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VIA ELECTRONIC MAIL
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United States Department of Energy
1000 Independence Avenue, S.W.
Washington, DC 20585

Dear Sir or Madam:

Remy International, Inc. is pleased to submit these comments to assist the Department of Energy in developing its interim final rule to implement the Advanced Technology Vehicles Manufacturing Incentive Program ("ATVMIP") established by section 136 of the Energy Independence and Security Act of 2007, Pub. L. No. 110-140, as amended by the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act of 2009 § 129.

The ATVMIP is designed to make loans and grants available to qualifying automobile manufacturers and component suppliers so as to enable them to make the enormous capital investments necessary to improve fuel efficiency, maintain a strong domestic manufacturing base, and stimulate the creation of jobs in the United States. Remy applauds Congress and the Administration for its willingness to address a complex and significant issue for American industry and its workers. The ATVMIP is a cogent blend of provisions that will create jobs in sectors that have been unusually hard-hit by the recent economic downturn while simultaneously addressing the environmental concerns that have come to the fore in recent years. We also applaud the Department of Energy for its willingness to solicit and entertain the views of those in the effected sectors. A collaborative effort between the government and the governed will enable the Administration to identify and address various issues associated with the implementation of ATVMIP.

Remy International, Inc., which until 1994 was part of General Motors Corporation, is one of the largest suppliers of parts to manufacture and maintain automobiles and industrial vehicles. With twelve (12) manufacturing and distribution facilities in six (6) states (Indiana, Michigan, Mississippi, Oklahoma, Virginia, Texas), Remy employs more than 1,200 workers in the United States. Remy has emerged as a

market leader in environmentally friendly technology development through a combination of energy efficient new hybrid drive and rotating electrical technologies for passenger vehicles and trucks. Remy manufactures and distributes original equipment manufacturer ("OEM") and aftermarket starters, alternators, electrical and power-train components for automobiles and industrial and agricultural vehicles.

Remy, as the developer and manufacturer of many components essential for hybrid and other fuel-efficient technologies, has an abiding interest in the implementation of ATVMIP and through these comments hopes to provide the Department with useful information to facilitate the issuance of the interim final rule required by the 2009 Amendments. Our comments are indexed to the appropriate subsection in section 136.

1. Definitions--§§ 136(a) & 136(d)

In developing the interim final rule, Remy recommends that the definition of three terms be clarified, consistent with the Secretary's rulemaking authority, and that a definition be provided for a fourth term, not defined in the statute.

a. § 136(a)(1)--"Advanced Technology Vehicle"

The statute currently defines "Advanced Technology Vehicle" as a "light duty vehicle" that meets three criteria, one of which relates to the "Bin 5 [or lower Bin] Tier II emission standard established" by the Environmental Protection Agency under the Clean Air Act ("CAA") § 202(i), 42 U.S.C. § 7521(i). The term "light duty vehicle" is not defined in the statute, and does not otherwise have a fixed and relevant regulatory meaning.

We believe the Secretary should promulgate a definition of "Advanced Technology Vehicle" that is fully consistent with the language and purpose of the statute, *i.e.*, to advance the development of new technology. To do so, the Secretary should define a "light duty vehicle" by reference to its emission and mileage profile and not by reference solely to its weight or function. If such were the case, it would be science that sets the metes and bounds of the vehicle and this would encourage engineering firms to develop broadly applicable reduced emission technologies. There is certainly nothing in the statute that would preclude the Secretary from defining "Advance Technology Vehicle" in terms of the technological parameters of emissions and mileage performance rather than by a rigid, arbitrary, and formulistic weight/function metric.[1]

[1] Relying on regulatory criteria from the Environmental Protection Agency to define "light duty vehicle" makes little sense in this setting. As noted above, this statute is a performance statute aimed at improving overall air quality and fuel efficiency across the board. Drawing distinctions between vehicle types may make sense in the regulatory context, where enforcement and compliance are fundamental goals, but makes little sense here where technology is the goal. In short, the term "light duty vehicle" should be defined broadly to reflect the purposes of statute which are reductions in emissions and increases in fuel efficiency to as many vehicles as possible through advancements in technology. Thus, for instance, a light duty vehicle should be defined as one with greatly reduced fuel consumption (*i.e.*, light on fuel) and greatly reduced emissions (*i.e.*, light on emissions) and not just on its weight, function or look.

b. § 136(a)(3)--"Engineering Integration Costs"

The statute currently defines this term to include the costs of engineering tasks associated with (i) incorporating qualifying components into the design of an advanced vehicle and (ii) designing and developing manufacturing processes and material suppliers for production facilities. We recommend the regulation confirm that these costs include costs normally associated with engineering, such as the costs of prototype and production tooling and components, validation testing and the costs associated with employing draftsmen, technicians, and engineers necessary to undertake the engineering tasks envisioned by subsection (a)(3).

c. § 136(a)(4)--"Qualifying Components"

The statute defines this term to mean components that, in the Secretary's view, have been designed and installed for the purpose of meeting the Act's performance requirements. This subsection should be clarified by the Secretary to expressly confirm and implement Congress' direction that the Secretary assist manufacturers and component suppliers to integrate components for advanced technology vehicles. As you are aware, a component supplier does not have control over the actions of the manufacturer or end-user. Consequently, a narrow interpretation of § 136(a)(4) that for example predicates a component supplier's Program eligibility on the decisions of an unrelated third-party manufacturer could effectively disqualify many, if not all, independent component suppliers, hinder the development of new technology, and frustrate Congress' clear intention to encourage innovation and development. Therefore, we recommend, for clarity, fidelity to Congressional intent, and ease of application, the following regulatory definition:

> "Qualifying Components" include any component intended by the automobile manufacturer or component supplier to be installed in an advanced technology vehicle for the purpose of meeting the performance requirements of advanced technology vehicles provided for in 42 U.S.C. § 17013(a) and that meets any one of the following criteria:
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> (a) a component specifically designed by a manufacturer or component supplier for use in advanced technology vehicles; or
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> (b) a component existing on or before the effective date of this rule that can be used or modified by a manufacturer or component supplier for use in advanced technology vehicles; or
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> (c) such other component as the Secretary in his discretion may designate or approve.

d. § 136(d)(3)(A)--"Financially Viable"

Although the statute uses the term "financially viable," it does not define the term. We recommend, for clarity and ease of application, that the term be defined as follows:

> "An applicant for a loan is deemed 'financially viable,' if its ongoing operations are capable of generating sufficient cash flow to fund existing debt obligations without the loan under this part."

This definition is comparable to the definitions of "financial viability," adopted by other agencies with respect to other grant and loan programs. *See* 42 C.F.R. § 1302.2 (defining "financial viability" for grantees under the Head Start program); 7 C.F.R. § 1941.4 (defining "financially viable operation" for a Department of Agriculture loan program).

2. Use of Loan & Gran Funds--§§ 136(b) & 136(d)

Section 136(b) provides grant funding in the form of awards while section 136(d) provides loan funding.

a. § 136(b)--Advanced Vehicles Manufacturing Facility

This subsection authorizes the Secretary to award grant funds to component suppliers or manufacturers to establish, expand or re-equip facilities in the United States to manufacture qualifying components or vehicles. Certain component suppliers have facilities both in the United States and aboard, and anticipate using funds made available under this Act to relocate those foreign facilities in the United States. There is nothing in the Act that precludes the Department from funding by grant or loan this re-location. We therefore recommend in the interest of clarity and United States jobs that the regulations expressly permit funding under the Act for all costs associated with relocating facilities into the United States. These costs would include, by way of example only, costs incurred for transferring and shipping assembly line equipment, costs incurred in establishing adequate of inventories of parts during any such move (*e.g.*, parts bank), and costs in terminating foreign operations.

b. § 136(d)--Direct Loan Program

The statute does not preclude an otherwise qualified manufacturer or component supplier from obtaining a 30 percent award under subsection (b) and a 70 percent loan under subsection (d). We assume that the regulations will confirm that an applicant that received a loan for a facility or project would also be eligible to apply for a grant for that same facility or project and vice versa.

3. Obtaining Loans--Loan Covenant Issues

The ATVMIP is an ambitious, but critical program and the loans are a crucial part of that program. However, external factors may impede the implementation the ATVMIP-loan program to the detriment of all concerned. Specifically, most U.S. automobile manufacturers and component suppliers have existing credit arrangements with commercial banks that may preclude them from obtaining additional loans without the prior approval of the banks. Some banks will provide approval but only if the borrower pays a significant "waiver" fee. ATVMIP was not intended to rescue or benefit commercial banks, many of which are already receiving, or will be receiving significant federal assistance.

Remy believes that the Rule should affirmatively preclude any lending institution from interfering, directly or indirectly, with an applicant's ability to receive a loan under section 136(d) as long as the applicant is financially viable. If the Secretary lacks the authority to implement such a proviso, we strongly urge the Secretary to communicate with the Secretary of Treasury to require banks and financial institutions receiving benefits under the recent bailout package to provide loan covenant waivers at no charge or other such necessary concessions to applicants seeking funding under section 136(d).

Sincerely yours,

/s/ Jeremiah J. Shives
Jeremiah J. Shives

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