

# North American Automotive Tooling Coalition

"Working Together for a Better Future"



April 20, 2009

**DELIVERED BY ELECTRONIC MAIL**

[Ron.Bloom@do.treas.gov](mailto:Ron.Bloom@do.treas.gov)

Mr. Ron Bloom  
Senior Adviser, The President's Auto Task Force  
U.S. Treasury – Main Building  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dear Mr. Bloom:

The National Tooling and Machining Association (NTMA), the Canadian Tooling and Machining Association (CTMA), the American Mold Builders Association (AMBA), the Precision Metalforming Association (PMA) and a group of tool, die and mold companies that are not members of a formal association (Independents) have recently formed a coalition which we refer to as *The North American Automotive Tooling Coalition* ("The Tooling Coalition"). **The primary purpose of the Tooling Coalition is to assure long term viability of the North American tooling sector, a critical supplier in the automotive supply chain for the original equipment manufacturers (OEMs) as well as key supplier to manufacturers of equipment and supplies for the military, medical sector, energy industry, agriculture and construction industry and virtually every other manufactured product in North America.** Tooling is where manufacturing innovation is often derived. Historically the industry has been fragmented and we believe that it is important to review and discuss the issues currently facing our industry, as one group and present a strong voice on behalf of the tooling sector in working to develop resolution for the following key issues:

1. Identify, discuss and develop a course of action addressing the *implications of a Chapter 11 filing by GM or Chrysler on the tool, die, mold and machining sector* (Tier 2 tooling suppliers);
2. The need to *establish "reasonable commercial payment terms" for tooling* by reducing project contract cradle-to-grave time periods for tooling projects, which provides improved access to working capital for the tooling manufacturers and improved liquidity;
3. The need to *develop a mechanism to ensure "safe passage" of funds* intended for tooling payments from the OEM thorough the Tier 1 parts manufacturer to the Tier 2 tool builder;
4. The need to *reduce direct tooling acquisition costs* for General Motors and Chrysler to assist them maintaining a competitive position in the global auto industry;

5. The need to *reduce/eliminate/mitigate costs associated with tooling during the Chapter 11 filings* of financially challenged Tier 1 parts manufacturers who serve as a middleman between the vehicle manufacturer and the tooling manufacturer for tooling acquisition;

Over the past several weeks some of our members have either met with or communicated formally with representatives of the Auto Task Force, as well as Legislators in the U.S. and Canada in an effort to clarify and create an awareness of the importance of the tooling sector in the automotive supply chain, as well as to present the issues and review potential solutions which help to assure long term viability of the tooling sector.

As a unified voice representing the tooling sector, we believe that it would be useful for representatives of The Tooling Coalition to meet jointly with the US Auto Task Force, representatives of the Canadian and Ontario governments who are responsible for negotiating the terms of the direct loan agreements, representatives of each of GM and Chrysler as well as representation from the Tier 1 manufacturers. Having all of the “stakeholders” at one table provides an opportunity to thoroughly discuss and review the following issues and to develop solutions designed to enhance the future viability of the auto industry, while remaining sensitive to the needs and concerns of all involved:

1. *The impact/implications of a bankruptcy filing of either General Motors and/or Chrysler and/or a major Tier 1 manufacturer* on the North American tooling industry. There are billions of dollars in outstanding “purchasing commitments” for tooling that are presently not reflected on the balance sheets of the vehicle manufacturers or the Tier 1 companies that serve as “middlemen” for purposes of procuring tooling and managing the tool build process. The obligations for tooling need to be quantified, considered and addressed in conjunction with any form of bankruptcy filing being considered by GM and/or Chrysler, including a structured or “surgical” bankruptcy;
2. The tooling cost reduction *impact of implementation of “reasonable commercial terms”* for tooling payments, the US and Canadian government ability to fund the “one time” catch-up in payment required to fund the implementation of new tooling terms, the vehicle manufacturers perspective on changes in payment terms, and the ancillary benefits of changing current payment practices including enhancement of viability of the tooling sector resulting from improved access to credit and improved liquidity;
3. *Implementing a “safe passage” mechanism* to ensure that tooling proceeds from the vehicle manufacturer safely navigates through the tier 1 middleman and reaches the intended destination – the tooling manufacturer, and
4. *Develop strategies directed to reduction of tool acquisition costs* for the OEMs through innovation and efficiency enhancements within the tooling sector as well as elimination of costs associated with the potential for Chapter 11 filings by the OEMs and Tier 1 manufacturers that ultimately serve to increase tool acquisition costs.

The recently announced US Treasury \$5 billion program allowing Tier 1 parts companies to sell their parts receivables, as well as General Motors recent announcement that they are looking to re-route payments for auto parts components around the Tier 1 supply base directly to the Tier 2 parts component suppliers, **fail to address the tooling issues**. Further, the Canadian Government’s recently announced increase by \$700 million in Export Development Canada’s Accounts Receivable Insurance pool also fails to address Tier 2 tooling sales to the Tier 1/OEM manufacturers. **These programs place an emphasis on production parts and components, required for current vehicle production and not on the obligations relating to existing and new product launches which are critical to recovery for the auto industry.**

The US Task Force has announced firm deadlines for submission of restructuring plans by GM and Chrysler. Representatives of the Canadian Government have indicated that it is their intention to follow the U.S. lead. To date they have indicated their intention is to provide direct loans to GM and Chrysler on a proportionate basis with those in the U.S. The time frame for agreeing on and implementing effective solutions for the tooling issues is very short. We believe that all of the stakeholders need to work together to develop a consensus which will lead to a proposal for implementation of solutions designed to address the aforementioned issues, strengthen the supply chain and contribute to the industry recovery. As such, we are asking the US Task Force to facilitate a meeting involving the major stakeholders, for the purpose of reaching a consensus and developing an effective plan to resolve the issues. With the major decision makers at the table we have an opportunity to develop an effective and satisfactory solution that can be implemented without resistance. We believe the major stakeholders to be:

- General Motors
- Chrysler
- The tooling industry (represented by the Tooling Coalition)
- Representatives of the Tier 1 manufacturers (such as OESA and APMA)
- The US Government (represented by the Auto Task Force)
- The Governments of Ontario and Canada (who have pledged support for the auto industry by providing direct loans in amounts proportionate to the U.S. government loans)

Since we are asking you to facilitate the meeting the actual composition of meeting participants is more appropriately left to the discretion of the Auto Task Force. We believe that the meeting needs to be convened as soon as possible to ensure that we have sufficient time to develop and finalize an implementation plan.

We look forward to your response. The e-mail addresses for each of the representatives of the members of the Tooling Coalition are included below their signature and we ask that your response be directed to each. Our goal is to contribute to improved viability of the auto industry while preserving jobs, creating opportunities for growth in the future and improving the working relationship among the stakeholders for the future. We believe it is time for the stakeholders to recognize and implement change by working together to strengthen the North American Auto Industry. We need to keep people working to help to fuel an economic recovery and preserve the industrial base in the US and Canada that is critical to our future as industrialized nations.

Yours very truly,  
THE NORTH AMERICAN AUTOMOTIVE TOOLING COALITION



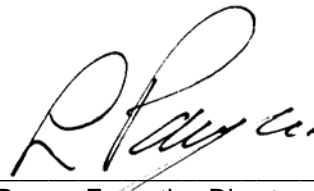
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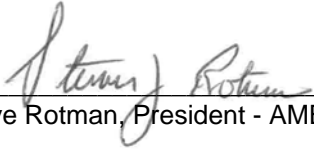
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