

**Sec. 24405 (Treatment of Low-Volume Manufacturers) of
H.R. 22, the “Fixing America’s Surface Transportation Act”**

Issue: For nearly five decades, the National Highway Traffic Safety Administration (NHTSA) has not distinguished between a company producing millions of cars and a small business making a few custom cars. NHTSA’s one-size-fits-all approach meant that these small companies were subject to the same regulations and paperwork burdens as the large automakers that mass-produce vehicles.

- Due to the regulatory inflexibility, it has been nearly impossible for small companies to custom-build automobiles for customers seeking unique cars.
- A small kit car industry emerged in recent decades that markets incomplete vehicles as an “assemblage of motor vehicle equipment,” whereby the enthusiast who installs the engine/transmission is deemed by NHTSA to be the vehicle manufacturer. NHTSA does not regulate individuals. Rather, the states handle titling and registration issues.
- For replica cars – vehicles that resemble other cars produced 25 years ago or more – many states generally regulate them according to the standards for the year they replicate, not the current model year. [For information on state laws that regulate replica cars and other specially constructed vehicles, please visit the SEMA Action Network’s [“Tag & Title Toolbox” \(www.seman.com\)](http://www.seman.com)]

Background: Since 2011, SEMA has been working with Congress to pass the “Low Volume Motor Vehicle Manufacturers Act” ([H.R. 2675](http://www.seman.com)), which creates a reasonable regulatory structure allowing small companies to produce a limited number of completed replica motor vehicles that resemble the appearance of cars produced 25 years ago or more. The legislation simply treats the vehicles the same as the kits purchased and assembled by customers, subject to equipment standards but not vehicle standards. This is reasonable regulatory reform, as NHTSA has refused to establish an alternative approach and the kit car model has worked for decades at the state level.

Enactment: SEMA worked with bill sponsors Rep. Markwayne Mullin (R-OK) and Rep. Gene Green (D-TX) to include the low volume language within the federal highway bill ([H.R. 22](http://www.seman.com)). The final bill language was the product of negotiations between House/Senate committees and SEMA. It allows low volume manufacturers to sell up to 325 completed replica vehicles per year in the United States. Current model year clean engines must be installed in the vehicles.

Benefits:

- **Jobs:** the new law will create well-paying jobs in the American auto industry.
 - The specialty automotive aftermarket currently employs over 1 million Americans.
 - The new law will enable U.S. companies to diversify their business model by producing and selling completed replica vehicles. This is especially important for kit car manufacturers, since not every consumer has the time, skills or inclination to complete a vehicle themselves. Customers now have the option of buying turn-key replicas.
 - The law will create jobs throughout the supply chain, since companies producing the components for these cars will also benefit.

- Companies will be exporting replica vehicles to meet the expanded global demand for classic American automobiles. While replica manufacturers can build up to 325 vehicles each year in the U.S., they are able to sell up to 5,000 worldwide annually.
- **Regulatory Flexibility:** The new law provides common-sense regulatory relief for small businesses that would otherwise be treated as if they were producing millions of cars.
 - The companies are required to register with NHTSA and EPA, and file annual production reports.
 - The replica vehicles will be subject to equipment standards, recalls and remedies.
- **Clean Cars, New Technology:** The vehicles must meet current Clean Air Act standards for the model year in which they are produced. The new law allows the low volume vehicle manufacturer to meet the standards by installing an engine and emissions equipment produced by another automaker (GM, Ford, etc.) for a similar EPA-certified vehicle configuration or a create engine that has been granted a California Air Resources Board (CARB) Executive Order (EO). This reasonable regulatory reform will also spur innovation, including advances in alternative-fuel and green vehicle technologies.
- **More Choices for the American Consumer:** New, unique, and innovative products that celebrate America's automotive heritage will be available to the American consumer and foreign markets.
- **Revenues:** The new law will generate millions for American companies and increase tax revenues for the federal government, states, and localities.