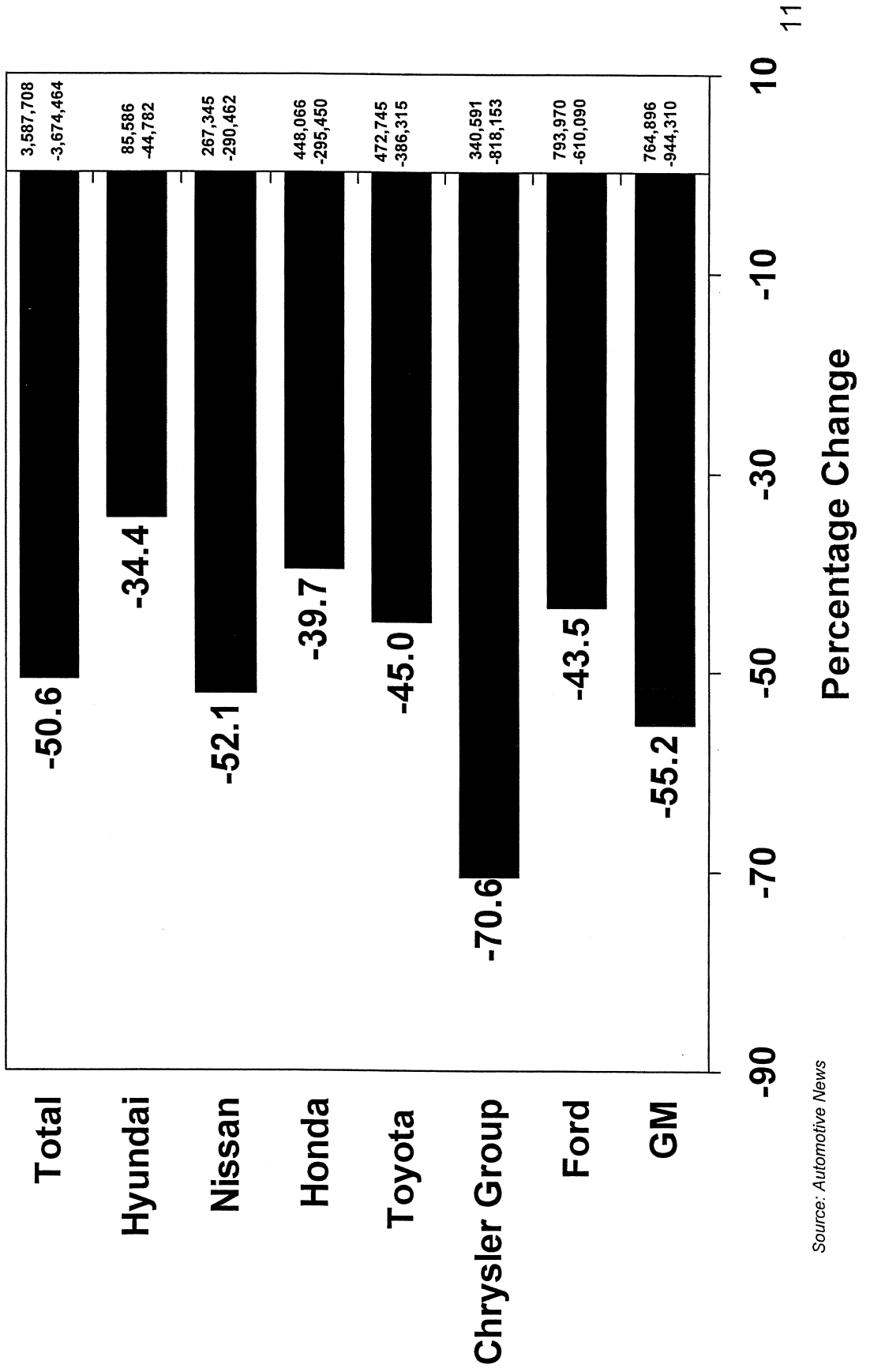
Automaker Inventories

Units

Feb. 2009 – July 1, 2009



N.A. Light Vehicle Production Percent Change YTD Through June: 2009 vs. 2008



Source: Automotive News

Why Did GM and Chrysler Go Bankrupt?

- No end in sight of the auto sales slump at the time
- N.A. Revenues down by 50%
- GM \$74B in debt - \$174B in liabilities
- Not enough cash to operate (gone on 1/1/09)
- Couldn't reduce dealers outside of court (-3,000+)
- UAW wouldn't deal without court threat (21 plant shutdowns)
- Government said they had to . . . (to get money)
- Taxpayers funding the deal (only source of DIP)
- Bondholders and stockholders were wiped out
- They will be smaller . . . "Bottom-Up" crash for suppliers is possible

The Good News . . .

- GM and Chrysler still exist and have emerged from Bankruptcy – quickly
- GM will cut fixed costs by up to \$5,000 per vehicle
- GM has an adequate pipeline of new product starting next year
- The U.S. Government is committed to the long-term success of these two companies.
- The Government is re-examining its support for suppliers
- The recession can't last forever. . .

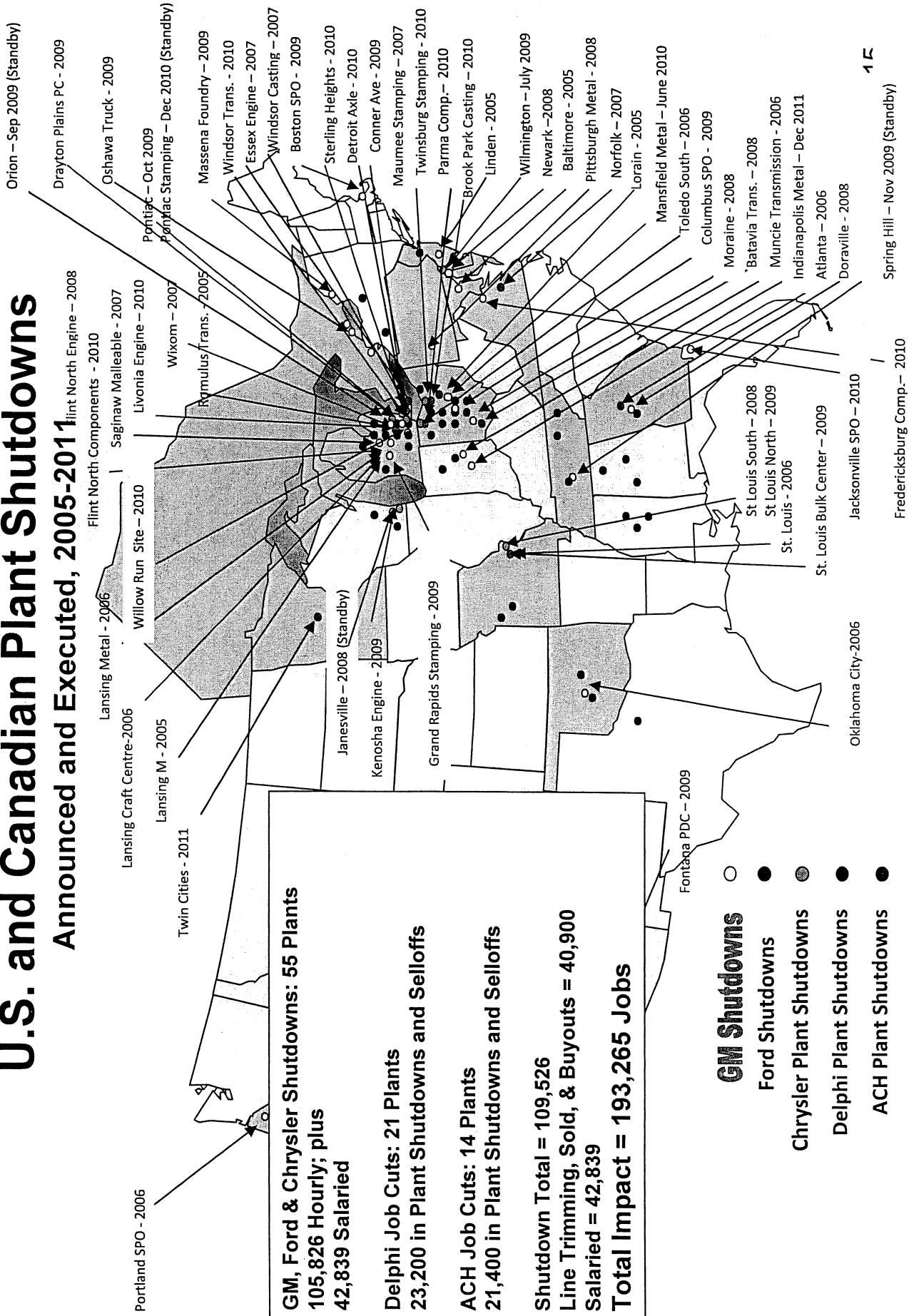
Drive One!



- Earnings loss far lower than Toyota and Nissan in 1Q
- April/May U.S. sales and market share higher than Toyota's
 - and July looks promising
- New labor agreement – and a match coming?
- Restructured debt by almost \$10 billion
- Sold 300 million shares to raise cash – Volvo to sell soon
- 2010-2011 model launches will set a record
- Sales and production are rising, profitability soon?

GM, Ford, Chrysler, Delphi & ACH U.S. and Canadian Plant Shutdowns

Announced and Executed, 2005-2011



GM, Ford & Chrysler Shutdowns: 55 Plants
105,826 Hourly; plus
42,839 Salaried

Delphi Job Cuts: 21 Plants
23,200 in Plant Shutdowns and Selloffs

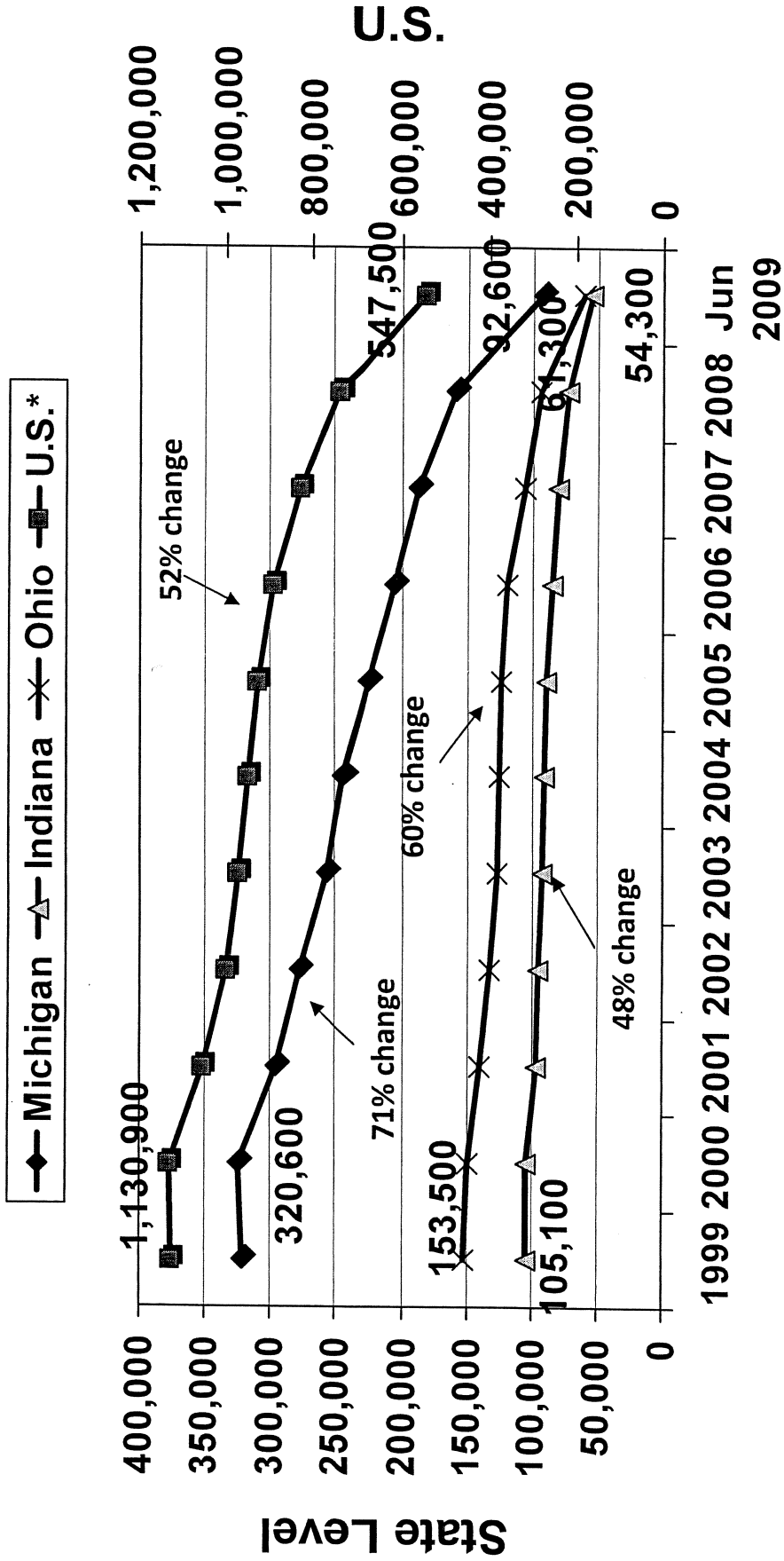
ACH Job Cuts: 14 Plants
21,400 in Plant Shutdowns and Selloffs

Shutdown Total = 109,526
Line Trimming, Sold, & Buyouts = 40,900
Salaried = 42,839
Total Impact = 193,265 Jobs

- GM Shutdowns** ○
- Ford Shutdowns** ●
- Chrysler Plant Shutdowns** ●
- Delphi Plant Shutdowns** ●
- ACH Plant Shutdowns** ●

The Darkest Part of the Tunnel...

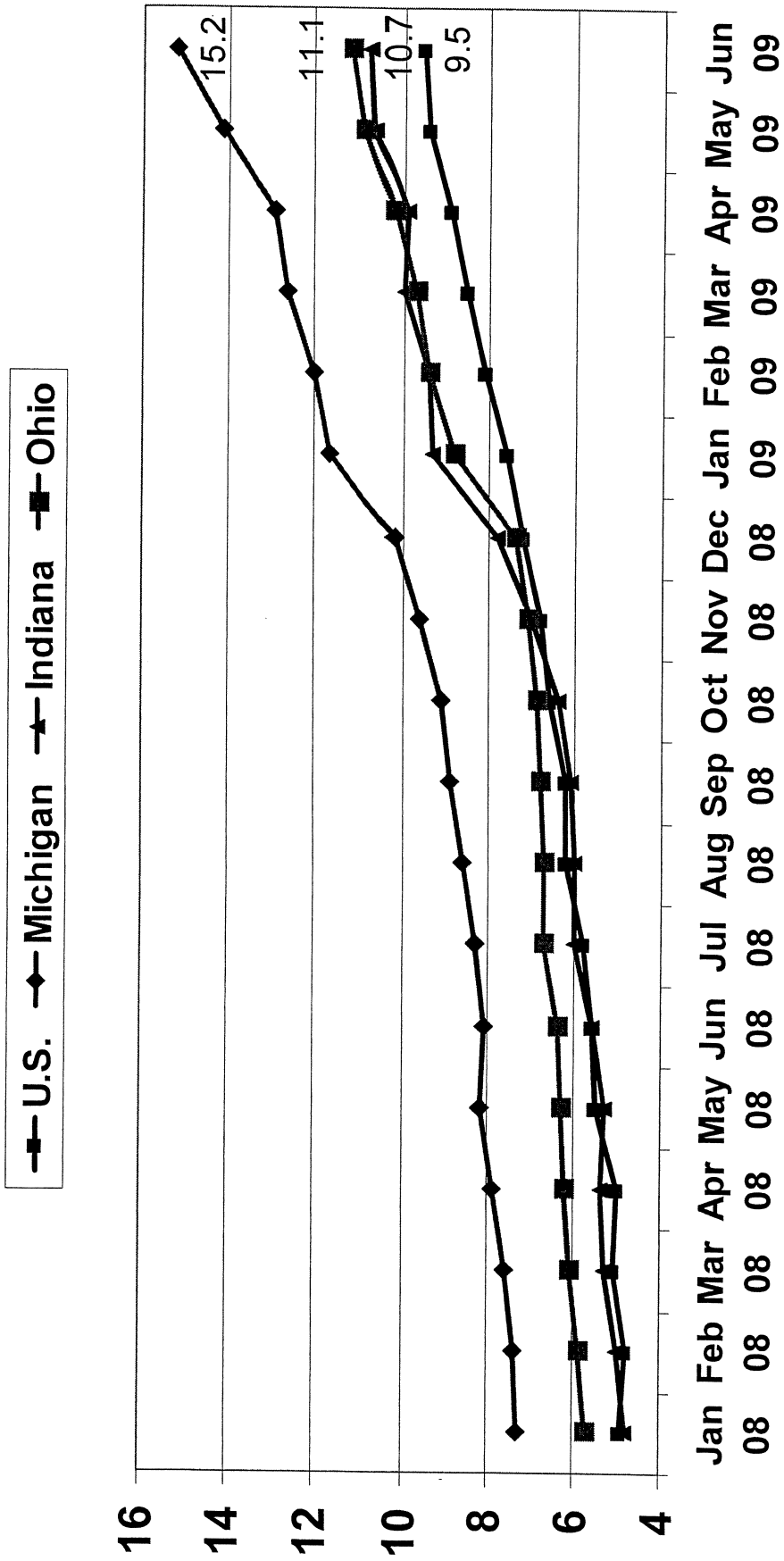
Motor Vehicle & Parts Manufacturing Employment 1999 - May 2009



Source: BLS, U.S. DOL, July 2009

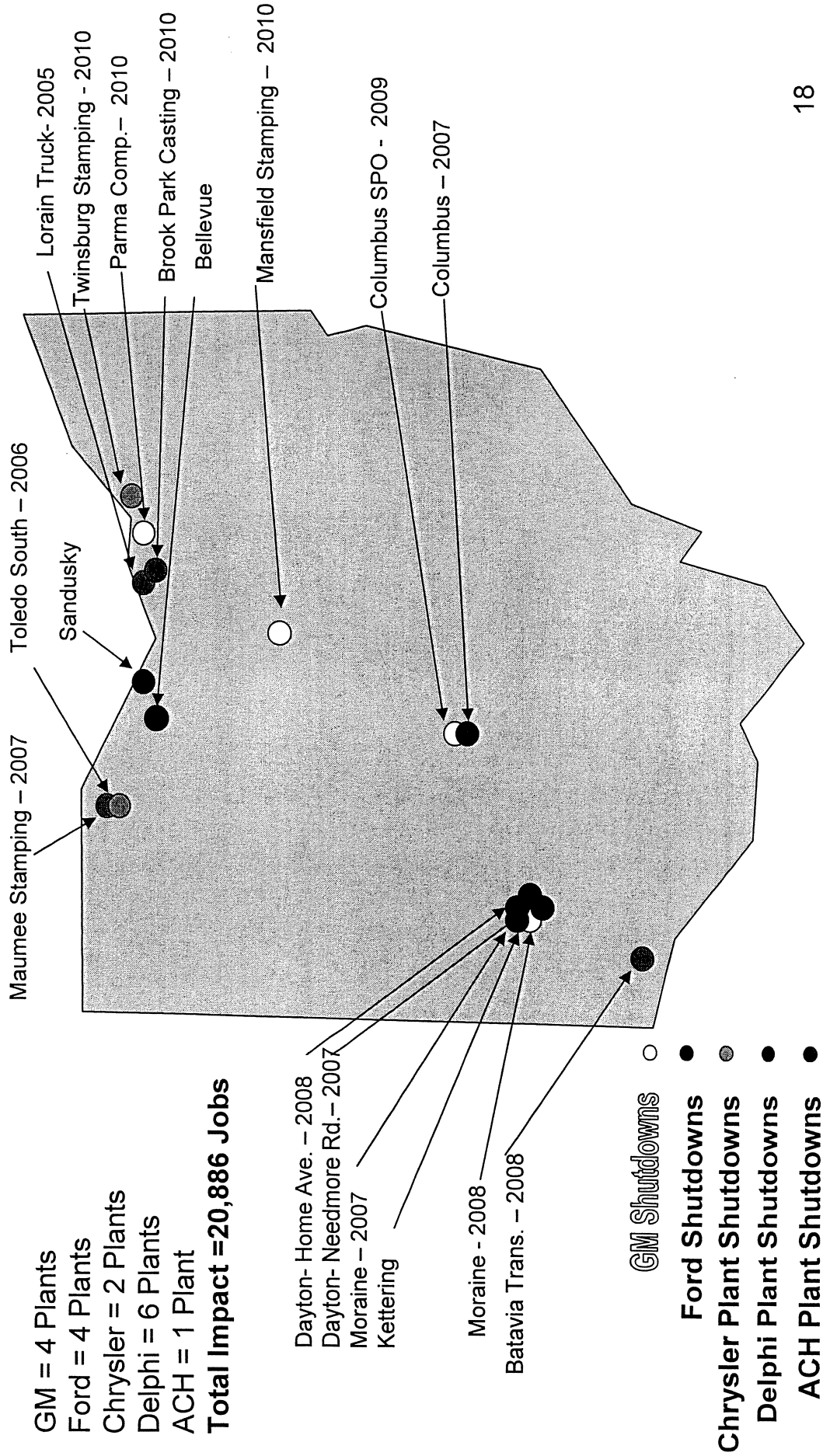
*U.S. through May 2009

Unemployment Rate Seasonally Adjusted January 2008-June 2009

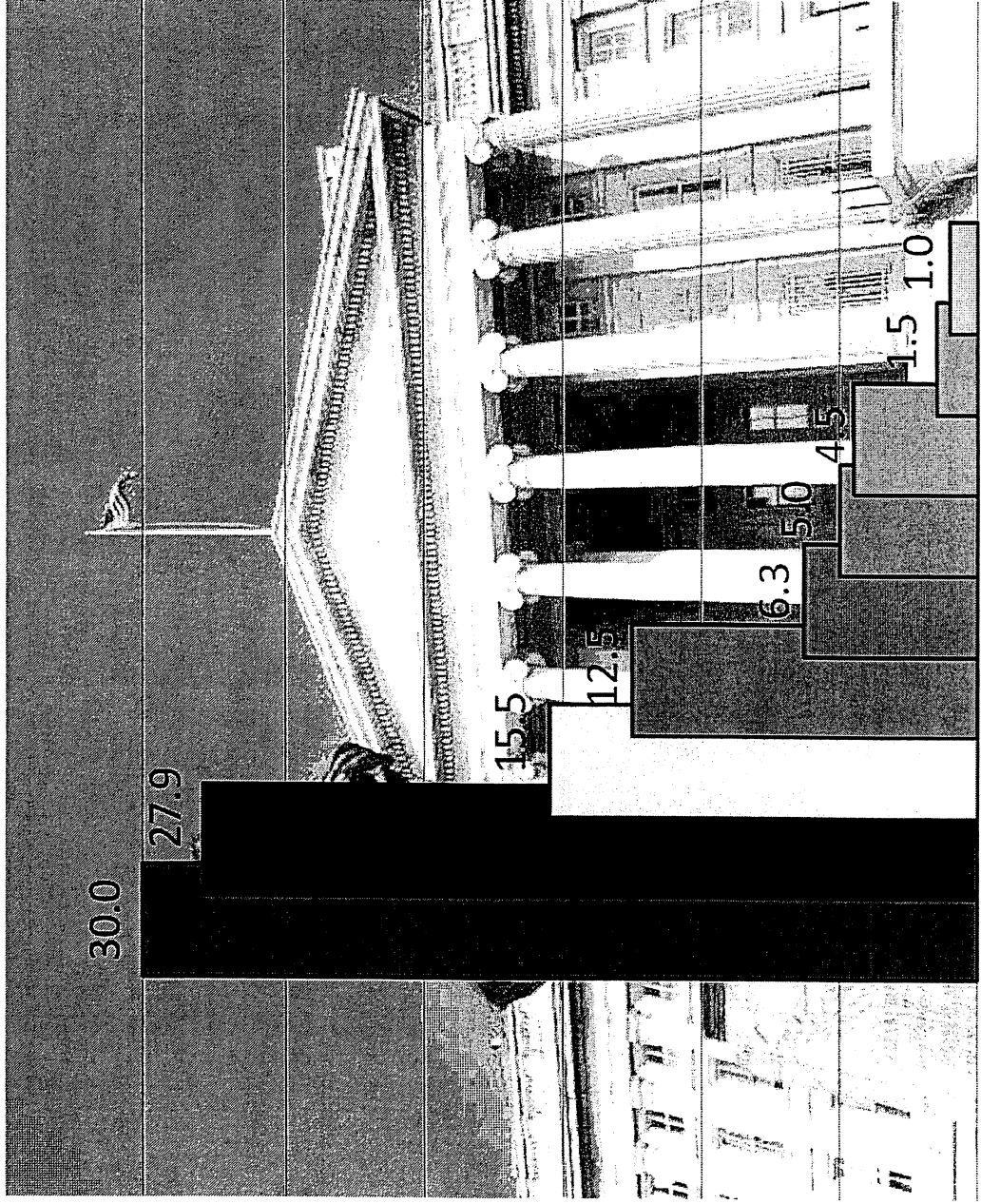


Source: BLS, U.S. DOL, July 2009

Ohio Announced and Executed Sales/Closures 2005-2011



U.S. Government Aid for the Auto Industry: \$104 Billion

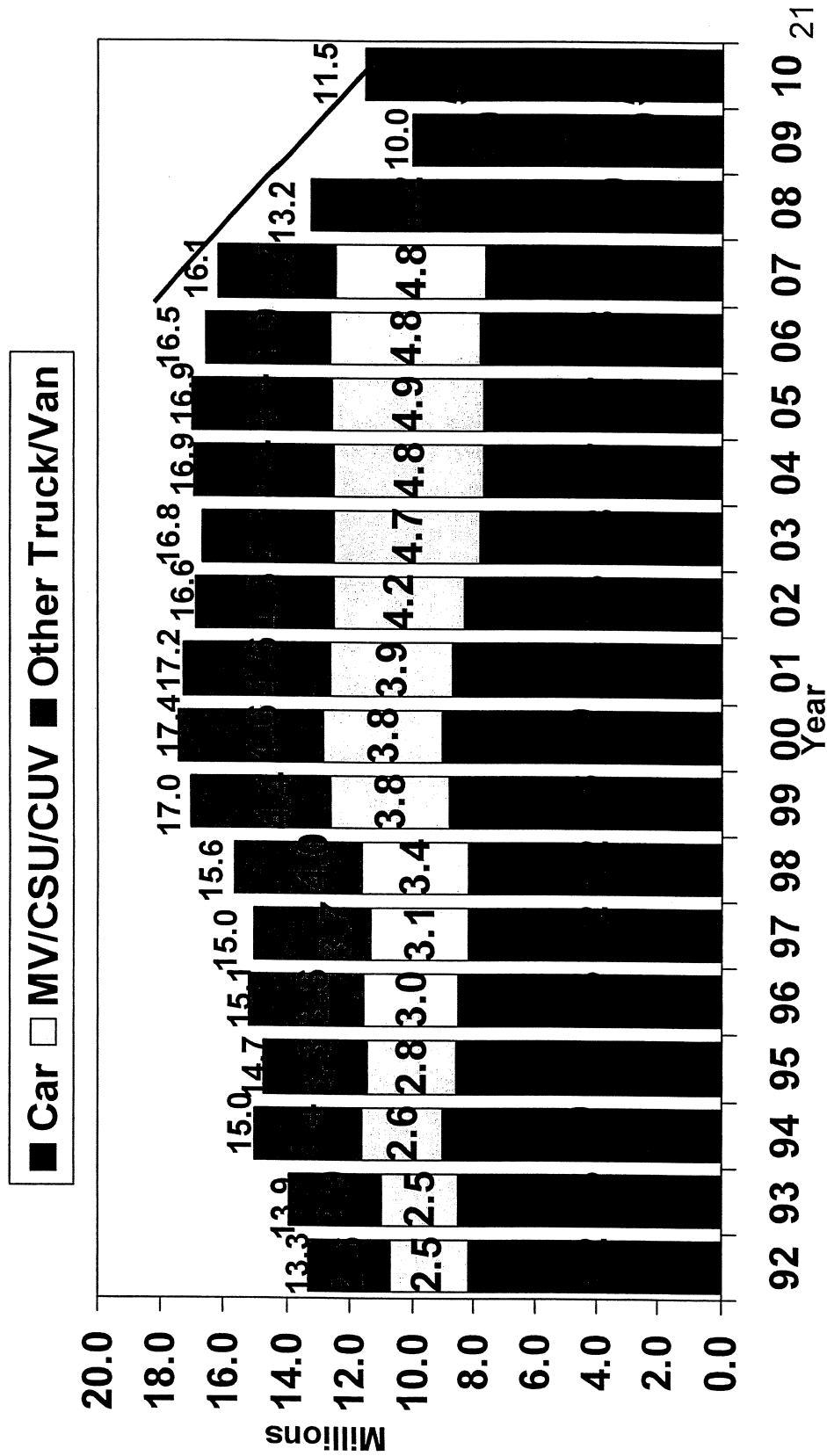


- GM-Approved but not Received
- GM-Received
- Chrysler
- GM-Financial Svcs/Direct Aid
- Received or approved for GM by Canada
- Auto Suppliers
- GMAC-Financial Svcs/Loan Guarantees
- Chrysler Financial
- Cash for Clunkers

The Short Term Outlook

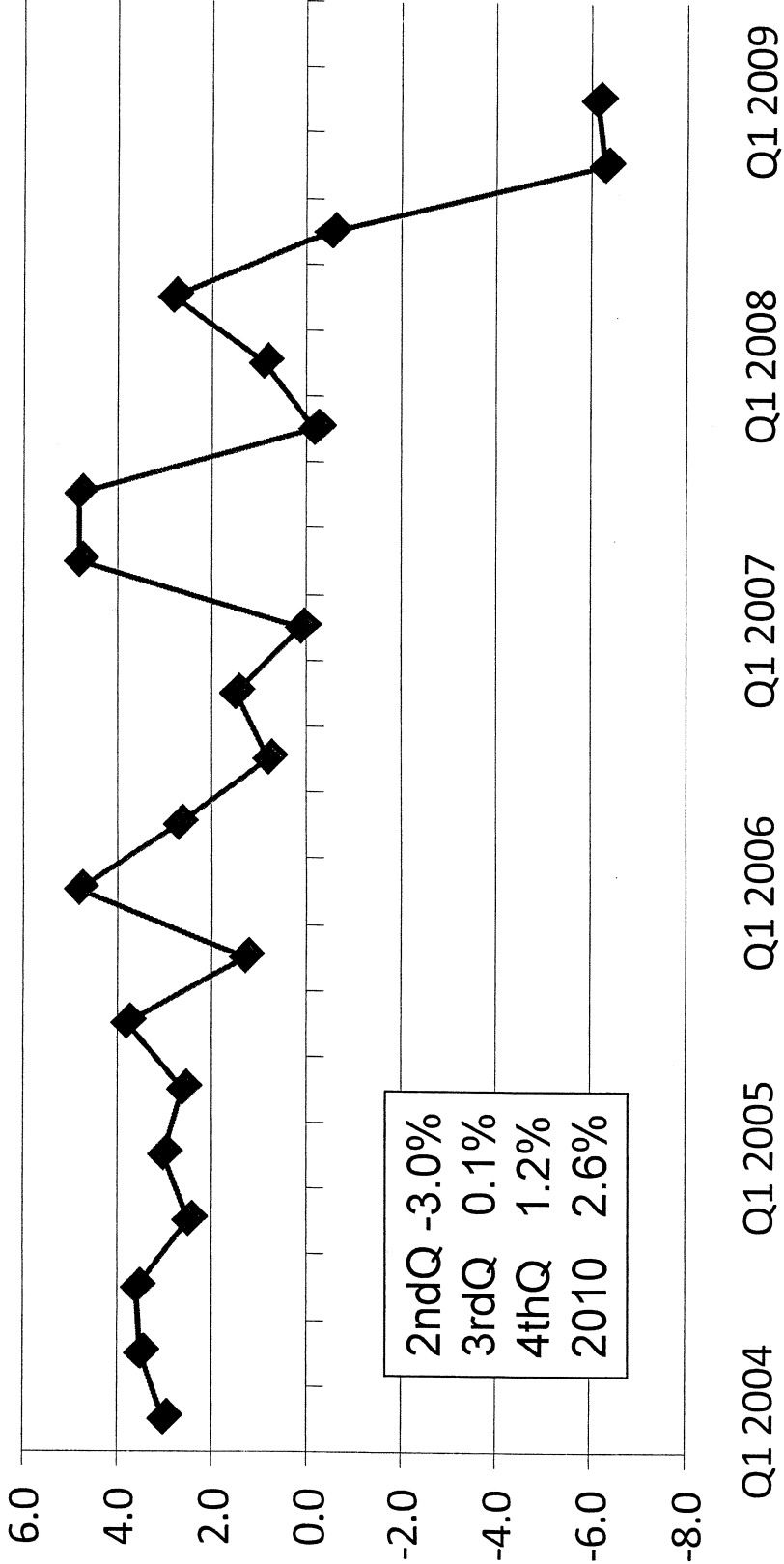
Off A Cliff!

Total U.S. Sales of Light Vehicles: 1992 - 2009



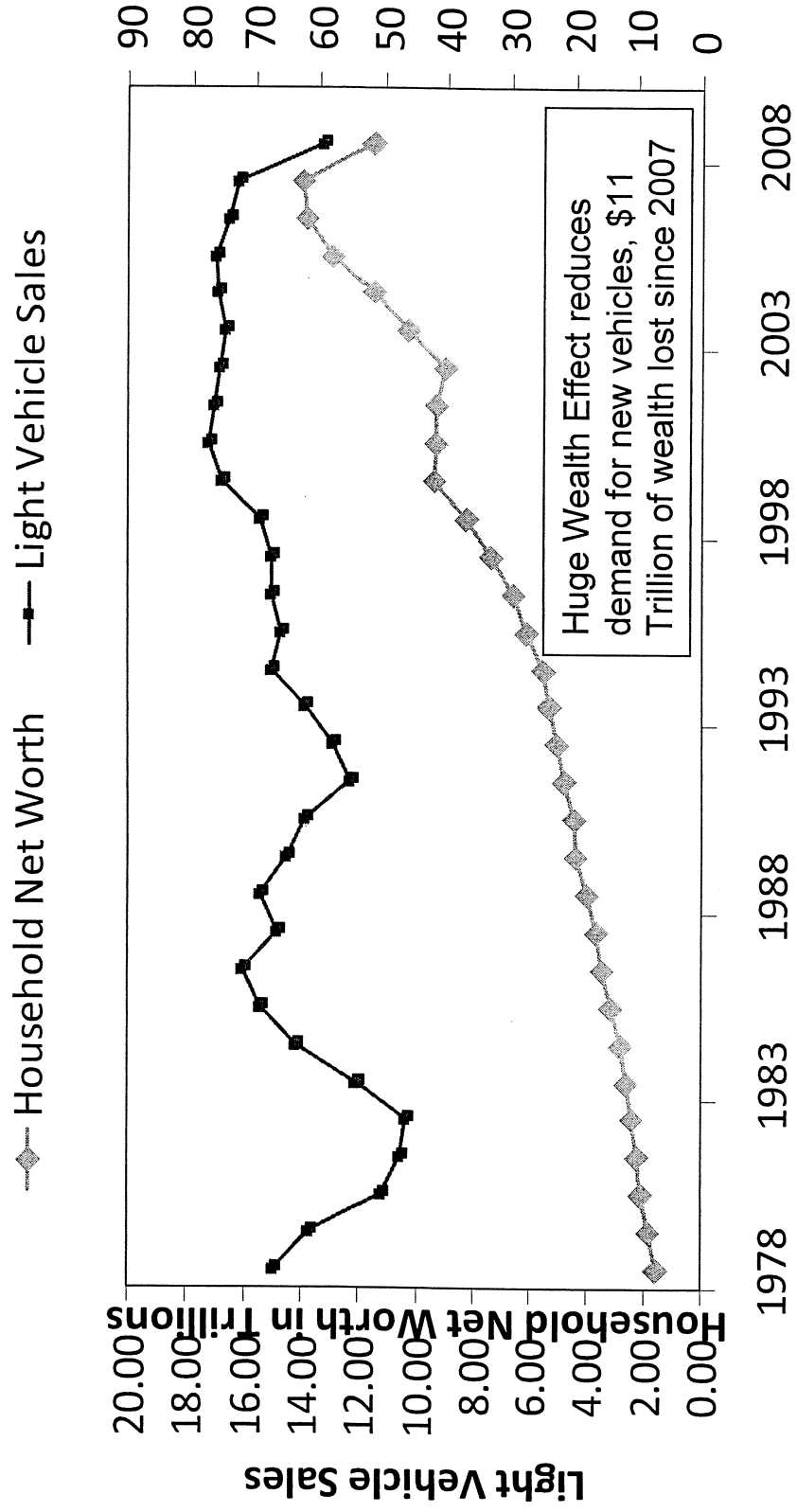
Source: Ward's Automotive Reports

Hopefully the Decline is Slowing Down? Quarterly GDP Growth Rate



Source: BEA, U.S. DOC

Americans Feel (and Are) Poorer Household Net Worth and Vehicle Sales



Source: Federal Reserve Statistical Release, Z.1, Flow of Funds Accounts of the United States

Senate Passes Cash For Clunkers: Summary

Consumer Assistance to Recycle and Save and Act (CARS)—H.R. 2640/ Drive America Forward Act—S. 1135

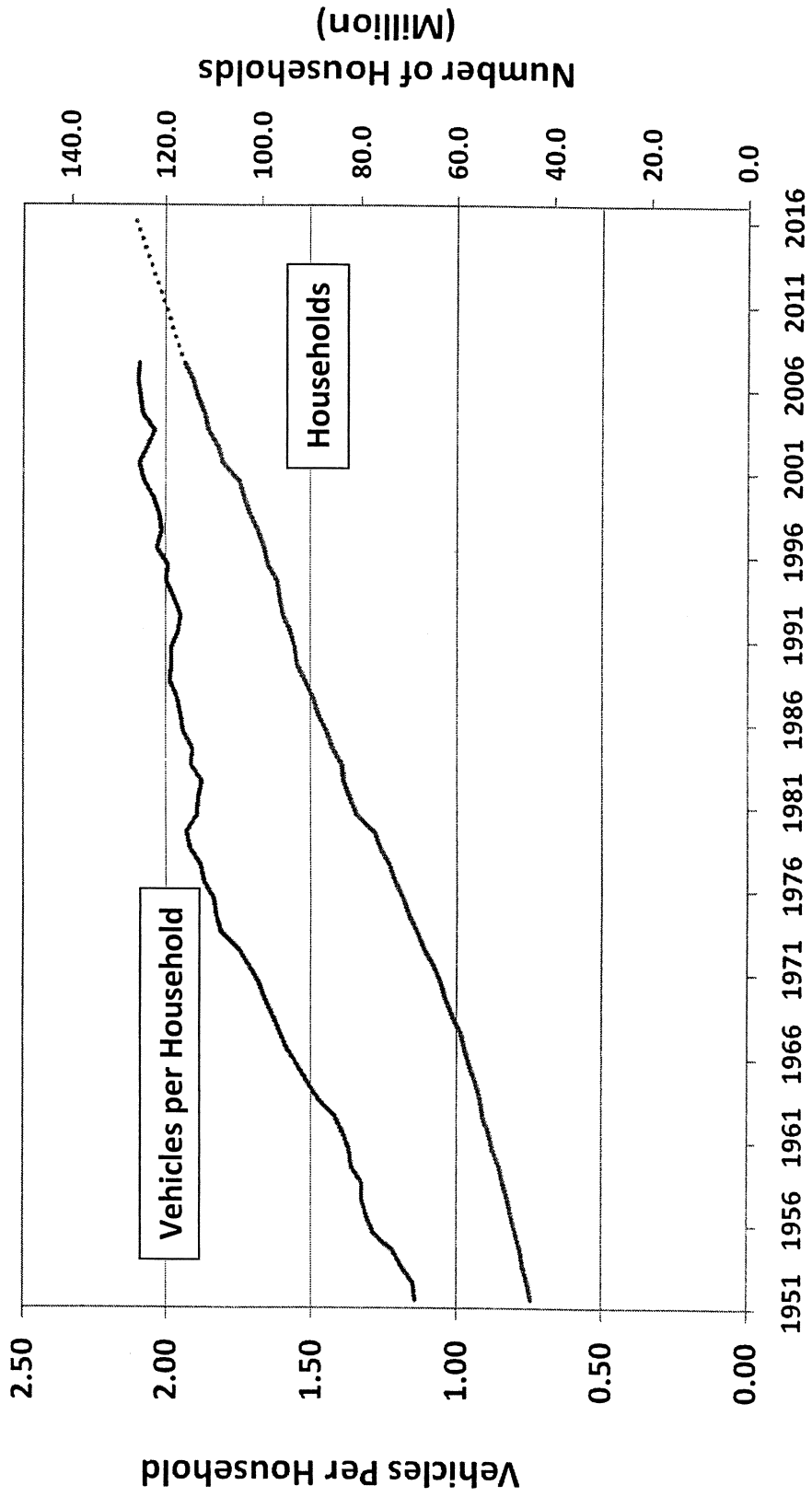
	Cars	Light Truck	Large Light Truck (6,000-8,500 pounds)	Cat. 3 Truck (8,500-10,000 pounds)*
Fuel Economy of New Vehicle (comb.)	22 mpg	18 mpg	15 mpg	n/a
\$3,500 Voucher	+4 mpg	+2 mpg	+1 mpg or trade in work truck	<=2002
\$4,500 Voucher	+10 mpg	+5 mpg	+2 mpg	n/a

- \$1 B set aside thru 9-09, can fund 250,000 sales-150,000 expected
- \$3 B more needed to fund 750,000 more sales, wait until FY2010 budget
- Only 6-9 mil. out of 245 mil. Fleet qualify
- Plan clearly will push large, light truck sales, benefiting Detroit

* Limited to 7.5% of funds disbursed

The Long Term Outlook

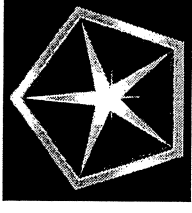
Number of Households and Vehicles Per Household (adding 10 million households means 20 million+ more operating vehicles by 2016)



Source: U.S. Census Bureau, Current Population Reports, "Families and Living Arrangements";
 U.S. Federal Highway Administration, Highway Statistics

Chrysler Post Bankruptcy Will be Tough

F/I/A/T



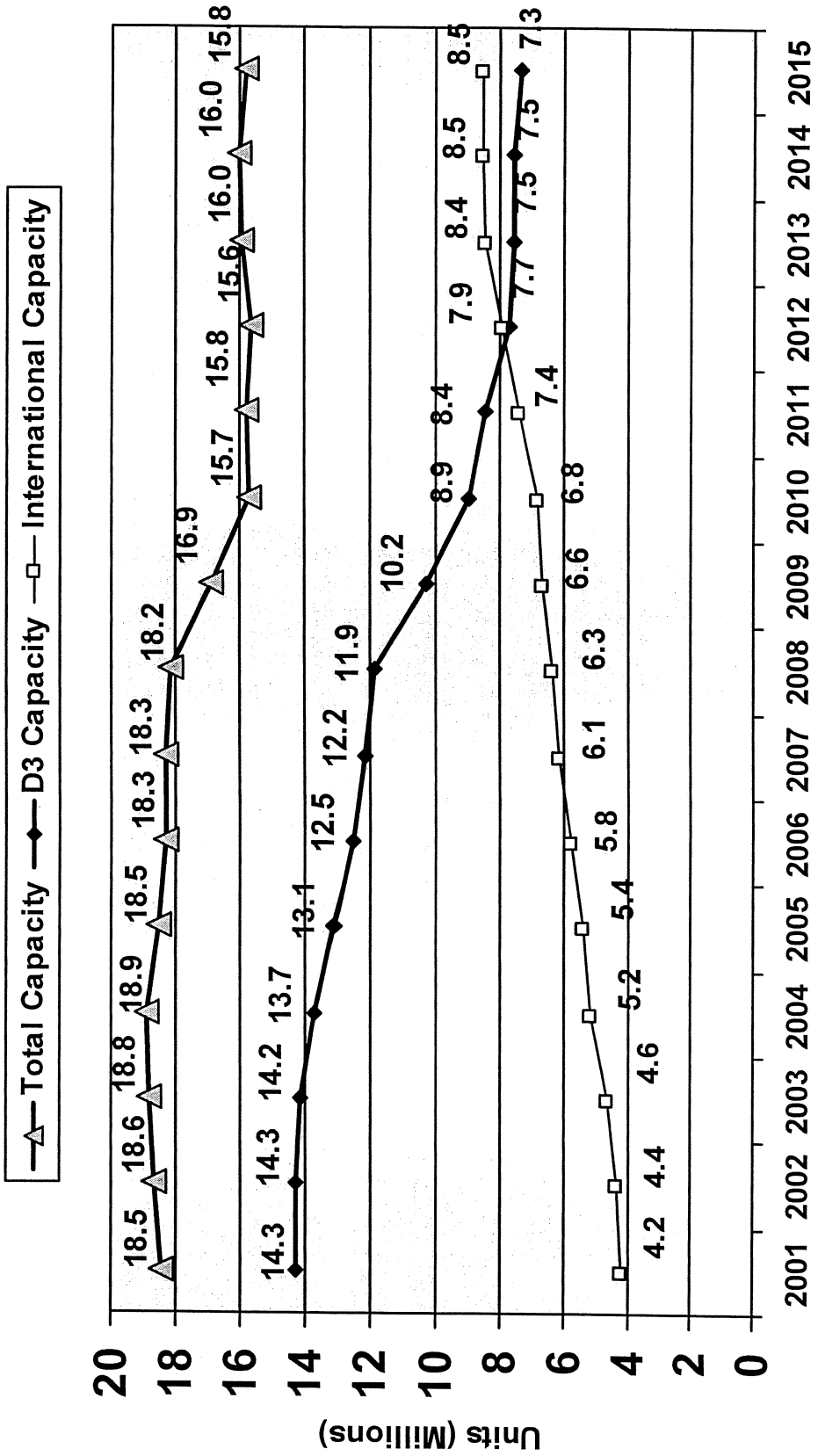
- U.S. Government was only bidder and DIP financier – sells to Fiat (20% - 35% - 49%), UAW VEBA (68%), U.S. Govt. (10%), and Canadian Govt. (2%). 4,3,1, and 1 BOD seats. But Fiat controls.
- Over \$12.9B Of U.S./Canadian Govt. Support during and after bankruptcy. Fiat promises one U.S. and 1 Canadian plant ---- and 1 Mexican. 6 cars?
- 789 cancelled dealers will close. Eight manufacturing plants, 3,500 more workers to be bought out. However, no new Fiat models for up to two years – can Chrysler Group survive? U.S. market share could fall to 5%.
- Fiat will sell Chrysler product (Jeeps) in Europe and Latin America and maybe China

GM Company has many new advantages



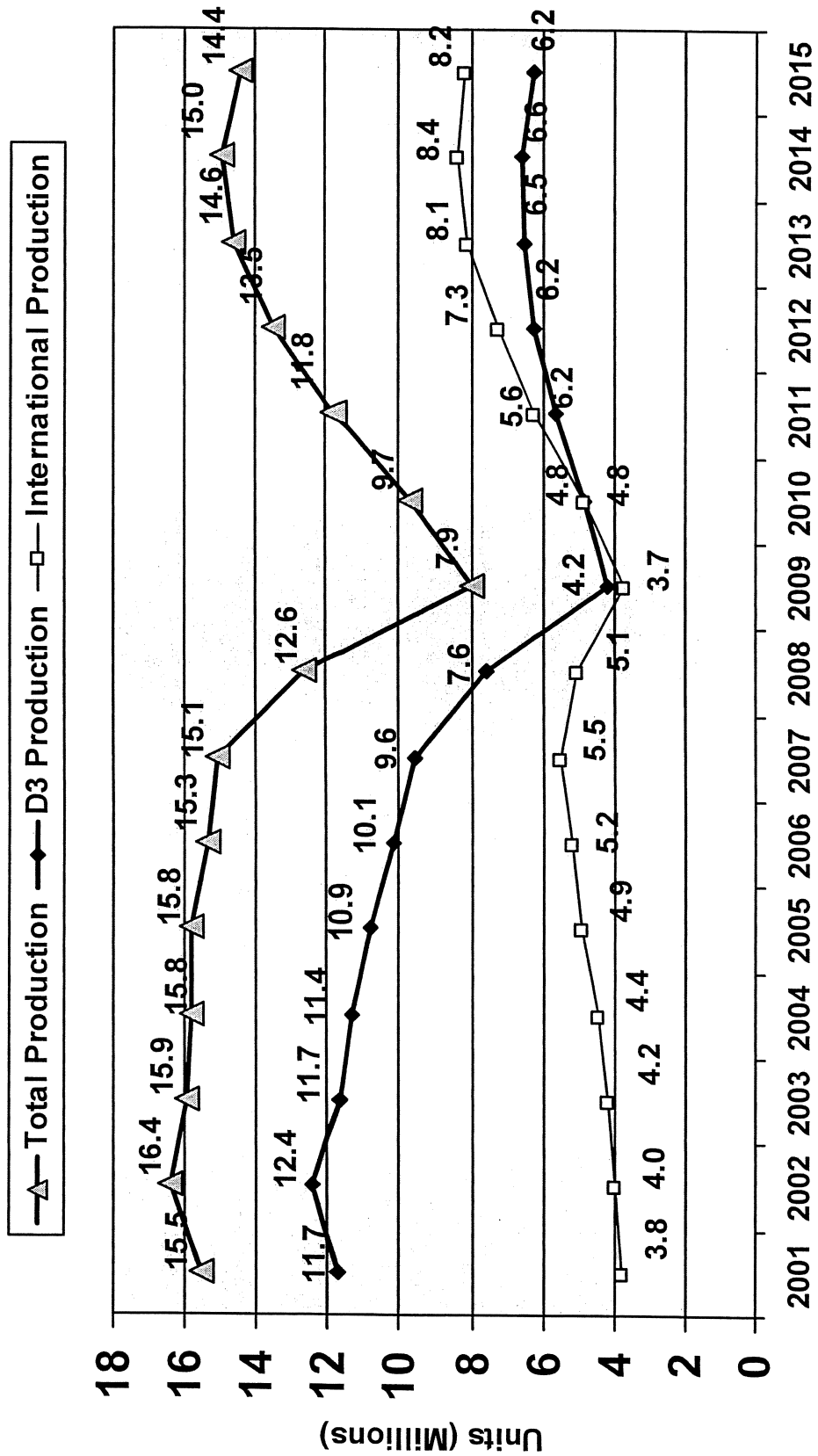
- \$74.4B in debt to be reduced to \$17B: \$6.7B to US Treasury, \$1.3B to Can. Govt., \$2.5B to UAW-VEBA, and \$6.8B of “other” debt. Also, \$9B of preferred stock to governments and UAW-VEBA.
- Governments get 72.5% (60.8% U.S.), UAW 17.5%, and bondholders 10% (eventually 25%) of new equity. Plus warrants. Government may deal more with bondholders with assistance of judge in bankruptcy. Secured creditors (\$6B) are fully re-paid.
- GM will remain a private firm for 12-18 months.
- Four core brands in North America: Chevrolet, Cadillac, Buick, and GMC. GM says that market share will vary between 18.4 to 18.9% beyond 2009. May actually fall to 15%
- Government funding supporting bankruptcy and beyond is \$33.0B. Funding must be adequate or supplier sector will crash. GMAC must fund dealer floor-plans or fire sales by dealers and banks. Dealer consolidation delayed thru end of 2010. GM should have cash pile of \$15 B by January.
- International operations outside of Europe are supposed to be unaffected.
- Reduction in fixed costs in N.A. of \$3,000 per unit thru 2011, then \$5,000 per unit thereafter. Breakeven now of 11.5 mil. U.S. SAAR.
- Must increase revenue per unit by \$2-4,000.

N.A. Production Capacity 2001 – 2015



Source: CSM Worldwide, CAR

N.A. Production 2001 - 2015



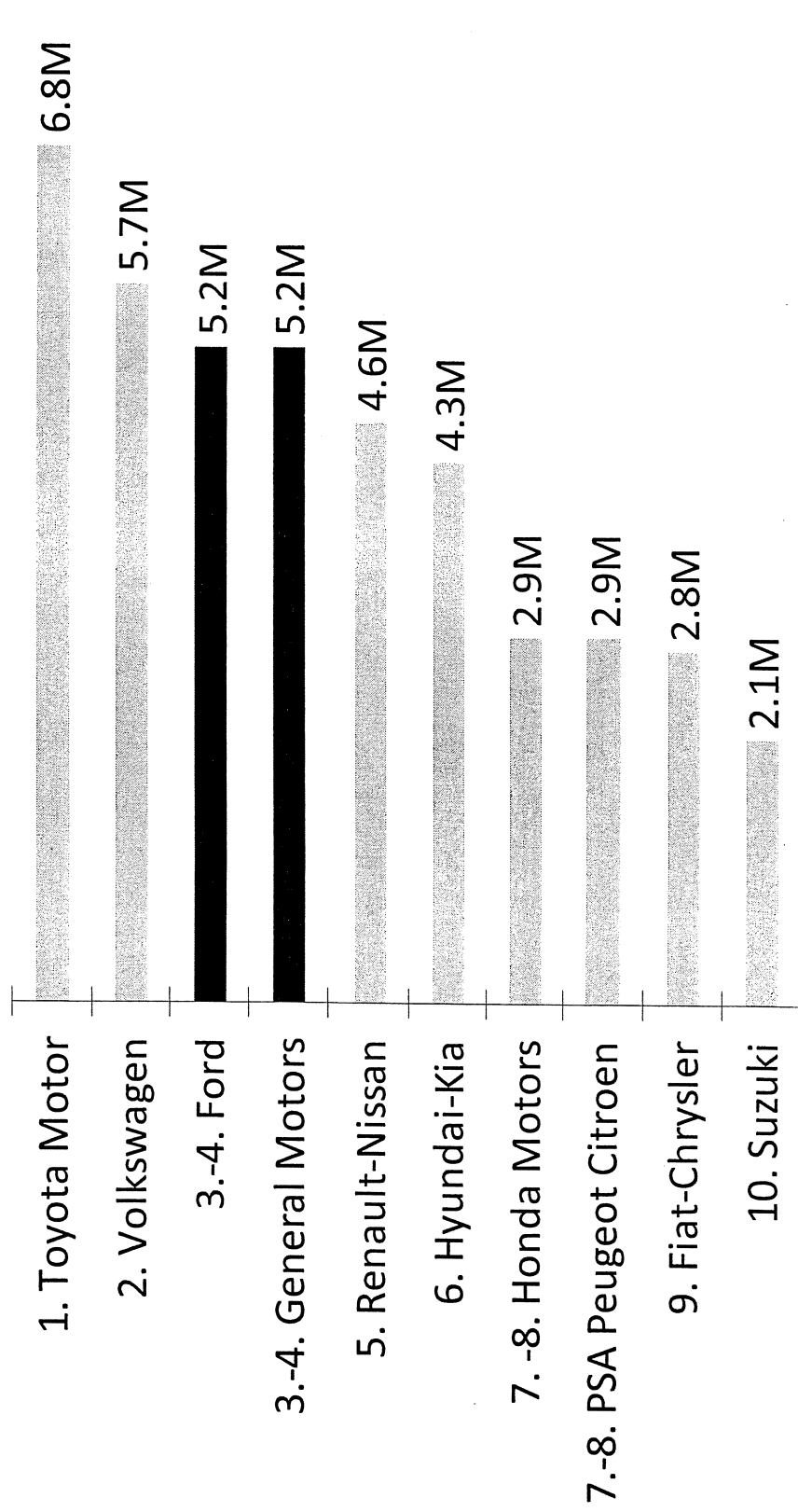
Source: CSM Worldwide, CAR

And the Result?

- GM and Chrysler will be much, much smaller . . .
- U.S. GM with 15-16% share, and 60,000 employment.
- U.S. Chrysler with 7-8% share and 30,000 employment.
- But Ford may be bigger with 15-17% share. And GM/Chrysler will exist for now.
- U.S./Canada industry and market will resemble Europe – many competitors with government control of market, products, and ownership.
- Government participation now apparent in other regions – should result in national champions, and the end of global competitors and competition.

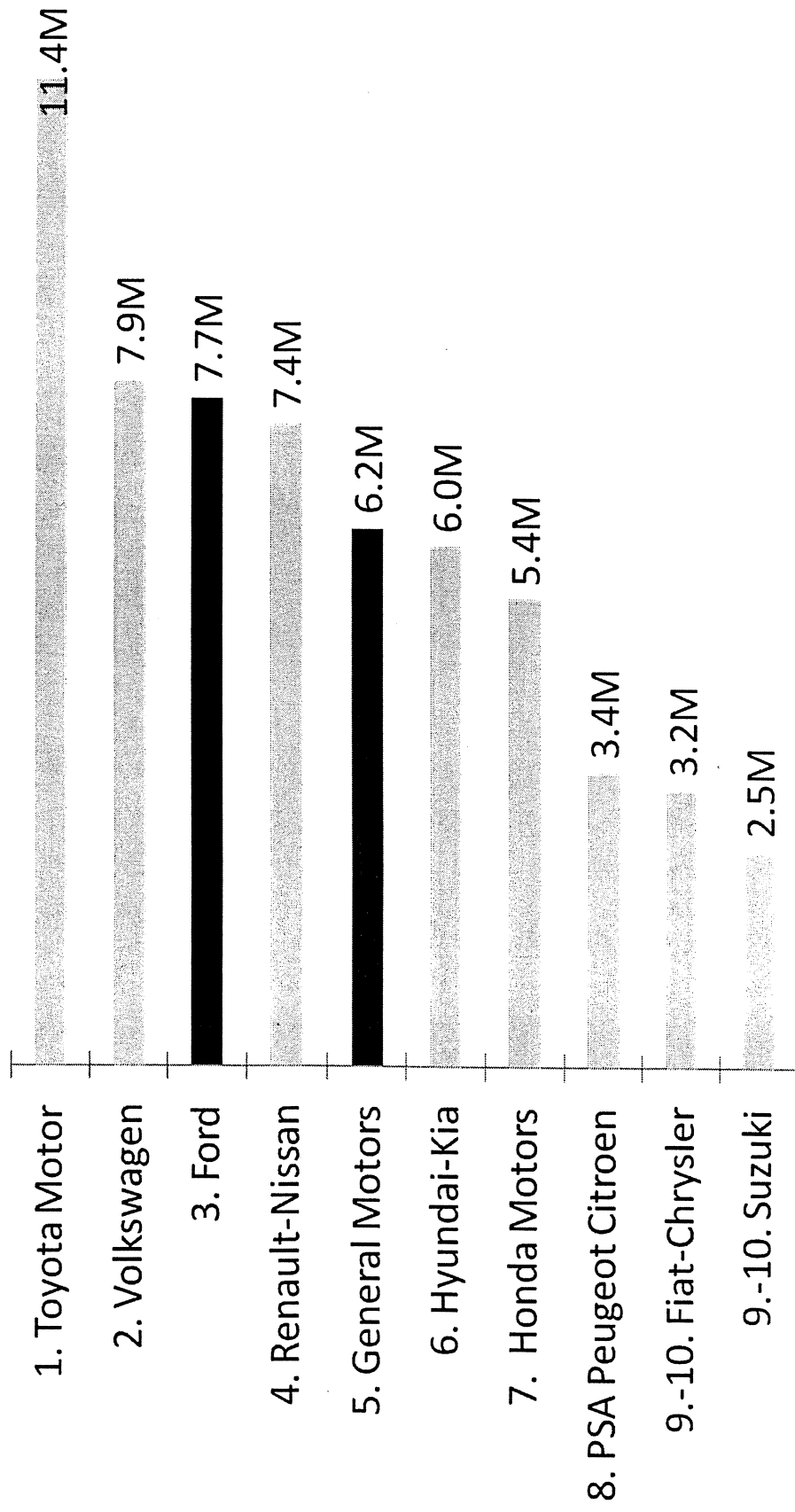


Global Sales 2009 (estimate)



Source: CSM Worldwide; Ford Figures include Volvo and Mazda

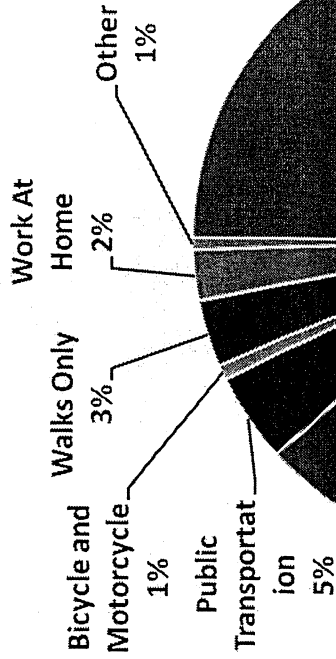
Global Sales 2015 (estimate)



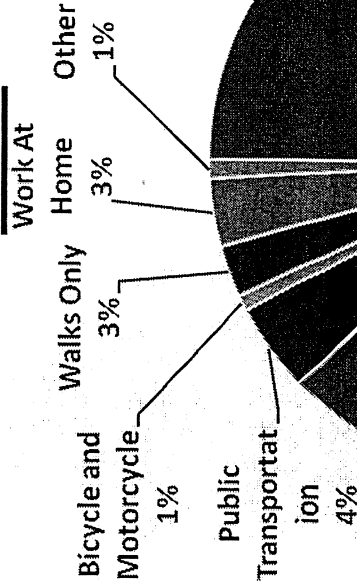
Source: CSM Worldwide; Ford Figures include Volvo and Mazda

No Substitute U.S. Principal Means of Transportation to Work

1989



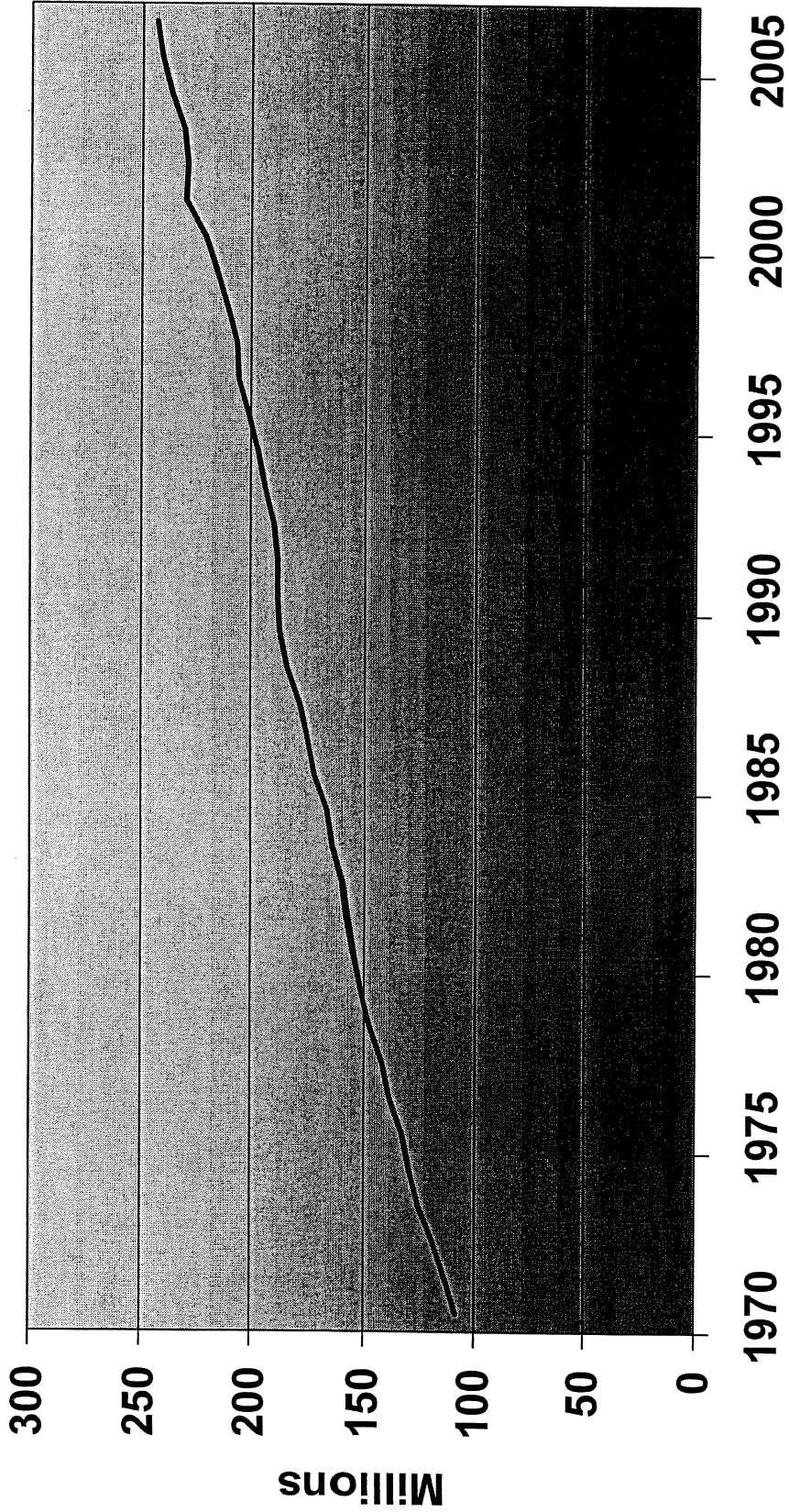
2007



Source: U.S. Department of Housing and Urban Development, American Housing Survey, 1989 and 2007, U.S. Census Bureau

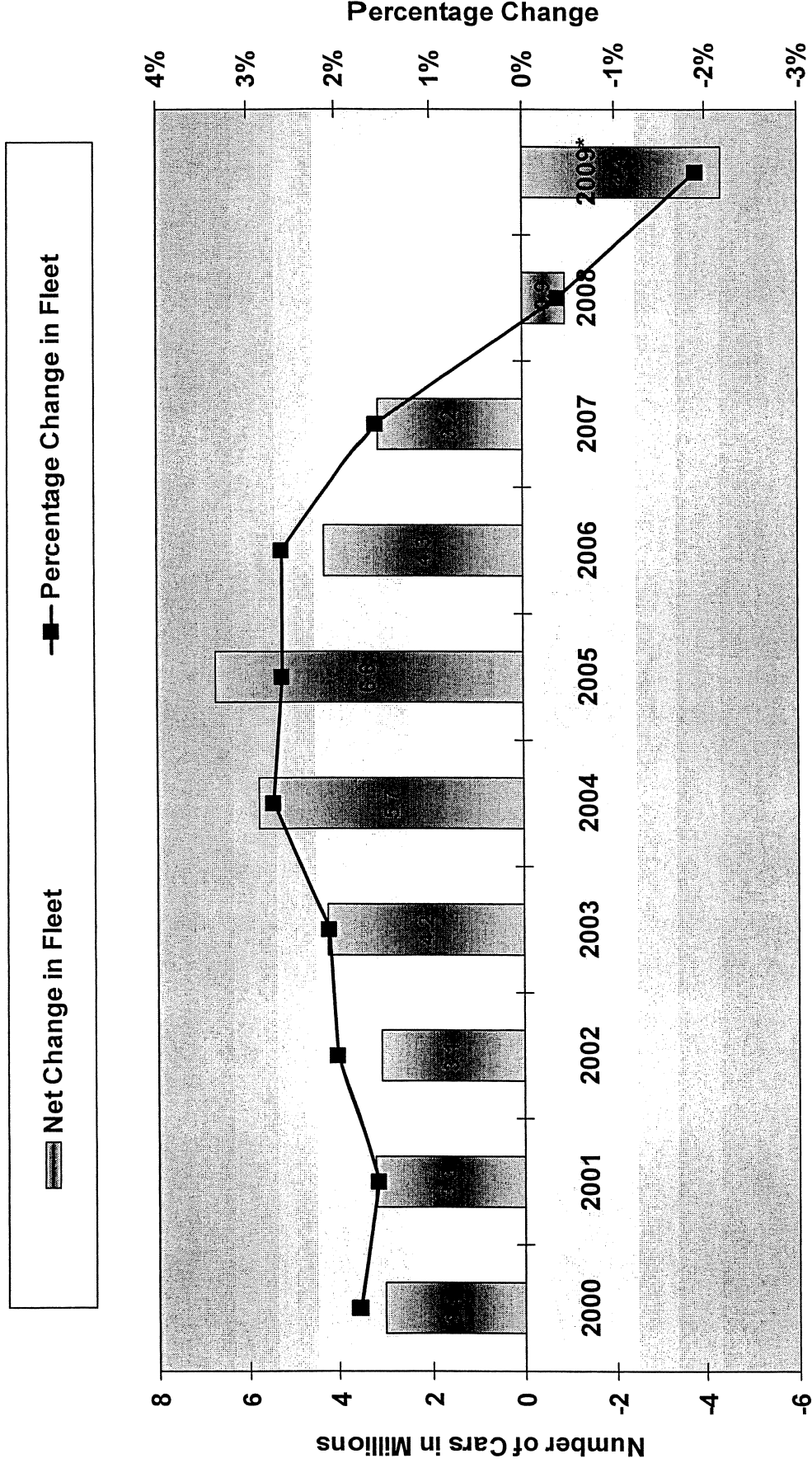
U.S. Car & Truck Registrations: 1970-2006

(135 million added in 35 years)



Source: U.S. Federal Highway Administration, Highway Statistics

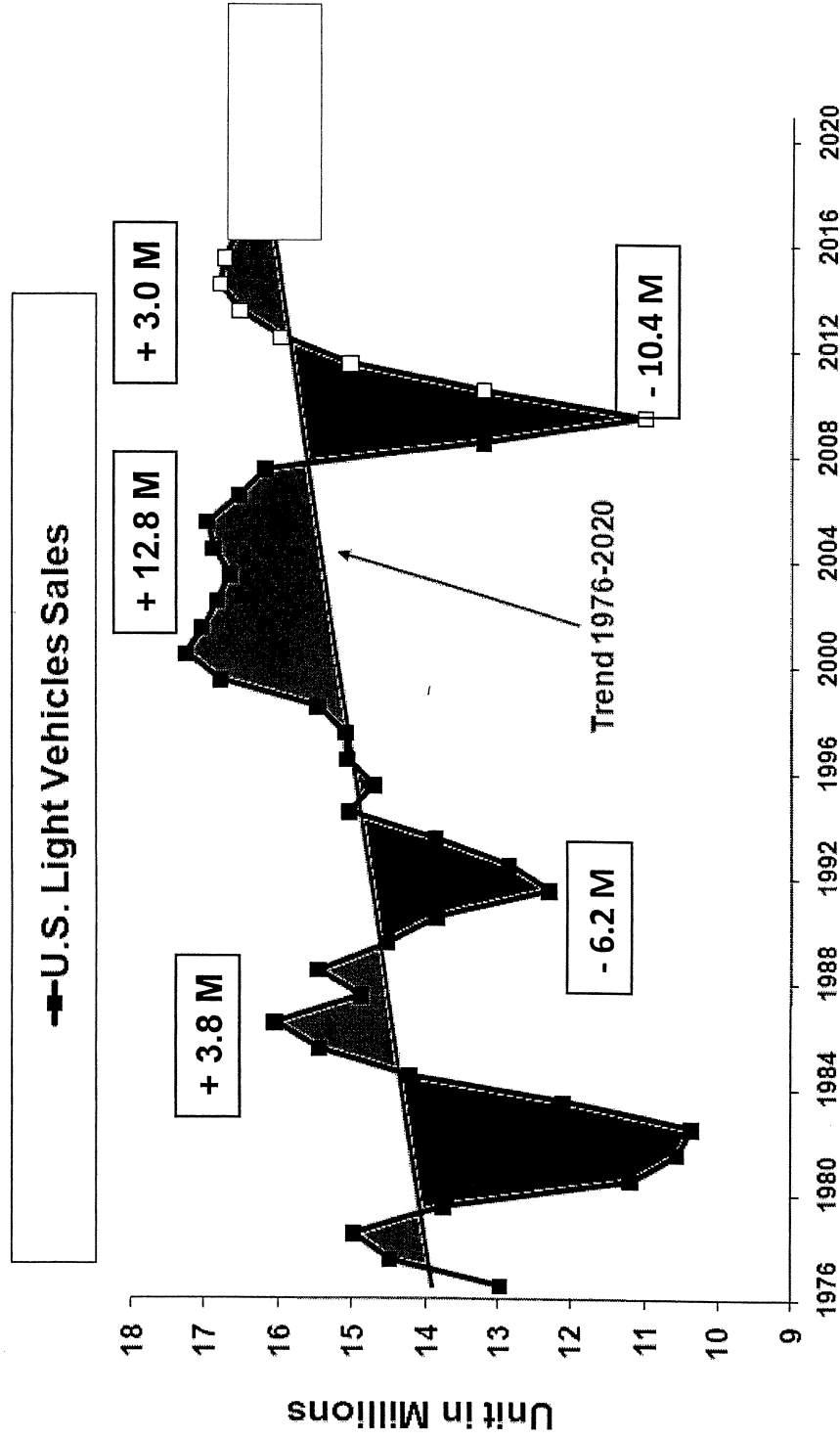
Change in Auto Fleet – 2000 to 2009



Years

*2009 is forecast using the 2008 Scrap Rate and Light Vehicle sales forecasts from CSM and JD Power

New Long-Term Forecast from CAR



Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
U.S. Sales (Millions)	11.0	13.2	15.0	15.9	16.5	16.8	16.7	16.5	16.3	15.9	15.8	15.9

Update: May 26 2009

Thank You

bswiecki@cargroup.org



Driving Ohio's Economy

Annual Contributions of Ohio's New-Vehicle Dealers*

Ohio's dealers maintain a multi-BILLION dollar retail industry.

Average sales per dealership.....	\$24.1 million
Total sales of all new-vehicle dealerships in Ohio.....	\$23.1 billion
Dealership sales as % of total retail sales in the state.....	17.7%
Estimated number of new-vehicle dealerships	958

Dealers provide thousands of well-paying jobs in Ohio.

Total number of new-vehicle dealership employees in Ohio	40,937
Average number of employees per dealership.....	43
Average annual earnings of new-vehicle dealership employees.....	\$43,475
Dealership payroll as % of total state retail payroll.....	12.9%
Annual payroll of new-vehicle dealerships	\$1.77 billion
Average annual payroll per new-vehicle dealership	\$1.85 million

*Numbers reflect annual economic activity during 2007

Dealers generate hundreds of millions of dollars of tax revenue for state and local government through:

- Sales Tax Revenue
- Corporate Tax Revenue, including Commercial Activity Tax (CAT) Revenue
- Payroll Tax Revenue

Source: National Automobile Dealers Association

Toledo Area Highlights

2008 State & Local Permissive Auto Sales Tax Collections

\$38,295,994 motor vehicle sales tax dollars collected in Lucas County
 \$12,274,477 motor vehicle sales tax dollars collected in Wood County

**Source – Ohio Dept. of Taxation

Community Relations

Toledo area dealers support numerous charitable organizations, including the Auto Dealers United for Kids (ADUK) committee, which is dedicated to aiding in the education and welfare of the children of "Greater Toledo." Toledo area dealers have contributed over \$745,000 in support of ADUK in the past six years.

Toledo Area Dealers have also contributed \$200,000 to the Toledo area Regional Growth Project over the past five years.



THE OHIO AUTOMOBILE DEALERS ASSOCIATION

April 29, 2009

I am extremely puzzled by the announcement of dealership cutbacks as a seeming "solution" to problems facing the auto industry in general and specifically to General Motors.

Yesterday, I listened to GM President Fritz Henderson express a stated goal of reducing dealer count at GM from 6246 dealers to 3605 dealers by 2010. SOUNDS IMPRESSIVE, but what will it do to save GM? The simple answer is NOTHING.

The most important question is not the number of dealers but whether the dealers are a cost center for their respective manufacturers and they clearly are not. A study by the Casesa Shapiro Group found that auto dealers provide a vast distribution channel "at virtually no cost" to their manufacturers.

Dealers :

1. pay for vehicles for customers and inventory before the vehicles ever leave the factory;
2. pay for parts before ever receiving them;
3. pay all their employees' costs (ie; wages, benefits, payroll taxes, training costs, etc.);
4. pay all their own real estate costs (ie; land ,buildings, insurance , taxes etc.);
5. pay all their own IT and computer costs;
6. pay all their equipment costs (ie; service department lifts, tools, diagnostic equipment)

The list goes on.

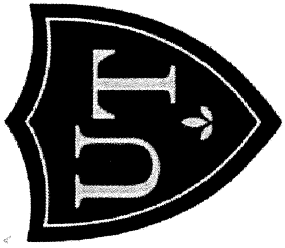
Keep in mind dealers equal revenue to manufacturers, not costs. Dealers generate more than 90% of manufacturer revenue. A rapid reduction in dealer numbers would further CUT manufacturer revenue and market share and do NOTHING to improve the manufacturer's viability in the short term. Even according to GM executives, it takes 18 months to regain market share when a dealership closes. And that's a best case scenario.

Trying to eliminate dealerships beyond the already systematic consolidations that have taken place for the past 60 years will only serve to hurt the hard-working employees of those dealerships and their families, the numerous communities that rely on the taxes generated by those dealerships, the related businesses that sell to those dealerships and the consumers that are served by the competition and convenience of the dealerships and the numerous charitable organizations that benefit from dealers' support. When a dealership closes, the loss to the community is real and immediate.

It is unnecessary to artificially designate a "right number" of dealers as though that number is a "magic cure". To do so is only an effort to deflect criticism from the manufacturers' own poor performance and failure to control costs which is a result of their own decisions.

Thanks for the opportunity to set the record straight. Closing dealerships won't affect the bottom line for any manufacturer positively, but will negatively affect thousands of independent businesses, their employees, their customers who rely on them for sales and service and the communities that rely on those dealerships.

TIM DORAN
President



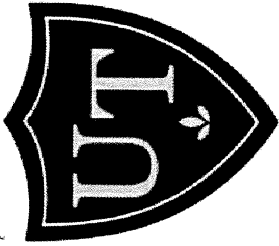
**Initial Concept:
University of Toledo--Toward an
Institute for Vehicular Business and
Supply Chain Management**

Prepared By:

**James A. Pope
Anand S. Kunnathur
Ram Rachamadugu
T.S. Ragu-Nathan**

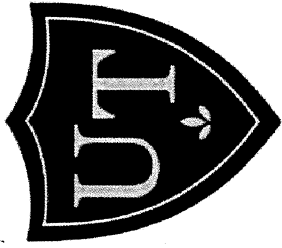
IOTM Dept., College of Business Administration

and Peter A. Gold of The Gold Group, LLC



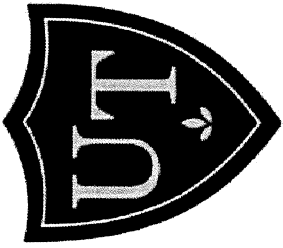
Overview

- The primary sources of employment in Northwest Ohio and Southeast Michigan are the automotive and its ancillary industries
- The auto industry greatly impacts state and local revenues
- The automotive industry is in severe retrenchment and in need of reorientation
- The manufacturers and suppliers in the automotive industry are part of a supply chain that is at risk of not surviving because of the lack of robustness and diversification.



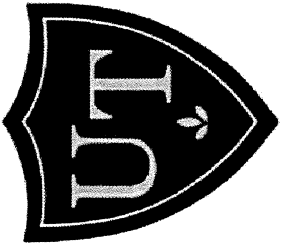
The Automotive Supply Chain

- The automotive supply chain is made of vehicle manufacturers, also called Original Equipment Manufacturers (OEMs) and tier 1, 2 and 3 suppliers
- Firms that sell finished components (for example, starter or generator) directly to the vehicle manufacturers are called Tier 1 suppliers
- Firms supplying directly to tier 1 (for example, copper wire or carbon brushes) are classified as Tier 2
- Firms supplying raw materials to either of the two are classified as Tier 3.



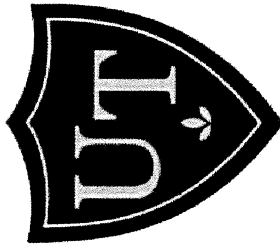
The Automotive Supply Chain

- The current economic downturn has bankrupted two of the big three automakers, also affecting the automotive supply chain
- Employment in the Midwest, especially in Southern Michigan and Northwest Ohio is largely driven by jobs related to the automotive supply chain. Between 2003 and 2005, \$3.3 billion was invested in Ohio by companies operating in the automotive industry
- Saving the employment base of the region is an urgent imperative to avoid serious negative repercussions for the region and the nation



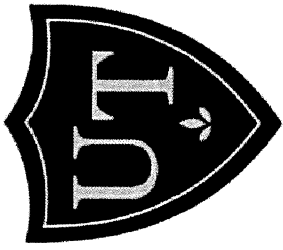
The Automotive Supply Chain

- It has been shown from input-output models that automotive supply chain expenditures account for a considerable percentage of production of many materials-producing industries, such as metals industries
- In 2001, about 32 percent of all aluminum, and 14 percent of all U.S. steel purchases was attributed to the automotive industry
- The automotive supply chain generates close to 59,000 jobs in the electronics industry



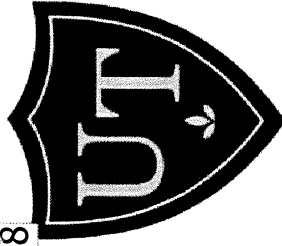
Impact of Automotive Supply Chain

- The automotive industry has the largest employment multipliers in the economy
- The auto suppliers industry constitutes the largest manufacturing sector in the United States, directly employing 686,000 people and indirectly contributes to 3.29 million jobs, which is a multiplier of 4.8
- The average wage in the tier 2 and 3 automotive suppliers is close to the average wage in the service industry, hence making it easier to compete in other sectors such as aerospace and alternative energy
- Auto suppliers have the technology and capability to manufacture high quality products, helping transition into high precision medical instruments industry, and DoD contracting



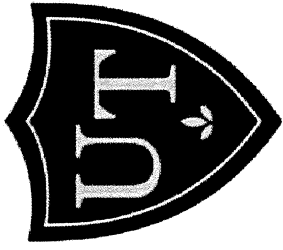
Automotive Industry Needs

- Manufacturers and suppliers in the automotive industry are in need of help with:
 - Organizational Restructuring
 - Product development
 - Business planning
 - Building of the supply chain infrastructure
 - Retooling
 - Workforce Retraining
 - Knowledge building and organizational learning



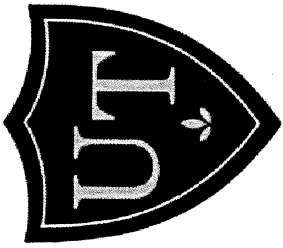
Proposed Assistance

- The College of Business Administration, University of Toledo has the expertise to help the automotive industry and its supply chain return to viability and profitability. We can offer:
 - Consultative services
 - Retraining programs
 - Business planning and product development assistance
 - Reorienting and diversifying the supply chain
 - Help in developing and reshaping the supply chain infrastructure



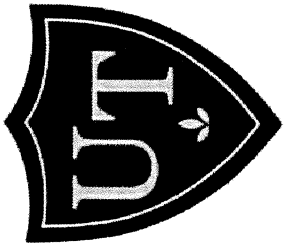
Activities

- **The Institute will assemble academic, business, industry and government thought leaders for:**
 - Developing new business models and best practices
 - Becoming a national resource in testing and advancing such new models
 - Diversification of the supply chain to service Dept. of Defense and Govt. Contracting, the medical device industry and emerging industries such as alternative energy



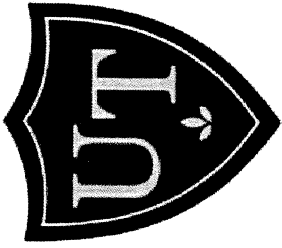
Activities (contd.)

- **The Institute will assemble academic, business, industry and government thought leaders for:**
 - Identifying new ways of doing business through modeling, simulation methodologies and other means.
 - Determining the validity, efficacy and/or effects of various types of federal intervention, federal and state regulations, and other proposed actions.



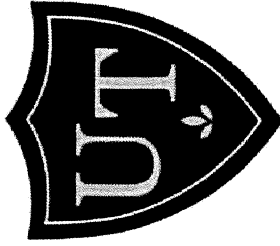
Activities

- The Institute will play a significant role in
 - Developing the current and next generation workforce for vehicular businesses.
 - Educating and training in the latest concepts and strategies in automotive and related businesses.



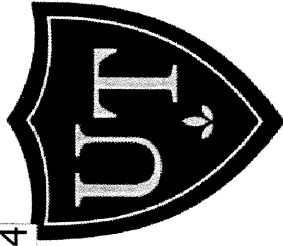
Activities

- The Institute will become a one stop shop for:
 - Vehicular industry *business* expertise
 - Supply chain infrastructure development
 - Analytical and statistical modeling and simulation resources.
 - Evaluation and determination of new business strategies to increase global viability and competitiveness



Next Steps

- Set up an initial advisory board comprising University leadership, COBA leadership, the Consultant and a few industry “leaders”.
- Determine feasibility of the enterprise and identification of action steps. At that point contacts should be established with key stakeholders (Government, Industry, and Other Academia) and start up efforts intensified
- Conduct a census of suppliers in the region and gather data on product lines, market situation, financial health, infrastructure and capabilities. Identify needs for preserving and growing the supply chain
- We request seed funding to begin work in this area leading to funding from Government sources, targeting in particular the stimulus monies allocated by the US government



Conclusion

The institute will lead by developing:

- New ways of doing business
- New business models
- Different types of business relationships and strategic partnerships
- Supply Chain risk mitigating strategies and Reengineering

We can position ourselves as THE premier institute for vehicular business and supply chain management in the USA

Thank you!



RICHARD CORDRAY
OHIO ATTORNEY GENERAL

**TALKING POINTS BEFORE THE JOINT SELECT COMMITTEE ON THE
IMPACT OF THE CHANGING AUTOMOTIVE INDUSTRY ON OHIO**

**AUGUST 18, 2009 AT LORAIN COUNTY COMMUNITY COLLEGE
PRESENTED BY TRISH D. LAZICH, ASSISTANT CHIEF
COLLECTIONS ENFORCEMENT SECTION**

- ❖ **AGO SHARES CONCERNS ABOUT DEVASTATING TOLL THE
DECLINE OF THE AUTO INDUSTRY HAS HAD ON OHIO – ONE OF
THE LARGEST CENTERS OF AUTO MANUFACTURING IN COUNTY**
- ❖ **RECENT CHRYSLER & GM BANKRUPTCY CASES WERE
UNPRECEDENTED – PROCEEDING THROUGH COURTS AT WARP
SPEED WITH LITTLE TIME TO REACT/DEAL WITH CONSEQUENCES**
- ❖ **OHIO AGO TOOK THE LEAD IN MULTISTATE EFFORT THROUGH
NATIONAL ASSOCIATION OF ATTORNEYS GENERAL & A
MAJORITY OF OTHER STATE ATTORNEYS GENERAL IN
FOLLOWING AREAS:**
 - **ENSURING COMPANIES' OBLIGATIONS FOR WORKERS COMP &
OTHER STATE TAX LIABILITIES**
 - **BOTH CHRYSLER & GM WERE SELF-INSURED
EMPLOYERS FOR OHIO'S WORKERS' COMP FUND**
 - **NEEDED TO PROTECT THE INTEGRITY OF THE SI
FUND TO ENSURE THAT NEW CHRYSLER AND NEW
GM, BOTH OF WHICH WOULD WANT TO BE SELF-
INSURED IN OHIO, WOULD ASSUME THE PRE-
BANKRUPTCY LIABILITES OF CHRYSLER AND GM.**
 - **WE WERE SUCCESSFUL IN BOTH CASES IN HAVING
NEW CARCO ACKNOWLEDGE OBLIGATIONS TO
BECOME SELF-INSURED IN OHIO OR AGREE N THE
SALE ORDER (IN GM CASE) TO ASSUME THE PRE-
PETITION LIABILITIES OF DEBTOR COMPANIES**
 - **WITH RESPECT TO OTHER STATE TAX ISSUES,
NEGOTIATED CLARIFYING LANGUAGE IN GM SALE
ORDER THAT ALL OHIO BUSINESS TAXES WOULD BE**

**ADDRESSED & PRESERVED THE RIGHT OF SET-OFF
OF TAXING AUTHORITIES AGAINST ANY GM REFUND
REQUESTS**

● **PROTECTING OHIO CONSUMERS**

- **LEMON LAWS ARE INTENDED TO PROTECT CONSUMERS WHO PURCHASE CARS THAT CAN'T BE PROPERLY REPAIRED UNDER WARRANTY & REQUIRE EITHER A FULL REFUND OR REPLACEMENT VEHICLE**
- **WE FOUGHT TO ENSURE AUTO WARRANTIES ON ALL CARS WOULD BE HONORED – DESPITE INTITAL ATTEMPTS BY NEW CARCO REPS TO LIMIT THAT LIABILITY**
- **IN BOTH CHRYSLER & GM CASES, WE NEGOTIATED WITH DEBTORS/NEW CARCO REPS TO ENSURE OHIO LEMON LAWS WERE PROTECTED & BOTH DEBTOR AND NEW CO WOULD ABIDE BY SAME**
- **OUR EFFORTS RESULTED IN NEW CARCO REPS AGREEING TO HONOR STATE LEMON LAWS FOR CARS PURCHASED DURING THE BANRKUTPCY AND EVEN FOR CARS PURCHASED FROM CHRYSLER/GM PRIOR TO THE BANKRUPTCY FILINGS**
- **WE FOUGHT TO ENSURE THAT CUSTOMER LISTS OF CHRYSLER AND GM THAT WERE SOLD TO NEW CARCO WOULD BE GOVERNED BY STANDARDS THAT ENSURED PROTECTIONS AGAINST UNWANTED DISCLOSURE & POTENTIAL OF IDENTITY THEFT**

● **ENVIRONMENTAL PROTECTIONS**

- **WE NEGOTIATED CLARIFYING LANGUAGE WITH GM AND NEW CARCO TO ENSURE CONTINUING RESPONSIBILITY FOR ENVIRONMENTAL PROTECTIONS FOR PLANT CLOSINGS WHICH RAISE SPECIAL ENVIRONMENTAL ISSUES**

● **PROTECTING AUTO DEALERS**

- **GM BANKRUPTCY PARTICULARLY HARDHITTING FOR AUTO DEALERS – APPROXIMATELY 2100 OF 6000 DEALERS NATIONWIDE WERE SLATED FOR TERMINATION**
 - **BOTH CONTINUING AND TERMINATED DEALERS WERE PRESENTED WITH AMENDED CONTRACTS BY GM THAT REQUIRED THEM TO WAIVE THEIR RIGHTS/PROTECTIONS UNDER STATE FRANCHISE LAWS**
 - **WE NEGOTIATED DIRECTLY WITH GM’S GENERAL COUNSEL & REPS FROM PRESIDENT’S AUTO TASK FORCE ON MANY OF THE DEALER ISSUES**
 - **FOR THE CONTINUING DEALERS IN GM, WE WERE SUCCESSFUL IN NEGOTIATING THAT STATE FRANCHISE LAWS AND STATE ADMINISTRATIVE/COURT PROCEDURES FOR ENFORCING THOSE LAWS WOULD BE PROTECTED & REMAIN MATTERS GOVERNED BY STATE LAW**
 - **FOR THE TERMINATED DEALERS IN CHRYSLER AND GM, WE FOUGHT FOR DUE PROCESS RIGHTS AND FAIR TREATMENT. AS A RESULT, CHRYSLER AGREED TO DELAY CLOSURE DEADLINES & WORK WITH TERMINATED DEALERS ON THE REPURCHASE OF OUTSTANDING INVENTORY. GM PROVIDED ADDITIONAL TIME & ASSISTANCE DURING THE WIND DOWN PERIOD FOR TERMINATED DEALERS**
 - **IN DISCUSSIONS WITH GM’S GENERAL COUNSEL AND AFTER LEARNING THE CRITERIA GM UTILIZED TO MAKE DECISIONS ABOUT DEALERS, GENERAL CORDRAY ASKED GM TO TAKE A SECOND LOOK AT A SHORT LIST OF OHIO DEALERS SLATED FOR TERMINATION WHICH RESULTED IN ONE ADDITIONAL DEALER FROM BEING CLOSED – WHILE HE WISHES IT COULD HAVE BEEN MORE – HE WAS VERY GLAD TO ASSIST THAT ONE BUSINESS IN THAT ONE COMMUNITY IN OHIO**
- **FAIRNESS FOR WORKERS AND OHIO COMMUNITIES**

- **OHIO HAS SUFFERED DISPROPORTIONATELY AS MANUFACTURING SECTORS SCALE BACK, CLOSE PLANTS, AND/OR COMPANIES MOVE OUT OF OHIO**
- **GM ANNOUNCED THE CLOSURE OF THE MORAINÉ PLANT IN DAYTON AND THE MANSFIELD STAMPING PLANT**
- **AGO HAS FORMED PARTNERSHIPS WITH OTHER STATE/LOCAL AGENCIES TO PROVIDE ON-SITE SERVICES TO LAID OFF WORKERS AND EFECTED RETIREES IN NEED OF BASIC ASSISTANCE/INFORMATION**
- **WE HELPED TO COORDINATE THE “RAPID RESPONSE PROGRAM” TO ADDRESS LAID-OFF WORKERS’ NEEDS CAUSED BY PLANT CLOSINGS ACROSS THE STATE – INCLUDING GM & CHRYSLER**
- **THE AGO HAS CONNECTED WITH THE RRP THROUGH OUR PARTNERSHIP WITH OHIO DEPARTMENT OF JOB & FAMILY SERVICES (“ODJFS”) TO PROVIDE TRAINING AND RESOURCES TO OHIO AFL-CIO WHO HAS RECEIVED GRANT \$\$ FROM WORKFORCE DEVELOPMENT PROGRAM TO SET UP LABOR MGMT COMMITTEES AT PLANTS THAT ARE CLOSING.**
- **WE CONTINUE TO PROVIDE TRAINING AND MATERIALS ADDRESSING JOB SCAMS, HOME FORECLOSURE PREVENTION AND FORECLOSURE RESCUE SCAMS WHICH TARGET LAID-OFF WORKERS**
- **AGO STAFF HAS BEEN TRAINED IN THE RRP AND WE CONTINUE TO STAFF INFORMATION TABLES AT FAIRS FOR LAID OFF WORKERS ACROSS THE STATE**
- **AG IS VERY CONCERNED ABOUT THE INEQUITABLE TREATMENT OF MANY GM RETIRES WHO GAVE MANY YEARS OF SERVICE AT GM PLANTS THROUGHOUT OHIO AND NOW ARE FACING SEVERE CUTS IN HEALTH CARE COVERAGE**
- **APPROXIMATELY 4000 NON-UAW GM OR DELPHI RETIRESS WHOSE HEALTH CARE COSTS HAVE DOUBLED SINCE THE GM BANKRUPTCY CASE**

- **AG HAS MET WITH SEVERAL LOCAL, STATE AND FEDERAL OFFICIALS CONCERNING THIS UNFAIR TREATMENT & IS ACTIVELY EXPLORING OTHER WAYS AGO CAN TAKE ACTION TO ADDRESS THIS PROBLEM**

● **CONCLUSION**

- **AG SHARES CONCERNS OF THE EFFECTS OF THE CHANGING AUTO INDUSTRY HAS ON ALL OHIOANS**
- **AG OFFERS SUPPORT AND SERVICES OF THE OFFICE OF THE ATTORNEY GENERAL AS GENERAL ASSEMBLY EXPLORES THOSE ISSUES & POTENTIAL SOLUTIONS**

**Eric Walker's Testimony
for
The Joint Select Committee on the Impact of the
Changing Automobile Industry in Ohio
August 3, 2009**

Good afternoon, my name is Eric Walker and I am the Director of the Lucas County Workforce Development Agency at The Source, Lucas County's One Stop facility. On behalf of County Commissioners Pete Gerken, President, Tina Skeldon Wozniak, and Ben Konop.

- As we begin to move forward in today's economy, we hope to build on our region's history of innovation and our existing education and training capacity to create the skilled and trained work force necessary to allow the region to recover.
- Unfortunately, we are faced with a growing gap between the skills of our workers and the demand of local employers.
- Automotive manufacturing has historically been high wage employment.
- In order to assist workers impacted by the contraction of the automobile industry, we are striving to encourage those individuals to retool and retrain for the jobs of today but also for tomorrow.

- For these workers, many who have been in the workforce since leaving high school, the changes in technology leave them unprepared to return to their old jobs – assuming those jobs still exist.
- In addition, employment growth in recent years has been in the retail and service sectors where salaries are significantly lower than those lost in manufacturing.
- Re-training workers for emerging industries is a challenge as well when it is not known what skills are going to be needed and what industries are likely to grow in the region.
- Training workers for jobs that do not yet exist can lead to continued unemployment, outward migration and ongoing frustration for workers.
- For our area, we would like to see increased attention to training workers – not only those who have lost their jobs but also those who work for companies that need to become more competitive. Incumbent Worker training.
- There should be programs that assist businesses to transition into new industries – particularly “green industries” including advanced energy.
- Funding for programs for the adoption of “green technology” by local governments to show support for a potentially high-growth industry – similar to proposals

Toward an Institute for Vehicular Business and Supply Chain Management

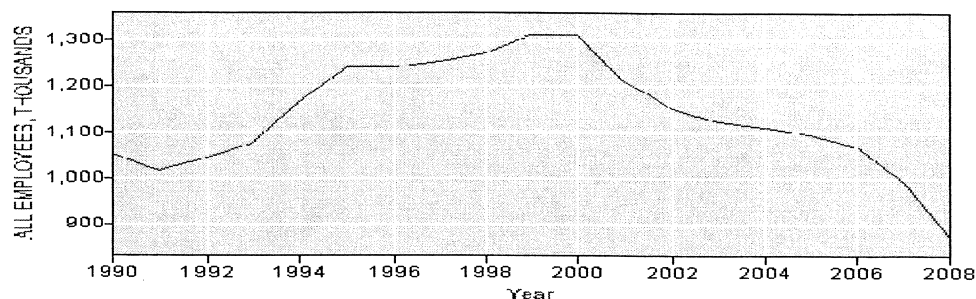
**Prepared By: James A. Pope, Anand S. Kunnathur, Ram Rachamadugu, T.S. Ragu-Nathan
IOTM Dept., College of Business Administration
and Peter A. Gold of The Gold Group, LLC**

The automobile industry is one of the most important industries in U.S. manufacturing because of the employment, wages, and retail business it generates. It also has an important impact on state and local government revenues. The automotive supply chain is made of vehicle manufacturers, also called Original Equipment Manufacturers (OEMs) and tier 1, 2 and 3 suppliers. The three tiers sometimes overlap and are not fully distinct. Firms that sell finished components (for example, starter or generator) directly to the vehicle manufacturers are called Tier 1 suppliers. Firms supplying directly to tier 1 (for example, copper wire or carbon brushes) are classified as Tier 2. Firms supplying raw materials to either of the two are classified as Tier 3.

The current economic downturn has bankrupted two of the big three automakers. The automotive supply chain associated with the manufacturers of automobiles has suffered as a consequence. Employment in the Midwest, especially in Southern Michigan and Northwest Ohio is largely driven by jobs related to the automotive supply chain. Between 2003 and 2005, \$3.3 billion was invested in Ohio by companies operating in the automotive industry. The loss of these jobs has and will have significant negative repercussions for the region and the nation, unless other opportunities are found quickly to reorient the automotive supply chain infrastructure to develop a) a presence in other industries, b) different business models in the same industry, or c) both--- thus saving the employment base of the region. It has been shown from input-output models that automotive supply chain expenditures account for a considerable percentage of production of many materials-producing industries, such as metals industries. In 2001, about 32 percent of all aluminum, and 14 percent of all U.S. steel purchases was attributed to the automotive industry. In addition, it has been reported that the automotive supply chain generates close to 59,000 jobs in the electronics industry.

The automotive industry also generates indirect jobs in other industries. Along with aerospace and primary metals, the automotive industry has the largest employment multipliers in the economy. The auto suppliers industry constitutes the largest manufacturing sector in the United States, directly employing 686,000 people and indirectly contributes to 3.29 million jobs, which is a multiplier of 4.8. The implications of these employment multipliers is that the automobile supply chain sector generates more than three times as many indirect jobs as employment in personal and business services and more than five times as many jobs as retail sales. The average wage in the supply chain of the automotive industry outside of the OEMs is 30 percent less than that of the OEMs and is hence closer to the average wages in the service industry. This should make it easier for the industries in the automotive supply chain to diversify into other manufacturing sectors such as aerospace and alternative energy production in a competitive way.

As shown in Figure 1, employment in the automobile sector has seen a decline in employment since 2000. This is a loss of 177,000 (17%) high wage jobs in the sector with considerable spillover effects in the linked sectors. The impact on indirect jobs and the government sector has been significant and requires considerable adjustment at the national, state and local level.

Figure 1: Motor Vehicles and Parts EmploymentSource *BLS*

According to the Motor Equipment Manufacturers Association, a trade group for auto industry suppliers, more than a third of auto related companies say in industry polling that they are in deep financial trouble. More than 40 of them entered bankruptcy in 2008. Some surviving companies are pursuing diversification into other industries for risk mitigation, and also for higher profitability as shown below-

- Some supplier companies are focusing on the Wind Power and alternative energy industry. According to the international business development manager at Michigan Economic Development Corporation, about 700 Michigan manufacturers now do wind-industry work. Most of them either have been — or in some cases still are — auto industry suppliers. In Ohio, according to the State Department of Economic Development more than 500 companies are active in the wind industry supply chain or entering the business. Most of them are either hedging their bets on their auto industry work or leaving it behind.
- Another industry that can accommodate automotive suppliers is the aerospace industry. The aerospace industry has seen an unprecedented increase in orders resulting in capacity bottlenecks in its supply chain. It is now looking towards the auto suppliers for additional capacity. Automotive supply chain has the needed surplus capacity, capability in manufacturing technology, and competency to meet the stringent norms of the aerospace industry.
- Auto suppliers also can and have diversified into the high precision medical instruments industry, and DoD contracting. Here again, the fact that these auto suppliers have the technology and capability to manufacture high quality products makes this a viable option.

The University of Toledo with its expertise and research capabilities in Supply Chain Management and Technology Management can offer consultative services for strategic and business planning as well as streamlining supply chain operations in addition to retraining all levels of the workforce. For instance, we can perform market studies for reorienting and diversifying the automotive supply chain and provide assistance in technology management, notably in Information Technology deployment and utilization.

We intend to advance a new national automotive institute focusing on Supply Chain business issues, specifically assisting with the conversion from one industry to another, reengineer the organizations to take advantage of emerging social, political and economic imperatives – need for less reliance on foreign energy sources and green initiatives, testing and modeling new business plans and relationships, workforce development, etc. We intent to rapidly create a one-stop Center of Excellence for expertise, contacts and access to the knowledge assets of the university, business and government members of the new Institute.

**Supply Chain Management at the College of Business Administration,
the University of Toledo**

1. The College of Business (COBA) offers a Ph. D program in Manufacturing and Technology Management. The program was started in 1990 with the first Ph.D graduates produced in 1995. On average, about 2 Ph. Ds graduate from the program every year. Since the year 2000, most of the dissertations are written in the area of Supply Chain Management (SCM) overlapping with Information Technology. In the 20 years the program has been in existence, 5 dissertations have received National awards and numerous student papers have received best paper awards at both regional and National conferences in the disciplines addressed in the program, including SCM.
2. The Ph. D program has about 30 active students in various stages of completion of the degree requirements. This represents a very strong pool of qualified personnel available to participate in projects engaged in by the Vehicular Business Institute. Additionally, a strong cadre of MBA and MS in Engineering students are available to participate in such projects.
3. A cadre of ten SCM/Tech Mgmt. faculty, senior and junior, are active researchers and participants in the Ph. D program.
4. COBA research in Production Operations and Supply Chain Management is recognized among the top 5 for publication in top journals in the field.
5. Faculty research grants in the SCM area include grants from DOT, DoD, NSF, and private funding agencies.
6. The University of Toledo is home to the Intermodal Transportation Institute (ITI), whose founding Director was a member of the College of Business faculty. The ITI is a potential collaborator for the Vehicular Business Institute that is being proposed.
7. The University of Toledo has launched an entity called the Innovation and Technology Enterprises (ITE) that engages the business community by providing business incubation assistance and consultative services for launching new businesses. COBA faculty are active participants in ITE from time to time.

**The Joint Select Committee on the Impact of the Changing
Automobile Industry in Ohio**

Driscoll Alumni Center Auditorium, University of Toledo

August 3, 2009

Comments by Charles R. Chambers

President, Chambers Business Consulting

If you were willing to seriously look at Ohio and ask the question "Why would a business locate here?" you may not like the answers. Ohio is not a friendly place to start or operate a business! There are too many barriers to success. Think about it. Tax structure? Repressive! Environmental regulations? Full of red tape and delays! For example, look at how long it is taking for the coke plant in East Toledo to get approved. It is getting approved and will be built, but look at how long it will take and the unnecessary cost.

The workers compensation system in Ohio is so slanted toward a supposedly injured employee that no business has any expectation that a hearing will be fair and impartial. This system is broken and is being driven by trial lawyers and so much greed that businesses actually fear the system. The bias against the employer is overwhelming. It does not say come to Ohio and bring your business.

The State of Ohio and its economy is much like an automobile that has us all riding together. When the engine is running smoothly, we (meaning our economy) travel down the road just fine. When the engine stops running, the car will coast for a while as it slows down. You will not coast as far if you continue to place speed bumps in the road to prosperity. But without the engine, the car stops. Until the engine is fixed, we cannot move forward again. Oh we can push and move along slowly for a while until a hill comes. Then we can no longer move forward at all and may move backwards. The engine is the auto industry in Ohio. You must fix this engine with an environment that says "Come to Ohio! We will embrace you!" Let's remove the speed bumps of barriers and delays.

Challenge yourselves. Why did Volkswagen decide to locate in Tennessee last year? Why is NCR leaving Dayton? Why did Mercedes build in Alabama? Why has BMW been so successful in Greer South Carolina? Our educational system is better in Ohio than

either of those states. It is not the availability of qualified workers. It is the business environment and the commitment to compete and be the best. It will take us as business leaders, you as legislators, employees and labor unions working in concert to say Ohio is the best place to live, work, build wealth, and raise our families.

As Samuel Gompers the founder of the American Federation of Labor (AFL) once said: "What the government gives, the government can take away, and once it starts taking away it can take more than it gives."

Speed bumps? Government regulations? Red tape? Get them out of the way and allow business to succeed!

Testimony Before
The Joint Select Committee on the Impact of the Changing Automobile
Industry in Ohio
Driscoll Alumni Center Auditorium, University of Toledo
August 3, 2009

Testimony given by
Bill Wersell, Director
Ohio Small Business Development Center at the Toledo Regional Chamber of
Commerce

Good afternoon, I am Bill Wersell, Director of the Small Business Development Center located in Toledo. The SBDC has seen an increasing number of requests for assistance from small businesses tied to the automotive industry. As you are no doubt aware, the SBDC's services are confidential in nature so I cannot divulge specific companies that we have been working with but will be speaking generally about the common issues that they are facing. Many of these clients are long established family businesses that are collectively major employers in the region.

The Small Business Development Centers are Ohio's network of technical assistance centers for small business. The SBDC is a partnership between the Ohio Department of Development, the US Small Business Administration and local host agencies, such as my host the Toledo Regional Chamber of Commerce. Statewide, there are thirty-six SBDC centers, some specializing in manufacturing and technology issues. My four centers serve the State Economic Development for Region 2. All centers work with Ohio entrepreneurs, providing free and confidential business consulting to companies at every stage of the business life cycle. SBDC services include financial analysis, loan packaging, business plan development and consulting on HR, management, marketing and strategic issues. As the economic climate has changed, SBDC services in northwest Ohio have expanded to include credit negotiation, crisis management and debt restructuring. Locally, the SBDC is also forging stronger relationships with the local lending community so that we are better able to advise clients on how to manage relationships with their lenders. This has become especially important as more businesses are facing cash flow problems that are affecting their ability to repay debts. Our office has recently had some success in renegotiating terms between clients in crisis and their lenders, thereby ensuring that clients were able to keep their doors open.

Last fall, the mission of the program in northwest Ohio began to change. The program started receiving calls for assistance from existing manufacturers, second- and third-tier automotive suppliers and other companies with ties to the automotive industry. With the assistance of local consulting partners, the SBDC has been able to help these

companies shore up banking relationships, reassess their operations and revise their business models to address the current state of the industry and economy.

The SBDC is currently serving small businesses from all aspects of the auto business, such as second and third tier suppliers, packagers and shippers, new and used car dealers, service centers, and of course many businesses that serve the employees of these businesses, from restaurants to small retailers to day care centers to health care providers. Almost all businesses in Northwest Ohio are impacted by the troubles of the auto industry.

The most common problems facing all the businesses are:

1. **Loss of market share.** This has been caused by the cutbacks in manufacturing as the demand for new autos has declined. Even though our clients have invested heavily in facilities, equipment and manpower decisions have been made beyond their control, that have led to the erosion of the market.
2. **Reductions in cash flow.** As their market share has declined so has the flow of money into the businesses. The owners of these businesses have tried to absorb these losses internally. All have reinvested their personal assets back into the business, and have pledged all their assets to their lenders to maintain good relationships.
3. **Loss of equity/real wealth.** Due to the devaluation of assets from property and facilities to equipment and tooling to actual losses of value of stocks, investments and real estate, debt to equity ratios have gone upside down in less than two years. Tooling and equipment that may have been purchased in the last few years has been devalued to well below replacement costs.
4. **Increasing costs for compliance and compensation.** Compliance with the huge variety of oversights from all levels of government, federal, state and local laws and regulations have become onerous to the small businesses. Workers Comp has been raising discount rates for all businesses regardless of their safety records.
5. **Increases in health care costs.** Maintaining health insurance for employees has become an expense rivaling payroll itself.
6. **Loss of credit.** Due to all of the above, lenders are very conservative as to lending new funds to existing businesses. The SBA has reacted to these pressures with higher guarantees and no fees for applications but the business must still meet the banking standards for credit, equity and of course cash flow.

Few businesses can survive this perfect storm of financial losses without support. That support has been the focus of the SBDC in Region 2 for all of 2009. Due to small increases in funding from the SBA, and the membership of my host, the Toledo Regional Chamber of Commerce, the region has a group of consultants that have been quietly working in this community supporting small businesses with financial analysis, marketing support and debt restructuring. Those funds will end at the end of the

2. The state must continue to offer incentives such as the 166 Loan program and the Enterprise Bond Fund - as mentioned earlier, this has been very helpful to businesses in our area, and supporting small businesses provides a great return on investment for Ohio.

3. Continued support for the SBDC

I would like to introduce one of the consultants currently working with the SBDC program, Charlie Chambers.

Testimony to the

**Joint Select Committee on the Impact of the
Changing Automobile Industry in Ohio**

Co-Chairs: Senator Mark Wagoner and Representative Matt Lundy

Members: Representative Robert F. Hagan, Representative Barbara
R. Sears, Senator Capri S. Cafaro and Senator Steve Buehrer

August 3, 2009
University of Toledo
Toledo, Ohio

By Joan Uhl Browne
President, Lott Industries, Inc

Good afternoon,

My name is Joan Uhl Browne, and I am the President of Lott Industries, a not-for-profit 501(c) 3 providing employment opportunities and training to approximately 1,200 developmentally disabled adults in Lucas County.

Thank you for the opportunity today to explain Lott Industries relationship with the auto industry and share some of our strategies and struggles to recover from the loss of automotive related jobs.

Lott Industries has been a part of the Northwest Ohio and Southeast Michigan business community for over 50 years. Lott is ISO and NAID (National Association for Information Destruction) certified, and has a flexible, multi-skilled workforce that can take on projects very quickly and efficiently. Lott provides assembly, packaging/repackaging, sorting, labeling, document destruction, digital imaging services, and more. In addition, Lott offers supervised work crews that travel to customers' worksites to provide grounds keeping, warehousing, sorting, digital imaging, packaging, and a variety of other business services.

Lott has a long history of supplying the automotive industry. We have fulfilled contracts for Jeep, GM, Chrysler and Ford plants. For more than 26 years, the Ford Motor Company was a very integral part of our operation as our single largest customer, providing 70% to 80% of Lott's annual revenues and employing upwards of 400 developmentally disabled workers – a third of Lott's workforce. Lott was the first business in the country serving developmentally disabled individuals to receive a Q1 and QS9000 certification, and the only such group to be a Tier 1 supplier to Ford.

Lott lost seven major sub-assembly contracts when Ford closed the Maumee Stamping plant in 2007. We lost the most current GM contract (after making an investment of over \$100,000) in early 2008 when the truck transmission line was shut down. Besides direct work with the Big 3, Lott provided sub-assembly work to about twenty Tier II automotive suppliers that have closed with the downturn in the market. We currently are providing over 23 parts for a supplier to Honda (providing jobs to 80 individuals), but the part volume has been cut by over 40% with their decrease in sales.

Lott is hit by the credit crunch as much as every other business in this area. Two major automakers still owe us significant money, and many customers are taking longer to pay their bills. We are utilizing our cash reserves at an alarming rate as we maintain payroll for our employees while we try to diversify our contract work into various markets.

Our employees are paid piece rate based on the competitive prevailing wage rate or minimum wage. We are not able to "lay off" our employees, nor do they

receive unemployment benefits. Our employees continue to come to work every day, and we do our best to provide meaningful work that provides an income to pay for life's basic necessities. Most of the contract work we currently run is at our cost of labor and does not cover our fixed costs. Much of the work that we traditionally have performed (other than the automotive work) is now being supplied by foreign countries or is being performed in-house by local companies to avoid employee lay-offs.

In responding to what is happening economically, our objective is to diversify our contracts into a variety of market segments and reduce our automotive contracts from our previous high of 90% to about 25% of our total contracts. Our goal is to focus on products and services we own, that are good for the environment, and good for our community.

We are expanding our technology for information imaging such as medical records, an Obama administration priority; secure document destruction; and product recycling. We are creating new product ventures in "green" growth industries such as bio-diesel and bio-preferred products and generating new products for retail and wholesale distribution. We have reached out to Congresswoman Kaptur, The University of Toledo, The Ohio State University, the Regional Growth Partnership, Lucas County Commissioners and others for help and advice as we move forward.

For example, Lott Industries, in partnership with the Ohio State University has submitted a proposal for ARRA funding for an Aquaculture/Hydroponics Production and Training Center. Expansion of urban agriculture provides both employment and nutrition opportunities for the people of this region. Unfortunately, we have been advised by Sally Cooper, the Governor's Special Assistant for Federal Stimulus Implementation that monies do not exist for this project, even though the Governor is very supportive of the proposal. We have been advised to split the request into parts and "shop" it to the different agencies who have received monies to distribute, but this is quite a challenge for a non-profit with limited staff and no lobbying experience.

Other identified opportunities for new services providing employment require start-up money for equipment, such as expanding our recycling business. Our experience has been that monies are available for training, but not for construction or equipment.

Lott became an expert in automotive sub-assemblies and quality requirements to become a Tier I supplier. However, our 30 year history of successful automotive service, quality and delivery does not translate to instant success in obtaining government work. We have found the federal procurement process to be very difficult to navigate dealing with multiple agencies and purchasing divisions. Accessing information for grants and federal resources is time consuming and requires expertise and experience, and lack of production history for new

products makes it difficult to compete for GSA contracts. It is also very difficult to identify and pursue "set-a-side monies" for our organization that serves developmental disabilities. Lott Industries does not qualify for affirmative action programs, and we are behind prisons and NIB for federal preference and the prison system for state purchasing.

For more than 50 years, Lott Industries has proven successfully over and over again that individuals with developmental disabilities can be viable, productive, taxpaying members of our community. There is no argument that what we offer in supports and services and opportunities for the future is extremely important ... not just for the people we serve but for the community as a whole. Our management team has been working diligently to diversify the job opportunities we have available to our employees. Although we have made some progress in this regard, it has been a challenge to transition to green and high-tech jobs. We are not where we need to be in terms of returning Lott to a self-sustaining business entity where developmentally disabled citizens can find good work opportunities. Lott Industries' employees are hard working people who, given the opportunity, would much rather work and add to the local and federal tax base than the alternative. It is our belief that everyone can and should be a contributing member of our society.

Our story has little bearing on franchise laws, consumer protection issues or warranties that your committee has been charged to include in your recommendations. However, I felt it was important this distinguished committee be made aware of a significant and sometimes forgotten population of consumers that has been impacted by the changing automotive industry. Thank you for your time today and your service to Ohio. Please keep us in mind when developing policy to help turn things around in our community.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joan Uhl Browne".

Joan Uhl Browne

Margarita De Leon

Monday, August 3, 2009

Esteemed Senators and Representatives, my name is Margarita De Leon. I am currently employed as a Partnership Specialist for the United States Census and serve as a volunteer fundraiser for the annual Diamante Awards Scholarship and Recognition Banquet. I have been asked to share with you the impact that the Chrysler Corporation has had on the Latino community, in particular, as it pertains to the Diamante Awards.

This year marks the 20th Anniversary of the Diamante Awards. The Diamante Awards is an annual event that honors volunteerism in the Latino community while raising scholarship dollars for Latino students. The event was initiated in 1989 by a local community organization to address the growing need of scholarship dollars for Latino students. It also served as the first event to locally recognize Latinos and Latinas who were volunteering and making contributions for the betterment of the community. Eventually, the organization aligned itself with The University of Toledo establishing an endowment for students there. A partnership with Bowling Green State University followed a few years later where another endowment was established. During this time, it was recognized that a greater partnership would be the most effective way to leverage fundraising efforts and to eliminate duplication of services among area universities and institutions of higher education. In addition to the outreach, recruitment and scholarship efforts for the Latino community at The University of Toledo and Bowling Green State University, Lourdes College and Owens Community College were undertaking similar efforts. The four institutions joined and launched a half million dollar fundraising campaign for Latino scholarships in 2004. The campaign was successful and as a result, all four institutions will be awarding close to 30 scholarships this year on September 11 at Lourdes College.

In 2005, The Chrysler Foundation joined the Diamante Awards as the event sponsor. As the event sponsor, The Chrysler Foundation donated \$15,000 a year for four years. In addition, \$5,000 was matched every year by the participating institutions. In four short

years, The Chrysler Foundation had donated and raised a total of \$80,000. In addition, we had the honor of having the Plant Manager, Luis Rivas; take a personal interest in the outreach by attending the annual event.

We recognize that these numbers pale in comparison to the billions of dollars that the Chrysler Corporation is use to paying out or compared to the billions of dollars that the U.S. Government used to bail out the car industry; however, for our community these dollars can make a world of difference to our college students.

According to the American Community Survey of the United States Census, the Latino population in Ohio has grown by 22%. While Ohio has seen its overall population decrease, its Latino population continues to grow. The Latino community is now the largest community of color in the United States and will continue to grow. The Latino community not only plays a vital role in the multicultural fabric of our nation, but also comprises a growing portion of our workforce. What better way to ensure that the future workforce of our country is prepared to meet the growing and dynamic demands of the auto industry, then provided access to a college education.

Chrysler's support not only allows us to provide scholarships, but it also allows us to have an event that highlights our best and brightest during Hispanic Heritage Month. It brings together some of our younger and older leaders to share and inspire others in our community to remember where they come from and to always give back to the community.

We take this opportunity to thank The Chrysler Foundation for its support. We also take this opportunity to thank GM for their past support as well. We will be celebrating our 20th year on September 11 at Lourdes College. We trust that as the car industry re-invents itself and turns the corner financially, that Chrysler, GM and others will look to invest in their future workforce by supporting the Diamante Awards.

Thank You.



JOINT SELECT COMMITTEE ON THE FUTURE OF THE AUTO INDUSTRY
Lorain County Community College, Room 207-208
1:00pm

Meeting Minutes for August 18, 2009

Present:

Representative Lundy, Chairman
Senator Cafaro
Senator Buehrer
Representative Sears

Absent:

Representative Hagan
Senator Wagoner, Chairman

Co-Chairman Lundy called the meeting to order at 1:17. Senator Beuher moved the minutes from the previous meeting be accepted. This motion was seconded by Senator Cafaro.

Co-Chairman Lundy called Dr. Roy Church, President of Lorain County Community College. He gave written testimony regarding various initiatives that the college and the community has undertaken to help continue the employment of his students. The witness answered questions from Senator Cafaro.

Co-Chairman Lundy then called Mayor Karl Zuber of Avon Lake and Mayor John Hunter of Sheffield Village. They testified to the effects of the local Ford plant and to their efforts to keep and expand upon Ford's success in the area. The mayors were asked questions from Senator Cafaro and Buehrer.

Co-Chairman Lundy then called Mayor Dean DePeiro of Parma to testify. He gave prepared testimony and answered questions from Co-Chair Lundy and Representative Sears.

The Co-Chairman then called Nick Abraham owner of Abraham Motors to testify in his experiences with the revoking of his franchises. The witness then answered questions from Co-chair Lundy, Senator Buehrer and Cafaro.

Co-chair Lundy then called Anthony Giardini, legal Counsel for Spitzer Auto Group to testify. The witness spoke to the case that he has been arguing on behalf of his client. He is claiming that the way the revoking the franchise was illegal. He answered questions from Representatives Sears and Senator Cafaro.

Co-Chair Lundy then called Kevin Schmidt, Director of the Ohio Manufacturer's Association. He provided written testimony. The witness was asked to return at a later date.

Co-Chairman Lundy called Frank DeTillio from the Lorain County Chamber of Commerce. He provided written testimony and answered questions asked by Co-Chair Lundy.

Co-Chairman Lundy called Steve Morrey from Team Lorain County. He gave prepared testimony and was questioned by Co-chair Lundy.

Co-Chairman Lundy called Jerry Skully, Executive Director of the United Way of Lorain County. No questions were asked of this witness.

With no other business before this committee the meeting was adjourned at 4:20.

Respectfully submitted,

Mark Wagoner, Chairman

Robert Hagan, Secretary

Good afternoon. I'm Roy Church, President of Lorain County Community College. It is my pleasure to welcome the Joint Select Committee on the Impact of the Changing Automobile Industry to Lorain County Community College.

I want to thank Representative Matt Lundy for his leadership in co-chairing this initiative to examine the impact and future of automotive manufacturing in Ohio. In addition, I am delighted to see several local leaders and supporters of Lorain County Community College that I would like to take just a moment to thank and recognize them:

Lorain County has deep roots in automotive manufacturing. In 1980, 43% of the County's workforce was directly tied to manufacturing. Today, less than 16% of Lorain County workers are involved in manufacturing. Yet, for the most part, the gross domestic product generated by manufacturing in this community has not changed and in some cases has increased. The explanation: rapid advancements in technology and innovation have significantly altered the way we perform work, the way we do business, the way in which we compete in a global economy.

Consider just these few facts that serve as evidence of the rapid rate of change in our environment today:

- The top 10 jobs that will be in demand in 2010 (next year) did not exist just FOUR years ago. (*Knowledge and technical expertise are replacing strength and endurance as job qualifications.*)
- United States Department of Labor estimates that people will have between 10 and 14 jobs...by the age of 38. (*Gone are the days of retiring after 30 years of employment with one company*)

- The amount of new technical information is doubling every 2 years.
(Employers and workers must consistently adopt emerging technologies and knowledge to remain competitive in a global economy.)

Our world is changing exponentially and dramatically impacting Lorain County companies and workers. Consider these few examples of the impact of change on employment in Lorain County in just a two year period (2008 and 2009)

- This year, Ford Ohio Assembly Plant (Avon Lake) laid off 178 employees, in addition to the 200 plus laid off in 2008
- Lorain County Automotive Systems (Lorain) laid off 60% of its workforce
- Shiloh Industries (Wellington) laid off 100 plus employees
- Republic Engineered Products (Lorain) laid off over 400 employees.
- Nordson in Amherst laid off 35 workers
- Camaco in Lorain is retooling 50% of workforce and for some good news is slowly recalling 120 of previously laid off workers
-

Lorain County Community College is committed to addressing the challenges and opportunities of our community – right now, there is no greater challenge than reinvigorating our economy through talent and business development by supporting the transformation of our industry strengths such as manufacturing, while growing new industries of biosciences, sensors, and alternative energy.

In terms of talent development, Lorain County Community College opened a new academic year just yesterday with record enrollment – more than 15,000 students pursuing higher education at this College. A clear sign of our challenging and changing economic environment – people returning to the classroom to prepare for new careers.

In direct response, Lorain County Community College launched an innovative strategy to help dislocated workers retool for new careers through a program called

Make Your Lay-off Pay-off. The initiative is a partnership between Lorain County's Talent Network, Lorain County Community College, Lorain County Joint Vocational School and The Employment NetWork. It provides tuition and financial support to students who have been directly impacted by lay-offs and company closings. It provides career pathways in high growth areas like Healthcare, Information Technology and Manufacturing to help students obtain the skills they need to return quickly to the workforce while mapping out longer term educational opportunities to keep them competitive in the marketplace. To date, over 400 dislocated workers participated in the program; 176 received direct training and nearly \$500,000 has been packaged from various federal, state, local and philanthropic resources!

Because of the success of the Make Your Layoff Pay Off program this Spring, the initiative has become the model through which the County is implementing the \$1.2 million-dollar Federal Stimulus Training Program, again in conjunction with our partners. The new, enhanced initiative, launched in late July, entitled "Stimulate Your Career", has already served over 450 potential participants, many of whom are now in the final stages of training selection and enrollment.

Furthermore, to help manufacturers develop the talent base they need, Lorain County Community College in 2009 became one of four Community Colleges chosen nationally to pilot a manufacturing skills certification system by the National Association of Manufacturers. The program targets entry-level workers in high growth industries by creating 'stackable' industry-recognized credentials.

As educators we are currently preparing students for jobs that don't exist yet; which will use technologies that haven't yet been invented. . . in order to solve problems that we don't even know are problems today. New inventions drive entrepreneurship, entrepreneurship drives commercialization and commercialization fosters growth of new industries and new industries creates jobs.

Lorain County Community College's Entrepreneurship Innovation Center, located just across the parking lot, is host to 13 early stage companies all involved in the commercialization of cutting edge technology. They are being coached by GLIDE, an Edison Technology Incubator established in 2001 through a partnership between Lorain County Commissioners, Lorain County Community College and Lorain County Chamber of Commerce. These companies along with others from through Northeast Ohio are receiving pre-seed as well through the Innovation Fund, an initiative of the Lorain County Community College Foundation. To date, the Innovation Fund has invested over \$2 million in 32 early-stage companies to help ignite new product development and commercialization.

Lorain County Community College committed to education and economic development as mainstays of its mission and vision. As this Taskforce moves forward with its work, I am delighted to see that higher education as a partner in helping manufacturing in Ohio transform to create wealth and jobs in Ohio. Thank you.



LEE FISHER
LIEUTENANT GOVERNOR
STATE OF OHIO

August 15, 2007

Ms. Gaby Bruno
Government Relations
Ford Motor Company
1 American Road
Dearborn, Michigan 48126-2701

Dear Ms. *Gaby*

As the Lt. Governor and Director of the Ohio Department of Development, I want to reiterate how important Ford is to Governor Strickland and me. We highly value Ford as a vital, continued partner in Ohio's economic growth. I am pleased to present you an outline of economic incentives that has been developed in response to the opportunity for additional investment in Ford's very important Avon Lake facility.

I want to emphasize that Governor Strickland and I want to offer you more than an incentive package for this project at this plant. We want to work with Ford to build a series of programs that ensure the success of all of your operations in Ohio. As a first step, we want to develop a master training grant that covers all of your Ohio facilities. A master training grant will provide Ford with the flexibility to decide which of your plants can benefit most from our training programs.

Beyond developing a master training grant, we also want to work with you to explore options for revising Ohio's other incentive programs to better fit the realities of today's automotive industry, including partnering on advanced energy solutions to reduce your electricity costs and trying to rework our incentives to better suit your business cycles.

We believe that the attached program of incentives is substantial, offering more than \$41 million in benefits to Ford. We are ready to work creatively with Ford to find ways to legislatively revise our incentives to ensure that Ford remains an integral part of Ohio's communities and economy by adding value and reducing costs for all of your facilities.

Thank you for this opportunity to continue and expand our important partnership.

Sincerely,

A handwritten signature in black ink, appearing to be "Lee Fisher".

A handwritten note in black ink that says "Thank you." with a horizontal line underneath.

Lee Fisher
Lt. Governor of Ohio
Director, Ohio Department of Development

LF/srs
Enclosed: Summary of Incentives



Department of Development

Summary of Incentives for Ford Motor Company

Value of Ohio's Commitment: More than \$41,000,000

Proposed State Incentives:

Ohio Job Retention Tax Credit	\$27,210,150
Manufacturing Machinery and Equipment Sales Tax Exemption	\$12,500,000
Rapid Outreach Grant	\$1,000,000
Ohio Investment in Training Program	\$1,000,000

Total Value of State Incentives

Up to \$41,710,150

Project Assumptions:

- Ford Motor Company (Ford) would expand in the City of Avon Lake, Lorain County.
- Ford would invest at least \$200,000,000 in Machinery and Equipment for its proposed project.
- Ford would retain 2,000 full-time jobs at the project site.
- The average hourly wage rate for all new positions at the project site would be \$24.89, exclusive of benefits.
- The State of Ohio is in competition with the States of Michigan and Kentucky for Ford's proposed project.

**This commitment is current as of August 16, 2007.
This commitment will remain in effect until October 1, 2007**

Summary of Incentives for Ford Motor Company

STATE COMMITMENT ACCEPTANCE REQUIREMENTS

- The ODOD understands the confidential nature of negotiating financial incentives for business location and expansion plans. The Department will make a concerted effort to coordinate the release of public information in conjunction with Ford's governmental affairs and communications office. *Lack of coordination in the timing of announcements and required approvals could jeopardize ODOD's ability to deliver the referenced incentives.*
- This preliminary commitment of assistance is based upon our understanding of the project as outlined herein. **Please address any issues inconsistent with our understanding of the project.** In the event that any of these numbers are reduced, our commitment may be reduced proportionately.
- Please note that the use of State funds may require the payment of Ohio's prevailing wage rate as determined by the Ohio Department of Commerce, Wage and Hour Bureau.
- This commitment is contingent upon final approval by the Ohio Tax Credit Authority and State Controlling Board.
- The ODOD recognizes Ford may need to proceed with the proposed project prior to receiving final approval for the incentives offered in order to meet schedule requirements. Although you do so at your own risk, the ODOD is confident that this will not jeopardize your application for State assistance.
- Please continue to work with Eric Neff, Business Development Representative, and Jennifer Ruggles, Regional Economic Development Director. Eric will assist the company in gaining the necessary approvals for the assistance described herein. Eric will need to receive a written response from the company by October 1, 2007, accepting this assistance and confirming our understanding of the project. Eric may be reached at (614) 466-5656 or by e-mail at eneff@odod.state.oh.us, and Jennifer Ruggles may be reached at (216) 787-3471 or by e-mail at jruggles@odod.state.oh.us, should you have any questions.

**This commitment is current as of August 16, 2007.
This commitment will remain in effect until October 1, 2007.**

Summary of Incentives for Ford Motor Company

TAX INCENTIVE

Ohio Job Retention Tax Credit

Estimated Value: Up to \$27,210,150

The Job Retention Tax Credit program allows companies retaining jobs in the State to take a corporate franchise or State income tax credit based on the Ohio income tax withheld from eligible retained employees. The credit is non-refundable but may be carried forward for up to three years. ODOD will recommend to the Ohio Tax Credit Authority a 75 percent tax credit for 10 years for 2,000 or more retained employees. These recommendations will be contingent upon the company committing to an average hourly wage of \$24.86. The company's tax credit is calculated based upon the State income tax withholdings for the retained jobs. This credit is contingent upon submittal of an application, meeting all program requirements including adequate local financial support. This credit is also contingent upon the recommendations of the Directors of the Office of Budget Management and the Ohio Department of Taxation, and approval by the Ohio Tax Credit Authority. The company must maintain operations at the project site for at least **20 years**, twice the term of the tax credit.

Manufacturing Machinery and Equipment Sales Tax Exemption

Estimated Value: Up to \$12,500,000

Machinery and equipment (M&E) to be used in the manufacturing process is exempt from sales and use taxes in Ohio. Based on \$200,000 million in qualified M&E purchases, and based upon the State of Ohio and Lorain County's combined 6.25 percent sales tax, Ford will be able to save approximately **\$12,500,000** in sales tax.

GRANT

Rapid Outreach Grant

Estimated Value: Up to \$1,000,000

The ODOD is prepared to offer funding from the Rapid Outreach Grant program for up to **\$1,000,000** from the fiscal year 2008 budget (which began July 1, 2007) to Ford for its costs associated with the acquisition and installation of machinery and equipment. The grant will be provided on a reimbursement basis to Ford. The use of State funds may require the payment of Ohio's prevailing wage rates as determined by the Ohio Department of Commerce, Wage and Hour Bureau. Use of these funds is contingent upon approval by the State Controlling Board.

**This commitment is current as of August 16, 2007.
This commitment will remain in effect until October 1, 2007.**

Summary of Incentives for Ford Motor Company

WORKFORCE DEVELOPMENT

Ohio Investment in Training Program

Estimated Value: Up to \$1,000,000

Through the Ohio Investment in Training Program (OITP), the State of Ohio can provide grant funds to a company for its specific training and other workforce development needs. Up to 50 percent of allowable training costs for Ford's project can be reimbursed, subject to the availability of funds. Eligible costs include instructor fees, materials, and other such expenses. The OITP has committed to fund up to **\$1,000,000** from fiscal year 2009 funds (which begin July 1, 2008) for the training of Ford's employees.

**This commitment is current as of August 16, 2007.
This commitment will remain in effect until October 1, 2007.**



Changing Auto Committee
Testimony by Parma Mayor Dean DePiero
August 18, 2009
Lorain County Community College

- I have spoken to profitable, dedicated car dealers in the Parma area who have been ordered to close their doors. I can honestly say their reaction has been a combination of anger, shock, disbelief, devastation and especially un-American! They're asking, "How can this be allowed to happen?"
- Chrysler is closing about 50 dealerships in Ohio – more for GM – and the downsizing will have a tremendous economic ripple effect in cities everywhere, especially traditional blue collar communities like Parma.
- Dealers I spoke with are losing employees, losing money and they have no safety net. The banks won't return their calls! They are being look upon as bad business people, and that is not true.
- It was the automakers that filed for bankruptcy – not the dealerships – yet they are suffering the most – and cities across America will suffer right along with them.
- These dealers have invested in people – in parts – and in buildings – they lost millions – and no one seems to care. But mayors like me must care because these dealers provided our cities with good paying jobs and tax revenue to benefit our communities and its residents.
- Many if not most of the Parma dealers were profitable – they have been in business for 80, 90, 100 years – and they represent the fabric of our community that is now being ripped apart for no reason other than to bail out Chrysler and GM.
- A GM spokesman said, "The Company chose to close its poorest performers, stores that had already received warnings for falling behind in sales or customer service." That is simply not true! Dealers call it "the big lie." Many if not most of the dealers in my city are good business people, loyal to their customers and loyal to their community.
- Again, the ripple effect of the dealer closings is difficult for any of us to comprehend.

- Under Ohio Law, the car dealers in this state and those across the country are entitled to DUE PROCESS – an opportunity to dispute claims of mismanagement with their business and their customers. But they have been denied hearings before the Ohio state motor vehicle board – a common practice for decades!
- The objective of fewer dealers selling more cars to a higher class of customers is a fallacy. Fewer car dealers mean fewer jobs, less income for more Americans, and lower tax income for countless communities like Parma.
- I cannot afford to let that happen without objection. That is why we must all “do the right thing,” and that is to support legislation in congress that would block widespread auto dealer closures, reverse the process of putting good businesses out of business, and restore basic free enterprise rights to our neighbors and friends – the loyal and profitable car dealers in America.
- These dealers did nothing wrong. That is why we cannot just stand by without helping them as they have helped our cities and towns. If not, I have to wonder what’s next – what profitable employer in my city will be next – told to shut down for no apparent reason other than to magically erase the mistakes of its parent company or corporation.
- That way of doing business is not only unfair – it truly is un-American. Unless we “stop the bleeding” and reverse this process, our cities and its residents will be the biggest losers of all.

Automotive News

Chrysler moves to block dealers from suing to regain franchises

Bradford Wernle

Automotive News | August 14, 2009 - 3:04 pm EST

Chrysler Group has asked a U.S. Bankruptcy Court judge to prevent rejected dealers from suing the automaker in state courts to get their lost franchises back.

Automotive News

2 Wis. Chrysler dealers lose, then get franchises

Automaker: Others rejected in Ch. 11 bidding to return

Bradford Wernle

Automotive News | August 17, 2009 - 12:01 am EST

DETROIT — Two Madison, Wis., dealers who lost franchises during Chrysler's bankruptcy have received new franchises from the company.

It is the first time Chrysler has acknowledged approving bids by rejected dealers who applied for open points. Chrysler confirmed it is negotiating with other rejected dealers.

The company wants to fill roughly 140 open points. Chrysler rejected 789 dealerships in U.S. Bankruptcy Court on May 14. Those dealers had no appeal process and less than a month to close.

Automotive News

Ex-Chrysler dealers burned on parts

Many report big losses, trouble finding buyers

Bradford Wernle

Automotive News | August 10, 2009 - 12:01 am EST

Automotive News

GM will meet with dealers to spell out expectations

Jamie LaReau

Automotive News | August 17, 2009 - 12:01 am EST

DETROIT -- In special meetings with each of its surviving dealers starting in October, GM will discuss ways to improve customer satisfaction and store improvements.

to boost revenues after

in Bankruptcy Court, GM is going

The Truth About Cars

Car Reviews, Auto News, Editorials and Podcasts

Home » News Blog » Dealer News » Chrysler Rubbing Salt into the Wounds of Dumped Dealers:
Opening New Dealerships in Terminated Territories

Chrysler Rubbing Salt into the Wounds of Dumped Dealers: Opening New Dealerships in Terminated Territories

By Robert Farago
August 10, 2009

Automotive News

After cutting stores, Chrysler signs new ones

Bradford Wernle

Automotive News | August 10, 2009 - 12:01 am EST

Chrysler's sudden firing of 789 dealerships was more than a strategy to cut the store roster. The company used bankruptcy to shed dealerships it considered underperforming.

So Chrysler has begun appointing new dealers in some of the 140 open locations left behind after bankruptcy. The new dealerships anger some rejected Chrysler dealers, who lost their stores just two months ago.

The first winner is Al Piemonte Cadillac, which ironically was rejected by General Motors in its bankruptcy. If all goes according to plan, the store, which is winding down its Cadillac business, will be reborn by Sept. 1 as St. Charles Chrysler-Dodge-Jeep in suburban Chicago.

Automotive News

GM will fill up to 50 open points

LaNeve: Wound-down dealers 'will get first right of proposal'

Jamie LaReau

Automotive News | August 17, 2009 - 12:01 am EST

DETROIT — After selecting in Bankruptcy Court about 1,350 dealerships for termination, General Motors Co. now is saying it will fill open points.

GM says it will re-establish dealerships in about 30 to 50 locations. Terminated dealers will get the right to make the first proposals, GM says.

Mark LaNeve, GM's vice president of U.S. sales, said the open points were created when poor-performing dealerships in good locations were targeted. Other points will be filled if GM discovers that customers are driving too far to reach a dealership, he said.

The owners of many targeted dealerships complained that the terminations were too drastic, that the dealerships were profitable and satisfied many GM standards.

LaNeve repeated his assertion that the terminations were fair and based on poor performance for sales, customer satisfaction and other targets.

"We did the wind-downs by performance score, so that means it was not arbitrary," he said.

The open points at GM are more limited than those at Chrysler Group, which plans to fill about 140 points after cutting 789 dealerships in Bankruptcy Court.



GM Admits Error in Dealership Closings

Friday, July 31, 2009

Associated Press

BROKEN BOW, Neb. —

Thomas McCaslin might never know for sure why General Motors called two weeks ago to say his 80-year-old dealership in the heart of Nebraska cattle country wouldn't close after all.

Testimony of
Kevin Schmidt
The Ohio Manufacturers' Association

Before the

The Joint Select Committee on the Impact of the Changing Automobile Industry in Ohio

August, 18 2009

Chairman Lundy and Chairman Wagoner, members of the committee, I appreciate the opportunity to testify today. My name is Kevin Schmidt and I am the Director of Public Policy Services for the Ohio Manufacturers' Association (OMA). The OMA represents over 1600 manufacturers of all different types, sizes, and products throughout our state. Our membership includes car and truck assembly manufacturers, traditional auto parts suppliers, chemical makers who produce automotive paints and coating, glass producers that manufacturer auto-glass, foundries that cast engine blocks, and rubber manufacturers that make the tires and hoses that go into cars and trucks. All of these industries and others within manufacturing are linked to the car and truck building. By the numbers Ohio has historically ranked number two in auto assembly and may be even more dominant in parts and components. It has been said that the automotive supply chain lives in Ohio. Together with assembly operations these traditional manufacturing industries have been the driving force of Ohio's industrial economy and the OMA mission is to work with you to protect and grow that economic asset in our future.

Overall, manufacturing is responsible for about 17% of Ohio's gross state product, more than any other sector. The *transportation equipment* industry within manufacturing comprises our largest manufacturing category by employment. And so while that direct production is very high in the state, it is important to consider the ripple effect. Where you have auto assembly, other economic activity will follow. Economists calculate this multiplier effect as creating \$1.37 in non-manufacturing sectors of the economy for every dollar spent in manufacturing. The multiplier can also be measured by employment, creating

three non-manufacturing jobs for every one manufacturing job. While those ratios describe an average of all manufacturing in Ohio, auto assembly spins off as many as seven jobs for every job in assembly and creates over \$1 of economic output activity for every dollar of auto manufacturing revenue.

Additionally, the locality where that manufacturer calls home benefits through access to high quality, well paying jobs that support the local economy through visits to car dealerships, restaurants, grocery stores, dry cleaners, and retail stores. The benefits to a strong manufacturing base are almost too numerous to count.

This committee recognizes the tremendous change thrust upon the various components of the auto industry, some due to extraordinary market forces and some due other factors, but let me urge the committee to also consider the changes resulting from global competitive forces. Competition perhaps more than any other factor continues to force innovation of both product and process. In no other sector are these pressures greater than in automotive manufacturing. In order to compete, car and truck manufacturers and their suppliers have had to become technology-intensive and energy intensive. This equates to the need to reinvest and retool. Companies approach investment decisions carefully. State law can have a clear impact on those business decisions and so I am going to tailor my comments today to reviewing legislative developments that have improved Ohio's competitiveness among other states.

Both Republicans and Democrats have been working in a bipartisan manner to pass legislation improving Ohio's business climate, examples include:

- A historic restructuring of Ohio's business tax code, moving from an investment base to a more fair consumption based system. In effect, our old tax code punished capital investment and profit.
- The most significant re-write of Ohio's clean air act which dramatically decreased the amount of paperwork applicant's must contend with regarding air permits – all without any decrease in Ohio's ever improving air quality.

- Tort reform measures that have significantly improved the litigation environment for employers and manufacturers in the state propelling Ohio's rating from one of the worst states to one of the best.
- A historic restructuring of Ohio's electric utility regulations that protected customers throughout the state from punitive price increases like those felt in Maryland and the New England states. These price increases led to inevitable demand destruction from industry.

The tax reform measures are so important that the OMA will be represented at a future meeting of this committee to discuss in detail how it has elevated Ohio's business tax code position among the states.

Ohio's lawmakers should be proud of these efforts and we thank you for them. While Ohio, and the rest of the nation, continues to suffer through one of the most severe economic down turns since the Great Depression, the OMA urges lawmakers to "stay the course" and support policies that have had broad positive effects on Ohio's most important economic sector – manufacturing.

While I could spend the rest of the committee's time discussing all of these issues importance to manufacturing, and the auto manufacturing industry specifically, I will spend my time today discussing the importance of energy.

Energy is especially important to auto manufacturing. The assembly plants run automated lines that require high quality power; even the slightest disruption can throw off intricate timing and result in costly delays. The forges and foundries that make many of the engine parts and other castings require significant amounts of energy. Metal working facilities increasingly rely on high-tech welding machines that require large amounts of power to supply both the welding operation, but also automate the machine.

Lawmakers took a great step recently by passing SB 221 which will help ensure Ohio is positioned well for the eventual economic rebound. The results of SB 221 are being felt across Ohio already. Industrial customers in Duke Energy – Ohio's territory benefited from rate decreases this year. Customers in Dayton Power and Light's territory will see their generation rates held flat through 2011. Only in AEP's

service territories did customer's experience higher than anticipated rate increases. However, through the regulatory process created in SB 221, manufacturers working together through the OMA were able to blunt these increases. Finally, and maybe most importantly considering our location today, customers in FirstEnergy's service territories have, for the first time, a real opportunity to shop for electric service.

Customers in FirstEnergy's territories are benefiting from historic lows in electricity demand which has resulted in lower than anticipated prices through the federally regulated system. Make no mistake, when a utility goes to "market," all that really happens is the state gives up its regulatory authority over the monopoly to the federal government. That being said, customers who have been able to stay in business through the economic pain the country is witnessing right now are benefiting from this system. Once the economy recovers, and demand for electricity recovers, customers will have little ability to control their electricity rates in a meaningful way. That is what makes other parts of SB 221 so important.

SB 221 requires each investor owned utility in the state to account for a portion of its sales through energy efficiency. Energy efficiency is hands-down the cheapest energy option moving forward. The cost of new capacity, both traditional coal-fired or nuclear, and renewable, far outstrips the cost of promoting energy efficiency. Energy efficiency is the single best way a manufacturer can absorb higher energy prices. While energy efficiency is the most affordable means, it is not without cost. Lighting projects are widely considered "low-hanging fruit." A typical lighting project whereby a manufacturer replaces all of the lamps in its facility with energy efficient fluorescent lights can run into the hundreds-of-thousands of dollars. The cost to replace motors, compressors, chillers, and other systems can run into the millions of dollars. And with manufacturers already stressed due to the economy, many cannot afford to take on new capital projects that have a payback of over 18 months. However, through incentives put in place by utilities to promote energy efficiency as a result of SB 221, many of the projects can fall within manufacturers' short payback periods and Ohio's manufacturers can achieve significant savings through energy efficiency.

Many of the reforms I referenced before, and the energy reforms I discussed in detail, were hard fought legislative debates. These beneficial changes continue to come under attack by special interests that would seek carve outs or modifications. The OMA urges lawmakers to stay the course. These very large and important reforms will help position Ohio well for the economic recovery. Decisions will be made in the future about where to invest capital and where to expand production. We want decision makers looking favorably on Ohio. Continuing support for broad based manufacturing friendly reforms like tax reform, air permitting reform, electricity regulatory reform, and others is critical to Ohio's economic well being.

Thank you for the time today, I would be happy to answer any questions this committee may have.

Good Afternoon;

My name is Frank DeTillio and I am the President of the Lorain County Chamber of Commerce – 226 Middle Ave. Elyria, Oh 44035.

I would like to express my thanks to Co-chairs Rep. Matt Lundy and Senator Mark Wagoner and their committee for allowing those of us in Lorain County to give testimony to this **Joint Select Committee on the Impact of the Changing Automobile Industry in Ohio**.

Lorain County has been the home of auto manufacturing for over 50 years. We are accustomed to seeing ups and downs in this industry as the economy has fluctuated over the years. We have experienced the closing of a manufacturing facility like in the City of Lorain, with the loss of over 2500 jobs and the loss of many of our tier 1,2 and 3 suppliers. We recognize the need for Ford motor company and our State to evaluate where we are and where we will be in the coming years.

That is why I and the Lorain County Chamber of Commerce are hopeful that this **Joint Select Committee on the Impact of the Changing Automobile Industry in Ohio** will begin to design a strategy that will create a flexible environment for both the auto industry in Ohio and the development agencies responsible for responding to their needs.

Success will occur when the State creates an environment that rewards the auto industry for innovation. A new generation of auto makers is committed to building greener models that use new methods of propulsion, and the State must become a partner in this endeavor.

The University of Michigan's Transportation Research Institute reports that "In five to 10 years, there could be strong competition on a global scale" for the automobile market. The State of Ohio must build an automobile manufacturing strategy that allows the manufactures in Ohio to build next generation vehicles that will reach into every market of the globe.

I know that Ford Motor Company is interested in being a leader in the global expansion of the auto market, and the State of Ohio needs to be a partner in that expansion. It will mean jobs and a healthy auto industry for our state, and the creation of a number of new opportunities that will accompany that growth that will strengthen Ohio's economy.

We in Lorain County are looking to the State, the County, the local municipalities and Ford Motor to think beyond current trends and create an environment that will produce world-class vehicles and a world-class partnership.

We believe that the State, both Legislators and practioners, needs to create a team that looks beyond the present tools that we have seen over the last 10 to 15 years and designs a new flexible set of incentives and options that will allow the auto industry in Ohio to innovate and gain a competitive advantage as we move into the future.

This is not to say that we should abandon our present group of incentives, but tax credits alone will not build a strategic vision of our future. Broader workforce incentives and a training strategy focused on the future and flexibility of the industry are needed to support the auto industry's goal of innovation and flexibility.

The challenges, as we move into the next decade, are not insurmountable. This will be a new age for the automobile, and a new age for the supporting infrastructure that we will be responsible for delivering. It is imperative for all of us to understand that to have a healthy auto industry in Ohio we must expand our envelope and create flexible solutions because innovation will be key to the success of this industry as we move forward.

Ohio needs to be a leader in the way it partners with the auto industry. Future investment and stability will require that we are partners not just for a day, or a week, or for a month but viewed as a partner for 24/7. The industry needs to rely on us as a true partner, sharing in their vision and agenda and designing solutions and removing obstacles that will create an environment for success.

I thank you for this opportunity to share our perspective this afternoon, with regards to the future of this important industry to the State of Ohio and Lorain County. We offer any support that we can lend to the critical endeavor and look forward to being called upon for more input and discussion as this process continues.

And in closing I would like to again express my thanks to this **Joint Select Committee** and to its leadership, Representative Lundy and Senator Wagoner for taking this time to include us in this important discussion. Thank You...

**OHIO JOINT SELECT COMMITTEE ON THE IMPACT OF THE
CHANGING AUTOMOBILE INDUSTRY**

**Steve Morey, President / CEO
Team Lorain County**

August 18, 2009

Chairman Lundy, Chairman Wagoner and members of the Joint Committee on the Impact of the Changing Automobile Industry, my name is Steve Morey and I am the President / CEO of Team Lorain County. Team Lorain County [T.L.C.] is a private / public partnership dedicated to business attraction, retention, and expansion in Lorain County. On behalf of Team Lorain County, our board, and investors, I would like to thank you for the opportunity to present comments here today.

Team Lorain County's investor base and board includes representatives from the public and private sector including employers in the automotive manufacturing supply chain and automotive retail industry. We achieve our objectives by working directly with our county's business community and through our strong partnerships with the Ohio Department of Development, Ohio Business Development Coalition, and Team NEO. In Lorain County, we are a key component of the Lorain County Growth Partnership [L.C.G.P] which brings together all entities dedicated to the Economic Development of Lorain County.

The Automotive Industry is a vital part of Lorain County's economy and Team Lorain County's mission. We work to attract automotive manufacturers and suppliers to the county and to assist our current automotive manufacturing base to expand. Through the Lorain County Growth Partnership's efforts (including Team Lorain County) we coordinate the management of business attraction and expansion projects through our R.E.A.L. [Retention, Expansion, Attraction, Leadership] Team process providing one point of contact for the company to all countywide economic development and business resources. Our goal is to act proactively and at the speed of business. Additionally, through the L.C.G.P.'s business retention and expansion program, Business Connection, we call on Lorain County businesses including those in the automotive industry to uncover opportunities to assist them, especially in these times of unprecedented change.

By holding these hearings it is evident that the state legislature is actively engaged in assisting organizations like ours across the state achieve our objectives and we appreciate your efforts. As we look at the automotive industry through the lens of business attraction, expansion, and retention it is important as economic development professionals that we create a business friendly environment and have the right tools and incentives to make it easy for firms to do business in Lorain County and throughout the state. Not only will this assist in landing existing potential projects, but as we increase our reputation for being a great place to do business our opportunities for more capital investment, jobs, and companies will grow.

As we assist in coordinating the preparation of incentive packages and proposals for both business attraction and expansion opportunities it is important that we have benchmarked our offerings with those of other states and because "the world is flat"; those of other countries that we are competing with for the investment and jobs. We need to make sure that we are competitive from the outset.

In the current structure, there are several agencies and departments at the state level that can provide assistance in closing a business attraction project. Each agency that can add to the incentive proposal may have different processes, procedures and contacts. There may be an opportunity to have one state point of contact specific to the auto industry to coordinate the offerings of all state agencies. This should assist in simplifying the process for the automotive industry and create the right atmosphere for growth.

Retention projects increasingly include investment without job creation. Few incentive programs exist for companies that do not create new jobs. As the engineering of automobiles changes due to new "green" initiatives it is important that we are assisting our companies in the automotive supply chain to be innovative both in their processes and their product offerings. We must give companies with business retention/expansion projects an opportunity to benefit from state incentives programs. We also need to assist traditional auto supply chain manufacturers in transitioning into new technologies, whether these new technologies are part of the "new" auto industry or allow the company to branch off into new industries.

Flexibility is key in being a true partner with the automotive industry. It is important that we work closely with them to truly understand the needs of the automotive industry and are able to react quickly. Understanding the competition from other states regarding upfront cash or cash-like offers in attraction projects should improve Ohio's effectiveness in getting past the first round of the site-selection process. It is important that we benchmark Ohio's closing grants and reevaluate the effectiveness of loan products in the current economy.

It is important that we are providing the proper assistance to the industry in training its workforce. We need to look at the current restrictions placed on training dollars available and make sure that we are being flexible in meeting the needs of the company including: new employee training, incumbent worker training, and assistance with lost wages incurred by the company while the employee is in training.

It is vital that we also review our current infrastructure and make sure that it is up to par with the current needs of the automotive industry. We need to make sure we have sufficient inventory of available sites and buildings, and that our roads, highways, and ports are not only an effective means of transportation, but that they are also cost-effective. Additionally we need to do what we can to make sure that our utilities cost and availability is comparable to that of our competition. We need to have a method for "fast-track" approvals for infrastructure improvements where possible.

As the committee moves forward with this endeavor we need to make sure that the lines of communication remain open between the state, regional, and local groups so that we can move forward as one cohesive group, towards achievement of the agreed upon goals and objectives.

I would like to again thank you for the work of this committee and for the opportunity to speak here today.

Jerry Skully
Executive Director, United Way of Greater Lorain County
1875 N. Ridge Rd. E #H
Lorain, OH 44055
440 324-2898 x30
admin@uwglc.net

Outline of Remarks:

45 years experience in the human service field in NE Ohio as a provider and administrator. As an aside, I also come from a family with a long history of employment in the auto industry.

I have seen the positive influence and impact which the auto industry, its employees, and its locals have on the community and people's lives...personally and professionally.

As the United Way Executive, I can reference the strong role that the Ford auto plant plays in our resource development efforts:

- Annual workplace campaign
- Other fund raising venues
- Day of Caring activities

Other resource development:

- Leadership on campaign
- Board membership.... plant management, senior staff, president and members of locals
- Volunteer activity with United Way funded partners
- Expertise

Impact on vitality of a community of Lorain County's size

Summary comments



JOINT SELECT COMMITTEE ON THE FUTURE OF THE AUTO INDUSTRY
Kent State University - Trumbull, Main Lecture Hall A.
1:00pm

Meeting Minutes for August 21, 2009

Present:

Representative Lundy, Chairman
Senator Cafaro
Representative Hagan
Representative Sears

Absent:

Senator Buehrer
Senator Wagoner, Chairman

Senator Cafaro and Representative Hagan were selected to preside as Co-chairs for this meeting; also Senator Grendell was present in the stead of Co-Chair Wagoner. Order was called by Senator Cafaro at 1:07 pm. Senator Cafaro moved that the minutes from the previous meeting, the motion was seconded by Representative Sears and the minutes were approved with no objection.

The committee heard remarks from Representatives Hagan, Sears, Co-chair Lundy, Senators Cafaro and Grendell.

Representative Hagan then called John Donahoe, manager of the Lordstown General Motors plant. The witness testified to the effectiveness and the state of affairs among those associated with the Lordstown Plant and provided written testimony. The witness then answered questions from Co-Chair Lundy, Senator Cafaro, and Representative Hagan.

Representative Hagan then called John Graham, President of United Auto Workers Local 1112. The witness spoke to the lack of jobs and the difficulties faced by members of his Union. Senator Grendell asked a question that the witness answered.

Representative Hagan then called David Green President of the United Auto Workers Local 1714. The witness recommended giving tax credits to Ohio companies that buy products within the state. The witness then answered questions from Representatives Hagan and Sears.

Representative Hagan then called Antony Paglia Vice President of Governmental Affairs for the Youngstown/Warren Chamber of Commerce. The witness provided written testimony. The witness responded to questions from Co-chair Lundy and Representative Hagan.

Representative Hagan then handed the gavel to Senator Cafaro who would preside of the remainder of the meeting.

Senator Cafaro then called Karen Crolopp, President of the IUE-CWA Local 717. The witness provided written testimony. The witness then answered questions from Co-Chair Lundy, Senator Grendell, Representative Hagan and Senator Cafaro.

Senator Cafaro then called Mayor Michael O'Brien of Warren. He testified to the effects the closings have had upon Warren. The witness then accepted questions from Senator Cafaro.

Senator Cafaro then called Bruce Gump, Legislative chair of the Delphi Salaried Retirrs Association. The witness had prepared, written testimony. The witness then responded to questions from Representative Hagan and Senator Grendell.

Senator Cafaro then called Representative Tom Letson to speak on behalf of Mayor Michael Chaffee of Lordstown. The witness had written testimony and was asked a question from Senator Gredell.

Senator Cafaro then called Sarah Lynn, Deputy Chair Council for Attorney General Richard Cordray. The witness spoke to the efforts put forth by the Attorney General on behalf of the businesses operating in Ohio as well as consumers. The witness then addressed questions asked by Senator Gredell and Co-Chair Lundy.

Senator Cafaro then called Max Blackman, representative of Senator Sherrod Brown. The witness spoke to the efforts put forth in the Senate and in Congress to help alleviate this crisis. The witness then responded to questions from Co-chair Lundy and Senator Grendell.

Senator Cafaro called Greg Greenwood, President and owner of Greenwood Chevy/Hummer. The witness spoke to his experience with the franchising laws stating there are 3 areas of focus future laws can use to be strengthening the laws. The witness then answered questions from Co-Chair Lundy and Senator Grendell.

Senator Cafaro then called David Brown, Outside Council for the Ohio Automobile Dealer's Association. Mr. Brown spoke to the changes he believed needed to be present in the law to better accomidate dealers in Ohio. He then answered questions from Co-Chair Lundy and Representative Sears.

Senator Cafaro then called Vicki Thompson, director of education at Trumbull County Technical College. The witness spoke to the status of the retraining situation in her school. The witnesses were asked no questions from the committee.

Senator Cafaro then called Cheryl Lewis from the Mahoning Valley United Way. The witness commented on the effects the layoffs had on the operations of the United Way. No questions was asked of this witness however Co-chair Lundy thanked the witness for her patience and efforts to the community.

Senator Cafaro then called Frank Elemlia from the Ohio Department of Job and Family Services – Trumbull County One-stop. The witness spoke to the efforts of the department to retrain and place the laid off workforce. Questions were asked of this witness by Senator Cafaro.

With no other business before this committee it was adjourned at 4:35 pm.

Respectfully submitted,

Mark Wagoner, Chairman

Robert Hagan, Secretary

TESTIMONY OF MR. JOHN DONAHOE, PLANT MANAGER, GENERAL MOTORS
LORDSTOWN COMPLEX, BEFORE THE OHIO JOINT SELECT COMMITTEE ON THE IMPACT
OF THE CHANGING AUTOMOBILE INDUSTRY

Kent State University, Warren, Ohio

Friday, August 21, 2009

CO-CHAIR REPRESENTATIVE LUNDY, CO-CHAIR SENATOR WAGONER, MEMBERS OF THE JOINT COMMITTEE, MAYOR CHAFEE AND ALL OF OUR GOVERNMENT AND COMMUNITY LEADERS AND GUESTS...IT'S A PLEASURE TO BE HERE WITH YOU TODAY...

MY NAME IS JOHN DONAHOE AND FOR THE PAST FOUR YEARS I HAVE BEEN PLANT MANAGER AT THE NEARBY GENERAL MOTORS LORDSTOWN COMPLEX...BEFORE MY CURRENT LORDSTOWN ASSIGNMENT, I WAS PLANT MANAGER AT OHIO'S MANSFIELD STAMPING PLANT IN ONTARIO TOWNSHIP AND PLANT MANAGER AT GM'S METAL STAMPING FACILITY IN LANSING, MICHIGAN. DURING MUCH OF THE 1990S, I WAS ASSISTANT PLANT MANAGER AT LORDSTOWN'S STAMPING OPERATIONS.

I'D LIKE TO TAKE A FEW MINUTES TO TALK ABOUT THE NEW GENERAL MOTORS AND THE LORDSTOWN COMPLEX. AT LORDSTOWN, WE RECEIVED SOME GREAT NEWS THIS WEEK. WE WILL BE ADDING A SECOND SHIFT TO OUR WORKFORCE EFFECTIVE OCTOBER FIFTH. THIS WILL INCLUDE ADDING OVER 1-THOUSAND JOBS TO OUR OPERATIONS AND AT LEAST 250 JOBS TO OUR LOCAL SUPPLIER BASE.

AT LORDSTOWN ALONE, THIS WILL ADD AT LEAST 60-MILLION DOLLARS IN ADDITIONAL ANNUAL PAYROLL WHILE SOFTENING THE STRENUOUS UNEMPLOYMENT BURDEN ON THE STATE OF OHIO. LOCAL ECONOMISTS ALSO ANTICIPATE THE CREATION OF HUNDREDS OF SPIN OFF JOBS IN SERVICE AND OTHER SECTORS. I'D LIKE TO ACKNOWLEDGE THE HARD WORK AND DEDICATION OF OUR UAW PARTNERS FOR HELPING TO MAKE THIS HAPPEN...NAMELY JIM GRAHAM PRESIDENT OF UAW LOCAL 1112 AND DAVE GREEN PRESIDENT OF UAW LOCAL 1714 WHO ARE BOTH HERE WITH US TODAY. THEY AND THEIR LEADERSHIP TEAMS HAVE WORKED TIRELESSLY TO HELP KEEP LORDSTOWN IN A COMPETITIVE POSITION THAT CONFIGURES US WELL FOR TODAY AND FOR OPPORTUNITIES TOMORROW. OVER THE LAST FEW DAYS JIM, DAVE AND I HAVE RECEIVED MANY CALLS AND CONGRATULATORY NOTES FROM PEOPLE IN OHIO AND BEYOND OUR BORDERS. THIS NEWS IS ESPECIALLY GRATIFYING TO THE MAHONING VALLEY WHERE THE UNEMPLOYMENT RATE HAS SOARED TO 15.5 PERCENT HERE IN TRUMBULL COUNTY...13.9 PERCENT IN MAHONING COUNTY... AND 14.7 PERCENT IN COLUMBIANA COUNTY...

AND IF YOU PLEASE ALLOW ME, I'D LIKE TO PUT A FACE OR TWO ON THOSE STATISTICS....ONE IS MIKE POLDER OF AUSTINTOWN, A MEMBER OF UAW LOCAL 1714 AT OUR PRESSROOM WHERE WE STAMP PARTS FOR THE COBALT. HE WAS LAID OFF IN JANUARY AND HE HAS NEVER GIVEN UP ON GENERAL MOTORS, HIS TEAM OR HIS COMMUNITY. IN A RECENT TIME MAGAZINE ARTICLE SEEN AROUND THE GLOBE, MIKE, A YOUNG FATHER OF A TEN YEAR OLD GIRL, WAS QUOTED WITH THE FOLLOWING. "I REALLY ENJOY MY JOB AND I LOVE MY COMMUNITY. I WOULD NEVER WANT TO BE ANYWHERE ELSE. THIS IS WHERE I WAS BORN AND THIS AREA IS WHAT I KNOW. THIS IS THE FOOD I TASTE. THESE ARE THE SPORTS TEAMS I'VE GROWN UP WITH. I'D RATHER BE HERE THAN ANYWHERE ELSE. GM IS MY TEAM AND I'M PULLING FOR THEM."

I CAN HONESTLY TELL YOU THAT THERE ARE MANY OF OUR TEAM MEMBERS WHO SHARE MIKE'S SENTIMENTS AND THAT'S WHY I AM PLEASED AND PROUD TO SHARE THE GREAT

NEWS OF THE ADDED SHIFT. ON OUR PRODUCTION FLOORS THIS WEEK, OUR TEAM MEMBERS BEAMED WITH PRIDE AND JOY WHEN THEY GOT THE NEWS, SOME BREAKING OUT IN CHEERS AND APPLAUSE.

AMONG THEM WAS TIFFANY KING, A MEMBER OF UAW LOCAL 1112 IN OUR TRIM DEPARTMENT. TIFFANY'S JOB IS TO INSTALL FIXTURES TO SAFELY SECURE THE SEATS IN THE COBALT. TIFFANY IS PROUD TO WORK AT LORDSTOWN AND WE ARE PROUD TO HAVE HER.

SHE IS A MEMBER OF THE BEULAH TEMPLE, A MODEST CHURCH ON YOUNGSTOWN'S NORTH SIDE. SHE TELLS US ABOUT HER PASTOR, THE REVEREND DOCTOR LAWRENCE FREEMAN...EACH WEEK THE REVEREND FREEMAN ASKS TIFFANY ABOUT THE HAPPENINGS AT LORDSTOWN AND IF EVERYTHING IS OK...HE THEN LEADS A PRAYER GROUP WHERE TIFFANY AND OTHER CHURCH MEMBERS JOIN TOGETHER OFFERING THANKS FOR LORDSTOWN, NOT ONLY FOR THE JOBS BUT FOR THE QUALITY OF LIFE IT HELPS PROVIDE. THEY ALSO PRAY FOR THOSE ON LAYOFF AND WHO ARE STRUGGLING TO MAKE ENDS MEET.

PASTOR FREEMAN AND TIFFANY KING MAY NOT BE WELL KNOWN NAMES IN NOBLE GATHERINGS LIKE THIS...BUT THEY ARE HUMBLE AND PRIZED PEOPLE IN THE EYES OF TEAM LORDSTOWN.

IT'S THAT TEAM THAT PUTS IN A HARD DAYS WORK AND COMFORTS THE COMMUNITY...WHETHER ITS OUR TOYS FOR KIDS CAMPAIGN TO HELP BRIGHTEN A HARD LUCK FAMILY'S HOLIDAY OR OUR ANNUAL CARE AND SHARE DRIVE TO FEED THE NEEDY. TO HELP RAISE MONEY FOR CARE AND SHARE, WE'LL HAVE OUR ANNUAL POKER RUN TOMORROW MORNING AND IT WILL RUN RIGHT THROUGH THIS AREA. FIRST BIKE OUT AT 11 AM...NEXT WEEK, THE RICH CENTER FOR AUTISM AT YOUNGSTOWN STATE UNIVERSITY WILL CONDUCT ITS ANNUAL GATE COLLECTION AT OUR COMPLEX AND THE CENTER'S LEADERSHIP IS AMAZED AT OUR TEAM'S SPONTANEOUS GENEROSITY...AND ON SEPTEMBER FIRST WE BEGIN OUR ANNUAL CHARITABLE GIVING CAMPAIGN THAT BENEFITS THE UNITED WAY AND OTHER WORTHY AGENCIES. LORDSTOWN HAS BEEN CONSISTENTLY RECOGNIZED AS THE TOP UNITED WAY BENEFACTOR AND I AM HONORED TO INFORM YOU THAT I AM CHAIRING THIS YEAR'S YOUNGSTOWN/MAHONING VALLEY UNITED WAY CAMPAIGN.

WHILE COMMUNITY GIVING AND MILITARY SERVICE ARE CHERISHED CHAPTERS OF LORDSTOWN'S HISTORY, A MILESTONE OCCURRED LAST YEAR WHEN WE BUILT OUR 14-MILLIONTH VEHICLE...

IT ALL STARTED IN APRIL 1966 WHEN A CHEVROLET IMPALA ROLLED OFF THE ASSEMBLY LINE...OVER THAT SPAN, GM HAS INVESTED MUCH INTO OUR PLANT AND COMMUNITY...JUST FIVE YEARS AGO, IT WAS A 1-BILLION DOLLAR INVESTMENT TO PREPARE FOR THE CHEVROLET COBALT AND THAT INCLUDED CLOSE TO 200-MILLION DOLLARS FOR A STATE OF THE ART PAINT SHOP THAT'S LIVED UP TO ITS BILLING. I CAN TELL YOU TODAY THAT WE WILL BUILD OUR 1-MILLIONTH CHEVROLET COBALT BEFORE THIS SUMMERS END...THIS, TOO, IS A MAGNIFICENT MILESTONE FOR A GREAT CAR AND THE PEOPLE WHO BUILD IT.

AND WHILE WE ARE TALKING ABOUT GREAT CARS, MAY I PLEASE TALK UP THE 2011 CHEVROLET CRUZE. IT WILL START A NEW ERA OF SMALL CARS FOR OUR COMPANY. IRONICALLY, IT WAS ONE YEAR AGO TODAY WHEN OHIO GOVERNOR TED STRICKLAND AND OUR JOINT UAW AND GENERAL MOTORS LEADERSHIP TEAM ARRIVED AT LORDSTOWN FOR A SPECIAL ANNOUNCEMENT. THE NEWS - GM WILL INVEST \$351 MILLION DOLLARS INTO ITS LORDSTOWN OPERATIONS TO PRODUCE THE CRUZE.

THIS CAR IS THE RESULT OF A DEVELOPMENT PROCESS HARNESSING GM'S GLOBAL EXPERTISE AND IS THE FIRST OF A NEW LINE OF COMPACT PRODUCTS THAT WILL DELIVER WORLD CLASS QUALITY AND EXCEPTIONAL FUEL ECONOMY.

THE CRUZE WILL BE BACKED BY EXPECTED HIGHEST SCORES IN ALL MAJOR CRASH SAFETY RATINGS. AND I CAN TELL YOU OVER THE PAST YEAR WE HAVE MADE TREMENDOUS PROGRESS ON THE CRUZE INVESTMENT AT LORDSTOWN.

IN THAT TIME FRAME WE HAVE BUILT A WORLD CLASS BODY SHOP THAT WILL ENABLE US TO BUILD SEVEN DIFFERENT MODELS. WE HAVE MODIFIED PRODUCTION OPERATIONS THAT HELP ELIMINATE WASTE, BUILD CUSTOMER VALUE AND IMPROVE BUSINESS PERFORMANCE. IN DOING SO, THIS PROJECT PROVED TO BE A BUFFER FOR THIS AREA'S DIFFICULT ECONOMY. MORE THAN 1-THOUSAND OF OUR LOCAL BUILDING TRADES HAVE WORKED ON THIS PROJECT OVER THE LAST YEAR AND THAT'S DURING A TIME WHEN LITTLE CONSTRUCTION WORK WAS TAKING PLACE IN THE REGION.

OUR LOCAL TRADES LEADERSHIP HAS MADE IT A POINT TO THANK US FOR PROVIDING PROFOUND MEASURES OF EMPLOYMENT DURING THIS DIFFICULT RECESSION.

THE FAR REACHING ECONOMIC IMPACT OF OUR OPERATION CAN BE SEEN BY OFFERING A FEW NUMBERS... WE PURCHASED OVER 100 THOUSAND TONS OF STEEL LAST YEAR... PRODUCED 340 MILLION DOLLARS IN WAGES... OVER 100 MILLION DOLLARS IN BENEFITS... PAID OVER 22 MILLION IN PAYROLL TAXES AND BUILT OVER 300-THOUSAND VEHICLES.

IN CLOSING, I'D LIKE TO OFFER A FEW COMMENTS ABOUT THE NEW GENERAL MOTORS. IT CERTAINLY HAS BEEN A CHALLENGING YEAR BUT ITS BEEN SAID THAT IN CHALLENGE LIES OPPORTUNITY... AT GM WE HAVE BEEN GIVEN THE OPPORTUNITY OF A LIFE TIME... AND WE HAVE A LOT OF PEOPLE TO THANK STARTING WITH THE U.S. AND CANADIAN TAXPAYERS...

WE REALIZE THE HARD PART IS JUST BEGINNING AND WE HAVE MUCH WORK TO DO AND THAT BEGINS WITH REGAINING THE TRUST AND RESPECT OF AMERICAN CAR BUYERS...

THE NEW GM IS FOCUSED ON CUSTOMERS, CARS AND CULTURE. THAT MEANS PUTTING THE CUSTOMER FIRST IN EVERYTHING WE DO, BUILDING GREAT CARS PEOPLE WANT TO HAVE AND CHANGING OUR CULTURE TO MOVE MORE QUICKLY AND BOLDLY...

AS I STAND BEFORE YOU TODAY... IN MY 32 YEARS WITH GENERAL MOTORS, THE VEHICLES IN OUR CURRENT LINE UP FROM TOP TO BOTTOM ARE THE BEST WE HAVE EVER BUILT.. OUR CADILLAC CTS AND CHEVY MALIBU HAVE BEEN NAMED CARS OF THE YEAR... THE NEW CAMARO AND FUEL EFFICIENT CHEVROLET EQUINOX ARE FLYING OFF DEALER LOTS ALONG WITH OUR COBALT. OUR BUICK BRAND HEADLINED BY THE LACROSSE IS TRANSFORMING INTO THE AMERICAN LEXUS.

WE HAVE TRIMMED OUR BRANDS DOWN TO FOUR AND REDUCED OUR NAMEPLATES FROM 50 TO 34... WE NOW WILL CONCENTRATE ON BUILDING FEWER PRODUCTS AND DOING THEM BETTER.

BEYOND WHAT WE ARE DOING TODAY, WE ARE PREPARING FOR TOMORROW. WE HAVE MADE HUGE IMPROVEMENTS IN THE COMBUSTIBLE ENGINE.

SINCE THE 1970S, WE HAVE IMPROVED FUEL EFFICIENCY BY 130 PERCENT FOR CARS AND 80 PERCENT FOR TRUCKS... WE HAVE MORE FLEX FUEL VEHICLES LIKE THOSE POWERED BY ETHANOL ON THE ROAD THAN ANYONE ELSE.

AND DID YOU KNOW...OUR HYBRID FULL SIZE SUVs, THE TAHOE, YUKON AND ESCALADE, GET THE SAME MILEAGE IN CITY DRIVING AS THE CONVENTIONAL CAMRY AND ACCORD SEDANS...

OUR PROJECT DRIVEWAY PROGRAM IS THE WORLD'S LARGEST FUEL CELL TEST FLEET. WE HAVE OVER 100 CHEVY EQUINOX FUEL CELL ELECTRIC VEHICLES IN USE AROUND THE GLOBE.

SEVERAL OF THOSE VEHICLES HAVE BEEN SHOWCASED IN OUR AREA INCLUDING AT LAST YEAR'S HOMECOMING PARADE AT YOUNGSTOWN STATE UNIVERSITY. THE VEHICLES WERE ALSO STUDIED FIRST HAND BY STUDENTS AT YSU'S SCHOOL OF SCIENCE, TECHNOLOGY, ENGINEERING AND MATHEMATICS.

AND OF COURSE, OUR TOP PRIORITY IN ADVANCED TECHNOLOGY IS THE ELECTRIFICATION OF THE CAR WITH THE CHEVROLET VOLT STILL ON TARGET FOR LAUNCH LATE NEXT YEAR...

THE NEW GM WILL BE A POWERHOUSE AND THE LORDSTOWN COMPLEX A KEY COMPONENT...AS WE REINVENT THE AUTOMOBILE AND OUR COMPANY...WE ARE HERE TO STAY...

MANUFACTURING MUST CONTINUE TO BE A CORNERSTONE OF OUR COMMUNITIES. THAT'S BECAUSE THERE ARE THREE MEASURABLE METHODS TO CREATE WEALTH IN AMERICA...MAKE IT...MINE IT...OR FARM IT....WE HAVE A GREAT HERITAGE OF ALL THREE IN THE STATE OF OHIO...AND FOR THE SAKE OF PEOPLE LIKE MIKE POLDER, TIFFANY KING AND THE GENERATIONS OF AUTOWORKERS COMING UP BEHIND THEM, LET'S WORK TOGETHER TO NOT ONLY MAINTAIN BUT STRENGTHEN THAT TESTED AND HONORABLE HERITAGE. THANK YOU FOR YOUR TIME AND ATTENTION.

General Motors in Ohio

GM Facilities	<ul style="list-style-type: none"> • Lordstown Assembly <ul style="list-style-type: none"> o Chevrolet Cobalt, Pontiac G5 o Future product (2010): Chevrolet Cruze • Lordstown Metal & Stamping • GMPT — Toledo Transmission • GMPT — Defiance Casting Foundry • GMPT — Parma Components • Stamping — Parma Metal Center • SPO — Columbus, Cincinnati, and West Chester • RFO Lordstown
Employees	<ul style="list-style-type: none"> • Hourly 9,291 • Salary 1,129 • Total 10,420 <p>Reflects the number of employees that currently receive a paycheck, including those on layoff, disability, etc.</p>
Retirees	72,394
Primary Suppliers	1,535
Dealers	322
Total GM vehicles	3,906,043
Retail vehicle Deliveries	<p style="text-align: center;"><u>2007 Total</u> 154,164</p> <p style="text-align: center;"><u>2008 Total</u> 90,273</p> <p style="text-align: center;"><u>2009 Total (YTD)</u> 53,855</p>
Charitable Donations	<p style="text-align: center;"><u>2007 Total</u> \$962,996</p> <p style="text-align: center;"><u>2008 Total</u> \$709,163</p>
2008 Total Taxes	\$25,193,929

OFFICE OF THE MAYOR

CITY OF WARREN

MICHAEL J. O'BRIEN
MAYOR

391 MAHONING AVE., N.W., WARREN, OHIO 44483-4634
PHONE: (330) 841-2601 • FAX: (330) 841-2676



August 21, 2009

MEMBERS OF THE OHIO AUTO TASK FORCE COMMITTEE

Dear Members, Both Senators and Representatives:

Unfortunately, due to a scheduling conflict, I will be out of town unable to testify in person; and I would ask that my letter be read for the record as testimony in this important hearing.

Over the past forty (40) years, the entire Mahoning Valley has relied on the Auto Industry as a way of life as we know it. From these years, the employee level at both General Motors Lordstown and Packard Electric were in excess of 13,000 employees at each facility. In particular, the significant level of employees that both worked and lived in the City of Warren were employed at Packard Electric---later known as Delphi.

However, due to changes in the Auto Industry and the Auto Related Industry, significant cuts were made over the years; and, in particular, in 1997, the City of Warren started to feel the devastation as the Operations of Delphi started to phase out of the City of Warren.

Prior to 1997, the average income tax paid to the City of Warren by employees of Delphi was in excess of \$2.5 million dollars annually. Presently, the total of income tax paid to Warren by Delphi employees is less than \$100,000.00 per year. In comparison, it is now annually what would otherwise be paid in two weeks.

With the significant loss of income, obviously results in loss of services performed by government with staffing levels diminishing throughout the City, especially in police officers and firefighters.

Our city is making attempts to right-size our community based on less income. Our population has declined by 30%. However, our square miles are basically the same or somewhat larger. We are attempting to recover from losing our largest employer in the City (Delphi) from 13,000 to a payroll of just over 600 employees.

OHIO AUTO TASK FORCE COMMITTEE

Page 2

August 21, 2009

Presently, there are approximately 3,000 Delphi retirees from year 2000 to the present. Those retirees are at a risk of losing an average of \$1,300.00 per month of income---let alone the additional loss due to the result PBGC based on the most recent guidelines. Couple that loss with the added expenses of providing their own healthcare---that will be eliminated---the disposable loss of income will be another devastating blow to our fragile local economy, as well as to those retirees.

Economic professionals have estimated a potential loss of \$20 million dollars per month as a result of this pension elimination. Needless to say, that would be a financial devastation to our City. As a result, every business, every church, every non-profit, every government, every school, literally, every resident in our community will suffer deeply.

Hopefully, I am able to convey to this body the adverse effect that the changes in pensions and healthcare will have to the retirees, which influence our local businesses; and, as a result, will have severe consequences on our entire City.

Respectfully,



Michael J. O'Brien

Mayor, City of Warren, Ohio

Testimony before The Joint Select Committee on the Impact of the Changing Automobile Industry

Aug. 21, 2009

Kent State University Trumbull Campus
Tony Paglia, Vice President, Government Affairs,
Youngstown/Warren Regional Chamber

Members of the Joint Select Committee, I am Tony Paglia, vice president of Government Affairs for the Youngstown/Warren Regional Chamber. We represent about 3,000 businesses in the area. Thank you for allowing me to speak to you today regarding the future of the auto industry in the Mahoning Valley and the state of Ohio.

As you know, the effect of the auto industry on the state of Ohio is significant: Ohio ranks second in the United States in automobile production and first in the number of auto suppliers.

In the Mahoning Valley, about 11,000 people are still employed in auto-related jobs including 3,300 in auto assembly at the GM Lordstown plant, effective when the second shift returns in October. The current direct and indirect economic impact of GM in the Mahoning Valley is estimated at \$180 million in payroll and more than 5,200 jobs.

Stated simply, we believe that the legislature in looking for ways to retain and strengthen the auto industry in Ohio, first, must work to ensure that the cost of doing business here is competitive with other states in the U.S. and that we have a business friendly atmosphere that is conducive to retaining and attracting business.

Frankly, the segments of the auto industry left in Ohio are fighting for survival. As one auto parts maker's representative told me, "we are in a race for life." She noted the importance of holding down the cost of doing business in the state. That includes retaining the income tax cuts, elimination of the personal property

tax and other changes of 2005 that has made the state more competitive with the rest of the country. It also means a continued commitment to regulatory reform and shying away from supporting legislation or statewide initiatives that place mandates in the workplace for employers that add to the cost of doing business such as the ill-fated attempt a year ago to mandate sick leave.

Also of concern to the auto industry is high utility rates. Ohio already has some of the highest electric rates in the country and there is concern about what the future will hold if Cap & Trade regulations are instituted on the federal level that are punitive to fossil fuel reliant states like Ohio.

What's even more important is taking a look at the state's development incentive programs, particularly the Ohio Job Retention Tax Credit, which provides corporate franchise or state income tax credit for businesses that commit to retain a significant number of full-time jobs.

Auto-related industries, as I noted earlier, are in a fight for survival. There is little or no talk about creating jobs. The fight is to retain jobs although there are possibilities that there will be further job cutbacks.

At the same time, in order to survive and compete, auto-related companies will need to make capital investments, including investments in the latest technology.

The problem is that help for companies like these is limited in Ohio. There is some low-interest financing available and local governments can provide tax abatements for real property improvements. But to be eligible for the job retention tax credit -- the credit that assisted in keeping General Motors in Lordstown -- a company must have at least 1,000 workers and have a capital investment of at least \$200 million, or under certain conditions, \$100 million to be eligible.

The state should look at revising its job retention incentive package that would make more companies eligible by reducing the job number and the amount of investment required for eligibility.

Right now, there aren't that many projects that can qualify for this incentive. And let's be frank about this, if a company needs to invest for its future and retain jobs but isn't able to get a tax credit or incentive in Ohio, they will most likely go to another state that provides such incentives.

The Chamber also would suggest that more funding be made available in the form of direct payments or tax credits to train or retrain existing employees so that companies can retool to move into new markets or product sectors.

Thank for you attention today and considerations.



Statement

General Motors
Company

GM Communications
Detroit, Mich., USA
media.gm.com

For Release: 9:00 EDT
August 20, 2009

GM Statement Regarding CARS Program Rebates

In order to meet high customer demand for new fuel-efficient GM cars, crossovers and trucks under the Federal CARS (Cash for Clunkers) Program, the company will today begin providing cash advances to dealers which are equivalent to the amount of federal rebates which are being processed for that dealership's qualifying new vehicle sales. As a result, dealers will have the liquidity to run their businesses effectively in the midst of this extremely successful program, and to continue immediately delivering new vehicles to GM customers.

"Our sales performance in the past two months has exceeded our internal forecast by over 60,000 vehicles, largely driven by the CARS stimulus program," said Mark LaNeve, VP of U.S. Sales. "We want to do all we can to provide customers with timely new vehicle deliveries and dealers the liquidity they need to run their businesses. This will continue the sales momentum of our new fuel-efficient vehicles such as the Chevrolet Cobalt, Equinox and Buick Enclave."

GM intends to provide these advances for qualifying new vehicle sales already transacted under the CARS program, and will provide advances going forward as long as the CARS program is in effect.

About General Motors: General Motors Company, one of the world's largest automakers, traces its roots back to 1908. With its global headquarters in Detroit, GM employs 219,000 people in every major region of the world and does business in some 140 countries. GM and its strategic partners produce cars and trucks in 34 countries, and sell and service these vehicles through the following brands: Buick, Cadillac, Chevrolet, GMC, GM Daewoo, Holden, Opel, Vauxhall and Wuling. GM's largest national market is the United States, followed by China, Brazil, the United Kingdom, Canada, Russia and Germany. GM's OnStar subsidiary is the industry leader in vehicle safety, security and information services. General Motors Company acquired operations from General Motors Corporation on July 10, 2009, and references to prior periods in this and other press materials refer to operations of the old General Motors Corporation. More information on the new General Motors Company can be found at www.gm.com.

###

CONTACT:

John M. McDonald
GM Communications
313-667-3714
John.m.mcdonald@gm.com



General Motors
Dealer Network Planning & Investment
GM Renaissance Center
MC 482-A06-C66
Detroit, MI 48265-1000

August 21, 2009

The Honorable Mark Wagoner
Senate Building
Room #129, First Floor
Columbus, OH 43215

The Honorable Matt Lundy
77 S. High Street
Room #129, First Floor
Columbus, OH 43215

RE: Ohio Joint Select Committee on the Impact of the Changing Automobile Industry -
General Motors dealer wind-down agreements

Dear Senator Wagoner and Representative Lundy:

On numerous occasions throughout the hearings conducted by this Joint Select Committee, various members of the Committee have asked the question: "How were automobile dealerships selected by General Motors and Chrysler for termination or wind-down agreements?" While we are unable to speak to the methodology utilized by Chrysler, the attached documents help explain the analysis and objective criteria used by General Motors to identify the approximately 1300 General Motors dealerships which received wind-down agreements to wind-down their GM dealership operations. Virtually all dealerships receiving those agreements signed them in mid-July and GM has already made the first wind-down payment to all of those dealerships. It is also important to note that GM will still have an extensive network of dealers (over 4100 nationally), including 1500 in rural and small towns alone (more than the approximately 1200 that Toyota has in the entire country).

General Motors recognizes how difficult and painful this process is for the involved dealers, but the need to restructure all of General Motors was caused by the worst global recession of modern times. General Motors Corporation found itself facing the realities of a rapidly and dramatically contracting automobile sales market. A reality that culminated in one of the largest, most complex bankruptcies in history. Consequently, a dramatic restructuring of the entire organization was necessary.

As GM was forced to address all aspects of its business operations; from manufacturing footprint, number of brands and models, salaried and hourly employment levels and benefits, and retiree costs, it had no choice but to also address the serious issues in its legacy dealer network. Dealer restructuring was thus an essential aspect of GM's viability plan. GM's current dealer network was largely established in the late 1940s and 1950s, before the U.S. Interstate Highway system was built. Because of our long operating history and existing dealer locations, many dealerships now operate in outdated facilities that are no longer located where they can best serve our customers.

In recent years, many GM dealers could not earn enough profit to renovate their facilities and retain top-tier sales and service staffs. At the same time, General Motors incurred substantial costs to support an uncompetitive network. A right-sized dealer network built
August 21, 2009

Page 2

around strong dealers will allow dealers to earn the profits necessary to modernize their facilities, compete aggressively in their market, and attract and retain top-tier sales and service staffs. It will also allow us to drastically reduce, and in some cases eliminate, many direct dealer support programs that have been necessary in the past to overcome the inefficiencies of an outdated dealer network, as well as reduce unsustainable structural costs.

In total, the dealer restructuring should result in approximate savings of over \$2.5 billion per year to GM and result in a strong, viable GM dealer network. At the same time, a strong and profitable dealer network can provide the industry's best customer service and enhance the image of our four remaining brands: Chevrolet, Cadillac, Buick and GMC. GM's remaining dealerships will be better positioned to serve their current GM customers, while aggressively marketing to attract new customers away from competitors.

I hope you find the attached information helpful. Please contact us if you have any further questions.

Sincerely,

A handwritten signature in cursive script that reads "Brian S. Lee".

Brian S. Lee
Dealer Network Planning and Investments
General Motors Company

GM Conducted Dealer Network Analysis to Establish the Size of a Viable Dealer Network

- GM's Approach to Dealer Network Planning
 - Competitive Dealer Throughput
 - Competitive Dealer Return on Investment
 - Customer Convenience better than targeted competitor (drive time analysis)
 - Market Demographics and how they change over time
 - From this data we created an "Ideal" Dealer Blueprint
 - This analysis yielded an "ideal" dealer blueprint of 3,380 dealers
 - We determined that a subjective process of eliminating dealers to achieve this optimal footprint would not be fair or consistent with our past business practices
 - Therefore, we selected objective dealer performance criteria to stratify the dealers between performing dealers that we would want in our long-term dealer network and those dealers that are underperforming in today's market
 - Using this objective performance criteria yielded approximately 4,100 dealers vs. 3,380
-

Dealer Network Restructuring

- Plan enables competitive dealer throughput and Return on Assets (ROA) opportunity in the metro markets
- Despite reductions GM would maintain extensive hubtown (i.e. 25-50k population) and small town footprint as strategic advantage
- Chrysler plan rejected and immediately terminated a portion of the dealers
- GM's plan offers a "wind-down" agreement to facilitate vehicle and parts inventory sell-down, and customer migration in an orderly way over the next 12 – 17 months
- Dealers not accepting the "wind-down" agreements will be rejected (similar to Chrysler). It is highly unlikely that any GM dealers will fall into this category.
- GM is responsible for vehicle inventory of terminated dealers who are floored through GMAC (approximately 80% of inventory)
- Approximately 4,100 dealers will be offered a continuing assignment agreement to include:
 - Sales, inventory, and image performance
 - Essential brand elements (requirements)
 - No non-GM duals
 - Waive right to protest
- It is projected that 3,500 – 3,800 dealers will accept the continuing assignment agreement and move forward with the new GM

Dealer Performance Score

Overall Score

Each of the four Category Scores is added together to total an Overall Score for the portfolio (DPS Score). The Category Minimums are listed as a reference for each of the four specific measurement categories and the overall performance. Dealers with a DPS score less than 70 received a wind-down agreement.

They include:

- Sales – Weighted at 50% measured against appropriate average for size of market (i.e. measuring relative share performance against dealers in similar size markets in the state)
- Customer Satisfaction Index – Weighted at 30% measured against regional average (GM has 5 regions in U.S.)
- Capitalization – Weighted at 10% measured against dealer's needed working capital standard
- Profitability – Net profits before taxes weighted at 10%
- Overall – A score of 100 is average; below 100 indicates a performance issue with 70 or below indicating extremely poor performance

Note: Wind-down agreements were given to stores with sales less than 50 per year. Additional wind-downs may have included dealers with Non-GM Brands under the same roof and performance issues, phased out brands such as Pontiac or dealers in an unprofitable position 3 years in a row with inadequate working capital



IUE-CWA Local 717
2950 Sferra Avenue N.W.
Warren, Ohio 44483

5

August 21, 2009

Joint Select Committee on the Impact of the Changing Automobile Industry in Ohio,

As the President of IUE-CWA Local 717 representing the employees of Delphi's Ohio Operations, I would like to state that Ohio's auto industry is the lifeblood of this state. Many people believe that Delphi's downsizing and the struggles of Ford and GM don't impact them if they do not work directly for any of these companies. The fact be told, every sector of our economy is attached just like limbs and organs of the body; if the heart is weak, all limbs and organs will suffer. The manufacturing base of the auto industry represents the heart from which many supporting industries have evolved: parts, raw materials, mechanical and electrical support services, and transportation improvements. But more economically important are all the financial support the auto industry workers and supporting companies provide to their communities: taxes for schools and safety services, commercial and service industry patronage, and donations to charities. Each and every one of these contributions adds jobs to our state which, in turn, attracts non-Ohio businesses to locate to our state as "money attracts money"!

Delphi's and General Motors' demise was not due to worker negligence, it was the failure of U.S corporations to exhibit morality in their decision making process that is causing the economic devastation in this state. Time and time again the worker has had to be competitive with our foreign counterparts. But not once did corporate executives have to be held accountable for comparable compensation packages with their foreign executive counterparts. It was reported not long ago that executive compensation packages amounted to about 30% of corporate financial burden in comparison to the hourly workforce burden which equating to some 7%. Yet, every time a sacrifice is to be made you can bet the hourly workforce will take 100% of the hit! The recent debates over the U.S. auto industry bail out and the controversy surrounding the bonus compensation of corporate executives illustrates the glaring and evident disconnect in America. Ironically, these executives have "contractual obligations" that provide for their nauseating-sized bonuses while negotiated contractual obligations made with the hourly workforce are hard fought to have merit.

While unions have certainly not been happy about negotiating concessionary contracts and give-backs, the union leadership and members have demonstrated a willingness to act as valued partners with our employers to secure a better competitive position to weather periods of economic difficulty. The accompanying documentation will detail the responsible efforts of IUE-CWA Local 717.

At Delphi Packard Electric we have exhibited a history of state of the art manufacturing processes for the auto industry as well as union/management cooperative efforts to better the competitive position of the company and today still remain concerned about our future. We have sacrificed for the good of the employers, the industry, and our country and all have let us down.

Today we find over 50,000 retirees in the state of Ohio from the IUE-CWA in the midst of having their healthcare coverage cancelled by General Motors. Delphi pensioners have had their pensions turned over to the PBGC and the stage of economic devastation of individuals and communities is set as disposable incomes drop and/or get diverted to paying for health care. These numbers do not take into account the tens of thousands of workers who opted to take buy-outs over the last few years and find themselves without meaningful jobs to support themselves and their families. The number of lives touched by GM and Delphi's orchestrated bankruptcies is much, much more than the numbers presented today.

Although contractual commitments have been negotiated over the years to protect these retirees in the event of this very scenario, the coincidental timing of Delphi and GM's bankruptcies along with the so called "protective custody" of these corporations while in bankruptcy has under minded the process of collective bargaining.

I close with a statement by Mark W. Ayers, President, AFL-CIO Building & Construction Trades Dept.: "Our nation will once again enjoy sustainable economic growth when we return to an era of "trickle up" economics where work, not wealth, is valued, respected and rewarded...

...and where those at the top of the American income ladder show the same level of love and commitment and sacrifice to this great country as its blue collar heroes - rather than retreat behind their gated communities with their "contractually obligated" bonus checks in hand, and offer a middle finger salute to everyone else."

Respectfully,

Karen L. Krolopp, President
IUE-CWA Local 717

U.S. Treasury approved!

IUE-CWA
A FORCE FOR WORKING FAMILIES AFL-CIO
Local 717

General Motors Robs IUE-CWA Retirees Of Health Care and Pensions

As you may be aware, GM is unfairly threatening to cancel the healthcare benefits for over 50,000 IUE-CWA Delphi and GM retirees and their families while at the same time assuring members of the UAW that their coverage will continue. Adding insult to injury, Delphi retirees had their pensions turned over to the PBGC and find again another injustice by GM; GM has agreed to "top-up" the pensions for those represented by the UAW while leaving those represented by the IUE-CWA possibly without health care as well as without the means by which to purchase life sustaining benefits. This is not moral, nor is it justice; this is highway robbery. To disqualify certain groups of retirees of the same company of the very benefits and income they earned because of their union affiliation is beyond belief. For the U.S. Treasury to mandate this discriminatory behavior with the very tax dollars of those being discriminated against is criminal.

Here are the facts:

IUE-CWA Seeks Funding of Medical Benefits for Former and Current GM Union Workers.

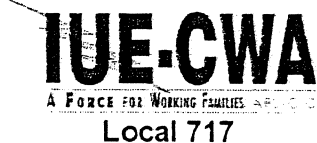
- Over 50,000 IUE-CWA, GM and Delphi workers and retirees and their families rely or will rely on GM for retiree health care coverage.
- This includes thousands of workers who retired based on contractual provisions that GM would provide health care, including many who retired early from Delphi and GM in the last 18 months to secure their benefits with GM and help both companies reduce cost.

GM Demanded a VEBA for Retiree Health Cost.

- In 2008, GM demanded a VEBA for retired IUE-CWA members.
- GM calculated the present value of the retiree health obligation owed to IUE-CWA represented employees at \$3.2 billion. Actuaries retained by IUE-CWA placed the value at \$4.7 billion. In late 2008, GM and IUE-CWA agreed upon a VEBA worth \$2.433 billion to start in January 2012.
- On December 2, 2008, then CEO Rick Wagoner testified before the Senate Banking Committee that a key part of the company's restructuring plan were VEBA agreements with the UAW and IUE-CWA.
- In January 2009, GM abruptly refused to implement its VEBA agreement with the IUE-CWA, blaming U.S. Treasury Department requirements.

GM Restructures UAW VEBA and Abandons IUE-CWA Retirees.

- From January 2009 to June 8, GM refuses to meet or make proposal to IUE-CWA. At the same time it reaches a new VEBA with UAW that they submit for approval before the bankruptcy court.
- On June 8, GM delivered a proposal to the IUE-CWA that would strip nearly 16,000 retirees and their dependants of any GM health care coverage and leave the rest with a catastrophic coverage option that would cost single retirees \$4,420.00 annually and a retiree family \$8,240.00 annually before a single dollar would be paid by GM. Because of the high cost of the plan, the reality is most of the retirees cannot afford it and therefore will opt out of the coverage.



Don Arbogast Deposition in response to 2005 Bankruptcy Filing by Delphi

Packard Electric was founded in Warren, Ohio in 1890 by brothers William and James Ward Packard. These same brothers would later form the Packard Motor Car Company, also in Warren, Ohio.

Packard Electric operated as an independent company producing electrical wiring and light bulbs until General Motors purchased the operation in 1933 and it became Packard Electric Division of General Motors Corporation.

The hourly employees were first represented by a Union when, in 1937, the United Electrical Workers were certified as the Bargaining Agent. In 1949 the Local Unions from within the U.E. in General Motors broke away from the parent Union and formed a newly recognized International Union, the International Union of Electrical Workers. The Bargaining Unit at Packard Electric Division, GMC thus became IUE Local 717 in November 1949.

IUE Local 717 would continue to represent the hourly workforce at Packard Electric Division of General Motors through the spin off of G.M.'s Automotive Components Group in 1999 until the IUE's merger with the Communication Workers of America in 2000; a period of over 50 years. With the merger of the IUE and the CWA the Bargaining Unit at Delphi Packard Electric Systems became IUE-CWA Local 717 and remains so to the present day. With the purchase of Packard Electric by General Motors in 1933 G.M. began to phase out many of Packard Electric's wiring products and utilized Packard in the role of a vertically integrated supplier to themselves of wiring and electrical components for their automobiles. Packard Electric continued in this role until the 1999 Delphi Corporation Spin Off.

Employment at Packard Electric Division GMC remained relatively constant throughout the 1950's and into the 1960's. Starting with the mid 1960's the demand for electrically controlled options expanded so rapidly that Packard Electric began to hire new employees first by hundreds a year and by the early 1970's by thousands a year. Hourly employment peaked at Packard Electric Warren, Ohio at 13,500 employees in 1973. This growth had occurred so rapidly that Local Management began to lose control over the product. Operating conditions inside the plants were often chaotic and both productivity and quality suffered and labor unrest increased. In the very early 1970's Packard Electric Management concluded that the Warren, Ohio Operations had grown too large, too fast and decided to place future expansion in areas outside of Warren, Ohio. In 1972 Packard Electric began building a manufacturing facility in Clinton, Mississippi. In 1973 the Clinton Plant opened as a non-Union site. Almost immediately Packard announced a second facility would be built in Brookhaven,

(Management) could not justify paying American wages now that they had opened manufacturing plants in Mexico. The Union recognized that low wages in Mexico was now a threat to every job in Warren, Ohio.

In 1984, during the Local Contract Bargaining process, the parties discussed this growing threat in Mexico and explored ways to deal with this issue. An agreement was ultimately reached which provided Management with the ability to move work to low cost options such as Mexico. Management agreed to provide all current employees then employed at Packard Electric Warren, Ohio with "Lifetime Job and Income Security." This meant that no covered employee could be placed on permanent lay-off or be eliminated because of job transfer or technology. The agreement further provided that Management would be required to hire one new employee for every three employees who attrition out of the workforce by death, quit, or retirement. Management would be free to place the other two-out-of-three attritions in other locations. In order to maximize the hiring opportunities the union agreed to a hiring rate for these newly hired employees of 55% of a full wage employee with a progression to full wage over a 10 calendar year period. In addition, these employees would have a basic 80-20% health care plan for their first 10 years. This was an enormous opportunity for Management. Two thirds of all attrition could be placed in Mexico while the final one third would be hired in the United States at wage rates comparable to all second and third tier O.E.M. supplies. At the time this agreement was made Packard Electric had four operating plants in Mexico. Over the next nine years Packard Electric hired approximately seven hundred second tier employees into the Warren, Ohio Operation. During the same time frame, their Mexican Operations went from four plants to seventeen plants and from approximately four thousand employees in Mexico to over thirty thousand. Management had only met their commitment to hire into the Warren, Ohio Operations in two of the nine years that followed the historic 1984 agreement.

In 1993, as a result of Management's blatant failure to follow the terms of the 1984 hiring agreement, Local 717 presented to Management a proposal to negotiate a new reduced wage hiring plan to spur hiring and growth in the Warren, Ohio Operations. After intensive negotiations the parties agreed to a third tier of wages and benefits. The third tier would be paid a rate equal to 55% of the tier-one wages. This 55% rate would not increase yearly but would remain at 55%. These employees would also have a modified 80-20% health care plan. Management agreed to place into Warren, Ohio the Bussed Electrical Center (BEC) job package with an employment level of 1,250 employees as a result of the third tier agreement. Management hired in years 1993, 1994 and 1995 into the third-tier but did not hire to the 1,250 employee level. Finally, after two separate sets of Contract Bargaining in which the BEC hiring was an issue, the remaining employees were hired in 1999 and 2000. These employees have been either on permanent lay-off or in our Jobs Bank since 2003.

7

I. Introduction

- A. Bruce Gump, 58, married with 4 children, three in college for the next three years, one currently in a Junior in Howland High School
- B. All children going to University of Akron - a State University.
 - 1. Biomedical Engineering, Military Science/Business Administration, International Business
- C. I worked for General Motors and Delphi Corporation for 32 years 7 months as Senior Engineer, the last position was in the Advanced Engineering group.
 - 1. "Involuntarily separated" March 1, 2009.
- D. Hold several patents and trade secret awards
- E. Can point to several projects that either saved or made millions of dollars for the corporation

II. Treatment by GM/Delphi

- A. General Motors chose to spin off their component manufacturing groups in 1999 forming the Delphi Corporation
- B. There was no option for salaried employees to "flow back" to GM as there was for at least some of the hourly employees.
- C. No guarantees for benefits or pensions were offered to salaried employees as there were for hourly employees
- D. Every executive had been a ^{GM} Delphi executive; every person who worked for Delphi had been hired in by GM. Every retirement eligible employee worked at least 24 years for GM, many 30, 35, 40 or more.
- E. Every employee was strongly encouraged to purchase Delphi stock, a special offering was made and a "founders grant" was given. Stock options were given instead of performance or "merit" increases
- F. Employees were told that all pay and benefit plans would remain the same, and discounts available through GM and other companies would also remain the same.
- G. Eventually some of the executives were indicted on SEC Fraud charges. A few were convicted and sentenced. The CEO - J. T. Battenberg was not tried, I heard he left the country and is living in France.
- H. Mr. Robert S. (Steve) Miller was chosen for the Chairman and CEO position. He had recently been involved in the steel industry and had taken Bethlehem Steel into bankruptcy, cancelling the retirement benefits for their retirees. He pledged that one of his most important goals was to save the retirement benefits at Delphi because he saw the cost in terms of human misery that happened at Bethlehem.
 - 1. He personally told me later, in an e-mail response that the benefits that were canceled were "discretionary expenses."

I. Delphi declared Chapter 11 bankruptcy in 2005

1. Delphi was allowed to seek protection from the 2nd district, southern division (New York City) even though Delphi had no significant presence there and their headquarters are in the 6th district, southern division
2. We believe they sought protection from that court because it has a reputation for being more "business friendly" and Mr. Miller had experience with Judge Drain from the Bethlehem Steel case.

J. The bankruptcy exit plan took longer to create and execute than was predicted. The economy reached near collapse creating an even more difficult environment to exit bankruptcy.

1. Over the next 4 years many facilities were closed or sold, people lost their jobs, benefits were reduced or eliminated, and the business suffered.
2. The only requests made by Delphi that were denied by the bankruptcy court were associated with executive bonus plans that were so high that even that court could not approve them as presented.

K. The United States Government chose to enter into the case as a part of the desire to "bail out" GM. Delphi was and remains a major supplier to GM.

1. When the bankruptcy court required Delphi and its creditors to enter into a mediated negotiation, the United States Government was included.
2. The result was a plan where taxpayer supplied money was used to supplement the retirees of the UAW while all other non-UAW unions and all salaried retirees plans were discarded like yesterday's trash.
 - a) *The Presidential Auto Task Force said there was no commercial need to fund the other groups, meaning the United States Government "gave in" to UAW demands for full funding for their retirees in order to avoid a job action.*
 - b) *Retirees believe they have a right to expect our government to act differently, better and more compassionately than a business and must respect all groups equally. If money was to be supplied to one ~~group~~ ^{group,} then it should have been distributed equitably.*
 - (1) If they had chosen to fund the UAW retirees to the 90% level in their pension plan, then there would have been enough left over to fund all the other groups to the same level and it would have been "fair and equitable", and not bad considering it was from a bankrupt company.

L. We are now having to fight to gain the attention of our government and find a way to correct this grievous error on the part of the Treasury and the Obama Administration.

1. Rally at the Chairman's dinner last night is an example
2. Commitments made must be followed up

M. This is not a common situation; performance and thinking "outside the box" and beyond the norm must be considered and done.

N. The United States Government, along with help from the Ohio, Indiana, New York, Michigan, Texas, Mississippi and other State Governments MUST stand up to their own promises.

1. On page 13 of the DNC Platform, in the paragraph entitled "Retirement and Social Security", two statements stand out: 1- "We will adopt measures to preserve and protect existing public and private pension plans." And 2- "We also will reform corporate bankruptcy laws so that workers' retirements are a priority for funding and workers are not left with worthless IOU's after years of service."

2. We need your help.

Recommendations

As I understand it, the purpose of this committee is to study the automobile industry in Ohio, and to make recommendations concerning Ohio's law regulating and supporting the automobile industry.

While my story does not directly connect with this goal, I believe my experience and the experience of those I represent may be helpful.

No Matter What Else Happens – Every Law and Help regarding the Automobile Industry, and every other industry in Ohio MUST be tied to a commitment by Industry to live up to their promises made to employees and retirees. Agreement with this should be required prior to the ability to make use of any supports offered by the State of Ohio. Ohio should support companies that guarantee to meet their obligations to their employees past and present.

The state could create facilities for testing available for use by suppliers as well as OEMs:

- Crash Tests including data gathering and analyzing
- Component Testing
- Fuel and alternative fuel testing
- Materials Testing
- Aerodynamics testing
- Safety testing
- Roadbed design
- Automated guidance and communications
- Test tracks complete with various environmental factor facilities
- Electromagnetic Compatibility / Radio Frequency Interference (EMC/RFI)
- Long term/long mileage reliability testing using state roads and with locations identified for mid-term testing (garages along the Ohio Turnpike for example, include data infrastructure along with some secure storage areas)
- Use State Universities and Community Colleges to make research available to companies with manufacturing facilities in the state

Facility use could be paid for through taxes or through leasing arrangements. There may be other more creative ways of paying too, like community service, road construction and maintenance, service in kind, etc. Many suppliers, especially smaller ones, struggle to show that their innovative products can meet the legal and practical requirements, so such facilities would attract companies that would employ the necessary people.



JOINT SELECT COMMITTEE ON THE FUTURE OF THE AUTO INDUSTRY
Sinclair Community College, Smith Auditorium
1:00pm

Meeting Minutes for August 25, 2009

Present:

Representative Lundy, Chairman
Senator Wagoner, Chairman
Senator Cafaro
Representative Hagan
Representative Sears
Senator Buehrer

Absent:

Co-Chair Lundy called the meeting to order at 1:15 pm. Co-Chair Lundy moved to approve the minutes from the previous meeting, the motion was seconded the minutes were approved with no objection.

Co-chair Lundy then called Dr. Steven Lee Johnson, President of Sinclair Community College. He welcomed the committee to campus. No questions were asked of this witness.

Co-Chair Lundy recognized other members of the General Assembly present in the audience for this meeting. These individuals included Representative Clayton Luckie and Representative Robert Hackett.

Co-Chair Lundy then called Mayor David Berger of Lima. He provided written testimony and spoke to the Lima Auto Task Force as well as other recommendations including investing in workforce investment. The witness then responded to questions from Co-Chair Wagoner, Representatives Sears and Hagan, and Senators Buehrer and Cafaro.

Co-Chair Lundy then called Mark Barbash, Interm Director of the Department of Development. He provided written testimony and spoke to the changes the auto industry has undergone over the last few years and the ongoing efforts to revitalize the industry as a whole. Questions were asked by Co-chairs Lundy, Wagoner and Senator Cafaro.

Co-Chair Wagoner then called Dennis Wojtanowski, President of the Ohio Auto Council. He testified to the activities and to his experience in the Automotive field. The witness responded to a question from Senator Cafaro.

Co-Chair Wagoner then called Chris Kershner from the Dayton Area Chamber of Commerce He provided written testimony and answered questions from Co-Chair Lundy, Senators Cafaro, Buehrer and Representative Sears.

Co-Chair Wagoner then called Attorney General Richard Cordray. The witness provided written testimony and spoke to many of the concerns that have arisen out of the closings of the franchises. Attorney General Cordray answered questions asked by Co-Chairs Lundy and Wagoner.

Co-Chair Wagoner then called Jerry Kronenberger from Dayton Supply and Tool . He provided written testimony. No questions were asked of this witness.

Co-chair Wagoner then called Tom Rose from the Delphi Salaried Retirees Association. He provided written testimony however no questions were asked of this witness.

Co-Chair Wagoner then called Gregory Stout from the Voss Auto Group. He testified to the community involvement that auto dealers have with their respective communities and the effects the recent auto dealership closings have had on their charitable donations. The witness answered questions from Co-chair Wagoner and Representative Sears.

With no other business before this committee it was adjourned at 4:00 pm.

Respectfully submitted,

Mark Wagoner, Chairman

Robert Hagan, Secretary

Remarks to the Joint Select Committee on the
Impact of the Changing Automobile Industry in Ohio

Sinclair Community College

August 25, 2009

35-2

Tom Rose

123 Lamplighter Trail

Dayton, OH 45429

tomjacirose@sbcglobal.net

Home: (937) 433-2311

Cell: (937) 608-5788

Good afternoon. My name is Tom Rose. I live in Washington Township, just south of Dayton. I am married with three children. Thanks for the opportunity to speak with you today.

I graduated with a degree in Mechanical Engineering and started working for GM in 1969. In 1999, after (30) years with GM, I was told that I was part of the new Delphi being spun off from GM. I had no choice. I worked for Delphi an additional (9) years. I was involuntarily separated one year ago as Delphi plants in Dayton were closing. I am part of the same group of Delphi salaried retirees as Bruce Gump, who testified before you last week at Kent State Trumbull. These are challenging times. Our group has only ever asked for fair and equitable treatment – particularly from our federal government.

Even though I began in Engineering, I quickly moved into manufacturing operations management. I held several positions at four of the seven Delphi plants in Dayton. I worked at our plant on Wisconsin Blvd and was Plant Manager at the Delphi plant on Kettering Blvd. I was unfortunately responsible for closing it in October, 2007. I later spent time at the Home Avenue Plant and finally the Needmore Road plant until production ended in June, 2008. I felt like Dr. Kevorkian and it was not good news when I was arrived at a plant.

I was not ready to retire, but there was no place left to work for Delphi in Ohio. I had worked hard. Our children were through college and gone, and my wife and I had no debt. I felt that I had done the “right things” and that my family’s financial future was secure.

I was wrong.

A Fedex arrived on our doorstep in February, 2009. To myself and 7,400 other Delphi salaried retirees, Delphi announced that they were unilaterally terminating our health care, dental, vision, and life insurance effective April 1. In June, Judge Drain (a business-friendly bankruptcy judge in New York) approved Delphi’s Plan of Reorganization which included our underfunded pension being transferring to the Pension Benefit Guarantee Corporation (PBGC)

A brief review of some key points:

- Delphi was spun off from GM in 1999 and filed for bankruptcy in 2005.

- As Delphi's bankruptcy continued, my wife and I checked about taking a lump sum withdrawal instead of receiving ongoing retirement compensation. Even though this is a common business practice, we were not allowed to do so by Delphi.
- When we were informed of our loss of health care in February, Delphi retirees quickly formed the Delphi Salaried Retirees Association (DSRA). There are another 8,000 salaried still working today, but additional and significant headcount reductions are unfortunately beginning next month.
- Of the DSRA 6,000 members, 80% live in four states. 1,400 of us live in Ohio with large groups in Michigan, Indiana, and New York. About 700 (½) of the Ohio Delphi salaried retirees live in the Dayton area. We are Democrats and Republicans. We are engineers, managers, logistics experts, etc. We understand that limited funds are available during a bankruptcy. We do not have any voice as a group with political contributions or lobbyists. All we have even asked is that all GM/Delphi retirees be treated fairly and equitably.

This expectation of fairness has – unfortunately – proven to be a false hope.

- The Delphi United Auto Workers (UAW) retirees still have their health care. Even though the total Delphi pension has also been transferred to the PBGC, GM made up the underfunding to the PBGC for the UAW retirees. Each UAW retiree has been “made whole” (receive their full pension). The money that GM used to do this came from (you guessed it), the taxpayer! Now, I am absolutely in favor of the UAW retirees receiving their full health care and pension. They worked for it and they earned it, but so did I. Myself – and other salaried retirees – will receive less in retirement than a janitor. Now I am certainly no better of a man than the janitor, but we all signed up for different levels of responsibility and expected to be compensated accordingly. This includes the deferred compensation promised to us in retirement. Our fundamental question – which remains unanswered – is how two groups of retirees from the same company in the same situation can be treated so decidedly different by our federal government. This smacks of blatant discrimination based purely upon political influence since the federal government is clearly calling the shots at Delphi and GM. Where is the “equality of sacrifice”?

- In addition to Delphi salaried, other non-UAW unions in Ohio are also being treated unfairly. The unions include the IUE, CWA, URW, etc. In Ohio there are 35,000 non-UAW families that have been impacted. The losses for the average family are:
 - Buying our own health insurance: \$1,500 / month
 - Loss of supplemental Social Security Makeup: \$1,500 / month
 - Reduction in pension from PBGC \$1,000 / month
 - \$4,000 / month (\$48,000 / year)
- **35,000 families X \$48,000/year = \$1,680,000,000 / year impact to Ohio**
- This is courtesy of GM, Delphi, and our federal government! To say that there are a lot of people extremely upset with our federal government is an understatement. Our friends cannot believe this is happening in America.
- This has forced some families below the federal poverty level.
- We are obviously very concerned about ourselves, but what will the costs be to the community and government infrastructure if our pensions are not properly funded?
- The debate on national health care has everyone's attention, and the loss of health care is certainly important, but with HCTC for 55-65 and Medicare thereafter, the pain is minimized. The impact on Ohio is still above \$1 billion per year.
- The significant drop in pension is much more critical since it lasts a lifetime. One retiree, Tom Green, the Plant Manager of the Needmore Road operations, has made a preliminary calculation that his pension will be reduced 60% from the PBGC. He has determined that this significant pension reduction will have 20 times more impact than loss of health care over his lifetime. Tom wanted to be here today, but he has started a second career and has returned to work.

The federal government has been driving the bankruptcy settlements in the automotive industry. There is something terribly wrong with a country whose leadership is an active participant in something this egregious. Examples:

- I previously mentioned the "topping off of UAW" pensions. They are not impacted. Their only difference is that their pension check will say PBGC instead of Delphi. According to the PBGC, making workers whole is unprecedented during a pension transfer. Typically, the PBGC places a claim on remaining assets of the bankrupt company to help cover its costs.

- With GM & Delphi in bankruptcy, they had the right to re-work union contracts. For example, they could have decided to fund the UAW pension at a 90% level. This would have allowed funding salaried and non-UAW unions at a similar 90% level. With full participation of the federal government through the Auto Task Force, they chose NOT to be fair and do this!
- As salaried retirees, we have contributed several hundred thousand dollars to a legal fund to fight this inequity. Not a single objection has been granted to the DSRA by the bankruptcy judge. Meanwhile, every Delphi motion has been granted except one seeking \$85 million of top executive bonuses (this was reduced to \$16 million).
- The Delphi pension defaulting to the PBGC is the second largest pension failure in PBGC history. When Delphi filed for bankruptcy, the PBGC wisely attached liens to Delphi's overseas operations. They wanted to ensure that Delphi would meet its pension funding obligations before expanding overseas. Nonetheless, the PBGC inexplicably dropped its liens against Delphi two weeks ago. Delphi now has 128 plants overseas and only six in the U.S. In the case of the salaried pension, the PBGC received a pension funded at only 54%. We believe there is a strong conflict of interest with Finance Secretary Geithner being on the board of the PBGC and representing the Obama administration's objective of quickly revamping the auto industry.

Several of our US Representatives – including my Congressman Mike Turner as well as John Boehner, Tim Ryan and others - have stepped forward with support. Chairman Barney Frank has committed to have hearings on the Delphi pensions when Congress reconvenes.

Within Ohio, we appreciate the fact that Gov Strickland has pledged to speak with President Obama about this travesty. Attorney General Cordray was also very supportive. We deeply appreciate your assistance in addressing this pension issue and its impact on Ohio. We would encourage coordination with the three other states mentioned.

Suggestions for Improving Auto Industry in Ohio

- Bruce Gump previously had some excellent suggestions on state testing facilities, quality awards, etc.
- Dayton is uniquely the home of a lot of talent. What began with the Wright Brothers and Charles Kettering continued with GM & Delphi. We have a broad base of engineering talent to design, test, validate and bring into production many innovative products. Hundreds of patents have come from GM & Delphi in Dayton.
- Delphi has collaborated with Wright Patterson AFB on aircraft brake-by-wire systems. In Dayton, Delphi has also worked with University of Dayton Research Institute, Wright State University, the National Composite Center, and Edison Material Technology.
- The area is particularly strong in tool and die expertise. Virtually all of the tooling used in extensive machining operations, dies used for stamping and forming, and tooling used for assembly and testing was both designed and built in Dayton. I would encourage you to tap into these capabilities. I feel there would be some volunteers, however many – like myself – are having to go back to work to secure our long-term financial future.
- For company retirement benefits, I would advise that companies have a defined contribution plan for their people vs. the defined pension plan that we had. Our defined pension depended on a trust that was broken. Ohio does not need more “Delphi’s”.
- I previously mentioned Tom Green. Tom was on the Board of Directors for the Ohio Manufacturers Association for seven years. Tom and others were very active with Ohio leaders in trying to improve the business conditions for manufacturing in Ohio. Gov Strickland recently announced the Ohio Auto Industry Support Council. Hopefully your committee can collaborate with these other groups to product maximum synergy.

To summarize, we are asking for your help – specifically with our pension. The current situation is unfair to us and the State of Ohio. We would strongly appreciate input to the upcoming Congressional hearing. This hearing is about changing the current outcome, not just performing an autopsy.

I have copies of my remarks as well as an attachment of an economic impact study from the Mahoning Valley – we will seek the same from Wright State University. I have also included a copy of the recent Delphi Salaried Retirees presentation to Dr. Ed Montgomery, the Presidential Director of Recovery for Auto Communities and Workers. This has some excellent data.

Thank you! I will do my best to answer any questions that you may have.

Delphi Salaried Retirees – Staring at financial disaster and poverty



Meeting with Dr. Edward Montgomery
Presidential Director of Recovery for Auto Communities and Workers

Representing the DSRA:

Den Black – Interim Chairperson

Paul Dobosz – Interim Secretary

Why are we here? What help do we need?

- Through no fault of their own, nearly 15,000 American retirees are on the verge of losing the pensions they were promised – a loss that could reach \$300,000 per person during the 25 years life expectancy of most of these individuals even if PBGC assumes liability.
- Loss to economy could be more than \$4 billion prior to “ripple effect” and increased social cost burden to governments.
- The decision is imminent; we need government intervention to stop this disaster.

Who are Delphi salaried retirees?

- We are former General Motors salaried employees who have spent 20-30 years (or more) working for GM in engineering, clerical, or managerial assignments worldwide.
- Delphi salaried employees were “Spun Off” from General Motors in 1999 without any input, consent, or ability to return to employment with GM.
- Large numbers of us have been forced to retire early under adverse conditions as the Delphi’s financial condition has deteriorated.
- We have suffered much more severe losses of income and benefits than Delphi’s hourly retirees will suffer since their health and pension obligations have been returned to GM or a GM-funded UAW VEBA.
- We were not represented by a collective bargaining agreement during our employment with GM or Delphi.

Why are Delphi salaried retirees so concerned about their ability to recover from this bankruptcy ?

- All salaried retiree Health and Life Insurance benefits were eliminated April 1, 2009 forcing retirees to purchase replacement coverage at about \$18,000 a year.
- Involuntary termination of Delphi’s seriously underfunded salaried pension plan to the PBGC is expected as early as July 23, 2009.
- Delphi’s salaried retirees have a limited ability to find alternative employment in depressed job markets in their home communities.
- Relocation to find employment is problematic since selling residences in the depressed “auto towns” is nearly impossible.
- Age and health limit a retiree’s scope of alternative employment opportunities.
- Depressed financial markets have eroded the value of retirement savings and other assets that could be used to supplement income.
- GM, Delphi, and, thus far, the Federal Government are ignoring our urgent calls for help.

55 Year Old Retiree		57 Year Old Retiree		61 Year Old Retiree	
Spensible Annual Pension		Spensible Annual Pension		Spensible Annual Pension	
Before	After	Before	After	Before	After

UAW Hourly Retiree	Bankruptcy \$31,500	Bankruptcy \$31,500	Bankruptcy \$31,500	Bankruptcy \$31,500	Bankruptcy \$31,500	Bankruptcy \$31,500
GM Salaried Retiree	Bankruptcy \$26,400	Bankruptcy \$25,200	Bankruptcy \$33,600	Bankruptcy \$32,400	Bankruptcy \$40,800	Bankruptcy \$39,600
Delphi Salaried Retiree	Bankruptcy \$26,400	Bankruptcy ██████████	Bankruptcy \$33,600	Bankruptcy ██████████	Bankruptcy \$40,800	Bankruptcy \$21,192

If nothing changes, these events will push a large number of Delphi salaried retirees to near or below the poverty level

2009 Poverty Guidelines for the 48 Contiguous States and the District of Columbia	
Persons in family	Poverty guideline
1	\$10,830
2	\$14,570
Add \$3,740 For Each Additional Family Member	

This is a fate not shared by any other group of retirees involved in the GM or Chrysler bankruptcies. Financial impact of Delphi & GM bankruptcy on Delphi salaried retirees

Pension/Benefit Conditions	55 Year Old Retiree Monthly Income		57 Year Old Retiree Monthly Income		61 Year Old Retiree Monthly Income		Notes & Assumptions
	Gross	Net	Gross	Net	Gross	Net	
Monthly Pension Check on 4/1/09 (Before Loss of Health & Life Insurance)	\$2,500	\$2,200	\$3,250	\$2,800	\$3,950	\$3,400	Deductions: Federal/local Tax+ \$100 Health Ins Cost
Monthly Pension Check on 4/1/09 (After Loss of Health & Life Insurance)	\$2,500	\$800	\$3,250	\$1,400	\$3,950	\$2,000	Deductions: Federal/local Tax+ \$1500 Health Ins Cost
Monthly Pension Check on 10/1/09 (After Pension Plan Termination)	\$1,823	\$1,223	\$2,147	\$1,400	\$2,916	\$2,066	Deductions: Federal/local Tax+ \$400 Health Ins Cost (HCTC @ 80%)
Monthly Pension Check on 1/1/11 (After Pension Plan Termination)	\$1,823	\$923	\$2,147	\$1,200	\$2,916	\$1,766	Deductions: Federal/local Tax+ \$700 Health Ins Cost (HCTC @ 65%)

Additional Factors:

- 55 Year old retiree has 10 years until Medicare eligible and 7 years until first (reduced) Social Security benefit eligibility.
- Surviving Spouse would see a 50% reduction in gross income upon the death of retiree. (Delphi Plan is 65%).
- Employment to fill income gap is difficult without relocation.
- Selling personal residence is problematic in depressed local economy.
- Delphi Salaried Retirees are generally very young due to the recent rash of forced early retirements.
- Life insurance cancelled - Replacement life insurance not available without medical underwriting.

Financial impact of Delphi & GM bankruptcies on GM & Delphi hourly retirees

Pension/Benefit Conditions	55 Year Old Retiree Monthly Income		57 Year Old Retiree Monthly Income		61 Year Old Retiree Monthly Income		Notes & Assumptions
	Gross	Net	Gross	Net	Gross	Net	
Monthly Pension Check on 4/1/09 (Before Loss of any benefits)	\$3000	\$2,625	\$3000	\$2,625	\$3000	\$2,625	Deductions: Federal/local Tax+ \$23 Health Ins Cost
Monthly Pension Check on 4/1/09 (No Loss of Health Insurance)	\$3000	\$2,625	\$3000	\$2,625	\$3000	\$2,625	Deductions: Federal/local Tax+ \$23 Health Ins Cost
Monthly Pension Check on 10/1/09 (Pension Obligation Assumed by GM)	\$3000	\$2,625	\$3000	\$2,625	\$3000	\$2,625	Deductions: Federal/local Tax+ \$23 Health Ins Cost
Monthly Pension Check on 1/1/11 (No Change – Health Plan Funded by GM)	\$3000	\$2,625	\$3000	\$2,625	\$3000	\$2,625	Deductions: Federal/local Tax+ \$23 Health Ins Cost

Additional Factors:

- Family Deductible below \$200/year.
- Minor losses of benefit coverage.
- RX co-pay increases slightly.
- Overall, minimal changes – Pension and Benefits essentially intact.

Financial impact of Delphi & GM bankruptcies on GM salaried retirees

Pension/Benefit Conditions	55 Year Old Retiree Monthly Income		57 Year Old Retiree Monthly Income		61 Year Old Retiree Monthly Income		Notes & Assumptions
	Gross	Net	Gross	Net	Gross	Net	
Monthly Pension Check on 4/1/09 (Before Loss any Benefits)	\$2,500	\$2,200	\$3,250	\$2,800	\$3,950	\$3,400	Deductions: Federal/local Tax+ \$100 Health Ins Cost
Monthly Pension Check on 4/1/09 (Minor Loss of Health Insurance)	\$2,500	\$2,100	\$3,250	\$2,700	\$3,950	\$3,300	Deductions: Federal/local Tax+ \$200 Health Ins Cost
Monthly Pension Check on 10/1/09 (Pensions Continued by GM)	\$2,500	\$2,100	\$3,250	\$2,700	\$2,916	\$3,300	Deductions: Federal/local Tax+ \$200 Health Ins Cost
Monthly Pension Check on 1/1/11 (No Change – Health Plan Funded by GM)	\$2,500	\$2,100	\$3,250	\$2,700	\$2,916	\$3,300	Deductions: Federal/local Tax+ \$200 Health Ins Cost

Additional Factors:

- Life Insurance reduced to \$10,000, Replacement term life insurance available without medical underwriting.
- Loss of Dental and Vision Coverage.
- RX co-pay increases slightly.
- Overall, minimal changes – Pension and Benefits essentially intact.

Traditional recovery assistance targeted at mid-career workers does not generally help retirees

- Retraining is not realistic or likely given an extremely short career horizon.
- There is a shortage of jobs in the auto communities that pay a reasonable wage.
- Brownfield opportunities for large numbers of older professionals are unlikely to happen soon enough to help most retirees.
- Formerly self-sufficient, middle class, retirees are relegated to poverty level and permanently dependent upon public assistance
- Auto town economies recover very slowly making recovery more difficult for retirees.
 - Real estate decay and loss of value
 - Increased crime makes recovery more difficult
 - Loss of tax base leads to higher taxes and fewer services
 - There is a “Ripple Effect” in other businesses
 - Many are Delphi & GM and/or Chrysler Towns:
 - (*Warren, OH / Kokomo, IN / Flint, MI / Dayton, OH*)

The outcome can be changed: There are ways to soften the blow to Delphi salaried retirees

- Fold the Delphi Salaried Pension Fund back with GM to rejoin the GM Salaried Pension Fund as part of the “New GM”.

- This is the **same** action GM & Delphi have taken with the UAW represented hourly pensions.
- Delphi Retirees worked the majority of their career with GM, and many were even **vested prior to the spinoff**.
- Extend the HCTC (Health Coverage Tax Credit) to retirees losing health insurance coverage independent of whether their pension is terminated to PBGC.
- Require companies receiving federal assistance to honor their retiree pension obligations as a condition of receiving assistance.
- Reform ERISA laws to heavily penalize companies that fail to adequately fund their pension plans to avoid further pension plan defaults to PBGC.
- Give pension and OPEB benefits priority status in bankruptcy. Employees and retirees should not be treated the same as “at risk” investors when receiving a proportionate share of the company’s assets.

Our situation is critical – we are facing a July 23rd deadline

- If Delphi's Plan of Reorganization (POR) is approved July 23rd, 15,000 current and future Delphi Salaried Retirees will see their income cut to poverty level.

- Hourly retirees will continue to have their Health Care and Pension Benefits remain essentially intact, financed with Taxpayer dollars channeled through GM.
- We would like the share our story personally with President Obama
 - We want to make certain that the President is personally aware of our situation and the drastic impact these bankruptcies have on Delphi retirees.
 - We want to ask the president to pursue intervention on our behalf via the Auto Task Force and the GM reorganization and restructuring plan.
 - We need to understand how and why our government is willing to allow Delphi Salaried Retirees to be treated so harshly while other Delphi, GM, and Chrysler retirees are emerging relatively unscathed by comparison.

In Summary

The real-world fate of retiree groups from an automotive industry company in bankruptcy now hinges on how the Federal Government chooses (or does not choose) to intervene in its restructuring. It is difficult to generalize but the following disturbing patterns hold true:

- Hourly retirees (UAW represented) suffer insignificant loss of income or benefits.
- Salaried retirees suffer greater losses of income and benefits (based on the degree of government intervention).
- Salaried retirees from companies such as Delphi suffer catastrophic loss of income, potentially pushing them to or below the poverty level.
- Federal intervention in bankruptcies and restructuring disadvantages one group of employees over another, possibly based on political influence rather than merit.
- ERISA fails to effectively protect retiree income and health insurance. Retirees have unsecured status unless political intervention occurs. It is far too easy for a company to discharge badly-underfunded pension plans in bankruptcy without consequences.

Thank You,

for taking the time to meet with us.

We look forward to a continuing dialogue

We need help now!



In the Mahoning Valley ONLY

All numbers are best estimates of averages...
 Applies to those under 65

9400 People	\$1,200	Monthly Loss (pension only)	\$136,000,000	Per year	This is the amount of lost income. Presumably it is also the lost to the economy.
	\$745	Monthly increased cost (premium only)			
	\$320	Monthly increased cost (deductible only)			
9400 People	\$1,065	Total Monthly Increased Cost for Health Care	\$120,132,000	Per year	Total annual loss to the economy attributable to increased cost of health care.
			\$256,132,000	Per year	Total direct cost to the economy of the Mahoning Valley due to benefit losses
13.50% Tax rate for state and federal			\$18,360,000		Lost income tax revenue due to lost pension income

6 Economic Multiplier Effect (the number of times the same dollar is spent before returning to the Fed.)

	\$256,132,000	X 6 =	\$1,536,792,000	Direct lost economic activity in the Mahoning Valley
The Mahoning Valley is about 1/3 of the total IUE/Salaried population in Ohio	\$1,536,792,000	X 3 =	\$4,610,376,000	(Lost economic activity in Ohio)



THE DAYTON SUPPLY & TOOL COMPANY

DISTRIBUTORS OF INDUSTRIAL SUPPLIES AND CUTTING TOOLS

SERVING INDUSTRY SINCE 1936

Ohio Joint Select Committee on the Impact of the Changing Automobile Industry

Jerry Kronenberger – President, Dayton Supply and Tool
President, Dayton Tooling and Manufacturing Association

August 25, 2009

Members of the Joint Committee on the Impact of the Changing Automobile Industry, my name is Jerry Kronenberger and I am the President of Dayton Supply and Tool Company and the President of the Dayton Tooling and Manufacturing Association. I am proud to be a native Daytonian and a graduate of Sinclair Community College.

Dayton Supply and Tool has been providing solutions and industrial supplies to manufacturing, including automotive for over 70 years. Just a few short years ago Delphi was our largest customer. We worked through the Delphi bankruptcy and maintained them as an important customer. With more problems on the horizon for

507 E. FIRST STREET P.O. BOX 727 DAYTON, OHIO 45401-0727
LOCAL (937) 461-4550 FAX (937) 461-0958 TOLL FREE 800-762-2336

DAYTON CINCINNATI MOUNT VERNON

US automotive we started to focus on other manufacturing sectors but did not abandon the US automotive. Some of the sectors that we started to focus on were energy, power generation, medical and defense. We also expanded geographically and pursued the "New" Domestic such as Honda and their tier 1 suppliers. As Delphi downsized and eventually closed we were able to replace some of those sales but not all of them. This did not come without pain and consequences, as we had to reduce our work force. At one point in time we were doing over \$4,000,000 in sales with Delphi. That number was easy to measure but we still do not know how much business we lost to those manufacturers that were supplying Delphi. The impact of this chain reaction is immeasurable.

Manufacturing, including automotive manufacturing is important to Dayton, Ohio and the United States. It provides good paying jobs, creates jobs that support manufacturing and is important to our national security. It generates livelihoods where people can use their talents and contribute the most. Comparing the automobile industry to other manufacturing sectors shows that it has much higher volume which creates even more jobs. Even though it is high volume the trend is to smaller plants that are nimble, lean and react to customers needs quickly. These smaller plants are typically tier 1 suppliers that specialize in a particular family of parts and become extremely good at what they do. Some of the existing empty plants in Dayton may be too large by today's standards but could be sectioned off

to the right size. Also, advanced manufacturing is more automated, meaning less assembly line type jobs, but the need for higher skilled positions. Dayton can and will supply people to fill those higher skill jobs. Training, education and workforce development is just one of Dayton's strengths.

I do think it is important to keep the automotive manufacturing that we currently have and attempt to attract more. Before we can attract new we must understand why these automobile parts manufacturers moved out. It seems to me that it is for two reasons that are somewhat related. First they moved out to achieve lower costs. Today it appears that quality and delivery are givens so the decision is made on cost. The other problem today is that there is too much capacity. When there is too much capacity you either close plants (cut cost) or create demand. The manufacturer has much more control over cutting cost than creating demand. When it comes to cost we need to look at improving efficiencies, reducing energy consumption and cost, reducing taxes, reducing health care costs and reducing waste. I am not implying that government is responsible for those accomplishments but that government and industry need to work together.

We also need to understand the real reason why Honda recently built their plant in Indiana and not Ohio, You may already know the answer, and if so that would be valuable information in helping us move forward.

Dayton is poised and ready to support world class automobile manufacturers and parts suppliers. The Dayton region has many companies that can competitively supply molds, dies, tooling, engineering, heat treat, laser cutting, automation, robotics, ultrasonic services, composites, machined parts and of course industrial supplies.

What you are doing is a difficult process and complex. I truly hope you can implement some solutions that are good for Dayton and the Ohio community. Please let me know if I can help in anyway. Thank You!



**OHIO JOINT SELECT COMMITTEE ON THE IMPACT OF THE
CHANGING AUTOMOBILE INDUSTRY**

**Chris Kershner - Vice President, Public Policy & Economic Development
Dayton Area Chamber of Commerce**

August 25, 2009

Chairman Lundy, Chairman Wagoner and members of the Joint Committee on the Impact of the Changing Automobile Industry, my name is Chris Kershner and I am the Vice President, Public Policy & Economic Development for the Dayton Area Chamber of Commerce.

As the greater Dayton region's largest employer advocate, the Dayton Area Chamber of Commerce represents over 2,900 businesses that employ over 200,000 employees in the 9 county Dayton region. The Dayton Chamber has a long history of being a strong supporter and advocate for the Dayton area automotive manufacturing industry. Over the past 100 years, the Dayton area business community and public officials have been strong supporters of the automotive manufacturing industry in Dayton, providing advocacy and financial support to assist in retooling operations and facility expansion projects throughout the area.

For over a century, the automotive manufacturing industry has been the backbone of the Dayton region and has allowed us tremendous growth, innovation and pride. In Southwestern Ohio, this industry fueled much of our business and travel markets, and helped to drive our local economy for decades. However and as you know, much of this is changing. The recent economic crisis has caused the auto industry to redefine their future business plans, which has directly impacted the economic state of the Dayton region.

With the recent closure of the 4 million square foot General Motors Moraine Assembly Plant and the closure of 4 out of 5 Delphi plants, the Dayton region has lost over 25,000 manufacturing jobs in the past few years. This loss has left a talented and skilled workforce available and ready for the next challenge that lies ahead. As Ohio faces much of the same struggles that the Dayton region faces, we all must work to keep these talented workers and families in Ohio and in good jobs so that they can continue to support their selves and their families.

These recent plant closures have left over 9 million square feet of automotive manufacturing space vacant. To put this in context, this square footage is the equivalent of 56 Ohio Statehouse's laid side-by-side. The automotive manufacturing real estate in the Dayton region is vast and is well suited for the next generation of the worlds manufacturing operations.

As you know, the decline in the automotive manufacturing industry has caused the Dayton region to redefine itself and progressively look forward to new markets that support our current growth industry clusters and the growth related to the Ohio's largest single-site employer

with 24,000 employees, Wright Patterson Air Force Base. However, we cannot forget about those vital businesses that are supported by the automotive manufacturing industry in Dayton. The Dayton region has over 58 automotive parts suppliers that have thousands of jobs and millions of dollars of investment in Ohio. Unfortunately, some of those suppliers have had to shut their doors as a result of the global automotive crisis, but many have redefined their business models and are working harder and smarter to survive in these tough economic time.

To help support these suppliers and market the Dayton region's attractiveness to future automotive investment, the Dayton community launched a Regional Response Task Force in the wake of the announcement that the GM Moraine Assembly plant closure. This task force was lead by Lt. Gov. Lee Fisher and Montgomery County Commissioner Judy Dodge, and consisted of regional public and private sector leaders, including the Dayton Area Chamber of Commerce. The mission of this task force was to aid in the retention, reuse and workforce development challenges related to the Moraine Assembly Plant. Among the activities that the task force has been engaged in, one of the most important has been providing outreach and assistance to Dayton area businesses that have been affected by the plant closure. The purpose of this outreach has been to help area businesses and suppliers diversify their operations, assist employees with workforce development initiatives, and help these businesses stay viable in the Dayton community.

The automotive manufacturing industry has long been part of the foundation of the Dayton economy. The current automotive crisis has forced Dayton to redefine its economic model and looks towards progressive and innovative economic development initiatives that will

guide the future of our economy. However, as we look towards the future, we have the opportunity to maintain a strong future in the manufacturing industry. As this committee considers Ohio's attractiveness to the automobile industry, post bankruptcy, post economic crises and post federal incentive programs, the Dayton region has all of the right tools in place for automotive investment today! The Dayton region has the workforce talent (25,000 workers recently displaced), the real estate (over 9 million square feet of vacant automotive manufacturing facilities), and the community support (commitment from the business community and public leaders to invite manufacturers to the Dayton region) to redefine our manufacturing operations to be an attractive location for future automotive manufacturing industry investments and we welcome the opportunity for manufacturing growth in the Dayton region.

Thank you for your time and I would be happy to answer any questions you may have.



RICHARD CORDRAY
OHIO ATTORNEY GENERAL

August 25, 2009

The Hon. Matt Lundy
Representative 57th District
77 S. High St., 12th Fl
Columbus, OH 43215

Dear Representative ~~Lundy~~ *Crutty*,

I commend the General Assembly for creating the Joint Select Committee on the Impact of the Changing Automobile Industry in Ohio. In the Attorney General's office, we share your deep concerns about the mounting toll that the decline of the auto industry is taking on our state, as we are one of the largest centers of auto manufacturing in the country. The recent bankruptcy proceedings filed first by Chrysler and then by General Motors were unprecedented in the manner in which they proceeded through the legal system at warp speed – giving many affected Ohioans little time to react to or deal with the consequences. It occurred to me that we should make it a point to update you on the extensive involvement that my office had in the proceedings on behalf of the many Ohio stakeholders whose interests were affected.

My office was deeply involved in both bankruptcies, taking the lead in a multistate effort with a majority of other State Attorneys General not only to protect state resources by ensuring that the reorganized entities maintained their obligations in the realms of workers compensation, unemployment compensation, and taxation, but also to ensure that our state laws protecting consumers, auto dealers, and our environment were recognized and enforced in the context of these bankruptcy proceedings. Since each proceeding was completed in the unheard-of period of about six weeks apiece, these objectives required a concerted effort on our part and entailed direct negotiations with the courts, with the attorneys for the debtors, and with the leading members of the Obama Administration's Auto Task Force that were likewise involved in both cases. Our objective in each instance was not to block the transaction – Ohio has much at stake in the continuing viability of these two companies – but to ensure that our state interests were not shunted aside or ignored in the rush to complete the reorganization of the debtor company.

And so I am writing to provide you with a summary of the actions I have taken, as the Attorney General, to work on behalf of Ohioans in these proceedings, in case you get questions from your constituents and as you may explore these important issues further in the near future.

Ensuring Compliance with Existing Corporate Financial Obligations Under Ohio Law

The Attorney General represents the Ohio Bureau of Workers' Compensation ("BWC"), which requires all employers operating in Ohio to obtain workers' compensation coverage for their employees either by paying premiums into the state insurance fund or by being granted the status of being self-insured. Prior to the bankruptcy filings, both Chrysler and GM operated as

self-insured employers in Ohio. Our first involvement in the Chrysler bankruptcy was to protect the integrity of Ohio's self-insured workers' compensation fund ("SI Fund") by filing an objection to the proposed sale motion in Chrysler. Our objection sought to prevent the SI Fund from having to assume payment and administration of Chrysler's pre-bankruptcy self-insured workers' compensation claims once the proposed transaction with Fiat was closed and a new corporate entity was thereby created. (The State of Michigan filed a similar objection.) We were ultimately successful in ensuring the integrity of the SI Fund in the Chrysler case by negotiating a clear understanding from the purchaser that pursuant to Ohio law, it would be required to assume the pre-bankruptcy obligations of Chrysler in order to be considered for self-insured workers' compensation status in Ohio going forward. Thereafter, we confronted the same basic issue in the General Motors bankruptcy case, where we filed a similar objection resulting in clarifying language in the sale order confirming that the purchaser (new GM) would assume all of the outstanding pre-bankruptcy workers' compensation liabilities of old GM.

In addition, as we pursued our BWC claims, we determined that the State of Ohio was equally at risk for pre-bankruptcy liabilities of old GM for unemployment compensation and state taxes (including both state taxes and local property taxes). Through the same means, we worked to ensure that neither company could circumvent its obligations to make good on any of these financial liabilities under state law. Once again, over the course of each proceeding we were able to secure language that satisfied our concerns about these issues (including language that preserved the taxing authorities' rights to set-off any refund requests made by GM against any tax debt owed to the State of Ohio).

Protecting Ohio Consumers

Upon the filing of the Chrysler bankruptcy case, we quickly reached out to other states with the assistance of the National Association of Attorneys General. My office led a multistate working group to identify the various state-law protections that might be affected by Chrysler's proposed motion to sell its assets. As matters unfolded, my office negotiated with counsel for the debtors in both the Chrysler and GM proceedings to ensure that the order approving the sale of both companies to the "Newcos" made clear that both the prior entity and the new entity would specifically comply with Ohio's "lemon laws." These laws were enacted to protect consumers who purchase a new car in the event that it turns out to be a "lemon," which describes a car that, despite repeated attempts, cannot be properly repaired under warranty and requires either a full refund or a replacement vehicle. Our efforts in both bankruptcy cases resulted in the purchasers agreeing to honor state lemon laws by assuming successor liability even for those cars that had previously been purchased from the old Chrysler and the old GM entities prior to the bankruptcy filings. We also fought successfully to ensure that all outstanding warranties would be honored, despite initial attempts made in each proceeding to limit the scope of that liability.

In addition, we identified concerns about the maintenance and use of customer lists, which often can include financial and personal information on individual purchasers. In each proceeding, we fought to ensure that customer lists sold or transferred from the prior entity to the new entity would be governed by standards that ensure protections against unwanted disclosure and the potential of identity theft.

Environmental Protections

With so many facilities existing in Ohio, my office also recognized the importance of ensuring that environmental liabilities would be clearly addressed in the sale orders issued in these proceedings. After analyzing the issues, we filed an objection ensuring that continuing responsibility for environmental protections would be directly addressed in the GM bankruptcy, where plant closures raise special environmental concerns. The language we negotiated in the sale order removed any barriers to future efforts to fund and/or recoup costs from either old GM or new GM for any future environmental cleanup.

Protecting Auto Dealers

These proceedings have hit Ohio auto dealers especially hard, all the more so in GM's case. *More than 2,100 dealers nationally* were slated for termination as GM sought to scale back its operating costs and liabilities through bankruptcy. On the eve of filing for bankruptcy, GM presented the continuing dealers with amended contracts that required the dealers to waive many of their rights under state franchise laws. Through our objections and direct negotiations with GM's General Counsel and representatives of the Obama Administration's Auto Task Force, we succeeded in getting GM to agree voluntarily to the inclusion of provisions in the sale order, that state franchise laws and the state administrative or judicial procedures for enforcing such laws would be protected and remain matters governed by state law. This language clarified that any GM dealer disputes under state franchise law would be handled by the appropriate state agencies and/or state courts and not by the U.S. Bankruptcy Court, as GM had originally sought.

In addition, my office filed objections in support of the auto dealers in the Chrysler and GM bankruptcies, pressing for due process rights and fair treatment of the terminated dealers. Through extensive negotiations, Chrysler agreed to delay closure deadlines and to ensure that the purchaser and continuing dealers would purchase outstanding inventory during its winding down of the closing dealerships. Following the Chrysler bankruptcy, GM provided more time and assistance for the terminated dealers during the wind-down period as well.

In discussions with the General Counsel for GM, I learned more about the criteria that the company had used to determine which dealerships were to be closed. My staff and I were able to persuade GM to take another look at a short list of Ohio dealers slated for termination, which we compiled with the assistance of the Ohio Auto Dealers Association. Ultimately, one additional auto dealer (in Lima) was saved from closure. We wish it could have been more.

In the end, I would say that the treatment of Ohio's auto dealers by Chrysler and GM was the one area where I was extremely dissatisfied with how the bankruptcy proceedings unfolded. In my view, our state franchise laws were not sufficiently respected by the bankruptcy courts. We recognize that federal bankruptcy law is positioned to trump state laws under the Supremacy Clause, but the norm in bankruptcy cases is for the federal judges to give respect to our state laws in an effort to preserve reliance rights as much as possible and to ensure that bankruptcy filers do not receive special advantages in avoiding state-law obligations as compared to their competitors who do not file for federal bankruptcy protection. In these cases, however, perhaps

because of the extraordinary pressure on all participants to reach a speedy resolution, I do not think that the traditional comity and respect for state laws was observed.

Fairness for Workers and Ohio Communities

Other issues have also emerged from these bankruptcy proceedings. Ohio has suffered disproportionately as manufacturing sectors have scaled back, with plants closing and companies moving out of the state. Communities have been devastated by plant closures. Our state, already reeling with the closure of the GM Moraine Plant located in the Dayton area, took another hit when GM announced that it would close the Mansfield Stamping Plant. My office has formed partnerships with other state and local agencies to provide on-site services to laid-off workers and retirees in dire need of basic assistance and information. We have helped to coordinate the statewide Rapid Response program that is addressing the needs of laid-off workers caused by plant closings across the state – including GM and Chrysler. We have provided trainings and materials on issues affecting laid-off workers such as job scams, home foreclosure prevention, and foreclosure rescue scams, and we are reaching out to local officials in Richland County to see how we can work together to help workers affected by the Mansfield plant closing.

In addition, I am very concerned about the inequitable treatment of many GM retirees who are facing severe cuts in their pensions and their health care coverage as promises made to them during their time in the workforce are now being broken. These are people who gave years of service at GM plants in Ohio, some of which became part of Delphi, the former GM parts manufacturer. Thousands of GM or Delphi retirees have learned during the bankruptcy that their costs for health care coverage may soon skyrocket to unaffordable levels. In addition to the unfairness of this result for those former employees and their families, it also will impose crushing burdens of charity care on hospitals located in the affected areas. I am advocating with federal, state, and local officials about this situation and we are actively exploring ways in which my office can take any legal steps to ensure that this problem is adequately addressed.

Again, I know that we share far-ranging concerns about how the changing auto industry is affecting all Ohioans and our broader economy in this state. We are all too aware that when these large manufacturers falter, there are vast ripple effects for our local communities that go well beyond the workers and retirees who are most directly affected. In light of our recent in-depth experience with the Chrysler and GM bankruptcy proceedings, we offer you the continuing support and services of my office as you and the rest of the General Assembly explore these issues and potential legislative and other measures. I look forward to the opportunity to work with you and your colleagues on this and other important issues facing our great state.

*Hope you're well -
Rich*

Sincerely,



Richard Cordray
Ohio Attorney General



**Testimony of Mark Barbash
Chief Economic Development Officer and Assistant Director
Ohio Department of Development
Joint Select Committee on the Impact of the Changing Automobile Industry in Ohio**

August 25, 2009

Council Chairman Rep. Matt Lundy, Co-Chair Sen. Mark Wagoner, and council members Sen. Stephen Buehrer, Sen. Capri Cafaro, Rep. Bob Hagan, and Rep. Barbara Sears:

Thank you for the opportunity to speak with you today about the changing automotive industry in Ohio. I want to compliment the General Assembly on establishing this Committee to look at how Ohio can take a proactive approach in supporting one of the state's critical industries – an industry that supports more than 100,000 Ohio workers.

As the Chief Economic Development Officer and Assistant Director of the Ohio Department of Development, I appreciate the opportunity to share with you our Department's efforts to respond to the needs of our communities, while planning for the future of this evolving industry.

This afternoon, I'd like to discuss three areas with this important committee:

- The current state of the auto industry in Ohio;
- Our Department's activities around the state in response to the change in the industry; and
- Some thoughts on how we are all moving forward.

This is a unique time for Ohio. As a center of automotive production for many years, our state is intrinsically tied to the ebbs and flows of the industry.

- More than 61,300 people are employed in Assembly and Parts Manufacturing (Ohio Department of Job and Family Services, June 2009).
- Ohio is home to 370 Tier One Auto suppliers, and many more Tier Two suppliers. (ELM International).
- 3.8 percent of Ohio's Gross State Product is related to the production of Motor Vehicle – or 9.5 percent of total output.

The current economy presents many challenges for the nation and our state. In the first seven months of 2009, we've seen a sharp decline in vehicle production in the nation and in Ohio.

- As of mid-August 2009, 2.9 million vehicles were produced in the United States – a 50.1 percent reduction in the amount produced in 2008 during the same time period.
- Likewise, Ohio produced 411,963 vehicles – half of what was produced in the same period in 2008. General Motors, for example, was at 20 percent of its 2008 production, while Chrysler was at 30 percent.

The effects of the drop off in production have impacted Ohio automotive facilities and parts suppliers. Delphi, Visteon, Cooper-Standard, Lear, and Dana have all declared bankruptcy, while the Detroit Three (two of which are working through bankruptcy) have announced plans to close five Ohio facilities by the end of next year.

And when you combine this with the credit crisis that has reduced access to critical working capital financing for Ohio's Tier 1 and 2 suppliers, car dealerships, and small businesses, we are clearly in the midst of a major shift in Ohio manufacturing in general and the auto industry in particular.

To be clear, it is important to understand that our biggest strength even as the economy changes is the diversity of Ohio's economy. We have been – and will continue to be – a preferred location for American automotive companies like General Motors, Ford, and Chrysler; but also for foreign-direct investments.

Ohio is the home to many of Honda's premier facilities, including Honda's largest engine facility in the world (Anna, Ohio), Honda's first U.S. production facility (Marysville), and one of their most integrated and flexible auto plants in North America (Marysville).

Our supply chain supports the full range of manufacturers – domestic and foreign, including Toyota, Suzuki, and many foreign automotive-related suppliers. This diversity is accented by assets in infrastructure, workforce, educational system, and supply chain:

- Ohio boasts one of the largest labor pools in the country, with 5.9 million workers – which is larger than the total population of 35 states.
- Their skills and industry knowledge are complemented by the more than 200 institutions of higher learning across the state, which also adds thousands more to our workforce every year.
- Ohio has an incredible supply chain, with hundreds of Tier One and Tier Two suppliers specializing in nearly every area of motor vehicle production, from gears and tires to electronics and glass windshields with the capability to diversify their products into new fields.

- Ohio businesses have access to premier logistics assets, including 350 miles of active rail lines, 700 miles of navigable waterways, and eight interstate highways.

While we recognize that the economic situation presents us with important challenges, there are also some signs that the economy is starting to bottom out, and in some cases, show modest improvement.

For the first time since the recession began, the nation's unemployment dropped slightly to 9.4 percent in July 2009. There was also a relatively good sign for Ohio as the unemployment rate showed signs of stabilizing, rising only 0.1 percent from June to July.

The region's manufacturing sector is also showing some hopeful signs. In this month's *Business Outlook Survey*, companies polled reported slightly positive activity in new orders and shipments. In addition, the report indicates that most of our region's manufacturing executives expect business activity to increase over the next six months.

Finally, a July 29 report by the Federal Reserve Bank states that within the Cleveland Federal Reserve area there are modest signs of improvement. The Beige Book reported that in the fourth district, there was 1) an increase in hiring in the health care sector, 2) a leveling off or increase in steel production, 3) vendor and retail pricing stabilizing, and 4) reports that community bankers are seeing an increase in lending activity.

These reports add some evidence to what many analysts have been predicting: a subtle stabilizing of the economy with upward pressures on demand beginning in the fall of 2009.

It is clear that the changes in the industry have shaken the foundation of many of our communities. It has also required that we reevaluate and transition our activities in support of this critical manufacturing sector.

Rather than give in – and giving up – in the face of these challenges, the Ohio Department of Development is working to transition with the industry and the economy by building upon our strengths and looking to the future.

First, we have taken an aggressive and proactive approach to respond to the needs of people in the communities that have been impacted by auto closures:

- In Moraine, Twinsburg, Mansfield, and other communities that were impacted by closures, Task Forces have been established to ensure that we are maximizing resources and directing our efforts in a cooperative way.
- These Task Forces are working on critical issues, including rapid response activities to assist workers, to ensure that the auto OEM's understand the value of the workforce and facilities, and where necessary, looking at potential redevelopment and reuse of closed facilities.

- Our staff has participated in more than 100 meetings in the last three months in these communities, to ensure that we are working on the right things, in the right places, at the right times.
- In Moraine, a Task Force was assembled to plan for the long-term development of the former General Motors Moraine Assembly Plant, which closed on December 23, 2008. Closure of this plant directly affected 2,400 GM workers and impacted many businesses in the area, including Johnson Controls, DMAX, and Plastech Moraine. The Task Force's first meeting was on January 7, 2009 and since then, the five committees of the Task Force have been meeting regularly with Governor Strickland, Lt. Governor Fisher, GM executives, and federal officials from the U.S. Department of Labor and U.S. Small Business Administration. Services are being provided to the displaced workers and a Comprehensive Economic Development Strategy is underway to find a long-term solution for the community.
- Task forces have also been assembled under the leadership of the State of Ohio, local mayors and elected officials, and business and labor professionals in Twinsburg (where Chrysler is closing its stamping plant); Mansfield (where GM is closing a similar facility); and in Toledo (which remains one of Chrysler's key assets).

Our efforts are also focused in assisting key auto facilities in Ohio to re-plan and retool for the future.

- You will hear from Mayor David J. Berger from Lima, where we are all working together to take a proactive approach to plan and invest for the future. Among the efforts in Lima is an innovative training program – supported with state funding and involvement – developed by Ford, the UAW and the community for Ford's Lima Engine Plant.

We are working closely with Ohio workers to develop their skills to be competitive in this changing economy. In collaboration with the Ohio Department of Job and Family Services, we've assembled a plan for a stronger, more mobile, regionally oriented Rapid Response system to ensure all at-risk employers and workers have ready access to services. These services are often a vital tool in avoiding future layoffs and transitioning dislocated workers into new jobs.

The process for the Rapid Response system is customer-friendly. When a Rapid Response Team is told of a possible layoff, they take swift action to set up a meeting with the company and the union to identify challenges for both the company and the workers. The team works to find solutions to prevent layoffs, but will also help identify the skills that can readily transfer to other employers if a layoff proceeds.

The team holds informational sessions to employees, explaining the services and programs available at local One-Stop Centers. Through a partnership with our Department, the Department of Job and Family Services, and our One-Stop Centers, we can provide services to help Ohioans find new jobs, while also marketing the area's workforce to new and existing employers. This partnership gives us the unique ability to utilize economic development resources, while connecting with the community-wide organizations working to assist local residents.

In the past two years alone, our Department has invested more than \$1.5 million through workforce development – bringing our total investment in Ohio's workforce to \$58,155,262 since 1981!

The Department of Job and Family Services has matched our commitment, investing even more resources into making Ohio's workforce the best. The federal government has stepped up by providing more than \$2 million in National Emergency Grants to support workforce efforts in Ohio in recent months.

Here in the Miami Valley, Sinclair Community College has and continues to be our outstanding partner in worker retraining efforts. The New York Times earlier this month recognized Sinclair for partnering with business leaders, and city and county leaders to retrain thousands of laid-off GM, Delphi, and other workers. These workers were in desperate need of assistance, and many people in the region have come together to help make the most of a difficult situation. The article cited efforts to identify and nurture growth industries and to train the workers as an example of what can be done to help struggling families when people come together.

Our Department is looking to the future of the industry by utilizing the existing economic development tools to support many auto-related projects around the state. Through our workforce, loan and grant, and incentive programs, we are continuing to make investments in Ohio's automotive businesses. At the present time, we are working on no fewer than 10 projects in the industry.

We know, for example, that in order for our suppliers and our manufacturers to compete in the global economy, we have to assist them in diversifying their products and expand into new territories.

So we're looking to help them transition these products to help supply emerging Ohio companies and some of the world's largest advanced energy and aerospace companies. Both industries are experiencing substantial growth during this changing economy and present important opportunities for us to build upon our strengths in manufacturing.

We're also helping our manufacturers retool for the automotive industry. Our Department provided the Ford Sharonville Transmission Plant/Ford Motor Company an incentive offer valued at approximately \$77 million for an investment that will be used to retool the plant for flexible manufacturing and advanced powertrain production. This investment would also help retain 1,400 employees at the site while ensuring the future of this automotive facility.

We supported GM's \$350 million project to retool its Lordstown Complex to produce the Cruze. Making more efficient cars and trucks are an important strategy for the national industry, and we are committed to supporting that vision.

Governor Strickland and Lt. Governor Fisher continue to meet on a quarterly basis with top automotive officials in Detroit to discuss the future of their facilities in Ohio. Through these meetings, we have been able to speak directly with these officials about their vision and plan to come out of bankruptcy as stronger, more competitive companies.

The Governor works with key federal officials, including the President's Task Force on the Auto Industry chaired by Ron Bloom, as well as Dr. Ed Montgomery, the Federal Director of Recovery for Auto Communities and Workers. Together with local mayors and Congressional members, we are continuing to reach out to federal leaders to map out strategies for our state and work collaboratively to help Ohioans.

At our request, Administration officials – ranging from Dr. Ed Montgomery from the Auto Communities Task Force and cabinet members from Labor and Commerce – have traveled to Ohio (including Dayton, Toledo, Twinsburg, and Akron) to understand and see first-hand our challenges and offer support through federal stimulus funds.

All of these efforts are focused on bringing Ohio to the forefront of the automotive transition. Again, we are committed to working closely with not only local and regional partners but also federal officials. We want to build upon our historical strengths in manufacturing and skilled workforce to help us continue to be an automotive industry leader when the smoke clears.

Our efforts to date are laying the foundation for the long-term growth of our state and communities. It will take time for us to fully see these effects, but we remain steadfast in our commitment to enhance our automotive industry while ensuring a high quality of life for all Ohioans.

I would be happy to answer any questions you may have.

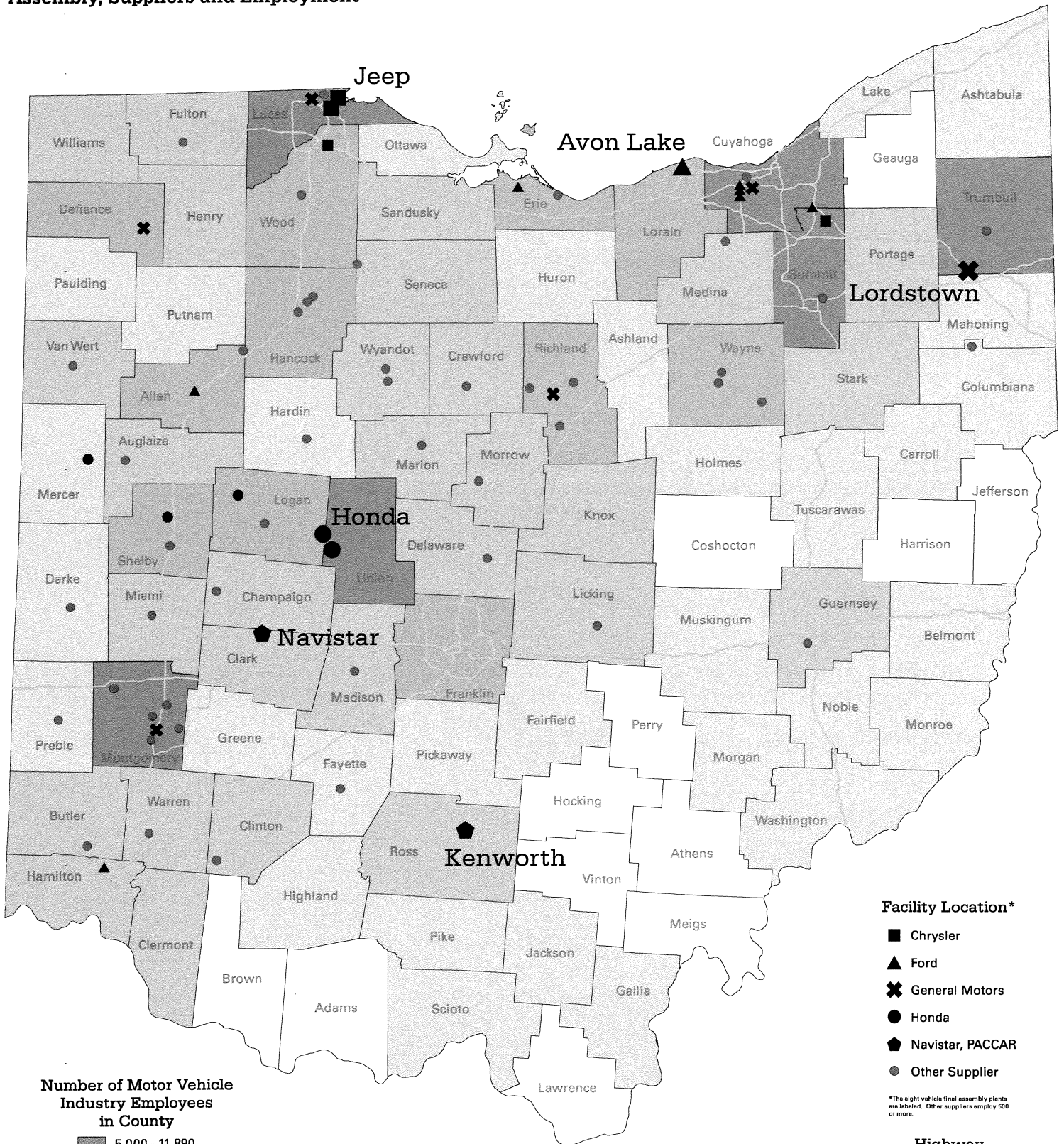
Ohio's Motor Vehicle Industry

Assembly, Suppliers and Employment



Department of Development

Ted Strickland, Governor
Lee Fisher, Lt. Governor



Number of Motor Vehicle Industry Employees in County

- 5,000 - 11,890
- 2,500 - 4,999
- 500 - 2,499
- 1 - 499
- None

Facility Location*

- Chrysler
- ▲ Ford
- ✕ General Motors
- Honda
- ◆ Navistar, PACCAR
- Other Supplier

*The eight vehicle final assembly plants are labeled. Other suppliers employ 500 or more.

Highway
Interstate

Sources:
Facilities: Harris InfoSource
Employment: County Business Patterns



Testimony presented (August 25, 2009) to the
Joint Select Committee on the Impact of the Changing Automobile Industry in Ohio
By David J. Berger, Mayor, City of Lima & Chair of the Lima Auto Task Force

Ladies and Gentlemen:

Lima, Allen County in the 8-county West Central Ohio region has a long and proud history in manufacturing and specifically in the automotive industry. West Central Ohio is home to 107 auto related manufacturing businesses, employing nearly 16,000 people. As this Joint Select Committee on the Impact of the Changing Automobile Industry in Ohio takes testimony from around the state, **the primary concern of the Lima Auto Task Force is to emphasize that Ohio's effort should not only be responsive to the current crisis but be proactive in anticipating a rebound in the auto and transportation industries.**

The context for our testimony is the fact that the Lima Auto Task Force is nearly 5 years old, having held its first meeting on November 1, 2004, well before the recent automotive and broader recessionary meltdowns. Our Task Force encompasses Ford's Lima Engine Plant management, UAW Local 1219 leadership, representatives of the City of Lima, Bath Township, Allen County, state and federal governments, along with economic development professionals and business leaders from the Allen Economic Development

Group and the Lima/Allen County Chamber of Commerce. The Mission of the Task Force “is a community and business partnership committed to attracting new automotive technology and manufacturing jobs to our community. Through innovative strategies, the Lima area is the most profitable decision!”

The Lima Auto Task Force meets monthly to consider and act on issues related to Ford’s Lima Engine Plant and the region’s diverse automotive industry in the region. We are active members of the Ann Arbor-based Center for Automotive Research’s Automotive Communities Program and regularly attend their regional meetings and programs. Thus, this past June, we hosted the 5-state regional ACP meeting. Also, we contributed to CAR’s “Why North” whitepaper advocating auto-related investments in the northern states, worked with Ford, the UAW and State of Ohio to access \$1,000,000 in training grants for the implementation of Integrated Manufacturing Teams (IMT), convened an auto supplier workshop for the 8-county region, and developed a comprehensive marketing piece highlighting the competitive advantages of auto manufacturing in West Central Ohio. It should also be noted that, with the working knowledge developed from the years of prior engagement on auto manufacturing issues, the Lima Auto Task Force in late 2008 was a visible and effective public voice in our region as the national automotive and economic crisis deepened. Consequently, we were able to inform and engage local media in sustained positive coverage and supportive editorial positions as the national debate framed the actions of the federal government under both Presidents Bush and Obama.

The context, therefore, for this testimony today is a long term effort by the Lima Auto Task Force to promote the continuation of existing auto manufacturing and related industry, while encouraging the growth of, and investment in, the next generation of vehicles and related automotive power and propulsion technologies. **Our perspective is that the auto industry is changing. It is NOT dying.** Lima, West Central Ohio, and the state of Ohio must respond to the immediate crisis and, AND, we must work vigorously and smartly to position ourselves to grow this vital, strategic manufacturing activity as the national and global marketplaces revive.

Recommendation #1: *Manage the Crisis, AND Plan and Invest for the Future*

Many communities and households throughout Ohio are hurting in the wake of the automotive and economic crisis. We share the concern that appropriate responses be developed for these crisis circumstances, including brownfield remediation, unemployment compensation, and worker re-training. Beyond these responsive actions, Ohio must develop a JOBS Bill, with economic development tools that are nationally competitive. No such bill has been enacted since George Voinovich was governor. Elements of this bill must provide incentives that allow all locations in the state of Ohio to compete, avoiding a concentration of resources in only the major metropolitan areas or in only those places that are currently seeing immense losses of auto related jobs. A level playing field going forward in Ohio is critical to creating a dynamic and growing economic base throughout the state.

And once a JOBS Bill is legislated, the Ohio Department of Development must organize itself to deploy and empower regional representatives to act on behalf of the agency in order to rapidly respond to the demands of the marketplace, rather than concentrating decision-making in Columbus. A related note: due to utility deregulation over the past 15 years, many of the economic development professionals in the field were eliminated as cost cutting measures. The combination of this private sector downsizing with the recent and ongoing reductions in staff at ODOD is leaving our Ohio communities with far too few economic development “soldiers” who can fight the good fight.

Recommendation #2: *Embrace Change by Investing in Research and Development (R&D)*

The pain of the current economic dislocations is undeniably real and severe. But our public policy choices must be more than attempts to re-establish what has been. It is essential that Ohio develop public policies that encourage, foster and support change in our economic base. That has begun most visibly and substantively through Ohio’s Third Frontier program, which is investing in research and development activities having near term commercial prospects. These resources must be renewed and significantly

expanded. They must be made available in ways that encourage not only our public colleges and universities to partner, but also Ohio's private colleges and universities to collaborate, with the R&D teams in Ohio's companies and our national laboratories. The private sector must also be permitted to take the lead in targeting the opportunities and defining the methods by which these resources are used. Ohio's Third Frontier program is off to a terrific start, and we must give it a greater boost for the future by increasing its resources and by opening its opportunities further for all effective R&D organizations in Ohio to lead collaborative initiatives in technology and economic development.

Recommendation #3: Invest in Worker Training for Ohio's Global Competitive Edge

A primary concern for the Lima Auto Task Force has been and continues to be maintaining a highly educated and skilled workforce that meets the demands defined by global industry standards. Our focus is on both incumbent workers as well as the next generation of workers. And it was with this in mind that our community worked to establish, with state funding, a Training Center at Ford's Lima Engine Plant. Further, as a result of the teamwork between the Ford LEP management and UAW, an innovative training program entitled Integrated Manufacturing Teams has now been implemented leading to the most successful engine launch in Ford's North American Powertrain history. Thus, in Lima, we know that worker training matters. We also know that healthy labor/management relations, team building, cultural transformation and supportive cross-functional work environments matter as well.

Ohio must create resources for manufacturing companies to continuously train their workforces, both the incumbent workers and the new workers, for technical skills and team-building talents and aptitudes. Beyond these training resources, Ohio must continue to reform its secondary and post-secondary educational institutions and programs to routinely result in stackable certificates and degrees meeting global industry defined standards. Only through the dedication of significant funding and the mandated coordination of training programs can Ohio's investment in its workforce become a leading competitive reason why companies will seek out Ohio for their manufacturing investments in the future.

Ohio is the largest supplier of automotive parts and components in the nation. It is imperative that we preserve the status of “the lead supply chain state” in the entire country. The Great Recession is forcing the auto industry to evolve into a leaner and more efficient industry. Ohio must be a vigorous leader in that evolution. We cannot stand by and allow other states to replace us.

As Henry Ford once said, “What’s right about America is that although we have a mess of problems, we have great capacity – intellect and resources – to do something about them.”

What Henry Ford was stating generally about America, the Lima Auto Task Force fervently believes applies specifically to Ohio, its communities, and its people.

Thank you.



JOINT SELECT COMMITTEE ON THE FUTURE OF THE AUTO INDUSTRY
North Central State College. Shelby, Ohio
1:00pm

Meeting Minutes for September 8, 2009

Present:

Senator Wagoner, Chairman
Senator Cafaro
Senator Buehrer
Representative Hagan
Representative Sears
Representative Jay Goyal

Absent:

Representative Lundy, Chairman

In the absence of Representative Lundy, Representative Goyal stepped in as Co-chair for this meeting.

The meeting was called to order at 1:17 when both Co-Chairs gave some opening remarks in regards to the current state of the auto industry before beginning testimony. Co-chair Goyal took a moment to remember Ralph Phillips for his contribution to the community.

Co-Chair Wagoner then called Doug Lumpkin, Director of Job and Family Services. The witness provided written testimony regarding the retraining efforts and the department's role in rapid response. The witness answered questions from Co-Chair Wagoner and Goyal and Representatives Hagan and Sears.

Co-Chair Wagoner then called Professor Ned Hill, Dean of the College of Urban Affairs at Cleveland State University. Dean Hill gave a presentation and written testimony discussing the economic future of the auto industry in Ohio. Dean Hill answered questions from Co-Chairs Wagoner, Goyal, Senators B uehrer, Cafaro, and Representatives Hagan and Sears.

Co-Chair Wagoner then called Tim Doran from the Ohio Automotive Dealers Association. The witness provided written testimony. He spoke to changes necessary to the relationships between manufacturers and dealerships. The witness answered a question from Co-chair Wagoner.

Co-Chair Wagoner then called Mayor Kenneth Bender of Ontario. The witness provided written testimony and answered questions asked by Representative Hagan and Senator Cafaro.

Co-Chair Wagoner turned the gavel over formally to Representative Goyal for the remainder of this meeting.

Representative Goyal then called Bob Zuttler, Workforce Development Consultant. The witness provided written testimony regarding cross training employees among other recommendations. The witness answered questions from Representative Sears.

Representative Goyal then called Sarah Lynn, Deputy Chief Council for Attorney General Richard Cordray. This witness made herself available for questions of the committee and to reaffirm the commitment that the office has to this issue. No questions were asked of this witness.

Representative Goyal then called Amy Brink, General Council for the Alliance of Automobile Manufacturers, the witness provided written testimony. The witness then answered questions from, Senator Buehrer and Representative Sears

Representative Goyal then called Mike Greene, from the Richland County Workforce Development Corporation. He testified that his organization is asking for more warning when it comes to closings.

Representative Goyal then called Kevin Nestor, President of the Richland Area Chamber of Commerce. The witness provided written testimony pertaining to alternative energies. No questions were asked of this witness

Representative Goyal then called Jean Robertson, Partner at Callfee, Halter and Griswold LLP. The witness provided written testimony. No questions were asked of this witness.

Representative Goyal then called Michelle Primm, President Cascade Auto Group. She testified to her personal experiences having auto franchises removed from her storefront. The witness answered questions from Representative Sears and Senator Buehrer.

Representative Goyal then called Bob Kodger, regional facilities Manager for BMW Financial Services. He provided written testimony regarding BMW's work within Ohio. The witness answered questions from Senator Buehrer.

With no other business the committee adjourned at 5:02 pm.

Respectfully submitted,

Mark Wagoner, Chairman

Robert Hagan, Secretary



**Department of
Job and Family Services**

**Ted Strickland, Governor
Douglas E. Lumpkin, Director**

**Douglas E. Lumpkin, Director,
Ohio Department of Job and Family Services (ODJFS)
Joint Select Committee on the Impact of the Changing Auto Industry in Ohio
September 8, 2009**

Chairman Lundy, Chairman Wagoner and members of the Joint Select Committee on the Impact of the Changing Automobile Industry in Ohio, thank you for inviting me to be here today. I am Douglas Lumpkin, and I am director of the Ohio Department of Job and Family Services, or ODJFS.

I'm here today to talk about our workforce development programs and – specifically – our efforts to help workers who have lost their jobs because of layoffs and plant closings in the auto industry. As you know, ODJFS is the state agency responsible for developing and overseeing the state's workforce programs for Ohioans. Most of these services are delivered at a network of 90 "One-Stop Centers" in 20 local workforce areas throughout Ohio.

The One-Stops provide free job training and other employment services to Ohioans looking for work. They match job seekers with businesses looking to hire workers, and help laid-off workers learn new skills and find new jobs. By conservative estimates, our One-Stop system serves well over 500,000 individuals each year.

Our Workforce Solutions Division has a staff of more than 1,600 and a budget of more than \$400 million. It should be noted that these are federal dollars; our workforce programs are wholly funded by the U.S. Department of Labor. This includes about \$150 million for the administration of our Office of Unemployment Compensation, which processes about \$3.1 billion in unemployment benefits each year, to more than 200,000 Ohioans.

Our Workforce Solutions Division encompasses three offices: the Office of Workforce Development, the Office of Unemployment Compensation, and the Office of Local Operations.

30 East Broad Street
Columbus, Ohio 43215
jfs.ohio.gov

An Equal Opportunity Employer and Service Provider

The Office of Workforce Development coordinates programs and delivers services to ensure that Ohio's workforce is equipped with the necessary tools to be matched with available, high-quality jobs. It also provides direction and oversight for our One-Stop Centers. The Office of Unemployment Compensation manages the state's unemployment insurance programs including regular UI, the federal extensions of UI and trade programs. The Office of Local Operations oversees the One-Stop Centers for the Office of Workforce Development, manages the delivery of unemployment insurance payments for the Office of Unemployment Compensation, and provides other direct services—such as reemployment services, Trade Adjustment Assistance, and services for special populations such as veterans and migrant/seasonal farm workers—at Ohio's One-Stops.

All three offices work closely together to provide as much assistance as possible to unemployed workers, to help them support their families, get training if needed, and get back to work as quickly as possible.

ODJFS provides services to individuals, so they can quickly find jobs, support their families, and contribute economically to their communities. To accomplish this, we work closely with both the Ohio Department of Development and Ohio Board of Regents. The Department of Development works to attract, create, grow and retain businesses. The Ohio Board of Regents leads, advocates and coordinates all higher-education efforts. For workers displaced by the changing auto industry, this means guiding workers to current and developing opportunities in industries that need them, and helping them access timely training assistance, whenever necessary.

Aside from the services offered at our One-Stops, our primary tool for reaching out to dislocated workers is our Rapid Response program. The ODJFS Rapid Response Program provides a variety of no-cost assistance to workers and employers in response to notices of Ohio plant closings and layoffs. This includes layoff aversion services, to help businesses facing the possibility of layoffs. Layoff aversion services could include assistance with finances, loans or training, and other strategies, as well.

When layoffs are unavoidable, our Rapid Response program funds the establishment of "Transition Centers," often on-site, where employees can get help with skills assessment and resume writing and receive training, career counseling, and job seeking and placement assistance. We have received \$14.6 million in federal stimulus dollars to supplement the state's Rapid Response efforts for all industries.

Another way we help dislocated workers is through the Trade Adjustment Assistance, or TAA, program. Trade is a federal program that provides benefits and services to workers when jobs are lost to other countries or when foreign imports have decreased domestic sales. It offers some of the best benefits available to dislocated workers, including extended income support, training, health insurance premium assistance and reemployment services.

Congress recently reauthorized TAA when it enacted the Trade and Globalization Adjustment Assistance Act of 2009. The new Trade program expanded the services and benefits available to include suppliers, service workers and public sector workers, in addition to those in the manufacturing industry. This includes auto dealers and auto parts suppliers.

In February we submitted an application for National Emergency Grant, or NEG, to address anticipated layoffs in the automotive industry and supplier companies. We have received the initial \$5.1 million of a \$10 million award, which is allowing us to offer Workforce Investment Act, or WIA, employment, training and supportive services to dislocated auto workers. This grant was made possible as a result of the American Recovery and Reinvestment Act, which gives the U.S. Department of Labor an additional \$200 million in NEG funding to award to states.

Funds we receive through this grant will allow us to provide services to those workers who seek job search assistance, training and supportive services as they transition into new careers. We have also established a process to include additional companies whose workers may be served by this grant in order to accommodate more of the automotive industry suppliers that may be affected in the future.

Ohio will use this money to supplement existing Rapid Response funding. We also will use it to provide supplemental services for auto workers who receive benefits through the Trade Adjustment Assistance program and the new Trade and Globalization Adjustment Assistance Act of 2009. The grant will pay for some services not covered by TAA that some workers may need to secure new employment. The NEG money will be available through March 31, 2011. Ohio can apply for additional allotments, as needed.

Another important tool we offer to help unemployed workers identify new employment opportunities is Ohio Means Jobs. Anyone with a computer and access to the Internet can successfully use ohiomeansjobs.com, even without any formal training. The tool is designed much like many other common Internet applications, such as Google and Monster.

Through a partnership with Indeed.com and Monster.com, Ohio Means Jobs gives employers free access to about 8.5 million resumes, and job seekers access to more than 80,000 job openings. Ohio developed – and became the first state in the country to adopt – this groundbreaking model of public-private collaboration. It leverages state-of-the-art, no-cost services for Ohio employers that are available only for a fee in other states.

One of our priorities is to help former auto workers get the skills they need to find employment. This includes employment in stable, local industries and employment in high-growth industries. We work closely with state and local economic developers to align training opportunities with local needs.

One initiative to ensure that Ohio's workers get the education and training employers need is the Ohio Skills Bank. With direction from the University System of Ohio, the Skills Bank uses research assets from ODJFS and the Ohio Department of Development to support employers, educators and community leaders as they work to develop and retain high-wage, high-growth employment in Ohio. OSB will support each of Ohio's 12 economic development regions as they analyze their critical skill shortages and then strengthen their local adult education and credentialing efforts.

Through our Labor Market Information Bureau, we provide current statistics on all relevant economic indicators for Ohio. This includes such things as monthly state and county unemployment rates, labor force participation rates and per capita income figures. These are broadly utilized by economists, developers and virtually anyone concerned with labor force issues to plan for current and future needs.

Our Labor Market Information Bureau has also developed a career exploration tool that individuals can use not only to identify demand occupations in their area, but also to quickly assess the skills needed to move into one of those occupations. They can also use this tool to identify training opportunities in their area that will allow them to obtain the skills necessary to secure employment in a growing industry.

As I know your committee is studying the automobile industry as it relates to manufacturers, suppliers, dealers and consumers, and making recommendations, I would now like to offer a few suggestions.

I would ask you to support our request for less stringent federal expenditure standards on National Emergency Grants. U.S. Department of Labor policy requires that states expend 70 percent of their National Emergency Grants before they contemplate a grant modification or a new grant to award additional funding. The department recognizes only actual expenditures, not the “obligation” or commitment of funding to allow dislocated workers to enroll in extended training programs.

ODJFS has been working closely with the local Workforce Investment Areas to expedite the flow of needed training resources to impacted communities, but high DOL expenditure requirements drive the system toward short-term training investments that may not reflect the actual needs of workers and local industry.

Workers are reluctant to begin long-term training if we are unable to obligate the funds needed for the completion of the training. In addition, compliance with these DOL requirements can result in situations where new layoffs occur more quickly than additional resources can be accessed to provide the timely services needed to impacted workers. Greater flexibility is critical to ensure that the state can access needed additional federal funds in order to serve a rapidly growing pool of affected workers.

In addition to the federal WARN act, we might also consider proposing an Ohio WARN act. This could require businesses to provide workers earlier advance notice of layoffs and plant closings, so we can deliver services – and help them find new jobs – as quickly as possible. We also could require it to cover companies laying off smaller numbers of employees. Right now, the federal WARN act typically applies only to employers if they have 100 or more employees.

I also now would like to take this opportunity to let you know that Bruce Madson will be leading our Workforce Solutions division, starting this week. Bruce is our new Department of Labor administrator—overseeing our offices of Workforce Development, Unemployment Compensation and Local Operations—but he is no stranger to ODJFS.

At various times, Bruce has been an assistant director, deputy director of Workforce Development and deputy director of Local Operations. He has represented Ohio as state workforce liaison to the National Governors' Association and was elected representative for Region V on the Board of Directors of the National Association of State Workforce Administrators. He also has served on the U.S. Department of Labor's National Dislocated Worker Workgroup and on the Workforce Investment Board for Ohio Workforce Area 7. I am thrilled to have the pleasure of working with him again, and am confident he will be an asset to our efforts to help Ohio's workers achieve their highest employment potential.

In conclusion, I would like to thank you for inviting me to be here today, and I will be happy to answer any questions you may have at this time.



Calfee, Halter & Griswold LLP
Attorneys at Law

1400 KeyBank Center
800 Superior Avenue
Cleveland, Ohio 44114-2688
216.622.8200 Phone
216.241.0816 Fax
www.calfee.com

OHIO JOINT SELECT COMMITTEE ON THE IMPACT OF THE CHANGING AUTOMOBILE INDUSTRY

Jean R. Robertson, Chair of Business Restructuring and
Bankruptcy Practice Group
Calfee, Halter & Griswold LLP
September 8, 2009

Chairman Lundy, Chairman Wagoner and members of the Joint Committee on the Impact of the Changing Automobile Industry, my name is Jean Robertson, and I am a partner with the law firm of Calfee, Halter & Griswold LLP and Chair of its Business Restructuring and Bankruptcy Practice Group (“Calfee”). Calfee is an Ohio based full-service law firm with approximately 180 lawyers in 2 offices, Cleveland and Columbus. I am here today for the limited purpose of providing my general observations of bankruptcy law in the context of this hearing’s subject matter. I am not here as any particular party’s counsel. Thank you for the opportunity to present before you today.

I have practiced law in the fields of insolvency and commercial bankruptcy for 20 years. I am licensed to practice in the states of Ohio, Michigan and Pennsylvania, and my experience includes the distinction of clerking for the former (now retired) Chief Judge of the U.S. Bankruptcy Court for the Western District of Pennsylvania, Joseph Cosetti, as well as interning for the former Chief Judge of the U.S. Bankruptcy Court for the Southern District of Ohio, Donald Calhoun.

My experience with federal and state insolvency issues stems from my time in the courts, as well as my years in private practice representing the interests of debtors, unsecured creditors, trustees, secured lenders, and committees of unsecured creditors in federal bankruptcy court. Approximately 80% of my clients operate in the automotive industry and for many of them, I have either been directly involved or followed the General Motors, Chrysler, Visteon, Delphi, Metaldyne, and Dana bankruptcy cases.

I am an active member of the American Bankruptcy Institute, the Turnaround Management Association, the International Women’s Insolvency and Restructuring Confederation and the Business Section of the American Bar Association. I have spoken at over 12 national and regional conferences and I have authored or co-authored many articles on a variety of insolvency topics.

ORIGINS OF AMERICAN BANKRUPTCY LAW

Bankruptcy law is federal law and it is primarily statutory. History teaches us that bankruptcy was originally contemplated as a remedy for creditors – not debtors. During the reign of King Henry VIII, bankruptcy law allowed a creditor to seize all of the assets of a debtor/trader who could not pay his debts. The debtor also lost his freedom and was subject to imprisonment for failure to

pay debts. In the 1700s, the laws changed and debtors were often released from prison and many fled to the United States to live. Many immigrated to Georgia and Texas, which became known as debtors' colonies. By the early 1800s in England, debtors were often released from prison and their debts discharged.

The subject of bankruptcy received special recognition upon the adoption of the United States Constitution in 1789. The Constitution says that Congress shall have power to establish "uniform laws on the subject of Bankruptcies" throughout the United States. The first bankruptcy act enacted by Congress was in 1800, and it was limited to traders and provided only for involuntary proceedings.

The Bankruptcy Reform Act of 1978 constituted a major overhaul of the bankruptcy system and it applied to all cases filed after October 1, 1979. It is found in Title 11 of the United States Code (what is commonly known as the "Bankruptcy Code") and many of the Bankruptcy Code's sections are derived from its predecessor statute, the Bankruptcy Act of 1898. More recently, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 ("BAPCPA"), enacted on April 20, 2005, provided significant revisions to the Bankruptcy Code. Most provisions of BAPCPA apply to cases filed on or after October 17, 2005.

Bankruptcy law emphasized equality of treatment, rather than a race of diligence. After a bankruptcy petition is filed, an automatic stay of all collection activity against the debtor operates to protect the debtor from its creditors while it restructures. As of the petition date, creditors cannot improve their position vis a vis other creditors.

EXECUTORY CONTRACT REJECTION

The Bankruptcy Code contains special sections that deal with unexpired leases and executory contracts. One of the core concepts from these special sections is the treatment of unexpired leases and executory contracts, which can take one of three possible forms:

1. rejection;
2. assumption and retention; or
3. assumption and assignment.

Notably, although a debtor has three different treatment elections available to it for leases and contracts under the Bankruptcy Code, a debtor does not have a legal right to modify or change the terms of a lease or contract. The consequences of the rejection of an unexpired lease or executory contract is an unsecured claim against the debtor's bankruptcy estate. The standard by which bankruptcy courts review lease and contract rejection is the "business judgment" test. Bankruptcy courts do not "balance" or otherwise provide special consideration of the interests of the other party to an executory contract or unexpired lease; the other party is simply the holder of an unsecured claim for its provable damages caused by the rejection.

FEDERAL SUPREMACY CLAUSE AND THE DOCTRINE OF PRE-EMPTION

It is a familiar and well-established principle that the Supremacy Clause of the United States Constitution (Art. VI, cl.2) invalidates state laws that “interfere with, or are contrary to” federal law. Under the Supremacy Clause, federal law may supersede state law in two ways. Congress is empowered to pre-empt state law by so stating in express terms or by inference. In 1985, the United States Supreme Court ruled in a pre-emption case that, “[i]n the absence of express pre-emptive language, Congress’ intent to pre-empt all state law may be inferred where the scheme of federal regulation is sufficiently comprehensive to make reasonable the inference that Congress left no room for supplementary state regulation.” In a different case, the U.S. Supreme Court addressed the Supremacy Clause and the doctrine of pre-emption when it held that even when Congress has not completely displaced state regulation in a specific area, state law is nullified to the extent it actually conflicts with federal law. “Such a conflict arises when ‘compliance with both federal and state regulation is a physical impossibility,’ or when state law ‘stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.’”

In the recent Chrysler bankruptcy case, Judge Gonzalez expressly acknowledged a dealership’s limited rights under the Supremacy Clause when he stated that, “state franchise laws are pre-empted by the Bankruptcy Code.”

CONCLUSION

I have watched the historic transformation of the U.S. automobile industry for the last ten years of my practice. My understanding is that much, if not all, of the dealer testimony given to this panel up to this point has been from dealers with terminated franchise agreements in the General Motors and Chrysler bankruptcy cases. The losses caused by these and other bankruptcies are significant financially and no less personal and emotional. In addition to the terminated dealership franchise agreements, many thousands of retirees and supplier employees across the country are feeling similar pain. The economic circumstances surrounding the bankruptcies are like none seen before in the U.S. marketplace.

As has been confirmed by the U.S. Constitution and the U.S. Supreme Court’s reading of the same, federal bankruptcy laws pre-empt state law, including state franchise law. A franchise agreement is an executory contract that can be rejected by a debtor in bankruptcy applying its business judgment. Changing Ohio’s franchise laws today will not undo the executory contracts rejections that have already occurred, nor will it change the ability of current and future automotive industry debtors in bankruptcy to seek financial relief by rejecting executory contracts.

Not unlike the steel industry before it, the auto industry is restructuring, and as the restructuring process moves forward, both the supply side and the retail side of the industry will be impacted in dramatic ways. Dealerships cannot insulate themselves from that reality.

Thank you again for the opportunity to come before you today and I welcome any questions you may have.

**OHIO JOINT SELECT COMMITTEE ON THE IMPACT OF THE
CHANGING AUTOMOBILE INDUSTRY**

**Bob Kodger, Regional Facilities Manager
BMW Financial Services NA, LLC**

September 8, 2009

Chairman Lundy, Chairman Wagoner and members of the Joint Committee on the Impact of the Changing Automobile Industry, my name is Bob Kodger, and I am the Regional Facilities Manager for BMW Financial Services. I and our 750+ associates live and work here in Ohio and are a significant part of both the automobile industry and the Ohio economy. My goal here today is to provide you with information about my company and its role in the automobile industry.

BMW Financial Services, is the financial services arm of BMW Group. From its Customer Service Center located in Hilliard, Ohio, BMW Financial Services provides consumer and commercial financial services to consumers and dealers in all 50 states. This Customer Service Center is also the call center for all mechanical, warranty and other questions for drivers of vehicles manufactured by the BMW Group.

BMW Financial Services manages a portfolio of assets comprised of consumer loans, retail installment sales, leases and commercial loans. Functions performed from our Hilliard location include all lease and loan servicing, credit underwriting, funding, customer service, title administration, lease-end and collections activity.

BMW Financial Services has been located in Central Ohio since 1992 when it was established with floorplan financing for ten retailers. Early 1993 saw the incredibly successful launch of lease and retail programs through BMW Group's tenth financial subsidiary. Seventy nine associates began the year, nearly doubling to 140 associates by year end. BMW Financial Services moved into a newly constructed 60,000 square foot facility in 1996 with over two hundred fifty associates, and by the time a 58,000 square expansion was in completed in 2001 that number had grown to over 450 associates. As the business continued to grow, BMW Financial Services outgrew that facility and recently relocated to a newly constructed 220,000 square foot facility in the City of Hilliard, Ohio. Today, BMW Financial Services employs over seven hundred fifty Ohio-based associates and generates over \$1 million in state and local payroll taxes.

BMW Financial Services provides unparalleled levels of service to its consumer and dealer customers, and is the winner of more J.D. Power awards than any other luxury financial institution.

Attracting and retaining talented employees have been crucial factors behind BMW Financial Services' growth and success. BMW Financial Services provides highly competitive salary, bonus and benefits and has been highly ranked in surveys of the Best Places to Work in central Ohio. The median salary for a BMW Financial Services associate is \$42,938. In addition, BMW Financial Services provides generous benefits including matching 401k contributions, pension contributions, education reimbursement, health and disability insurance, and vehicle leasing programs.

The auto industry is more than manufacturing and the dealers. The suppliers as well as the financial system help support the sales and operations of our network. We are an integral part of the 3-legged stool of the industry – manufacturing, franchise and finance. One can't exist without the other.

The floorplan financing that BMW Financial Services provides to dealers is particularly important in the current economic climate. Dealers have traditionally relied on a form of inventory financing called “floorplan” funding that allows them to buy cars from the manufacturer on credit and pay back the debt only after the cars are sold. Without a floorplan agreement, a dealer can't operate. Indeed, most dealer franchise contracts require that the dealer maintain a floorplan line of credit.

BMW Financial Services is the primary source of floorplan financing for franchised BMW, MINI and Rolls-Royce motor car retailers in the United States. In the first six months of 2009, BMW FS provided financing for approximately more than half of new factory sales of vehicles manufactured or distributed by BMW AG to retailers in the United States. BMW Financial Services has extended credit lines to over 300 retailers in the United States.

In addition, by providing consumers with financing and leasing options, BMW Financial Services ensures that consumers will be able to afford to purchase or lease vehicles manufactured by the BMW Group. By providing retailers with inventory financing and commercial mortgage

financing, BMW Financial Services ensures that BMW, MINI and Rolls-Royce motor car retailers will have the financing and liquidity they need to operate their businesses.

BMW Financial Services has found Ohio's business-friendly environment to be a great benefit and hopes that Ohio will continue to maintain an environment in which BMW Financial Services can maintain, and even expand, its business operations in the State.

Thank you again for the opportunity to come before you today and I welcome any questions you may have.



Driving Ohio's Prosperity

**Central Ohio Is the Leverage Point
of a *Two-Job* Strategy for Growing
the Value of Automotive
& Advanced Manufacturing**

**How to help manufacturers do today's job
of meeting customers' demands
and tomorrow's job of continuing
to innovate and improve**

Edward W. (Ned) Hill, Jim Samuel & Fran Stewart
In cooperation with The MPI Group, Inc.
Prepared for Compete Columbus

March 2008

EXECUTIVE SUMMARY

Few other states have suffered the pains of global competition as intensely as Ohio, losing some 236,000 manufacturing jobs over the past 10 years alone. Yet, Ohio's industrial base has been extraordinarily resilient in these challenging times. Despite a 9.5 percent drop in gross domestic product during the 2001 recession, Ohio's manufacturing GDP had rebounded to levels slightly above those of 1998 after adjusting for inflation. As a whole, the state did lag the nation in GDP growth from 2001 to 2006. Ohio enjoyed a 12.1 percent real increase in manufacturing GDP from 2001 to 2006, compared to the 17 percent national increase that propelled the United States to a GDP of \$1.5 trillion. However, one region of the state managed to steer clear of many of the obstacles of job loss and plant closings to navigate a relatively smooth and stable road to global competitiveness: Central Ohio. Columbus-area manufacturers fared even better than the nation – dropping less than 4 percent during the 2001 recession – and growing by a sizzling 24 percent since then.

These Central Ohio manufacturers that have been growing sales, while their counterparts in other areas of the state have been struggling, provide insight and example of what it takes to compete globally and win. Ten years ago, Columbus-area manufacturers accounted for about 12 percent of the state's manufacturing GDP of \$80.5 billion. By 2007, those manufacturers contributed nearly 14 percent of the state's manufacturing GDP. There can be little doubt that the engine helping to propel Central Ohio manufacturers forward is partially made by Honda. While other regions of the state have experienced the sputters that have choked growth among the “Big Three” automakers, the engine of the Japanese-headquartered automakers has continued to rev.

The successes among Central Ohio manufacturers suggest that there is still opportunity for the state to revitalize its storied manufacturing might. State and local policy makers who read worrisome headlines about troubles in the automotive industry may doubt that Ohio's future success relies on the long-term strength and stability of motor vehicle manufacturing. However, automotive manufacturing provides the glue and springboard for Ohio companies to capture the high-value-added gains of advanced manufacturing – and reinforces strengths in IT, logistics, materials joining, and other key parts of the region's economic base. The existing automotive complex also provides the ingredients for a transformed industry. The United States will always have demand for personalized transportation systems. No matter the fuel source, North America will demand between 15 million and 17 million automobiles a year. No matter the value of the dollar against competing currencies, the vast majority of these vehicles will be assembled in the United States. Central Ohio's challenge is to remain globally competitive locally.

Without a doubt, the manufacturing industry is locked in a transformation. Nowhere is that more evident than in the area of motor vehicle manufacturing and its cluster of suppliers. As the distinction between American- and foreign-owned becomes more and more blurred, state and local leaders would be well-served to begin to craft policies that help all domestic automakers, both old and new, and their increasingly integrated chains of suppliers compete more effectively against manufacturers making parts and cars outside the United States — be they in Canada, Mexico, Europe, Japan, Korea, China or India. Increasingly, suppliers traditionally serving the “old domestic” automakers are pinning their futures on getting business from the “new domestics.” Central to this mission should be supporting manufacturers in their efforts to add value.

The manufacturers that are thriving are those that have quickly learned to navigate the new terrain of a global landscape. They have embraced new technology, encouraged innovation, eliminated waste and enhanced the value of their products. Unfortunately, too few are thriving. Many assemblers – in Central Ohio, as well as throughout the state – are struggling to survive. Nearly 43 percent of suppliers surveyed say operational inefficiencies threaten their profitability. A similar number – 42 percent – perceive

global competition as a threat to profitability, with 18 percent also citing global sourcing as a concern. A statewide survey of automotive parts suppliers detail the difficulties of competing in a rapidly changing business environment. They have plenty of worries:

- 72 percent cite raw material and component costs.
- 38 percent cite labor costs.
- 35 percent cite finding skilled labor.
- 27 percent cite finding skilled leaders.
- 26 percent cite customer instability.
- 12 percent cite logistics and transportation costs.

Some of the primary concerns of respondents – such as the costs of raw materials that fluctuate with global market prices – are beyond the reach of local, regional or even federal government intervention. However, other concerns represent ripe opportunities for state and local leaders to intervene with programs and tools to help manufacturers overcome challenges, bridge gaps, and especially address labor-market failures. The increasing demands on manufacturers to be forever engaged in product- and process-improving innovation has in turn meant that every employee – from shop floor to corner office – must be actively working two jobs: today’s job to meet production demands and tomorrow’s job to continually improve. State and local leaders would be wise to adopt such a strategy for retaining and growing Ohio’s important manufacturing base: Today’s job for policy makers is to address potential hurdles and problem areas that make the state a less-than-ideal environment for manufacturing. Based on survey and interview responses, top among policy concerns are workforce development, energy, taxes, and workers’ compensation. Tomorrow’s job for policy makers is to position Ohio to capitalize on future opportunities. One manufacturer interviewed summarized the need this way: “When the cost of manufacturing structures breaks down in China or India, where will they want to come back to? We need to make it here in Central Ohio.” To be ready for such opportunities, manufacturers today need help with product and process innovation, support for research and development, and a workforce system that invests in increasing the skill level of the incumbent and entering workforce.

Central to the two jobs of policy makers and manufacturers should be the goal of adding value. U.S. manufacturers of commodity products are challenged by countries with low labor costs. In a competitive global environment, manufacturing jobs that employed generations of Ohioans are “not coming back, not unless we add some huge high-value-added distinction that creates that price for the product,” said one Central Ohio supplier. The good news is that high-value-added distinction can happen – and is – here in Ohio, according to that supplier and many others. However, manufacturers need help from state and local leaders in creating a business environment that supports high-value-added manufacturing. In fact, manufacturers are not the only ones that need to be concerned about adding value. If manufacturing in Ohio is to grow, the state needs to consider what value it adds to the profitability equation.

The two-job strategy for growing the value of advanced manufacturing in Ohio should develop from one of the state’s core strengths – **the Central Ohio automotive cluster**. Supporting and nurturing that core represents the best opportunity to foster economic growth throughout the state’s industrial base. For decades, the automotive industry has helped drive Ohio’s prosperity. It can continue to serve as that economic engine. However, to support the industry in getting from where it is today to where it needs to be tomorrow, state and local leaders must develop a road map to success. The main thoroughfares for policy to nurture Central Ohio’s automotive manufacturing industry are business environment, operating infrastructure, technology and workforce.

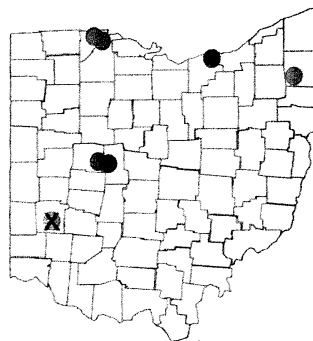
Ohio's auto industry Two just-in-time-systems Two jobs for public policy

Edward (Ned) Hill
Dean, Levin College of Urban Affairs
Cleveland State University
September 8, 2009



Today's job:
Improve the
business
environment

Today's job:
Focus on
workforce
improvement



- **DaimlerChrysler**
Employees: 3,302
Production: 317,099
- **Ford**
Employees: 2,730
Production: 230,132
- **GM**
Employees: 7,283
Production: 301,159
- **Honda**
Employees: 7,900
Production: 647,179

Today's job:
Support incumbent
suppliers

Tomorrow's Job:
Lean the motor
vehicle
development
process

But it's more than assembly. There are two just-in-time automotive systems at work

Source: 2005 employment and production data from Lee and Rudick, Federal Reserve Bank of Cleveland, February 2007.

Edward (Ned) Hill

Economist.com forecasts of annual percent change in GDP; improving over time

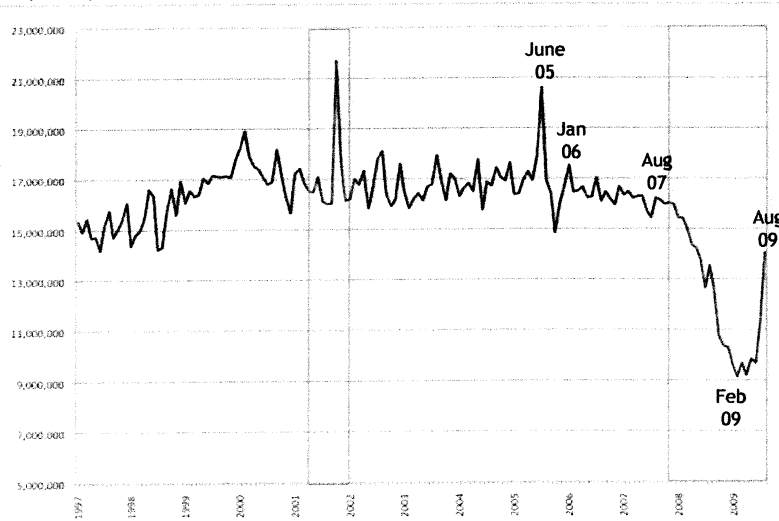
Nation	6/4/09		9/3/09	
	2009	2010	2009	2010
United States	-2.8	1.6	-2.6	2.0
Euro Area	-4.1	0.5	-4.4	0.6
Germany	-5.5	0.5	-5.9	0.8
France	-2.8	0.5	-2.8	0.8
Italy	-4.4	0.3	-5.1	0.4
United Kingdom	-3.7	0.6	-4.2	1.0
NAFTA				
Canada	-2.3	1.7	-2.2	1.8
Mexico	-4.4	1.2	-7.1	2.8
Asia				
Japan	-6.7	0.8	-6.4	1.1
China	6.5	7.3	8.1	8.5
India	5.0	6.4	5.5	6.3
Brazil	-1.5	2.7	-1.0	2.7



Source: *The Economist*, electronic edition, retrieved September 7, 2009 from http://www.economist.com/markets/indicators/displaystory.cfm?story_id=14365843

Edward (Ned) Hill

Auto & light truck sales walked off a cliff with a cash-for-clunkers rebound
 Decline starts in January 2006; accelerates September 2007; falls apart September 15, 2008; cash for clunkers worked; Annualized monthly auto and light truck sales



Source: St. Louis Federal Reserve Bank, FRED, from US Bureau of Economic Analysis, retrieved September 7, 2009

Edward (Ned) Hill

Capacity utilization improves

Ward's automotive estimates of percent of straight-time capacity utilization in North American assembly plants

Company	Sep * 2009	Aug 2009	Jul 2009	Sep 2008	Aug 2008	CYTD Sep 2009	CYTD Sep 2008
Chrysler	62.1	58.7	22.1	58.1	49.4	29.7	93.6
Ford	66.2	49.1	42.1	51.4	53.1	52.2	74.7
GM	57.2	59.7	30.3	73.9	84.3	39.7	97.0
Honda	68.1	71.5	44.8	91.7	93.5	69.8	92.8
Nissan	47.9	51.6	46.0	68.3	74.5	46.6	75.5
Toyota	70.2	63.3	47.2	72.3	63.5	60.4	80.9
Top Six	61.9	57.9	37.1	66.8	69.0	46.1	86.6
Other	58.2	60.8	44.1	70.2	75.3	49.8	83.6
Total U.S.	59.2	56.5	34.3	61.4	64.1	43.1	84.7
Total Canada	65.3	60.4	41.3	79.6	76.9	52.0	87.3
Total Mexico	60.7	62.1	52.7	85.4	92.7	58.3	90.8
Total North America	61.3	58.4	38.3	67.3	70.1	46.7	86.0

*Forecasted month

Note: Data includes medium- and heavy-duty trucks. GM, Ford and Toyota include production for them by joint ventures. Capacity utilization is production as a percent of each manufacturers' straight-time capability over a 52-week workweek.

Source: WardsAuto.com.

CYTD represents Calendar Year-To-Date

Implication:
Continued reduction in capacity

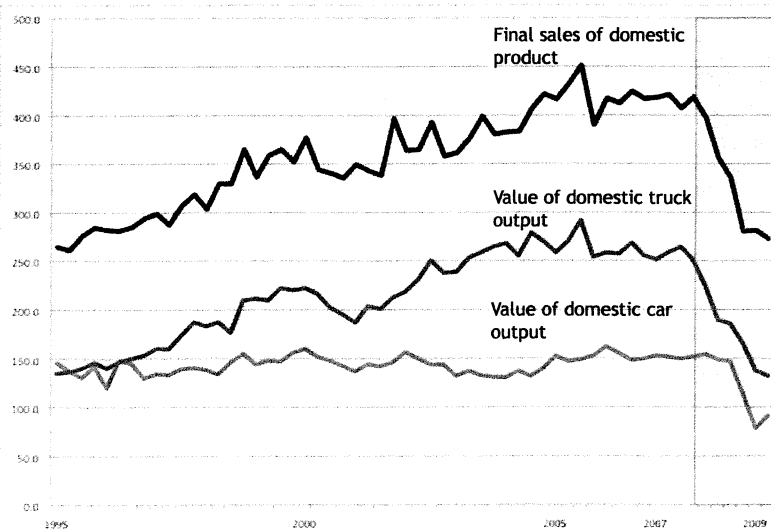
Source: Ward's Automotive, retrieved September 8, 2009 from <http://wardsauto.com/keydata/NAACUSummary0908/>

Edward (Ned) Hill

5

Contribution of the domestic auto industry to GDP in billions of real \$2005

Quarterly data from 1995(1) to 2009(2)



Source: National Income and Product Accounts, Table 7.2.AB, retrieved September 7, 2009 data from 1995(1) to 2009(2).

Edward (Ned) Hill

6

Cars and trucks will be made in the United States

North America remains a big market

US & Canadian production numbers drop; Mexico climbs

Numbers of cars, light trucks, and commercial vehicles produced

Year	North America	Canada	Mexico	US
1999	17,633,716	3,058,813	1,549,925	13,024,978
2000	17,697,020	2,961,636	1,935,527	12,799,857
2001	16,713,689	2,629,437	1,804,670	12,279,582
2002	16,243,280	2,552,862	1,575,447	12,114,971
2003	16,243,280	2,552,862	1,575,447	12,114,971
2004	16,278,082	2,711,536	1,577,159	11,989,387
2005	16,318,783	2,687,892	1,684,238	11,946,653
2006	15,881,796	2,572,292	2,045,518	11,263,986
2007	15,454,212	2,578,238	2,095,245	10,780,729
2008	12,974,058	2,077,589	2,191,230	8,705,239

Annual percent change in car, light truck & commercial vehicle production

Year	North America	Canada	Mexico	US
2000	0.4	-3.2	24.9	-1.7
2001	-5.6	-11.2	-6.8	-4.1
2002	-2.8	-2.9	-12.7	-1.3
2003	0.0	0.0	0.0	0.0
2004	0.2	6.2	0.1	-1.0
2005	0.3	-0.9	6.8	-0.4
2006	-2.7	-4.3	21.5	-5.7
2007	-2.7	0.2	2.4	-4.3
2008	-16.0	-19.4	4.6	-19.3
99-08	-26.4	-32.1	41.4	-33.2

Source: International Organization of Automobile Manufacturers (OICA) <http://oica.net/category/production-statistics/2007-statistics/> retrieved July 1, 2009 Edward (Ned) Hill

2008 North American production volumes

This will change when the 2009 data are available

Cars & Light Trucks		Heavy Commercial Vehicles	
Company	Units	Company	Units
GM	3,417,693	Daimler	77,870
Ford	2,177,462	Navistar (International)	76,187
Chrysler	1,857,861	Ford	72,166
Toyota	1,454,890	PACCAR (Kenworth/Peterbilt)	57,907
Honda	1,421,427	GM	24,842
Nissan	996,025	Chrysler	7,000
VW	449,099	Isuzu	2,421
Hyundai	236,835	VW	1,011
BMW	170,741		
Daimler	152,561		
Fuji (Subaru)	91,581		
Mazda	90,866		
Mitsubishi	58,963		
Suzuki	12,374		
Renault	8,906		

Data on heavy buses are available but not included

Source: International Organization of Automobile Manufacturers (OICA) <http://oica.net/category/production-statistics/2007-statistics/> retrieved July 1, 2009 Edward (Ned) Hill

In 2008 UAW and CAW membership produced 6.5 million vehicles in North America (52%); Nonunion assembly plants produced 5.9 million (48%) units

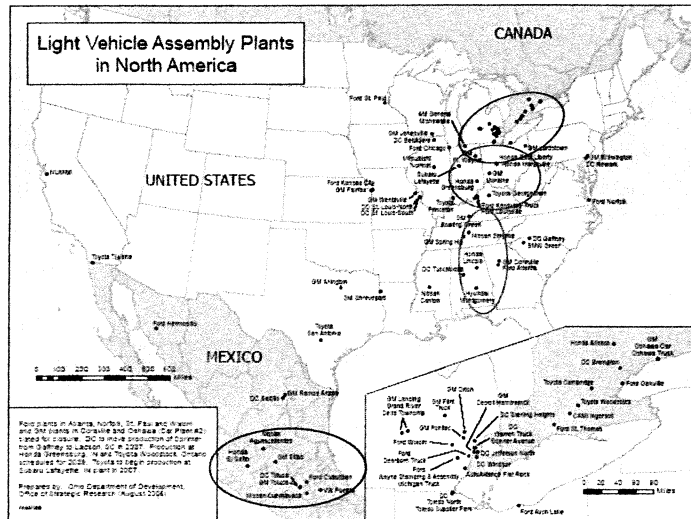
Nonunion Production (UAW or CAW)				
Company	Canada	Mexico	USA	North America
BMW			170,741	170,741
Chrysler		272,787		272,787
Daimler			152,561	152,561
Ford		303,583		303,583
Fuji (Subaru)			91,581	91,581
GM		507,593		507,593
Honda	383,011	51,247	987,169	1,421,427
Hyundai			236,835	236,835
Mitsubishi			58,963	58,963
Nissan		402,639	373,882	776,521
Renault		8,906		8,906
Toyota	287,395	50,086	1,117,409	1,454,890
VW		449,099		449,099
TOTAL	670,406	2,045,940	3,189,141	5,905,487

It is likely that less than 50% of North American production will come from plants organized by the UAW and CAW in 2009 and going forward.

Union Production (UAW or CAW)				
Company	Canada	USA	North America	
Chrysler	479,046	1,106,028	1,585,074	
Ford	308,248	1,565,631	1,873,879	
GM	576,926	2,333,174	2,910,100	
Mazda	0	90,866	90,866	
Suzuki	12,374	0	12,374	
TOTAL	1,376,594	5,095,699	6,472,293	

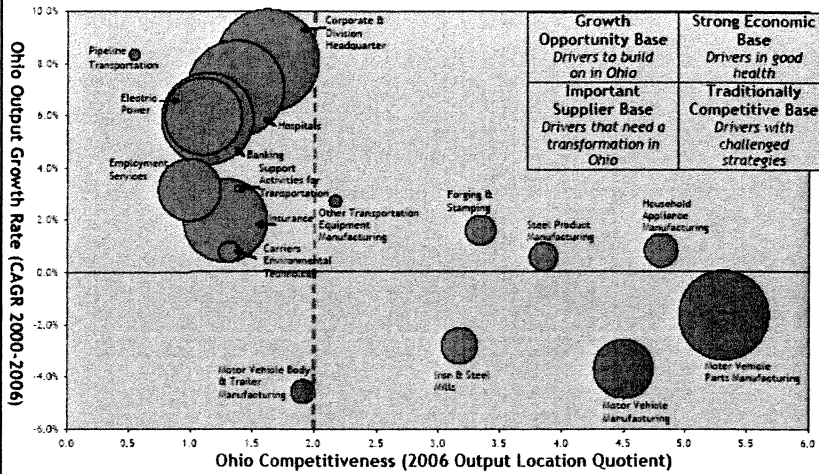
Source: International Organization of Automobile Manufacturers (OICA) <http://oica.net/category/production-statistics/2007-statistics/> retrieved July 1, 2009
Edward (Ned) Hill

**A tale of 4 clusters: Auto assembly in North America
Old domestic heartland; New Domestic center I-70 - I-75 crosshair; Southeast Corridor**



Source: Ohio Department of Development, Office of Strategic Research
Edward (Ned) Hill

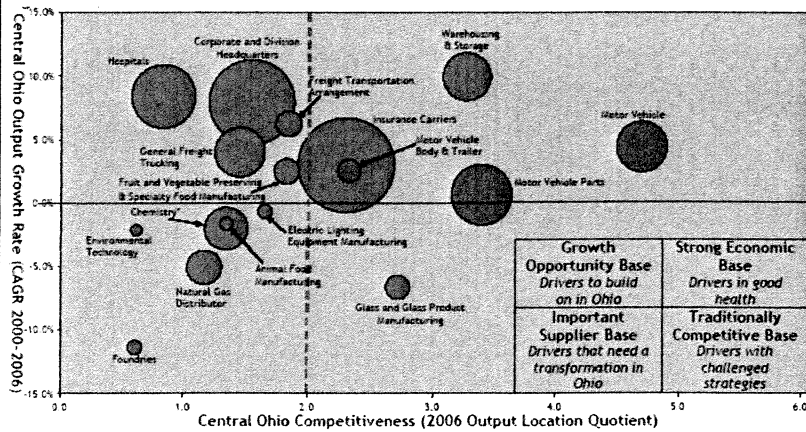
In Ohio automotive has been an under-performing driver industry



Source: Moody's Economy.com, calculations by Cleveland State University

Source: Moody's Economy.com, calculations by Cleveland State University Edward (Ned) Hill

In Central Ohio automotive is a star

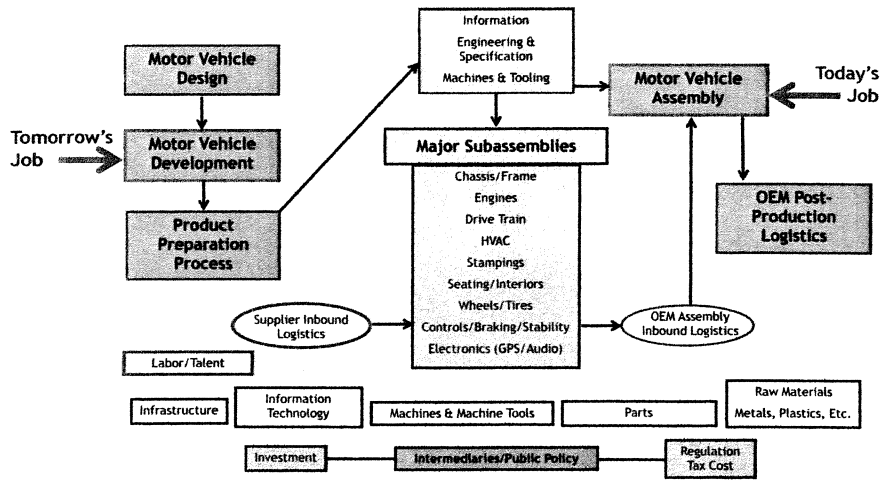


*Chemistry combines seven related industries: Paint, Coating, and Adhesive (NAICS 3255); Soap, Cleaning Compound, and Toilettries (NAICS 3256); Rubber Product (NAICS 3262); Clay Product & Refractory (NAICS 3271); Agricultural Chemicals (NAICS 3253); Other Nonmetallic Mineral Product (NAICS 3279); and Chemical Merchant Wholesalers (NAICS 4246)

Source: Moody's Economy.com, Calculations by Cleveland State University

Source: Moody's Economy.com, calculations by Cleveland State University Edward (Ned) Hill

**Two critical just-in-time systems
Today's Job and Tomorrow's Job**



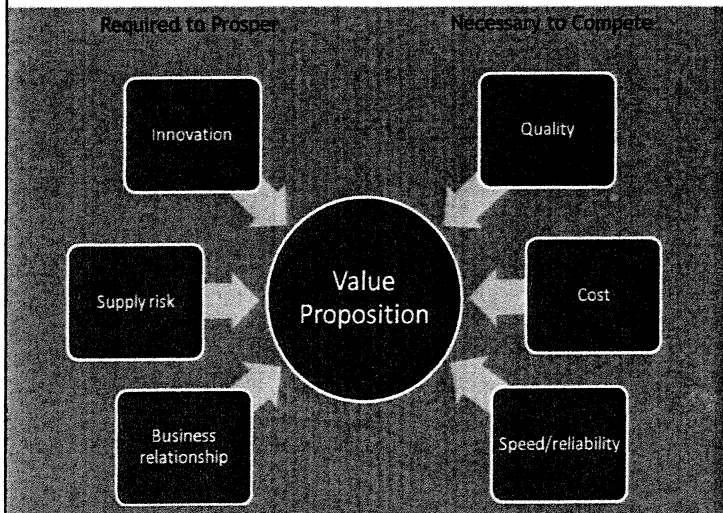
Source: Hill, Samuel, and Stewart, Driving Ohio's Future (CompeteColumbus)

Edward (Ned) Hill

13

The bridge between the two jobs

How to manage the supply chain? Is it a business relationship model or the plug-and-play auction model? There is value in risk mitigation

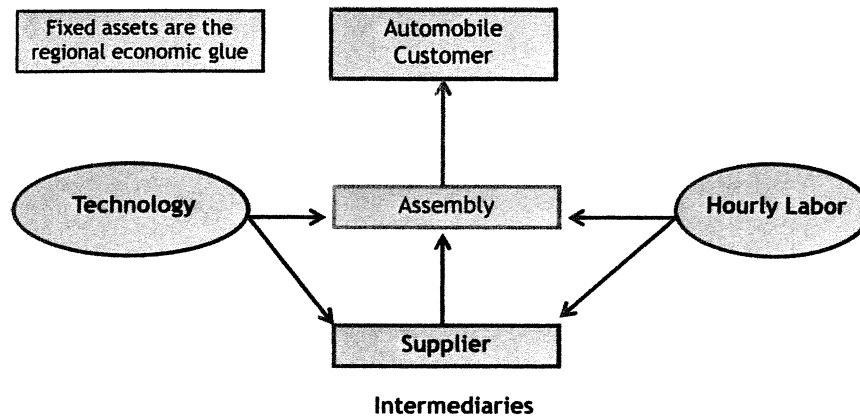


Source: Hill, Samuel, and Stewart, Driving Ohio's Future (CompeteColumbus)

Edward (Ned) Hill

14

**Today's job—assembly:
Meeting customers' demands, being globally
competitive locally with continuous improvement**



Source: Hill, Samuel, and Stewart, Driving Ohio's Future
(CompeteColumbus)

Edward (Ned) Hill

15

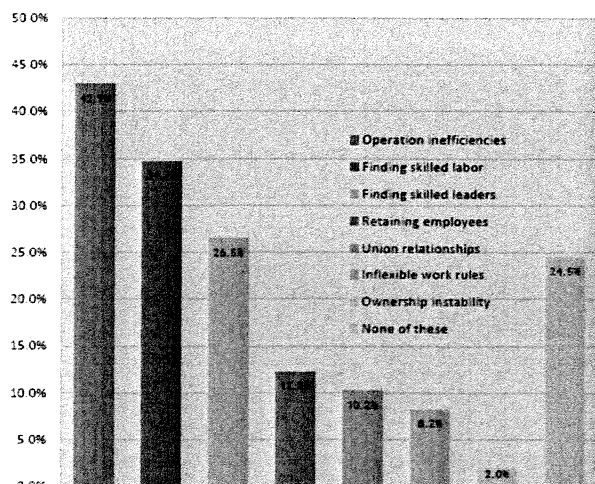
Today's job: Attracting by retaining

- o Retention and productivity enhancement of the OEM's assembly plants is critical
- o Strengthen the value added supply chain
- o Facilitate relationship building across the supply chain
- o Globalize the supply chain

Edward (Ned) Hill

16

The job of process improvements in the supply chain is not done Perceived internal threats to productivity



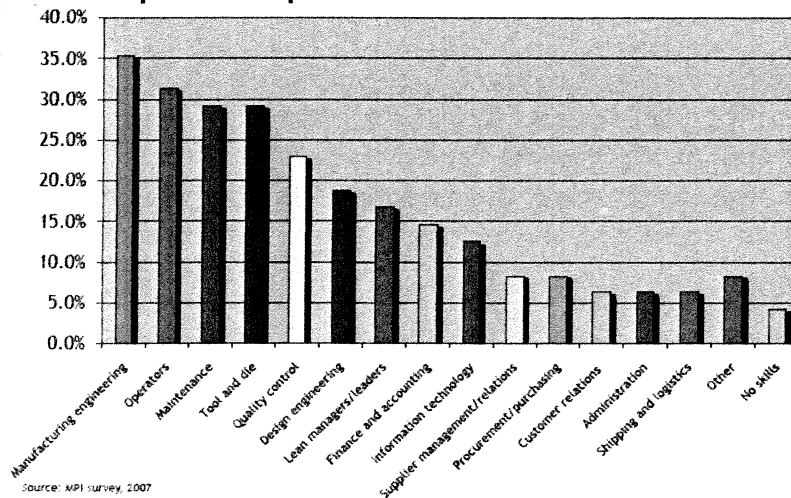
Source: MPI survey, 2007

Source: Hill, Samuel, and Stewart, Driving Ohio's Future (CompeteColumbus)

Edward (Ned) Hill

17

Engineers, operators, maintenance, tool & die, quality control, design engineering, lean Skills respondents perceived as difficult to fill



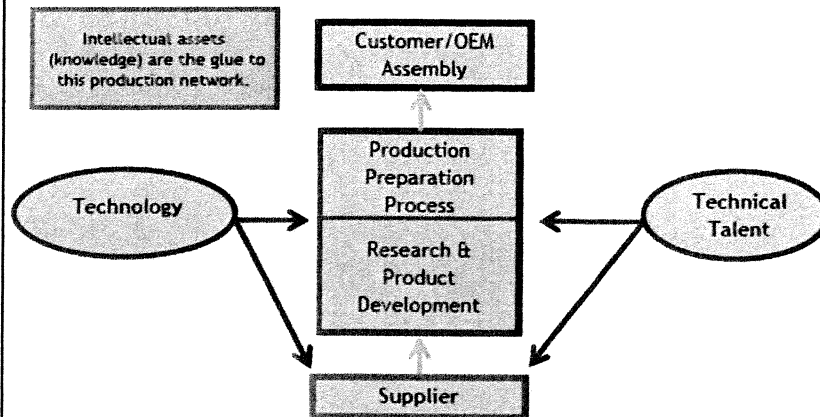
Source: MPI survey, 2007

Source: Hill, Samuel, and Stewart, Driving Ohio's Future (CompeteColumbus)

Edward (Ned) Hill

18

Tomorrow's job-vehicle development
Continuous improvement and innovation
Lean the motor vehicle development cycle



Economic development target:
Research, development and product specification of the Tier 1 and 2 companies

Source: Hill, Samuel, and Stewart, Driving Ohio's Future
 (CompeteColumbus)

Edward (Ned) Hill

19

What's next:
Realities

- o Automotive work will continue to exist—for those that survive this auto depression
- o There will be a different set of impacts for communities anchored by an assembly plant and those with parts manufactures
- o Just-in-time, fuel costs, and congestion will continue to re-concentrate the industry
- o Keys to survival for companies and plants
 - o Flexible workforce and flexible work rules
 - o Company & supply chain culture will continue to be important
 - o No debt—leverage is now the company killer
 - o Long term value of the dollar will influence the health of assembly clusters

Edward (Ned) Hill

20

What's next for auto communities We know a good deal

- o From the restructuring of the steel industry
 - o Legacy costs must go
 - o Employer-based social welfare system is gone
- o From military base closings
 - o Move quickly
 - o Land is the critical asset
 - o Avoid lemon socialism
- o From the mass layoff experience of the early 1980s
 - o Retire: 1/3 Successfully Adapt: 1/3 Screwed: 1/3
 - o Worker's investments in housing and family promote immobility
 - o Investments in education & youth promote mobility
- o The real workforce challenge lies buried in the supply chain
- o There is no silver bullet—need to pay attention to markets and reinvigorate assets of people and place

Edward (Ned) Hill

21

What's next

Community action; avoid the 7 stages of grief

1. No time for shock, disbelief, or denial
2. Leaders do not get trapped by anger
3. Bargaining only works if there is someone to bargain with
4. Move beyond guilt; fix what is broken
5. Depression takes too much time
6. Accept reality and
7. Move onto hope, based on market-validated assets

Edward (Ned) Hill

22

What's next

Practice the Fundamentals of Economic Development

1. Revitalization takes a long time—up to 20 years

2. Land is a critical asset: turn it over or tear it down
 - o Akron's experience with Canal Place and the new investments for Bridgestone & Goodyear

 - o The curse of abandoned sites—from “broken windows” to “Broken city”

3. Do not bet on the great buffalo hunt
 - o Diversity in a larger number of smaller employers

Edward (Ted) Hill

23

What's next

Traditions that stop new investment

1. Recognize legacy costs; attack them

2. Recognize legacy work practices; change them

3. Recognize legacy labor-management practices; change them

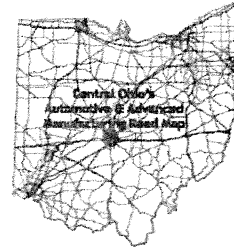
4. Minimize the public sector hassle-factor

Edward (Ted) Hill

24

**Today's Job:
Improve the Business
Environment**

- Focus on retaining OEM assembly plants and their supply chains.
- Work on maintaining state business tax reforms and incentives.
- Support collaboration between OEMs and parts manufacturers to forge joint ventures.
- Address uncompetitive aspects in workers' compensation system.



**Today's Job:
Support Incumbent
Manufacturers**

- Ensure long-term energy price stability & reliability and help finance "last mile" energy infrastructure.
- Regionalize and integrate state & local economic development retention and expansion activities.
- Provide seamless processes and best-practice improvement services.

**Tomorrow's
Job: Develop
Thought
Leadership**

- Recruit Tier 1 & 2 headquarters and research and development functions.
- Become a thought leader in global integrated manufacturing production (global process improvement).
- Build on existing leadership in manufacturing ergonomics and joining technologies.
- Develop leadership in the areas of light-weight metals, composites, forming technologies, alternative fuels and related propulsion systems, and non-destructive materials testing.

**Today's
Job: Focus
on Workforce
Improvement**

- Focus and invest in the incumbent manufacturing worker in a demand-driven system.
- Make all training and funding outcome-based and customized.
- Ease the subsidy for workforce training, which is a recognized focus of Ohio's two-year college system, on credit hour provided, not on student enrollment in degree-granting programs.
- Establish one source of contact across all service providers.

Source: Hill, Samuel, and Stewart, Driving Ohio's Future (CompeteColumbus)

Edward (Red) Hill

25

THE JOINT SELECT COMMITTEE
ON THE IMPACT OF THE
CHANGING AUTOMOBILE INDUSTRY
IN
THE STATE OF OHIO
MEETING

SETEMBER 8, 2009

AT

NORTHCENTRAL STATE UNIVERSITY



CITY OF ONTARIO

The effect of the declining automobile industry in the State of Ohio has greatly impacted auto related communities. The long standing philosophy of job retraining for displaced workers certainly has an important role in a normal declining economy, however with the current devastating decline of Ohio's economy, due primarily to the automotive industry, the emphasis should be directed toward job creation and relief to hard hit communities.

The General Motors Corporation located an automotive stamping facility in Ontario in 1955. The Village of Ontario slowly grew and co-operated with General Motors throughout the past 54 years. Since 1984, Ontario and Richland County entered into three enterprise zone abatement agreements with GM. These agreements were for the amounts of 260 million dollars for ten years, 36 million dollars for five years, 24 million dollars for five years and 60 million dollars for ten years. These agreements amount to abatements totaling 380 million dollars. The loss of income from these abatements affected the revenues of

Ontario in the past years, but the announced closing of the General Motors Mansfield/Ontario Metal Center located in Ontario, Ohio by June of the year 2010 will be devastating to city income tax revenues for many years in the future. The City of Ontario will lose approximately 40% of its annual income tax revenues with closing of this facility. This revenue loss will be 1.4 million dollars based on the year 2008 revenues. This loss of revenue directly effects the Ontario Police Department, Ontario Street Department and future Capital Improvements funds. Currently the Police Department has 20% of its staff on furlough and the Service Departments personnel have been reduced by 20%. The City Council has placed a one-half per cent income tax increase, for the City's Safety Force, on the November 2009 General Election Ballot. The passage of this Safety Tax issue would produce an estimated revenue of approximately 1.1 million dollars. This added revenue will still be short of the 2008 income tax revenues collected from the General Motors facility in 2008. The defeat of this tax issue will

result in further significant reductions of personnel in the Police Department and the Service Departments.

The result of this auto plant closing will also affect the retail business of Ontario in a significant way. The regional retail businesses which are located in Ontario are already showing signs of decline in their revenues and the year 2010 should reflect further declines. The retail businesses located in Ontario are also one of the City's key sources of income tax revenues.

The total impact of the closing of the General Motors Mansfield/Ontario Metal Center to a small city such as the City of Ontario is devastating. The future growth of Ontario could be realistically questioned at this point in time and also the City may decline in population to the point that it will become a village again. A village status would in turn increase the State of Ohio's responsibility to maintain and improve the current State routes located within the City of Ontario. These State routes and bridges include State

highways: SR 30, SR 430, SR 309, SR 314 and several more miles of other roadways. The State of Ohio should place priorities and funding relief to small cities quickly in order to prevent higher costs to the State of Ohio. The old saying “An Ounce of Prevention is Worth a Pound of Cure” certainly is applicable in the case of the City of Ontario.

I would recommend the State of Ohio recognize those communities that were significantly and even drastically affected by the closing of major automotive facilities and their major suppliers as distressed communities. These distressed communities should be given preference to Federal and State funds during this time of a stimulus funded economy.

Thank you for consideration of these matters.

**Kenneth A. Bender
Mayor of the City of Ontario, Ohio**

CHANGING AUTO INDUSTRY COMMITTEE MEETING
TESTIMONY – Tim Doran, Ohio Automobile Dealers
Association
TUESDAY, SEPTEMBER 8, 2009
Mansfield, OH

ECONOMIC IMPACT – As of 12/31/08

**ANNUAL CONTRIBUTIONS OF OHIO'S NEW VEHICLE
DEALERS***

Ohio's dealers maintain a multi-Billion dollar retail industry.

- Average sales per dealership -- \$24.1 million
- Total sales of all new-vehicle dealerships in Ohio -- \$23.1 billion
- Dealership sales as 2% of total retail sales in the State -- \$17.7%
- Estimated number of new-vehicle dealership - 958

Dealers provide thousands of well-paying jobs in Ohio.

- Total number of new-vehicle dealership employees in Ohio – 40,937
- Average number of employees per dealership – 43

Page 2

- **Average annual earnings of new-vehicle dealership employees -- \$43,475**
- **Dealership payroll as % of total state retail payroll – 12.9%**
- **Annual payroll of new-vehicle dealerships -- \$1.77 billion**
- **Average annual payroll per new-vehicle dealership - \$1.85 million** *Numbers reflect annual economic activity during 2007

Dealers generate hundreds of millions of dollars of tax revenue for state and local government through:

- **Sales Tax Revenue**
- **Corporate Tax Revenue, including Commercial Activity Tax (CAT) Revenue**
- **Payroll Tax Revenue**

Source: National Automobile Dealers Association

COMMUNITY IMPACT

Dealers are significant community contributors, both in employment and charitable causes. From Little League to United

Page 3

Way to schools and other organizations, we are a part of the fabric of every community.

DEALERSHIP CLOSURES – As of 12/31/08

Since 1960, the US has gone from 50,000 to 18,000 N/C, N/T Dealers. There has been a gradual, predictable, reasonable consolidation.

Since 1980 in Ohio, we have gone from 1950 N/C, N/T Dealerships (and dealers) to 950 N/C, N/T dealerships (and 350 dealers).

BANKRUPTCY

The bankruptcies of GM and Chrysler will go down as one of the great travesties of our lifetime. With the cooperation of the AUTO TASK FORCE of the Obama administration, these actions stepped beyond the” protection from creditors” contemplated in bankruptcy and became a “business strategy” for avoiding obligations rightfully due. These range from obligations to employees (current and past) to deflection of responsibility by these car companies. Probably the most apparent deflection was the termination of dealers under bankruptcy that would otherwise have been impossible under protections afforded by state laws. Obviously, if you cannot place the blame on someone else, it requires that the manufacturers accept responsibility for the performance that got them to the point of bankruptcy and

Page 5

therefore would hold them accountable. That accountability would lead to the obvious conclusion of “cleaning house” which would directly be in contradiction to their personal goals. To listen to manufacturers, they would like you to believe that by terminating dealers they have solved the “critical” issue within the auto industry. Nothing could be further from the truth.

The dealers are a revenue center for auto manufacturers not a cost (see April 29 letter to the editor). Exhibit A

The effect of these actions are a tremendous blow to both automobile dealers in Ohio, the communities where they were located, the consumers they served and the State of Ohio.

Page 6

The Chrysler terminations included 47 dealerships in Ohio and the GM terminations (they call “wind downs”) are estimated to be 120.

In the case of GM, they attempted to not only wind-down approximately 120 dealers but then tried to completely circumvent all rights provided for by state law with a go-forward agreement that would have required a dealer to waive essentially all rights if the wanted to continue operating their independent business. Fortunately, Attorney General Richard Cordray and 43 other Attorney’s Generals in the United States filed an action with the court that led to a successful negotiated go-forward agreement that was far less unfair and one-sided. I want to publicly thank Rich Cordray and his staff for the significant effort they put into this negotiation. They did a great service to the dealers involved and to the State of Ohio.

FRANCHISE LAWS

Over 30 years ago, state legislatures began recognizing that a need existed to have motor vehicle franchise laws to ensure that the interests of both the dealer's independent business and the consuming public was balanced inasmuch as the auto manufacturers had a disparate and overwhelming dominance in the contractual relationship. Just one such example would be the dealer's right to sell their independent business. As long as a manufacturer had the power to unilaterally approve or disapprove the candidate that a dealer could sell their business to, they had the ability to determine the price that the dealer could receive for selling their INDEPENDENT business. That obviously was unfair and therefore the franchise laws set up a process that

Page 8

protects both the franchisor and the franchisee. The process stipulates that dealers can sell to whomever they want, for whatever they want as long as they are qualified and that the manufacturer may approve/disapprove the prospective candidate based on good cause and objective criteria only, subject to a review by a third party. (Ohio Motor Vehicle Dealers Board)

I have included a separate document with my testimony that details out in more depth some of the reasons for franchise law. Exhibit B

Because of the limited time available to carry out the duties of this Committee, I would like to submit the following specific recommendations for the report to include and ask that the resultant legislation include, at a minimum, these changes to the Ohio Motor Vehicle Franchise Law.

(See Legislative Recommendations – Exhibit C)

Ohio's Motor Vehicle Franchise Law – Key Areas for

Update

TERMINATION ASSISTANCE --Dealers invest significantly in the purchase of numerous items required by their manufacturers, including but not limited to vehicle inventory and parts. The dealer risk is substantial. In response, in the event of a dealership termination, Ohio law should require manufacturers to repurchase from dealers new inventory, unused parts, and special tools and other equipment required by the manufacturer, as well as provide reasonable rent assistance. Numerous states already have updated their statutes with these requirements.

FACILITY UTILIZATION—Manufacturers have tried to achieve economies of scale by utilizing their facility efficiently

Page 10

and closing some plants in order to operate at capacity in ones that are open. Ohio law should allow dealers to use their facilities in the most efficient way possible, such as allowing multiple makes to be displayed in show rooms and consolidating service operations under one roof.

AUDITS – Manufacturers have reason to audit dealer records as it relates to sales and service transactions. However, Ohio law is silent on limiting the time period on how far back they may go to audit. Transactions are now processed electronically and information is readily available. Ohio Should adopt 6 months for review, absent fraud.

OFFSETS – Manufacturers have direct access to dealer financial accounts to obtain immediate payment for vehicle inventory, parts, etc. before the items arrive at the dealership. On the other side, dealers must wait on

substantial reimbursements from their manufacturers for sales and service incentives, including rebate monies and payment for warranty work. This creates a significant cash flow issue for dealers. Manufacturers have acknowledged the importance of cash flow to the viability of dealers. Ohio law should allow dealer reimbursement claims to be automatically credited against future billings by the manufacturers.

PROHIBIT UNREASONABLE MANUFACTURER

REQUIREMENTS – Dealers have little input in negotiating facility upgrades or sales-related expectations with their manufacturers. Ohio should prohibit unreasonable requirements by the manufacturers relating to facility upgrades, sales expectations, planning volume requirements, and customer service satisfaction requirements.

Page 12

TWO TIER PRICING/DISTRIBUTION -- Manufacturers often require dealers to purchase additional inventory in order to receive rebates. This practice has the affect of limiting the ability of all dealers to offer vehicles for similar prices and compete on a level playing field.

Additionally, we would like to provide the Committee with some further recommendations for legislative changes that have grown out of the recent developments since this rather chaotic time in our industry has occurred.

Thank you for your time and patience and I am available for your questions.

Exhibit A



THE OHIO AUTOMOBILE DEALERS ASSOCIATION

April 29, 2009

I am extremely puzzled by the announcement of dealership cutbacks as a seeming "solution" to problems facing the auto industry in general and specifically to General Motors.

Yesterday, I listened to GM President Fritz Henderson express a stated goal of reducing dealer count at GM from 6246 dealers to 3605 dealers by 2010. SOUNDS IMPRESSIVE, but what will it do to save GM? The simple answer is NOTHING.

The most important question is not the number of dealers but whether the dealers are a cost center for their respective manufacturers and they clearly are not. A study by the Casesa Shapiro Group found that auto dealers provide a vast distribution channel "at virtually no cost" to their manufacturers.

Dealers :

1. pay for vehicles for customers and inventory before the vehicles ever leave the factory;
2. pay for parts before ever receiving them;
3. pay all their employees' costs (ie; wages, benefits, payroll taxes, training costs, etc.);
4. pay all their own real estate costs (ie; land ,buildings, insurance , taxes etc.);
5. pay all their own IT and computer costs;
6. pay all their equipment costs (ie; service department lifts, tools, diagnostic equipment)

The list goes on.

Keep in mind dealers equal revenue to manufacturers, not costs. Dealers generate more than 90% of manufacturer revenue. A rapid reduction in dealer numbers would further CUT manufacturer revenue and market share and do NOTHING to improve the manufacturer's viability in the short term. Even according to GM executives, it takes 18 months to regain market share when a dealership closes. And that's a best case scenario.

Trying to eliminate dealerships beyond the already systematic consolidations that have taken place for the past 60 years will only serve to hurt the hard-working employees of those dealerships and their families, the numerous communities that rely on the taxes generated by those dealerships, the related businesses that sell to those dealerships and the consumers that are served by the competition and convenience of the dealerships and the numerous charitable organizations that benefit from dealers' support. When a dealership closes, the loss to the community is real and immediate.

It is unnecessary to artificially designate a "right number" of dealers as though that number is a "magic cure". To do so is only an effort to deflect criticism from the manufacturers' own poor performance and failure to control costs which is a result of their own decisions.

Thanks for the opportunity to set the record straight. Closing dealerships won't affect the bottom line for any manufacturer positively, but will negatively affect thousands of independent businesses, their employees, their customers who rely on them for sales and service and the communities that rely on those dealerships.

TIM DORAN
President

Dealer Franchise Law: Rectifying an Imbalance of Power Between Manufacturers & Dealers

More than 100 years ago, the automobile manufacturers established a dealer network comprised of independent entrepreneurs to outsource the costs associated with the distribution, sales, and servicing of their products. While the first automakers initially sold cars directly to the public, they soon outsourced the costs of retailing. Since its inception, the franchise system has provided an efficient and cost-effective method for selling and servicing vehicles. Without the investment of the independent owners who comprise the franchise network, the manufacturers would have to internalize the vast costs associated with creating and maintaining a retail sales and service network. Moreover, objective observers have called the U.S franchise system the most efficient motor vehicle distribution network in the world.

In Q & A form, this paper lays out the answers to some of the key questions that are currently being asked regarding the automobile manufacturer/dealer franchise relationship. In doing so, the paper seeks to explain the rationale for the state franchise laws that were enacted to address the vast disparity in bargaining position between a dealer and its manufacturer.

What is the nature of the contractual relationship between the automobile dealer and the manufacturer?

Dealers operate under a "Dealer Sales and Service Agreement" commonly referred to as a franchise agreement. The franchise agreement and related side agreements require the dealer to make investments in land, buildings, equipment, computers, tools, personnel, training, advertising and promotions, and good will. Additionally, dealers are required to maintain extensive inventories of new and used vehicles (and often manufacturer certified used cars), and parts. The manufacturer controls the only source of new vehicle inventory and may influence a large portion of the dealers' used inventory.

Also, the manufacturer sets labor rates and time constraints on warranty work, and the manufacturer has the right to conduct surprise warranty audits and bill a dealer for overcharges. Manufacturers increasingly rely on incentive programs to market vehicles. Such monies are also subject to audit and represent yet another cost shifting to dealers since dealer incentive monies are typically paid at the end of a program. Each dealer has an open account with the manufacturer which can be used to assess charges against the dealer. Increasingly, manufacturers are using the multiple points of leverage in this relationship to force dealers to make multi-million dollar facilities upgrades or take vehicles into inventory regardless of local demand.

Most significantly, no individual dealer, regardless of size, has the opportunity to negotiate any of the terms and/or conditions of the agreement. All of these factors,

combined with the limited opportunity to switch manufacturers, the high cost of making any such change, and the difficulty of converting expensive facilities to another use make the franchise agreement a classic “take it or leave it” contract of adhesion.

Why were Federal and State laws enacted to govern the specific relationship between automakers and the dealers?

There is an economic power imbalance between the manufacturer and the dealer that has persisted from the early days of the franchise system to the present. Prior to the enactment of statutory provisions that provide a safety net of equity, existing dealers faced several types of pressure from the manufacturers: the threat of a unilateral termination without cause; the threat that the manufacturer would unilaterally establish additional competing dealerships with the same brand on every corner; and demands from manufacturers to purchase unneeded vehicles and products. In the 1930s, dealers sought relief in the courts and before the Federal Trade Commission with respect to these threats, but were unsuccessful because the agency and the courts refused to imply a duty of good faith or good cause on the part of the manufacturer.

In response, dealers turned to the state and federal legislatures. The first state franchise law, passed in Wisconsin in 1937, contained the requirement that a manufacturer would have to have “cause” to cancel a franchise agreement. In the 1950s, Congress enacted the Dealer Day in Court Act. However, that latter statute was weakened during the legislative process and has been eroded to the point of ineffectiveness during judicial interpretation.

What is the public policy rationale for the state franchise laws that have been enacted in some form in all 50 states?

Ohio’s franchise law became effective in 1980. All 50 states have enacted some form of a motor vehicle franchise law and these state statutes govern exclusively the unique relationship between a motor vehicle manufacturer and dealer. There is an extensive body of legislative history demonstrating the public policy imperative of these laws. A good articulation of the purposes for which these laws were enacted is found in Georgia where the legislature made the following findings in connection with the adoption of that state’s franchise statute:

- (1) The distribution and sale of motor vehicles within this state are vital to the general economy of this state and to the public interest and public welfare;
- (2) The provision of warranty service and the repair of pre-delivery transportation damages to motor vehicles is of substantial concern to the people of this state;
- (3) The maintenance of full and fair competition among dealers and others is in the public interest; and

- (4) The maintenance of strong and sound dealerships is essential to provide continuing and necessary reliable services to the consuming public in this state and to provide stable employment to the citizens of this state.

(Georgia Motor Vehicle Franchise Practices Act, Code 1981, sec. 10-1-621, enacted by Ga. L. 1993, p. 1585, sec 2).

Outside of the legislative process, can the dealers work together to achieve a collective result in negotiations with the manufacturers?

Absolutely not. The United States Justice Department, the Federal Trade Commission, and the various state Attorneys General would view any attempt by a dealer body to exercise collective economic power with respect to its manufacturer as a classic violation of antitrust law. (This is to be contrasted with labor unions which are expressly exempted from the application of the antitrust laws by the national labor laws that establish the rules for collective bargaining and the like. Thus, unlike the UAW, Ford dealers, for example, cannot collectively refuse to deal with Ford (i.e., strike) if the dealers believe that Ford is establishing too many Ford dealerships or feel that Ford is otherwise treating them unfairly.) In the face of (1) years of arbitrary treatment, (2) the failure of the judicial branch, at the time, to recognize a distinct cause of action, and (3) the limitations imposed by the antitrust laws, the dealers sought the only other relief available – the legislative process.

What are the typical provisions of a state franchise law that affect the dealer-manufacturer relationship?

While many of these state laws also provide consumer benefits by providing for the licensing and regulation of dealerships, the provisions governing the dealer and manufacturer relationship reflect the fact that the franchise agreement is a contract of adhesion.

A typical state franchise law requires a manufacturer to show good cause in order to terminate a dealer agreement, provides a framework for determining a fair value of the franchise terminated, establishes basic rights of succession from generation to generation, and sets out a definition of relevant market area to preclude unfair proliferation of dealerships.

Ohio's franchise law was one of the first in the country. Many states' franchise laws are far more comprehensive and address concerns which were unforeseen at the time Ohio's statute was enacted.

What is the annual operational cost to the manufacturer to maintain the dealer network?

Since the principal purpose of the franchised dealer network is to outsource costs, the manufacturers incur very little direct costs related to the dealer network. Several years ago, a General Motors executive observed that the sale of 10 cars per year by a dealer would cover the automaker's operational expenses (field personnel, etc.) associated with that dealer. That number is likely to be lower today because all manufacturers (including the Detroit 3) have utilized advances in technology and organizational efficiency to steadily reduce dealer support personnel over the years.

Moreover, because the manufacturers control large streams of payments to the dealer body – all of which are non-interest bearing payments made in arrears for products already delivered or services already performed – the manufacturers can simply use cash management techniques to achieve “cost of money” savings that would easily offset these minimal operational expenses. In the aggregate, the manufacturers can use this “float” to earn millions of dollars. And there are a number of purchases that dealers are required to make – including signs and specialized tools – on which the manufacturers actually make a profit.

Have the state franchise laws prevented individual dealer terminations or dealer consolidation?

No. State law merely requires that a manufacturer be able to articulate good cause for termination. Nationally, the number of dealerships has been shrinking at a consistent pace, dictated by market conditions. In 1949, there were almost 50,000 dealerships and by 1970 that number was 30,800. By the end of 2008 there were only approximately 19,700.

Have state franchise laws prevented the automakers from reorganizing brands?

No. Currently, manufacturers have instituted “channeling” arrangements which involve the combination of multiple brands within one dealership. This process, often implemented at the expense of the dealers involved, has enabled manufacturers to package several brands under one dealership roof.

Do the state franchise laws prevent a manufacturer from terminating a brand?

The state franchise laws have not prevented the termination of brand. Those individuals who used to have an Oldsmobile or a Plymouth franchise will attest to that fact. Ohio franchise law does not give the dealer veto authority over such a decision or prevent the manufacturers from restructuring. However, from the dealer's viewpoint, the manufacturer's decision should result in compensation, since the dealer has assumed all

of the financial risks associated with establishing the manufacturer's retailing network, including leasing or purchasing real estate, financing the cost of inventory, purchasing tools and parts, and investing in technology to communicate with the franchisor, among other things.

Exhibit C

TERMINATION ASSISTANCE:

RATIONALE: Dealers shoulder all costs associated with operating their franchised business. At the same time, dealers have no protection if a manufacturer ceases to operate, discontinues a product line, or otherwise acts in such a way that devalues a franchise. The legislation provides reimbursement for dealers' investments and protects the ability to pay our creditors in the event a manufacturer ceases to operate.

Reimbursement includes reasonable compensation for:

- new inventory;
- Unused, undamaged supplies and parts listed in current parts catalog;
- Equipment, signs and furnishings required by the manufacturer;
- Special tools required by the manufacturer;
- Fair market value of the franchise;
- Facilities assistance for involuntary terminations equal to:
 - the lesser of 3 year's rent or the unexpired term of lease.
 - If the dealer leases from the manufacturer, rent will be forgiven.
 - Dealers who own their real estate will also be provided assistance.

FACILITY UTILIZATION:

RATIONALE: Dealers work cooperatively with their franchisors to provide consumers with adequate facilities for sale and service of vehicles, while promoting a respectable image as dictated by the manufacturer. A dealer owns or leases its facilities and:

- should be able to operate more than one franchise at the same location;
- should be able to operate the same franchise in multiple markets;
- should not be required to change its location or make substantial alterations to the dealership premises if the requirement is unreasonable.

FAIRNESS, EQUALITY AND COMPETITIVENESS:

RATIONALE: A dealer's ability to pay creditors, compete on a level playing field with other dealers, and realize the value of the investment made in his/her dealership is critical to survival. However, cash flow is dependent on the manufacturer paying for rebates, incentives and warranty work and instituting charge backs in a timely, non-discriminatory manner.

Key provisions include:

- Reimbursement claims for sales and service incentives and rebates will be automatically credited against billings by the manufacturer;
- Reimbursement claims will be paid unless the claim can't be substantiated or is fraudulent;
- Absent fraud, audits of reimbursement claims will be instituted within 6 months of the claim's submission.
- Dealers may not be forced or coerced to change their capital structure, so long as reasonable capital standards are maintained;
- Manufacturers may not use a partially-owned financial institution to accomplish what is otherwise prohibited by franchise laws.
- Dealers may expect a manufacturer to make all vehicles, parts and products equally available at the same price.
- Vehicles, parts and products are not equally available if a dealer must:
 - Renovate facilities as a prerequisite to receive them;
 - Accept additional inventory; or
 - Pay additional fees
- Dealers will not face discrimination in terms of sales expectations, facility requirements, planning volume requirements or customer service satisfaction requirements;