

**LUBE**

# TECHNI-GRAM



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## OEM'S TREADING ON FREE ENTERPRISE

**Free enterprise: freedom of private business to organize and operate for profit in a competitive system without interference by government beyond regulation necessary to protect public interest and keep the national economy in balance.**

**Webster's Dictionary**

Fair competition...customer options and choices...this is the very essence of Free Enterprise. It is what makes democratic countries great. As companies innovate to compete in a free and fair market, consumers ultimately benefit.

Fleet/ equipment owners should be very alarmed regarding a growing trend toward 1) a move to special, OEM-approved, extended-drain lubricants, and 2) the control of lubricant sales by the original equipment manufacturers themselves. Two events are converging here to reduce the number of choices available to lubricant users. First, we are seeing significant consolidation in the oil industry, i.e. Exxon-Mobil, Texaco-Shell, etc. Second, we have the emergence of these OEM specs designed to suppress the impact of independent manufacturers. The result ultimately will be a serious reduction in the number and quality range of lubricant options available.

More and more OEMs are actively marketing their own branded lubricants which are traditionally manufactured for them by conventional major oil companies. The OEMs call this trend a move to guarantee lubricant's suitability. Many in the lubricants industry, Southwestern included, view it as an inherent conflict of interest and a dangerous infringement on free trade practices.

Under the appearance of making sure that an extended-drain capable lubricant can perform as advertised, OEMs take control over the lubricant specification and approval process. This is where the barriers to fair and open competition by lubricant marketers come into play. For example, in 1999 General Motors' Allison Transmission Division introduced an extended-drain ATF specification, called TES-295. The specification, which is extremely costly and time consuming to meet, was introduced after Allison had already developed and marketed its own branded product, TranSyn. The spec also required passing results with a new dynamometer test stand **that is not even available to lubricant marketers**. All of these factors will virtually guarantee no competition against Allison's own approved fluid.



*... to keep it running*

In a similar example, and one that we have addressed in a previous Techni-Gram (October 1998), Eaton Corporation has a specification for extended-drain manual transmission fluid, PS-164. Like Allison, its spec requires millions of dollars and many years be spent before an approval can be obtained. In addition, lubricant marketers who have started the approval process...which includes a 550,000 - mile field test with a minimum of 100 trucks...have found that the rules change as their testing progresses. In the meantime, Eaton markets its own fluid already approved for PS-164 service.

Things get worse. As restricting and difficult as the above examples are, at least published lubricants specifications exist! Caterpillar has recently directed its customers in certain applications to use fluids meeting the requirements of TO-4M and FD-1. However, **there are no published specifications to let oil marketers know what the requirements are!** But, as you might have already surmised, Caterpillar markets it's own branded products which meet the "unknown" specifications.

We respect the right of equipment manufacturers to specify performance levels for the equipment they manufacture. And, we encourage them to set the bar as high as they can. But, when they require compliance with unpublished specs or specs which have been manufactured solely as a barrier to competition, they have gone too far.

It is our opinion that these OEM practices raise serious restraint of trade issues. It basically works like this: OEM approves lubricants. OEM sells lubricants. If OEM doesn't approve other lubricants for extended drain/warranty, OEM has a virtual monopoly.

This type of practice can lead to fleet/equipment owners being forced to pay exorbitant prices for products that may or may not offer any advantage over the cost-effectiveness of competitive products outside the OEM's restricted approval process. We encourage everyone to contact their elected officials to let their thoughts be known on this matter. We certainly plan on doing everything in our power to voice our opinion on this very questionable practice, including working through the Independent Lubricant Manufacturers Association (ILMA) to bring attention to the issues it raises.