



The Association For  
Automotive Aftermarket  
Professionals

NEW YORK STATE AUTOMOTIVE AFTERMARKET ASSOCIATION

# NEWSLETTER

*Serving the Automotive Aftermarket Since 1949*



**January  
2019**

## Another Year, Another Increase, When is "Enough is Enough"?

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It's almost midnight December 31st and a huge crowd fills Times Square eagerly awaiting the ball dropping and signaling in a New Year and new hope. They count it down and when they reach zero, 2019 illuminates and they all cheer and hug and kiss with excitement for the coming year.

Who should be there cheering are all the minimum wage earners in the state of New York. The minute 2019 lit up, they got a significant pay increase for the third straight year for doing absolutely nothing. I saw the 2019 and I was far from excited as all I saw at that moment was a \$4,000 plus increase in my payroll.

Being the third year of the mandate, my payroll increase just from the minimum wage alone, will be \$12,000 from two years ago with two more annual increases coming. Of course that doesn't even take into account the related increase in workers compensation premium as well as the increase to the employers matching contribution for FICA.

On top of that, my contribution to the cost of their health insurance has increased every one of these years. Wouldn't it be nice if they could contribute as much to the profits as we contribute to them? It certainly takes the happy out of happy New Year for so many small business owners.

I was talking to a parts store owner the other day and he confirmed what I anticipate will soon be a new aspect of the minimum wage mandate. One of his drivers was boasting to his manager about how he was getting another nice raise January 1. His manager was salaried and thus hadn't paid much attention to the minimum wage increases.

The manager hadn't had a raise in several years. He decided that if the drivers were all going to get a raise every year, he wanted a raise. He confronted the owner with an ultimatum that if he didn't get a substantial raise, he would leave and go to work for a competitor. I call this "phase two" of the minimum wage mandate.

On top of this, we all know what a burden property taxes in New York are on small businesses. I talked to a customer of mine about his property taxes the other day. He has a small body shop and does outstanding work on old car restorations. He fell behind on his property taxes which triggered a visit from an employee of the City of Syracuse.

While the city employee was there, he began to look around my customer's building. He concluded that the city may have his building undervalued. The city came in and reassessed his building causing his property taxes to double. My customer has reached 65 but being in good health, he had no intention of retiring. The city/state forced him into retirement. At that point, enough was enough for him.

I am old enough to retire but I really don't want to. I still really enjoy what I do and still love the challenge of operating a small business. I don't know if I am financially sound enough to have the life style that I would desire in retirement. I don't know for sure what I would really want to do in retirement or if I would wind up being bored.

Unfortunately when it comes to business, it is very difficult to know what the future holds. I hope that when that day comes and I decide to retire, that I will be able to do so on my own terms. I just hope I won't be forced into retirement by the state.

[www.nysaaa.com](http://www.nysaaa.com)

I know that we have many members who are in the same position that I am. They are all facing this hard decision of when enough is enough. Over the past ten years or so, we have had a lot of members who have said enough is enough and sold or closed their businesses. Some made that decision because it was the right time for them and they made out very well.

Unfortunately some were forced into making that decision. I hope all of you will make that decision when you feel the time is right and not because you are forced to say enough is enough.

The Association has lost many members over the past ten years when they sold or closed their business. This has had a dramatic effect on the Association. However, with the cuts we have made to overhead, the Association has been able to keep going for all our existing members.

Your support is what continues to make it viable. Like so many of our members, the Board of Directors that have served your needs for decades, are getting older as well. I recently asked the board if they have had enough. They came back with a response of not yet.

They felt that we still offer a valuable service to all of our appreciated members. We owe a debt of gratitude to our board members for continuing to serve the interests of our members over their own personal interests. I don't know when myself, the board members or our members will say enough is enough.

I do know that we need to be there for each other as we move through this future of uncertainty. I do want to wish all of you good health, prosperity and peace of mind in the New Year. We will be here for you in 2019.

## \$15.00 per hour Minimum Wage for New York State - Stage 3 of 3

The New York State Budget that was approved on April 1, 2016 contained the steps for the gradual increase of New York States' Minimum Wage from \$9.00 per hour to \$12.50 or \$15.00 per hour, depending on what part of the state in which your business is located and where you work.

For workers in New York City employed by large employers (those with 11 or more employees) the minimum wage will increase by \$2.00 to \$15.00 per hour effective on 12/31/2018.

For workers in New York City employed by small employers (those with 10 or less employees) the minimum wage will increase by \$1.50 to \$13.50 per hour at the end of 2018, then another \$1.50 the next year, until reaching \$15.00 on 12/31/2019.

For workers in Nassau, Suffolk and Westchester counties, the minimum wage will increase by \$1.00 to \$12.00 per hour at the end of 2018, then another \$1.00 each year thereafter, until reaching \$15.00 on 12/31/2021.

For workers Upstate, in the Albany, Syracuse, Rochester and Buffalo regions, the minimum wage will increase by \$0.70 to \$11.10 per hour at the end of 2018, then another \$0.70 each year thereafter, until reaching \$12.50 on 12/31/2020, after which it will continue to increase to \$15.00 an hour on an indexed schedule to be set by the Director of the Division of Budget in consultation with the Department of Labor.

As the New Year approaches and the changes have been completed, an updated All-in-One Labor Law poster covering the regulations for both the State of New York and the Federal Government, will be released. The Association office will have an ample supply available for sale at a fair price, well below the \$36.95 currently being offered by those persistent mailings.

A Revised Minimum Wage Form LS 207 for December 31, 2018 to December 30, 2019 is included in this Newsletter and is also available on our website at: [www.nysaaa.com](http://www.nysaaa.com).

On the Department of Labor website: [www.labor.ny.gov](http://www.labor.ny.gov), under Laws and Regulations and then Minimum Wages, is a wage rate schedule detailing these increases, as well as other information concerning the minimum wage for tipped workers in the hospitality industry and farm workers.

**Employers of fast food workers:** Adding another wrinkle to these statewide minimum wage increases is the separate fast food worker minimum wage schedule. Effective December 31, 2018, all fast food workers in New York City must be paid a minimum wage of \$15.00 per hour. That same rate for fast food workers will be rolled out to the rest of the state a few years later, effective July 1, 2021.



# Sexual Harassment Legislation Affects Businesses in New York State

New York State continues to update legislation to create work environments for everyone that are free from sexual harassment. The latest updates include provisions that expand the definition of protected individuals and outline employer responsibilities and compliance mandates.

**Who is protected?:** All employees and non-employees, including independent contractors, freelancers, temporary workers, vendors, consultants and individuals employed by companies contracted to provide services to your company (cleaning crew, copier repair technician, etc.).

**Employer responsibilities:** As of October 9, 2018 employers in New York State must comply with the following:

- Adopt a sexual harassment policy
- Distribute the policy to all employees and ensure they have access to it
- Adopt an internal complaint form
- Implement annual, interactive training
- Initial training must be completed by October 9, 2019, but new employees should be trained as soon as possible.

**Costs of a claim:** Even if your company is not at fault, there are obvious and hidden costs:

- Reduced productivity
- Legal fees and settlements that affect profitability
- High turnover and a hit to morale
- Lasting damage to your reputation

Source: Paychex Inc.

## Social Security Changes Coming in 2019

**A higher tax cap:** Workers will contribute 6.2 percent of their earnings to Social Security until their income exceeds \$132,900 in 2019, up from \$128,400 in 2018. Those that earn more than the taxable maximum will not have those earnings taxed by Social Security or used to calculate retirement benefits.

**Larger earnings limits:** Retirees who work and collect Social Security benefits at the same time, will be able to earn slightly more in 2019. Those who are younger than their full retirement age can earn up to \$17,640 in 2019, \$600 more than in 2018. One dollar in benefits will be withheld for every \$2 in earnings above the limit.

For those who will turn their full retirement age, but have not reached their birthday in 2019, the earning limit will be \$46,920, up from \$45,360 in 2018. One dollar in benefits will be withheld for every \$3 in earnings above the limit.

Once you turn your full retirement age there is no penalty for working after claiming retirement benefits and your benefit will be recalculated to give you credit for any withheld earnings.

**An older full retirement age:** Social Security's full-benefit retirement age has increased gradually due to legislation passed by Congress in 1983. Currently, the full benefit age is 66 years and 4 months for people born in 1956. 66 years and 2 months for those born in 1955 and for everyone born between 1943 and 1954, 66 years and no months.

The full retirement age will increase in 2 month increments in subsequent years until it reaches age 67 for everyone born in 1960 or later. Benefits taken at age 62 will be reduced to 70 % of the full benefit. Benefits taken at age 65 will be reduced to 86.7 % of the full benefit.

There is a financial bonus for delayed retirement. An individual reaching the full-benefit age in 2019, receives an 8% increase for each year they delay collecting benefits up to age 70. When the full-benefit age reaches 67, benefits claimed at age 70 will be 24 % higher due to that delay. The maximum retirement benefit for someone who waits until age 70 to collect benefits is \$3,538 a month.

**Medicare taxes for 2019:** The Medicare portion is 1.45 % on all earnings. Individuals with earned income of more than \$200,000 (\$250,000 for married couples filing jointly) and \$125,000 for married taxpayers filing a separate return, will be assessed an additional 0.9 percent in Medicare taxes on all earnings over the limits listed above.

**Bigger payments:** The average monthly Social Security payment is expected to increase to \$1,461 in January 2019. Couples who are both receiving benefits will see their payments increase to \$2,448. The maximum possible Social Security benefit for a worker who begins collecting benefits at full retirement age will be \$2,861 up from \$2,788 in 2018.

To get a personalized estimate of your future benefits, you will need to go to [www.ssa.gov](http://www.ssa.gov) to create an online mySocial Security account.

Source: Social Security National Press Office



# 2019 Standard Mileage Rates for Business, Medical and Moving Purposes

The Internal Revenue Service (IRS) released Notice 2019-02 providing the 2019 standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on January 1, 2019 the standard mileage rates for the use of a car (vans, pickups or panel trucks) will be:

- 58 cents per mile for business driven, up from 54.5 cents in 2018
- 20 cents per mile driven for medical or moving purposes, up 18 cents for 2018
- 14 cents per mile driven in service of charitable organizations.



The charitable rate is set by statute and remains unchanged.

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating a motor vehicle. The rate for medical and moving purposes is based on the variable costs.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle. In addition, the business standard mileage rate cannot be used for more than four vehicles used simultaneously.

Notice 2019-02 contains the standard mileage rates, the amount taxpayers must use in calculating reductions to basis for depreciation taken under the business standard mileage rate and the maximum standard automobile cost that may be used in computing the allowance under a fixed and variable rate (FAVR) plan.

## The Two Most Important Character Traits of Successful Salespeople

We know there are many character traits that determine long-term sales success or failure. That said, I find there are two key traits that really separate the cream of the crop from everyone else. The key traits of top-producers are:

**Trait #1: Extreme Ownership:** The most successful salespeople take complete ownership of everything in their life, and I do mean everything. From sales numbers all the way to car accidents, they see themselves as ultimately in control of and responsible for anything related to getting their job done and meeting obligations.

In this way they are empowered so that when something goes wrong, they can immediately grab the bull by the horns and do what they have to in order to remedy the situation. They don't spend time complaining, playing the victim or throwing their hands up in a "what's the use, it's out of my control" fashion.

I've seen the best salespeople overcome weather, power outages, tornadoes, car accidents, trips to the hospital and almost everything else you can imagine, to make sales calls and hit their numbers. If you have a meeting scheduled with them and the world is coming to an end, you can bet everything you own that they'll be there.

Top salespeople are committed to and completely accountable to their clients, their family, themselves, their company and co-workers and everyone else they come into contact with. They are hard workers, self-starters and have the willingness to push themselves harder than anyone else can possibly push them.

If you tell them to make 20 calls, they'll make 30. If you tell them they're going to have to work nights and Saturdays, not only will they do that, they'll also be the first one in in the morning and they'll work Sundays too. You don't need to look over their shoulder to make sure they're doing what they should be doing.

They understand they have an obligation to their clients and to the company that pays them, to go above and beyond and put in maximum effort. Top producers are completely sold on their product to the point which, if it's one they themselves can own, they do, along with their family and friends.

They have conviction and are passionate about helping others while at the same time saving people from the competition who at best, will not take as good of care of them as they will and at worst, will even take advantage of them. They have a willingness to go far above and beyond for prospects and clients and will do anything and everything to win fair and ethically.

Top producers understand that success is completely up to them. They take complete ownership, extreme ownership, reminding themselves that they are 100 % responsible for their success. If they fail, they own it. Everything begins and ends with them. They don't blame anyone or anything outside of themselves.

You won't hear them complaining about the competition being cheaper, the supposed bad market for their product or the new industry regulations. They know that even in the toughest of conditions, someone is thriving and they're determined it's going to be them.

You also won't hear them blaming outside forces for a lost sale, past failure or anything else that has put them in their present position in life.

**Trait #2: Extreme drive and determination:** The best are extremely driven and determined. They know why they are doing what they are doing and they know who and what they are doing it for. They know that the super stars aren't super-human, they are average, flawed individuals just like the rest of us.

The difference is they've found a reason, a purpose within them, that gets them up early, keeps them up late and keeps the fire of motivation and determination burning brightly within them and they use it to outwork everyone else. The champions are like extreme athletes when it comes to dedication, commitment and preparation.

They make do-or-die commitments. They do whatever it takes to make their dreams and vision a reality and are willing to fight, or even die, for what they believe in. Top producers realize that there is no such thing as get-rich-quick or overnight success. They know that you must pay the price for success in advance and they do.

They are willing to suffer and put in lots of work and they don't require immediate rewards or payoff. They are willing to work like no one will for three, five or ten years or more, to live the rest of their life like no one can. Top sales people understand that one of our biggest enemies of long-term success is the comfort zone, which can cause us to lose our fire.

To defend against this the great ones create a mission statement that is so magnificent that they need to constantly be growing and expanding in order to fulfill it. They also surround themselves with people who continually challenge them and force them to grow.

From time to time they assess their values and what's really important to them because they understand that priorities change as we go through life. They continue to make larger, grander goals and plans so as they approach the achievement of one goal, they have a bigger one to keep their motivation strong.

Finally, the best understand that, yes, sheer will and determination will pretty well overcome any obstacle and take you anywhere you want to go in life. They apply that will and determination at a level that few humans are willing to match. They decide on a goal and then cut off all avenues of escape, they burn the boats behind them.

They make the decision to climb the mountain knowing they are either getting to the top or they are dying on the side of the mountain, but they are not coming down, they aren't quitting. It's all-or-nothing, do-or-die.

Source: John Chapin a motivational sales speaker and trainer. [www.completeselling.com](http://www.completeselling.com)

## A Reason Many Salespeople Fail and How to Avoid It

In a recent article by friend and colleague John Brubaker (CoachBru.com), he stated that, "According to a U.S. Department of Commerce research study, in the first five years of a business the survival rate for independent small businesses is less than 20 %, but the survival rate for franchises is 95 %."

He continues "... It isn't so much name recognition .... It's the fact that with a franchise you get to utilize a turn-key set of business operations [a successful system that works] as opposed to having to invent the wheel in your own business.

... Starbucks [has] an excellent system which is why they have a thriving business. From the point of purchase displays, merchandising, upsells, menu options and language to the tiered pricing, customer service and order production/fulfillment methods, they have a calculated, streamlined process for every single touchpoint.

"(Note: The system does NOT vary from store to store within the franchise. The system IS the system.)"

During a discussion with me, he iterated that his own research found that salespeople and entrepreneurs that follow a sales system are 10 times as likely to be successful as those that don't. The reason why this is true may not be what you expect. It's also not the same exact reason for franchise success, though it's similar.

The primary reason why salespeople following a system are 10 times as successful as those that don't, is that they care enough to have a system to begin with. Let me explain. The first step to success in sales is an iron-clad commitment that you're going to be successful. Anyone committed to a goal lays out a plan and follows a system to achieve that end.



Whether it's weight loss, learning how to play the harmonica ... or sales goals. The person who just "kind of" wants to lose weight, thinks it "might be nice" to play the harmonica, or are in sales because it "pays the bills and gets them to the weekend", aren't putting in extra time to plan out how they're going to actually make it happen.

Similar to the person who spends more time planning a vacation than their retirement. They simply aren't serious about the latter. The good news is: a sales system doesn't have to be a painstakingly detailed, step-by-step system that's required to run a franchise such as Subway or Starbucks.

All that's required is that it leads to enough of the right activities resulting in enough contacts with enough qualified prospects, to make enough sales to hit weekly, monthly and annual sales goals.

### **The Necessary Ingredients for a Successful Sales System:**

**Ingredient #1: A Plan:** Your plan is the easy part of this process. It simply consists of your goals, your activity and your plan to get the activity done. The first thing you need to determine is your annual sales goals. Once you have your annual goal, break that down to monthly and weekly goals. Next, calculate your daily activity.

In order to do that, begin by dividing your annual goal by the size of your average sale. That will give you the number of sales you have to make for the year. Now, based upon your closing ratio, figure out how many proposals you need to present. Calculate the number of prospects you need to get that number of proposals. And finally how many calls does it take to get that number of prospects?

Once you have the total number of sales, proposals, prospects and calls, break those down to monthly, weekly and daily numbers for each. Your last step is to plan your days and weeks based upon the number of calls you need to make while getting your other activities done. Whatever your numbers are, with 168 hours in a week, you should have more than enough time.

An example of the business portion of a day in your week might look like the following:

- 7:00 to 8:00 AM; paperwork and prep for the day
- 8:00 to 10:00 AM; prospecting phone calls
- 10:00 to Noon; In person prospecting
- Noon to 1:00 PM; lunch
- 1:00 to 3:00 PM; appointments
- 3:00 to 5:00 PM; prospecting phone calls
- 5 o'clock; paperwork

**Ingredient #2: The Tools:** Your tools will consist of: a playbook, a binder with all scripts, a Concept Book and a way to track and follow up with clients and prospects. Your playbook will include everything, but not limited to: company policies and procedures, how you start your day, how you find, contact and follow-up with prospects, how to build long-term relationships and how you end your day.

It's basically something that you can hand to a brand new person and they can be up and running once they have a general understanding of it. A binder with all scripts contains: all prospecting calls, presentations, answers to objections and all other items you need to convey to prospects and clients.

Your Concept Book will contain all your "evidence": testimonials, user lists, reference letters, endorsements, articles, guarantees, examples of where your product or service was applied with successful results and all documentation that supports any claims you make during your calls.

Finally you need CRM (client relationship management) and PRM (prospect relationship management) systems in place. These don't have to be super-complicated or even computerized, they just have to be effective. I have one sales rep who uses a Yearly Planner, 3 X 5 index cards and an excel spreadsheet. Again, the keys here are that you have a system and that it's effective.

**Ingredient #3: Follow The Plan and Make Adjustments:** Once you have your plan, get into action as soon as possible. Notice what is and isn't working and make adjustments. Remember, imperfect action is better than no action. The biggest problem I see with putting a system together is that some people become perfectionists and as a result, are never ready to take action.

Take action every day, even while you are putting your system together. Do not stop everything you're doing and decide you're going to wait until you have the perfect plan in place. *Do sales activities every day whether a plan is in place or not.*

If you're looking for an additional resource to help you put together a system, one of John's tools is: Business Growth Vault at CoachBru.com.

Source: John Chapin, a motivational sales speaker and trainer. Go to: [www.completeselling.com](http://www.completeselling.com)

# Trump's Tariffs Will Make Fixing Your Car More Expensive

Hopkins Manufacturing Corp. may shift its China supplier network to factories in Taiwan. Multi Parts has stopped hiring new employees. AutoZone Inc. and O'Reilly Automotive Inc. plan to raise their prices.

Businesses in the replacement auto parts industry --- from component makers to local mechanic shops --- are scrambling to cope with President Donald Trump's tariffs on imported Chinese materials and goods.

Steep levies have already boosted costs of some products made with steel and aluminum and more duties could affect hundreds of other items these companies develop, make and sell --- including tires, rear-view mirrors, windshields and windshield wipers.

Springfield, Missouri based O'Reilly Auto Parts hasn't seen "a big impact" yet, but a couple of its suppliers have added a "fractional" part of the tariffs onto costs and a few more will do so early in the fourth quarter, said Chief Executive Officer Greg Johnson.



During the company's second-quarter earnings call he also added: So far "we have been able to pass that along" to customers. These include do-it-yourself vehicle owners and service technicians who shop at O'Reilly's more than 5,000 stores.

**Supply-Chain Strain:** A sample of the auto parts affected by tariffs on Chinese goods

- Engines and motors, not elsewhere specified
- Air conditioning machines used in motor vehicles
- Other storage batteries used for electrically powered vehicles
- Bumpers, Safety seat belts, Seats used for motor vehicles
- Mufflers and exhaust pipes
- Steering wheels, steering columns and steering boxes

Investors and analysts are asking how the tariffs will affect sales and profits. Dozens of businesses including Daimler AG, Hyundai Motor Co., and General Motors Co. have said they already see or anticipate seeing higher prices driving up manufacturing costs or reducing earnings.

AutoZone is identifying products that could soon cause problems for the Memphis, Tennessee based company, which has more than 5,500 stores and reported \$10.9 billion dollars in revenue last year. Prices of components made with steel, such as rotors and other brake parts, will certainly have to rise, spokesman Ray Pohlman said.

**Limited Sources:** "You can't get the things we sell from very many places," he said. "You can't just buy it on any street corner."

While the tariff threat is broad, it actually may affect less than 15% of retailers' inventory, said Wedbush Securities Inc. analyst Seth Basham. Auto parts stores source about 50 - 60% of their products from China, but only 20 - 25% of these are included in the latest round of tariffs.

These duties cover a wide variety of imports with a total value of \$200 billion dollars and won't take effect until a comment period ends September 6th. "We think they should be able to pass through the extra costs without too big of a hit to their earnings," Basham added.

Some parts suppliers are less sanguine. Brian Cohn, President of Jupiter, Florida based Multi Parts, said the company's typical flow of orders has already slowed and higher prices on materials have led him to stop hiring new workers in their facilities in Shanghai, Hong Kong and Belarus, where they manufacture brake and wheel cylinders, wheel hubs, valve-timing solenoids and other components. Their customers include parts distributors and other manufacturers of auto repair products.

**Higher Prices:** Brad Kraft, Chief Executive Officer at Hopkins Manufacturing, said his company imports many goods from China and new tariffs in place have driven up prices on about 350 items made with steel and aluminum. If the proposed tariffs on the additional \$200 billion are enacted, prices will rise on at least 3,000 more of its products, which include tires, oil and fuel filters and components for towing systems.

Hopkins, based in Emporia, Kansas has two manufacturing facilities -- one in Juarez, Mexico and the other in Los Angeles, California -- and an office in Ningbo, China that coordinates logistics with about 45 supplier factories in the country. Kraft says he's considering using suppliers in Taiwan instead.

Sourcing products from Taiwan is typically more expensive, but it now looks like a cheaper alternative, he said.

Re-sourcing products is time-consuming and expensive, however. Companies will need to feel certain that tariffs will stick before they make such changes, according to Aaron Lowe, a spokesman for the Auto Care Association, an industry trade group.

**Delayed Maintenance:** One risk of prolonged price hikes is that car owners may put off regular maintenance, reducing sales of replacement parts. This could also increase the number of unsafe vehicles on the road, Cohn noted.

"The typical auto aftermarket consumer already has a bit of a pinch on their pocketbook," he said. "So people will likely just choose to go without repairs for a while."

Despite the potential for lost business, Chris Lynch, owner of Wetmore Tire and Auto in Ferndale, Michigan says he plans to pass along to customers any price increases on the low-end tires and brakes he imports from China.

"They are going to have to pay that extra cost in the end," he said, "because we're not going to eat it, that's for sure."

Source: [www.bloomberg.com/news](http://www.bloomberg.com/news)

## Auto Parts Suppliers Already Experiencing Disruption from Tariffs

Auto parts represent a significant part of the \$200 billion worth of Chinese goods that are now under tariff. So what happens to the global auto parts supply chain if the tariffs continue for a protracted period of time....

At the end of September, the Trump administration began to impose Section 301 tariffs on billions of dollars of Chinese sourced auto parts, initially the 10 % duty will increase to 25 % on January 1, 2019. This action impacts thousands of companies, threatens hundreds of thousands of American jobs and wreaks havoc on the global supply chain that supports an enormous industry.

The steep import duties affect everything from shipping lanes to auto repair shops, with increased costs being passed up and down the chain. Washington is also examining an additional 25 % tariff on imported vehicles and auto parts the Trump administration has threatened under the guise of National Security.

These Section 232 tariffs are similar to the duties the administration levied on steel and aluminum earlier this year. And Trump is threatening to slap duties on all Chinese imports that have so far avoided tariffs.

**Uncertainty in the Supply Chain:** "Probably the hugest uncertainty is how to build your supply chain because no one really knows how this will play out in the future or when these tariffs will begin or end," said Aaron Lowe, Senior Vice President of regulatory and government affairs at the Auto Care Association, the trade group that represents the aftermarket auto parts industry.

Auto parts represent a significant portion of the \$200 billion worth of Chinese goods Trump slapped tariffs on. The US imported last year \$13 billion worth of Chinese auto parts, although not all are subject to the new duties.

Some auto parts suppliers have been caught out already. Lowe cited one importer of cabin air filters. When the shipment left China, there were no extraordinary duties. By the time the ship reached the US, the tariffs had already gone into effect, costing the company "a huge amount of money" he said.

According to automotive parts industry consultant Steve Hughes, the lead-time for a Chinese manufacturer to produce a particular part typically takes anywhere from 90 to 120 days from the receipt of order. Add to that time, two weeks for the goods to cross the Pacific Ocean, plus several days or more for docking and transit from the terminal to a warehouse facility.

"With an aftermarket company, you're hoping you can get three turns of your inventory in a year," Hughes said.

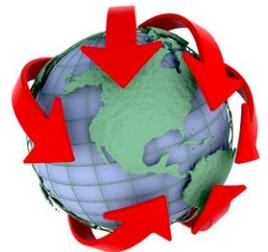
A steep rise in container shipping rates across the Pacific has already hurt auto parts importers, as it has importers of many other goods from China. The cost of shipping a container from China to the US has doubled since the end of April. That's because demand for space on container lines has skyrocketed. There was a rush to bring products into the US and stock up on inventory to gain both a price and strategic advantage over competitors.

Importers of various goods anticipated Trump tariffs and wanted to beat the White House to the punch. What's more, some importers report being bumped off ships if they refuse to pay spot rates, even if they have contracted for a cheaper rate. Ships in turn claim capacity issues have prevented them from carrying all the containers lined up for shipment.

"There is a lot of disruption and product flow and how it comes in," said Lowe. "I don't know how you even plan for something like that because there's so much uncertainty."

"Global supply chains are extremely complex," added Jonathan Gold, Vice President of supply chain and customs policy at the National Retail Federation. "You can't turn them on and off like a light switch."

The automotive industry now encompasses one of the most sophisticated and complicated supply chains on earth, with semi-finished goods, components and raw materials crisscrossing the globe for production, assembly and distribution. Timeliness and quality are both essential. A missed delivery to a vehicle manufacturer can mean an entire assembly line is shut down.



"That's very critical and very costly to the vendor because they assume it's your fault because you're late," said Hughes, a more than 40-year industry veteran. "At my old company, we would have to fly product in if our vendor was late just so we could make sure we wouldn't stop the production line."

According to Hughes, vehicle manufacturers need upwards of five years to develop a single vendor necessary for highly exacting standards, manufacturing prowess and capacity. It would take five to ten years to bring back onshore the auto parts industry, with investment requirements that would total hundreds of millions of dollars, he estimates. By the end of this process, the cost to the consumer would double or triple, he believes.

"That the administration is giving our industry 90 days to change our supply chain before they institute a 25% tariff is absolutely and utterly ridiculous," said Hughes the President and CEO of Los-Angeles based HCS International.

**Reshoring and Retooling:** The Auto Care Association cites brake rotors as an example. Approximately 2,600 different brake rotors are needed to service America's used cars. Offshore manufacturers have made these aftermarket parts since the 1990's, said Hughes. China now produces some 80 % of aftermarket brake rotors, which are manufactured to extremely high standards.

"There are many quality Chinese suppliers that companies have grown to depend on," said Lowe. "It would be nearly impossible for that to come back to this country any time in the near future."

So-called "reshoring" this product to the US "could take up to 10 years and would require a significant financial investment to retool each individual part" the Association said in a September letter to the U.S. Trade Representative. "We're not even sure the casting foundries in the US have the capacity to support demand."

It would be an extremely costly undertaking for the industry. As Hughes explained, brake rotor manufacturers must carry the cost of retooling. "US Steel companies do not make the tooling on their own dime, they require the customer to do that," he said, citing a study he conducted for the association in which he estimated the cost to each brake rotor manufacturer would be \$50 to \$60 million.

Moving from China to another country, notably Mexico, is a slightly more realistic option for suppliers, but would take years to accomplish. "The problem is finding companies with a certain expertise and the ability to produce quality products. In some areas, it's probably easier than others.

With brake rotors, it's extremely difficult to move and still maintain the quality you need. "You can't just pack up and move," said Lowe. It's also uncertain how the new trade agreement with Mexico and Canada, with enhanced content requirements, will impact this whole supply chain.

The auto parts industry has over the years become more and more a commodity-type business, Hughes said, with heightened competition and ever-tighter profit margins. Suppliers aren't capable of absorbing the cost of additional tariffs and will pass along price increases, which will cascade down the distribution stream.

Hughes also stressed that a 25 % tariff translates into a cumulative effect that results in a much steeper product end-price. "Each level of distribution is going to mark it up appropriately. When it gets to the consumer, it's not 25 %, it could be a 50 or 60 % tariff," he said.

"We're already seeing surcharges on products made of steel," Lowe added.

Higher costs mean consumers will be more likely to defer maintenance. Lower demand will impact auto supply stores, mechanics, distribution centers, logistic providers, the entire gamut of downstream providers, warned both Hughes and Lowe.

"That will have a significant impact throughout the entire supply chain and impact a lot of different folks in a lot of different ways," said Gold.

**The Long-Term Impacts of Tariffs:** Even auto parts manufacturers who don't depend entirely on China for products are feeling the pinch. Take, for example, HUSCO International, a Wisconsin based company that makes hydraulic and electro-mechanical components used in off-road heavy equipment and in vehicles such as Mercedes Benz.

The company has manufacturing facilities in the US and England, as well as Shanghai. The new tariffs are costing the company about \$1 million a month, according to Austin Ramirez, the company's President and CEO.

"The impact of the tariffs for us isn't so much on HUSCO products coming across the borders, it's on our supply chain," said Ramirez, on the Wisconsin Manufacturers & Commerce site. "Roughly a third of the components we use in our North American plants come from suppliers in China."

Ramirez added that "right now we have an incentive not to manufacture products in the US that require Chinese supplied content. If these tariffs stay in place for a long time, we'll see jobs move outside the US to non-Chinese countries."

Japanese and European suppliers, he said, could grab business away from American companies such as his.

Source: American Journal of Transportation



## Here's one market Amazon can't easily crack: Car Parts

Amazon is gunning to sell more car parts. But it will run up against fierce resistance from a small army of firmly established companies already doing just that. One of them is Advance Auto Parts, now headquartered in Raleigh, NC.



Advance has designed a vast logistics network to deliver their parts to auto mechanics and do-it-yourself car owners right away. "Independent garages have got to get that car fixed as fast as possible or you're not going to use them again," said Charlie O'Shea, lead retail analyst at Moody's.

"They measure delivery times in hours and minutes, not days." Speed isn't the only factor separating Advance, AutoZone, Napa and O'Reilly from Amazon. These companies have sharpened their focus on service, helping to guide customers through repairs and solutions in a complex auto parts market.

"You're not going to use Whole Foods to deliver auto parts to a garage. A brick and mortar presence is critical here," O'Shea said.

Adding to their advantage, they have close relationships with auto parts suppliers. Many manufacturers are wary of selling through Amazon because they worry that it would help the company learn the business and one day take it over.

Analysts say carrying hundreds of thousands of different parts is ill-suited to a company without deep experience in the field. Amazon might have trouble stocking and selling bulky physical components and batteries – new engines, brakes and exhaust – which are specific to a car's make and model.

On the other hand, selling car parts and batteries make up 65 % of Advance total sales. They will need to keep adjusting their prices to keep up with Amazon's relentless focus on providing value. A Moffett Nathanson analysis found that Amazon's prices were 29 % lower than traditional competitors on 30 top-selling items.

However, Advance should get a lift from its newest partner: Walmart. They struck a deal with the world's largest retailer for a specialty store page on Walmart's website. It believes the tie-up will allow it to increase its visibility online and reach more DIYers.

Advance may see selling through Walmart as safer ground than Amazon. "I don't know that Walmart wants to start manufacturing auto parts," O'Shea said. The Walmart partnership is key because it will bring Advance into Walmart's 2,500 auto care centers around the country.

Source: [www.cnn.com](http://www.cnn.com)

## New Pep Boys Mobile Crew Offers Repair and Maintenance Services On-Location

Southfield, Mich. – Icahn Automotive Group LLC has announced its latest offering for vehicle owners: Pep Boys Mobile Crew, a state-of-the-art traveling trailer and service bay that will provide on-location preventive maintenance and repair services.

The Mobile Crew rig – equipped with mobile lifts, the latest diagnostic tools and equipment, and staffed by ASE-certified automotive technicians – has officially hit the road.

Developed to ensure maximum convenience for consumers who want to keep their vehicles in safe, reliable operating condition, Pep Boys Mobile Crew offers "Check Engine" diagnostics; tire repair, tire replacement, rotation and balancing; brake, shock and strut maintenance; belt and hose replacement; heating, air conditioning and cooling system maintenance.

Services such as battery, wiper blade, headlamp checks and replacement, oil and other fluid changes are also available. In the days following Hurricane Michael, Pep Boys Mobile Crew was deployed to the hardest hit cities in Florida to help with the high demand for automotive service.

The Crew Pros are performing emergency repairs and providing residents with complimentary vehicle checks from storm damage. "We know our customers balance extraordinary demands in their lives and on their time," said Brian Kaner, president of service for Icahn Automotive.

"Pep Boys Mobile Crew is a natural extension of our ongoing investment in customer convenience and value, and the first comprehensive mobile automotive maintenance provider to be affiliated with a national service network."



The Mobile Crew team will coordinate with corporate human resources departments, office managers and fleet representatives to bring the service rig to their locations. Once a visit is scheduled, vehicle owners can book service appointments online.

They then simply park their vehicles at work, leave the keys in the onsite Mobile Crew drop box and pick them up when the services are completed. Car care couldn't be more convenient than when it's offered right outside a workplace, where their vehicle is typically sitting unused anyway.

The Auto Care Association reports that last year just 40 percent of motorists performed their vehicles' manufacturer – recommended scheduled maintenance. This translates to more than 75 million passenger vehicles on the road with unperformed maintenance. Of the drivers who delay auto repairs, more than 20 percent cited lack of a convenient time.

Additionally, nearly 16 percent of vehicle owners reported choosing a repair provider based on its location. According to Kaner, early feedback on Pep Boys Mobile Crew has been positive. "Vehicle owners are impressed by how convenient Pep Boys is making car care and the extensive range of services our Pros are able to perform through the Mobile Crew trailer."

Said one customer, "Service was extremely convenient. I have been trying for months to get my regular maintenance done and this made it very easy to get my car serviced." Another applauded the Mobile Crew by saying, "Having car service available at my work location is brilliant."

"It was simple to get an appointment scheduled and I enjoyed not having to wait and being able to put in a full day of work." The launch of Pep Boys Mobile Crew caps a second year of investment and expansion for Icahn Automotive, one of the nation's largest providers of automotive service, parts, tires and accessories.

In 2017 and 2018 the Company has made investments in its local footprint in key markets by acquiring both franchised and owned service centers, remodeling of existing Pep Boys parts and service locations and increasing local parts inventory and availability.

In addition, the company continues to invest in people, programs, technical training and technology to ensure a superior customer experience at each location.

About Icahn Automotive: Icahn Automotive Group LLC, was formed by its parent, Icahn Enterprises L.P., to invest in and operate businesses involved in aftermarket parts distribution and service. Our businesses have a singular focus: provide premium automotive parts and services at a great value.

Icahn Automotive today consists of Pep Boys automotive aftermarket retail and service chain, Auto Plus automotive aftermarket parts distributors, Precision Tune Auto Care owned and franchised automotive service centers, and AAMCO Total Auto Care franchised service centers.

The businesses of Icahn Automotive total over 22,000 employees, over 2,000 company – owned and franchise locations and 25 distribution centers in the U.S., Canada and Puerto Rico.

Source: [www.searchautoparts.com](http://www.searchautoparts.com)

## Tenneco Closes Federal-Mogul Deal; Icahn Confirms 9.9 % Active Stake

Lake Forest, Illinois, October 1, 2018 – Tenneco, Inc., one of the world's leading designers, manufacturers and makers of Ride Performance and Clean Air Products and technology solutions for automotive and commercial vehicle original equipment markets and the aftermarket, announced today that it has completed its acquisition of Federal-Mogul LLC, a leading global supplier to original equipment manufacturers and the aftermarket.

"Today marks an important step for Tenneco as we progress toward the transformation of our company into two strong, leading global businesses with the scale and financial flexibility to drive long-term value creation," said Brian Kessler, Co-CEO of Tenneco.

Cash consideration of \$800 million was financed through a new senior credit facility that will replace Tenneco's existing senior credit facilities and certain senior facilities of Federal-Mogul LLC. The new senior credit facility consists of a \$1.7 billion term loan A, a \$1.7 billion term loan B and a \$1.5 billion revolving credit facility.

# Automotive Aftermarket Scholarships

Thinking about an automotive aftermarket career? Good choice! Servicing or supplying parts to more than 296 million vehicles in the U.S. and Canada can be a very rewarding career. An automotive scholarship can help pave the way.

Scholarships are available for full time students attending a U.S. or Canadian college or ASE/NATEF certified post-secondary school for automotive, heavy duty or collision repair technicians and to students in business, marketing, engineering or other major courses of study.

The University of the Aftermarket Foundation (UAF) and more than 16 additional collaborating organizations, including NYSAAA, award automotive scholarships each year. Your on-line application will automatically be considered by every organization where you meet their qualifications.

More than 3,100 scholarships have been awarded by University of the Automotive Foundation and all of the collaborating organizations since 1998. To complete the on-line application, please visit the UAF website at: [www.automotivescholarships.com](http://www.automotivescholarships.com).

New York State applicants can use the NYSAAA link on the website as listed above. The Board of Directors and the Scholarship Committee has awarded one or two scholarships every year since 1990, now a respectable twenty-eight years in a row. The deadline to apply is March 31, 2019.

Through the University of the Aftermarket Foundation, there were a total of 302 scholarships awarded totaling some \$450,150 dollars. The funding of these Scholarships was made possible by an existing Grant and additional donations and pledges from various companies and organizations, including Federated, Gates, Pronto and Standard Motor Products.

Funded by the University of the Aftermarket Foundation Grant were 130 scholarships totaling \$199,000. Funded through 2018 donations and pledges to the UAF were 57 scholarships totaling \$93,000 and funded by collaborating organizations were 115 scholarships totaling \$158,150.

The collaborating organizations are mainly comprised of the numerous State Associations throughout the United States and Canada. Included in this amount were the John J. Lorenzen and Debbie J. Tranello Memorial Scholarships that were awarded to Edelyn Nunez Abreu, Dawson Mead and Cameron Sprague by the New York State Automotive Aftermarket Association.

## New York State Automotive Aftermarket Association Scholarships

### John J. Lorenzen and Debbie J. Tranello Memorial Scholarship Funds

These funds are to financially assist those persons wishing to continue their education beyond the secondary level in pursuit of a career in the Automotive Aftermarket, which encompasses the replacement parts distribution industry and the high tech diagnostic repair industry. To be eligible for these scholarships, an applicant must be:

- A high school senior who has a good academic standing and is currently involved in a class which may be related to the automotive industry.
- Enrolled or planning to enroll full time in an accredited college or university and working or planning to work toward an Associate or Bachelor's degree.
- A high school graduate or holding a GED certificate and currently employed in the Automotive Aftermarket Industry.
- A high school graduate or holding a GED certificate and are recommended by a current NYSAAA member.
- Committed to a career in the Automotive Aftermarket Industry and enroll in a college or a university that will prepare a student for such a career.



There will be a minimum of one scholarship awarded each year. The dollar amount will be determined by the yearly contributions and will be made payable to the enrollment verified University.