



INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION

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January 15, 2010

Mr. Laurent Fahet
Purchasing Manager
PSA Peugeot Citroen
Direction des Pièces de Rechanges
75, avenue de la Grande Armée
75116 Paris
FRANCE

Dear Mr. Laurent:

The Independent Lubricant Manufacturers Association (“ILMA”) shares the same concerns of the UEIL with PSA’s new procedures for the technical acceptance of lubricants used in PSA’s motor vehicles. ILMA agrees with UEIL’s assertion that PSA’s new procedures constitute a barrier to entry for independent lubricant manufacturers, thereby impairing fair and effective competition. ILMA understands that PSA will be meeting with UEIL on January 20, 2010 to discuss this matter.

ILMA, established in 1948, represents 135 manufacturing member companies in North America. As a group, ILMA member companies blend, compound and sell over 25 percent of the United States’ lubricant needs and over 75 percent of the metalworking fluids utilized in the country. Many of ILMA’s member companies export finished lubricants to the European Union or have business arrangements for the use of their proprietary formulae overseas. Some ILMA members belong to country delegations that comprise UEIL.

ILMA members are concerned that PSA-approved lubricants will be significantly more expensive to produce than a product made to the universal engine oil specification. As ILMA understands PSA’s new procedures, each viscosity grade of engine oil will require approval at a cost of EUR 20,000 € per year for three years. Independent lubricant manufacturers will have to recover this cost to PSA over fewer gallons sold than their major oil competitors or high-volume manufacturers (e.g., an oil company with some of PSA’s factory fill business). This higher per-gallon price puts the independent lubricant manufacturer at a competitive disadvantage, and it will adversely affect competition. ILMA would recommend the use of PSA-approved additive packages which independent lubricant manufacturers can purchase, along with the appropriate, base stocks.

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ILMA understands that PSA's new approval procedures can take up to six months to complete. We share UEIL's concerns with the order in which requests for approval will be processed by PSA. It is possible that PSA can put independent lubricant manufacturers to the "back of the line," creating delays and competitive impacts for those companies still awaiting approval. PSA should ensure that its approval process is competitively neutral.

Independent lubricant manufacturers trying to "do the right thing" by participating in PSA's approval process also are at substantial risk of being injured competitively by unlicensed and substandard PSA-like products. A similar problem has occurred in the United States, for example, with recent licensing changes in the automatic transmission fluid market. It is unclear to ILMA how PSA intends to monitor the marketplace for quality PSA products.

Finally, PSA has indicated that its approval process is not compulsory and that independent lubricant manufacturers can use their own or third-party testing to meet PSA's specifications. It is unclear at this time how this alternative method will be implemented and monitored by PSA.

ILMA appreciates PSA's consideration of its views on this important matter. We hope that PSA will get a better understanding of the concerns of independent lubricant manufacturers in your upcoming meeting with UEIL and that steps will be promptly taken to ensure that PSA's new procedures enhance, rather than impair, fair and effective competition and provide quality lubricants to PSA's customers.

Sincerely,



Celeste M. Powers, CAE
Executive Director

cc: Jos Jung, UEIL
ILMA Board of Directors
Massimo Merola, Esq.
Jeffrey L. Leiter, Esq.