



Testimony of the
Motor & Equipment Manufacturers Association
Before the
United States House of Representatives
Committee on Small Business

“Help Wanted: How Passing Free Trade Agreements
Will Help Small Businesses Create New Jobs”

6 April 2011

The Motor & Equipment Manufacturers Association (MEMA) represents over 700 companies that manufacture and remanufacture motor vehicle parts for use in the light vehicle and heavy-duty original equipment and aftermarket industries. MEMA represents its members through four affiliate associations: Automotive Aftermarket Suppliers Association (AASA); Heavy Duty Manufacturers Association (HDMA); Motor & Equipment Remanufacturers Association (MERA); and, Original Equipment Suppliers Association (OESA). Today, MEMA is represented at this hearing by Cloyes Gear and Products.

MEMA and Cloyes support the ratification of the pending free trade agreements with South Korea, Panama and Colombia. Cloyes is an example of how free trade can assist a small manufacturer – allowing it to grow and employ more American workers.

Cloyes began as a small business in Cleveland, Ohio manufacturing replacement engine timing gears in the 1920s. The company moved to Arkansas in the early 1960s beginning with approximately 25 people. In the 1970s, Cloyes began selling products to General Motors.

In 1995, Cloyes made the decision to go “global.” The company’s senior management went on a trade mission to Japan sponsored by the U.S. Department of Commerce, visiting Japanese vehicle manufacturers. Five years after this trip, they began to do business with Nissan. Today, Nissan is Cloyes’s third largest customer.

In 2005/2006, KPS Capital Partners, LLC took a direct majority investment in Cloyes. KPS kept the existing management and growth plan in place because both were sound. The KPS strategy is to invest in manufacturing businesses that need financial or operational turnarounds. In late 2010, Cloyes shareholders agreed to merge with HHI – another automotive parts manufacturing portfolio company of KPS Capital Partners, LLC – because the changes the company faced after the financial crisis and automotive restructuring were better served as part of a larger corporation. Cloyes still operates in an entrepreneurial style as an independent division.

With approximately 750 employees, the Small Business Administration defines Cloyes as a small manufacturer in its product code. This company is truly a small manufacturer in the world of motor vehicle manufacturing. Workers United, an affiliate of the Service Employees International Union (SEIU), represents the vast majority of its hourly U.S.-based employees. Cloyes is primarily a rural-based manufacturing business with two plants in Paris and Subiaco, Arkansas. These two manufacturing locations employ approximately 600 people. Additional employees are located in Arkansas, Illinois, and Michigan with a small number of international employees.

Cloyes employees know they are competing in a highly competitive global marketplace. The company and its workers are constantly training in new techniques, such as continuous improvement and Six Sigma Black Belt activities. The State of Arkansas and the University of Arkansas at Fort Smith have greatly aided this effort with their Incumbent Worker Training Program.

Export business for Cloyes is growing rapidly. Currently, they export to the following countries and regions: France; Germany; Italy; Austria; Sweden; United Kingdom; Japan; China; Korea; India; Australia; Venezuela; Columbia; and, the Middle East.

According to the National Association of Manufacturers, exports are now 22 percent of U.S. manufacturing production. Cloyes is a living example of this statistic. In three years, their non-NAFTA business will grow to approximately 25 percent of sales. In addition, the company has benefitted greatly from NAFTA, which has allowed us to freely sell original equipment and aftermarket goods to Mexico. Because of the company’s superior value-added manufacturing capabilities and technology, sales of goods to Mexico produced by its U.S. workforce have grown approximately 25 percent per year.

Trade with South Korea is particularly important to a company such as Cloyes. They began selling advanced engine components to Korea in October 2010 – a new system for the company that employs approximately 30 U.S. hourly employees. Engines utilizing Cloyes’s components are shipped to China, Thailand, Australia and South America. Good trade relations are essential to future growth of additional new programs.

Moreover, new business opportunities are created in the U.S. with Korean transplant business as they build U.S. manufacturing locations. Cloyes will begin producing an advanced engine component system in the summer of 2011 for sale to General Motors India. This system will employ approximately 10 hourly employees in its U.S. plants.

MEMA and Cloyes urge Congress to quickly consider and ratify all three pending free trade agreements. The ratification of these agreements will not only increase trade, it will also promote and increase U.S.-based jobs. Furthermore, the pursuit of the Trans-Pacific Partnership agreement will open new market opportunities for Cloyes and other manufacturers.

Cloyes and its employees have greatly benefitted from free trade agreements and the free trade of goods to its international customers.

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