NEW YORK STATE AUTOMOTIVE AFTERMARKET ASSOCIATION

NEWSLETTER

Serving the Automotive Aftermarket Since 1949

July 2019

The Association For Automotive Aftermarket Professionals

Remembering Two More Giants of the Automotive Aftermarket Industry

With heavy hearts we pass along the news of the passing of two long time members of the New York State Automotive Aftermarket Association family.

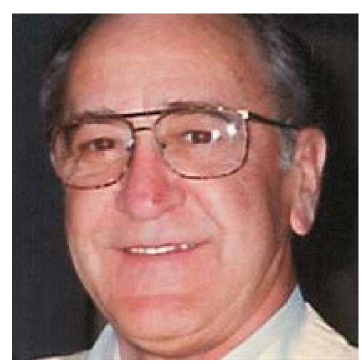
Donald Derx

Mr. Donald J. Derx was welcomed in to heaven on May 28, 2019 after passing quietly at his beloved home on Cuba Lake. In 1958 he brought his young family home to Olean, NY to work in his father's business Henry H. Hill Inc., dedicating the remainder of his life to building a successful business.

Working in partnership with his family and son Tom, Don continued to work five or six days a week until January 2019, when health concerns prevented him from getting to the "shop". He never took more than three consecutive days away from his business in his entire working career, his work was his vacation!

As a member of the New York State Association for Automotive Aftermarket Professionals, Don became a Board of Director in the early 1980's, serving as an officer for many years and rising through the ranks to become President from 1989-1991. He was honored with the Hall of Fame award in 2005 in recognition of his integrity and service.

Mr. Robert Patrick Durkin passed away peacefully at his home in North Syracuse on May 26, 2019. Known by many as Pat, he had a plethora of knowledge that he loved to share. His witty, jovial and loving presence impacted everyone. You were always guaranteed a story, a joke or a trivia question, bringing a smile to those around him.



Robert Patrick Durkin

Working in the auto parts sales industry for almost 60 years, he was the co-owner of Durkin, Sullivan and Ford for half of those years. As a Sales Representative for too many lines to count, Pat was a long time member of this Association and called on many of the Independent Jobbers that we are comprised of.

They will be greatly missed by all who knew them.

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Contact us at:

210 Lemoyne Avenue
Suite B
Syracuse, NY 13208

Phone: 315-437-0094
Fax: 315-437-0089
Email: mlord@nysaaa.net

www.nysaaa.com

2020 Automotive Aftermarket Calendar & Promotional Items Program Announced

Summer is finally here and it's time to think about 2020 calendars? Crazy how time seems to fly by so fast these days. As in the past, we are offering a 5 % discount on all calendar and promotional item orders that are placed, submitted and ready to be proofed by August 1, 2019.

Members who have placed orders in the past will be contacted in plenty of time to take advantage of this Early Bird special, if they so choose. Orders can be shipped immediately upon their completion or they can be warehoused with a release date of October 15, 2019.

There will be no price increase this year on the calendars or promotional items and we have even adjusted our pricing down a few cents on many of the popular styles. Naturally, FedEx and UPS have implemented their annual 4% or 5% increase the first of the year.

The freight charges that are added, are the same as what we get billed for from our vendor and not inflated to use as a profit center. The invoicing will take place in the month of October.

New for 2020 is the #1552 Monkey Business spiral calendar, showing them doing different activities. For the promotional items, new this year is the #21237 Good Value 7 in 1 Tool Pen, which does require a set-up fee.

Also available is a 3 ½" X 8 ½" one sided calendar, perfect for stuffing in a #10 Regular Envelope. These calendars are available in poster, magnetic & peel and stick stock with plenty of room for your ad copy, at less than $0.50 each. A sample was included in the dues thank you letters.

Please note that any prime color ink can now be the standard color for the printing of your preferred logo and ad copy, not just Black Ink as in the past. For 2 color logos and artwork, there may be an additional charge for the second color.

Color is a fantastic way to accentuate your business information and is an economical way to advertise your name, every day of the year.

Brochures and Order Forms are inserted in this July 2019 Newsletter for your convenience.

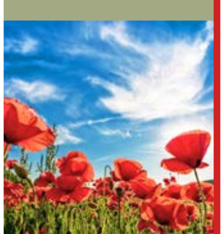
The Association staff is ready with your approval, to handle all aspects of the ordering process, insuring their accuracy and timely delivery.

Completed order forms may be scanned and e-mailed to mlord@nysaaa.net or faxed to 1-315-437-0089. Please feel free to call the office at 1-315-437-0094 should you have any questions.

Building a Successful (Sales) Culture

You just hired the perfect person; great work ethic, positive and upbeat, they show up early, leave late, take ten minutes of a fifteen-minute break and do more than expected and more than you asked for.

Now let's take that person and put them into an environment where people are negative, aren't held accountable, take three days off for a hang-nail, show up at 8:05, then spend 45 minutes "getting ready" for their day, start preparing to leave at 3:30 and leave at 5:00, like there's a fire drill. What happens to that perfect hire?



One of two things: they either become just like everyone else after a month, or they leave. Whatever your culture is, it has a substantial impact on employee performance. There is significant peer pressure to conform to the culture, be it good or bad. This peer pressure is one of the four main motivators for people who belong to any group.

Positive peer pressure is what took my grades from C's in the public high school to A's and B's in the private high school. It's also what ensured that I made over 200 phone calls per day in my first job as a stock broker. If you're a great team or organization with a great culture, fantastic. Unfortunately, most organizations have negative cultures, or at least elements of them.

Here are four features of great workplace cultures:

Feature #1: Great leadership: Culture is top down; it begins at the top and flows down through the entire organization. Whatever the leadership team eats, breathes, walks and talks related to culture, will become the culture. As a leader, you don't get what you want, you get what you tolerate and allow. And what you tolerate and allow, you tacitly condone and get more of.

If you allow people to miss their numbers year after year, when it's evident they aren't making the calls and doing the necessary work, you'll get more of that. If you allow negativity in the workplace and don't hold people accountable, you'll get more negativity and more people not doing their job.

On the flip side, if you lead by example, walk your talk, believe in people more than they believe in themselves, empower them, listen to them, give them all the necessary tools and resources and hold them to a higher standard, you'll get more of that.

Feature #2: Rules and decrees: The culture in an organization is measured by how people treat other people, how they treat work and how they treat the work environment. Great cultures have rules and decrees regarding these three items. Here are a few examples:

- Everyone is expected to show up on time, work until the end of the day and finish what they start.
- Be honest, have integrity and put in a full day's work for a full day's pay.
- Everyone will be held to the highest professional and ethical standards.
- There is no place in the workplace for negativity or unprofessionalism.
- You will be respectful to all employees and clients.
- Gossip, talking and otherwise communicating behind someone's back won't be tolerated.
- We are a great organization with a great product.
- We take better care of our clients than the competition, because we care more.

Your rules and decrees, totaling about eight to fifteen in number, should be framed and posted prominently in several high-visible areas in the workplace on a document titled: Rules and Decrees of the Workplace.

Prospective employees should also receive a copy of these during the interview process and you should have a conversation with them about how they feel about these. By the way, full acceptance of the rules and decrees is a non-negotiable prerequisite to being hired.

Feature #3: Everyone-on board, all-in commitment: When Malcolm Butler was limited to a few special teams plays in Super Bowl 52, many people said that move would cost the Patriots the Super Bowl, and it did, losing to the Philadelphia Eagles in 2018.

However, my contention is that, had they let him start the game at his cornerback position and won, they would not have been back to play in Super Bowl 53, defeating the Los Angeles Rams to become champions once again.

No one who breaks the rules gets a pass. If this is allowed even once, people inside the organization start to question the integrity of the culture and the culture will start to crumble. When you're more interested in winning or making a sale, than living by your values, it's the beginning of the end.

No one gets a pass on the rules, **not even your top sales rep.** This doesn't mean people don't get a mulligan. You can allow a mistake or two, but address it immediately and keep the leash short. There should be no chronic offenders who are making blatant and or repetitive mistakes. While an occasional mistake may be inevitable, carelessness, ignorance and apathy aren't.

Feature #4: Culture is a living, breathing organism: A great culture can't simply be written out, placed on the wall and left to die. It needs to be kept alive and well by visiting it often, talking about it and reviewing it. Repetition is important, because like any new habit, it will take time to imbed the culture into the consciousness and sub-consciousness of everyone in the organization.

Once it's locked in and habitually followed, discussing the culture keeps it on everyone's radar screens and ensures it is remembered and adhered to. Also, it may be necessary to tweak some rules or decrees from time to time. Though many rules and decrees aren't likely to change, there may be times when changes in people, technology and other unforeseen future events, make an edit necessary.

Finally, you build a great sales culture by building a great overall company culture: As part of the organization, the sales department is included in all rules and decrees. Everyone, from leadership to the mailroom, must be on the same page when it comes to culture.

So, while the sales department may have some additional rules and decrees related to activity, quotas and other items, building an all-in, solid organizational culture is what will ensure the success of the sales culture and the organization.

Source: John Chapin a motivational sales speaker and trainer. www.completeselling.com

Driving? The Kids are so over it

If teenagers are any guide, Americas' love affair with the automobile may no longer be something car makers can bank on. The percentage of teens with a driver's license has tumbled in the last few decades and many more young people are delaying purchasing their first car, if buying one at all, say analysts, generational experts and car industry executives.

About a quarter of 16 year olds had a driver's license in 2017, a sharp decline from nearly half in 1983, according to an analysis of licensing data by transportation researcher Michael Sivak. Whereas a driver's license was once a symbol of freedom, teenagers are reaching their driving age at a time when most have access to ride-hailing services such as Uber and Lyft to shuttle them around town.

At the same time, social media and video chat let them hang out with their friends without actually leaving the house. When they reach their 20s, more are moving to big cities with mass transit, where owning a car is neither necessary nor practical. And of those who do buy a car, many more than in older generations opt for a used one, according to J.D. Power.

One reason for that is rising new vehicle prices. Detroit has jettisoned many of their lower priced compact and subcompact cars like the Ford Fiesta and Chevy Cruze that have been traditionally starter cars for young buyers. For the auto makers, the strategy makes sense: Sport-utility vehicles or trucks have steadily become more popular over the past decade and also have much better profit margins.

Now, a new mind-set among many Generation Zers, roughly those born after 1997, is confounding parents and stumping auto makers at a time when new vehicle sales in the U.S. are slowing. "That freedom of getting your own wheels and a license, and that being the most important thing in life, is gone," said Brent Wall, owner of All Star Driver Education in Michigan, a chain of drivers'- education schools. He said the average age of students in his class is rising.

"It used to be the day they turned 14 years and eight months, everybody was lining up at the door. Now I'm starting to see more 15 and 16 year-olds in class." He frequently hears from parents that they're the ones pushing their children to enroll. David Metzler, of Culver City, California is baffled that his 16 year old daughter June, sees no reason to get her license.

"I went out and got it immediately" upon turning 16, he said. "I wanted to get out of the house and go places. For her, getting a license is more like planning for the future."

June Metzler says she is content with inviting friends over or hanging out with them after school. "Going out to eat is hard, but I can live with it," she said.

Auto industry executives say they are attuned to the shifting sentiment, even hearing it from their own children and are adapting some of their marketing strategies. Japanese auto makers are keeping their lower priced sedans as a way to attract young people to their brands.

But Detroit is betting that even if young people wait longer to buy a car, they eventually will when their finances improve and they start families. And then, they'll buy an SUV or truck. Some industry analysts aren't so sure Detroit will be proven right in its bet on larger cars.

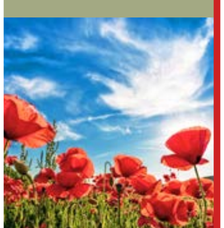
"It's a gamble," says Mark Wakefield, a global co-leader of automotive and industrial practices at consulting firm Alix Partners, saying that for the auto makers it's no longer workable to offer a vehicle for every price point.

"With urbanization and the cost of ownership going up, those two things combined with the fact that it's a mature market certainly could put a damper on car sales," he said. "Gen Z buyers' participation in the new car space is declining year after year," said Tyson Jominy an analyst with research firm J.D. Power.

"We expect to see them get their first job" and buy a car. "But we're not seeing this."

J.D. Power estimates that Gen Zers will purchase 120,000 fewer new vehicles this year compared with millennials in 2004, when they were the new generation of drivers, or 488,198 vehicles now compared to 607,329 then.

Cost is increasingly a challenge. The average price paid for a new vehicle in 2018 was $32,544, up from $25,490 a decade ago. The average monthly payment on a new car loan reached $535 a month last year or more than 10 percent of the median household income, a level most Americans can't afford, said Cox Automotive.



Generation Zers grew up during the financial crisis and tend to be more budget conscious, according to researchers who study generational trends. In addition, many face substantial student loan payments, making them more cautious about big ticket purchases. Total student loan debt has soared to $1.5 trillion, surpassing Americans' credit card and car loan bills.

The process for teenagers is also getting more expensive. State budget cuts have meant that many public schools no longer offer free driver's training and a private course can cost upward of a thousand dollars, say driver's education professionals.

On top of the shortage of small cars, auto makers are also packing more technology into vehicles, contributing to rising prices. The new extras also make cars more expensive to repair, helping to drive up car insurance costs, another deterrent for many teens and 20-somethings.

Bob Carter, Toyota Motor Corp.'s North American sales chief, says that auto makers are aware young people face different financial pressures than previous generations. "We just have to be prepared that getting their license is going to happen later" rather than sooner which had been the norm in the past.

To adapt, some car companies are expanding into new transportation ventures, such as car sharing and electric scooters, to better compete with the ride-hailing options offered by Silicon Valley. But to fund costly investments in new technology and ventures such as electric and self-driving vehicles, auto makers need to keep sales of traditional cars growing.

That may prove tricky if a different mind-set continues to take hold. In 1983, the first year Michael Sivak began analyzing the ages of drivers based on licensing data, the percentage of 16 year olds with a driver's license was 46 percent. By 2008, it had fallen to less than a third and by 2014, it hit a low point of 24.5 percent. It was up slightly to 26 percent in 2017, which Sivak said was due to the improving economy.

Even among those in their early 20s, fewer are getting their licenses. About 80 percent of 20 to 24 year olds were licensed drivers in 2017, compared with 92 percent in 1983, Sivak found.

"The topic comes up in cocktail conversations all the time," said Stephanie Frazier, a parent of an 18 year old in Hawaii who she says has no interest in getting a driver's license. "When I was that age, I wanted wheels and freedom."

Lizette Dominguez, a sophomore in Westfield, Indiana who turned 16 this month, says she hasn't gotten around to getting a license yet. "I have after-school activities, home work and clubs." The cost of driver's education also deterred her. "It costs almost $400." Dominguez said she uses Uber or has one of her older friends give her a ride to the movies, a friend's house or the mall.

To appeal to younger consumers, several auto makers have recently debuted small, sporty crossovers priced under $25,000. Hyundai Motor Company, for example, rolled out a new Kona small utility last year that comes packed with technology, including a seven inch touch screen, for a starting price of $19,000. The Korean auto maker revealed an even smaller crossover, called the Venue at the New York Auto Show in April.

Volvo Cars two years ago launched a vehicle subscription service to attract millennials and Gen Zers who don't want to own a car outright. Subscribers pay about $700 a month to drive a Volvo model for a year and then can swap it out for a different one. Unlike a traditional leasing contract, there are no financing charges and insurance is included.

Meanwhile, appealing to Gen Zers was part of the motivation behind Ford Motor Cos. purchase last year of electric-scooter startup Spin, says Sheryl Connelly, Ford's manager for consumer trends. She said the auto maker is also looking to invest in other urban mobility ventures such as electric bikes, as well as ride-hailing and car-sharing services.

The cost challenges have sent many young car buyers to the used car lot and analysts say this trend is likely to continue even as they get older. About 60 percent of car shoppers in their early 20's bought preowned cars last year, up from 57 percent five years ago, according to J.D. Power.

Neika Daniel, a 17 year old high school student in Little River, Texas said she is focused on price more than anything else. With help from her parents, she recently bought a 2016 Volkswagen Beetle for $2,500 and while not fancy, it gets her around. "It was a relief to avoid car payments and debt," she said.

Source: MEMA Industry News

New York State Creates Task Force to Address Technician Training

New York Governor Andrew M. Cuomo announced on April 20, 2019 the creation of a new task force that will develop programs for training auto technicians and enabling participants to directly transition into the industry.

The Governor made the announcement of the Excelsior Automotive Technician Task Force at the opening of the New York International Auto Show, which ran from April 19-28 at the Jacob Javits Center in New York City.

"One of the things we're going to do here in this state is change our education system, where the State University of New York (SUNY) is going to offer specialized training in tandem with the manufacturers so that you can go to school and come out as a Nissan-certified technician or a Honda-certified technician or a BMW technician," Governor Cuomo said.

"We have over 75,000 technician jobs that are good jobs, high-paying jobs and we want to educate New Yorkers for those jobs right here in New York. This new task force will set us on that path."

"We want to make sure that all New Yorkers receive the skills they need to fill the jobs in various industries across the state," said Lieutenant Governor Kathy Hochul. "This task force will ensure individuals have access to programs that will train them to be prepared for jobs in the auto industry, teaching them how to work on specific car manufacturers."

"The Excelsior Automotive Technician Task Force continues our efforts to provide workforce development opportunities in a range of industries so that New Yorkers can close the skill gap and lead their best lives."

Many current vocational programs offer a generalized technician program, however training that is more specific offers benefits to both the students and the companies. Typically, auto manufacturers require a unique training program to teach prospective technicians how to work on their vehicles.

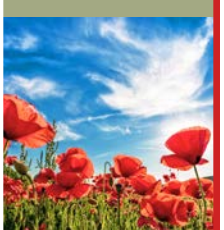
This training is currently happening at several SUNY schools where they are working with automotive companies like Subaru, Tesla and Toyota. The Governor directed the New York State Department of Motor Vehicles (DMV) to take the lead in organizing the Excelsior Automotive Technician Task Force, which will also strive to create opportunities to enhance diversity within the industry.

"We applaud Governor Cuomo for this innovative approach to strengthen New York's competitive edge in training workers for the jobs of tomorrow," Acting DMV Commissioner Mark J.F. Schroeder said. "We look forward to working with all the stakeholders to create a positive program that will benefit students and industry and ultimately the people who buy and drive cars."

The Task Force will convene the stakeholders from the automotive, labor, manufacturing and academic arenas to address the following areas in the marketplace:

- Improve the current automotive technician curricula at the secondary and higher education levels to ensure it is keeping pace with technology
- Identify and improve current training models and facilities to ensure that they reflect modern workforce needs
- Replicate and scale best practices and educational needs to reach dealers and potential technicians from online space
- Develop and implement professional development programs for teachers and college professors to ensure they are aligned with market needs
- Create new veteran and women specific campaigns to broaden the diversity of the workforce
- Develop and invest in new re-training programs and apprenticeships to enable new and older workers to continue their careers; and
- Explore options with correctional institutions to create an automotive technician reentry program

Source: www.collisionweek.com



Lyft to Open Repair Centers

Ride-hailing company Lyft is getting into the auto repair business, at least for its own contract drivers. In March, the company announced Lyft Driver Services, a set of new services and programs that the company says will help save time and money for its drivers.

As part of the new service, Lyft plans to open several dozen mechanical and collision repair shops across the country. The first such repair site opened in San Francisco in March. The company is trying to provide ways to make life easier for its fleet of roughly 2 million drivers, while also reducing their expenses, said a company spokesperson.

The programs include a new no-fee debit card (Lyft Direct) that allows direct payment to the driver's account and also provides other benefits. The company is also expanding its Express Drive service, which provides rental cars to drivers that either don't have a vehicle or don't have one that is up to Lyft's standards.

The company is expanding the number of participating locations, as well as increasing the number of "green" rentals in order to reduce fuel costs. The new driver service centers are an extension of the existing Lyft hubs, which are currently focused more on community engagement and technical support for its drivers.

In a blog post announcing the services, Lyft COO Jon McNeill said, "Drivers will be served by Lyft team members, including certified mechanics selected for their expertise and passion for helping our community." McNeill added that the locations will also include community space so that drivers can get in-person support with taxes, hospitality education, language learning and other services.

"This builds on a successful pilot with Intuit in our existing local Hubs," McNeill said. According to Lyft, the company hopes to have 35 repair centers up and running by the end of 2019. So far, the company has launched a prototype repair center in San Francisco as well as a test center in Philadelphia. Zoning requirements may limit what types of repairs are conducted at the centers.

The San Francisco location for example is not currently zoned for collision repair, but the plan is to provide oil changes, car washes, auto body repair, brake service and other basic repairs. Each center will have 12 to 14 full-time mechanics and technicians and a few job openings have been posted for these sites.

Lyft is also launching a mobile repair service for drivers who aren't located near a repair center. "They can call the service center and have things like their brake pads changed by the mobile service," the Lyft spokesperson said. "There are other smaller repairs that can be done that way too, including windshield repair."

Lyft also indicated that the company plans to provide repairs at as much as 50 percent less than the market cost and to have repairs completed in half the time of a typical shop since the locations will focus exclusively on Lyft drivers. The San Francisco location currently charges $95 per hour.

There will also be packaged deals for drivers, such as getting an oil change, car wash and tire rotation for $70. The spokesperson said that more details about the service centers would be announced over the next several months.

Lyft is officially a public company. The ride-hailing giant priced its IPO at $72 per share, valuing the Bay Area Company at more than $24 billion. It started trading at $87.24 on Nasdaq under the ticker LYFT.

Source: www.searchautoparts.com

Pep Boys Expands Fleet Services

Pep Boys plans to expand its fleet services with a number of new initiatives. Pep Boys Fleet, launched in April 2019 by the Icahn Automotive Group, includes fleet-specific vans for on-location maintenance and repair, a specialized online invoicing and payment system, a towing program and a trackable fleet services credit card.

Pep Boys Fleet customers receive a single point of contact who gets to know them and their businesses, according to the company. The team representatives develop customized service programs and pricing plans and help manage customers' fleet business.

The new program is intended to improve Pep Boys' work with large, national fleet operations and better position the company to take advantage of small fleets emerging from the growth of transportation network companies and last-mile delivery services.

Pep Boys Fleet service – including preventive maintenance, such as tires, brakes, batteries and suspension – is done through the Pep Boys national network, which consists of more than 9,000 service bays in over 1,000 company-owned locations.

The Pep Boys Mobile Crew, which launched in 2018 with trailers, will expand to include smaller-format fleet vans staffed by technicians to complete common fleet maintenance and repair needs, on-location.

Pep Boys Fleet is also an official tire, brake and preventive maintenance supplier of Amazon's Delivery Service Partners (DSP), such as ParcelPal, which provides negotiated pricing for Amazon DSP maintenance – along with a pro rewards program and fleet credit – which owners can use to cover unforeseen expenses.

Later this year, Pep Boys plans to launch a management technology solution to help small and mid-size businesses better manage their fleet maintenance.

Source: Service Executive

Trump Announces Tariffs on All Imports from Mexico

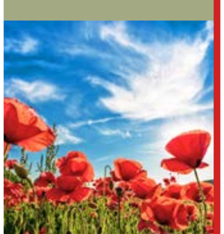
According to a White House statement the United States will impose a 5 % tariff on all goods imported from Mexico beginning on June 10th. This announcement comes from President Trump's dissatisfaction with Mexico's approach to addressing illegal immigration along the southern border.

The statement added that if Mexico does not take action to "dramatically reduce or eliminate the number of illegal aliens crossing its territory into the United States", tariffs will steadily increase each month based on the following schedule:

- 10 % on July 1
- 15 % on August 1
- 20 % on September 1
- 25 % on October 1

According to the statement, tariffs will permanently remain at 25 % "until Mexico substantially stops the illegal flow of aliens coming into its territory."

Auto Care members who import products from Mexico should be aware of these duties, which unless action is taken by Congress or the President reverses course, will go into effect on June 10th. There has been no mention of an exclusion process available to U.S. companies.



Mexico is the United States' largest trading partner with $346.5 billion of goods shipped across the border last year. Auto Parts comprise over $55 billion of that total. Just a 5 % tariff increase would result in additional taxes on these parts of nearly $3 billion, which will be passed on to American businesses and consumers in the form of higher costs.

- About 2.6 million vehicles were shipped from Mexico to the U.S. in 2018, almost double the 1.33 million vehicles imported in 2011.
- Mexico vehicle imports totaled more than $93 billion last year.
- Mexico vehicle imports last year totaled about 15 % of the total 17.3 million vehicles sold in the states for 2018.

Sources: Auto Care Association, CNBC.com

Icahn Automotive Reports Higher Q1 Service Revenue, Decreased Parts Sales

The automotive segment of Icahn Enterprises (the Icahn Automotive Group) came through with $693 million in net sales and other revenue from operations for the three months ended March 31, 2019, an increase of $7 million (or 1%) compared to a year ago.

Management attributed the increase to an $11 million (or 3%) rise in automotive services revenue (up $7 million or 2% on an organic basis) tied to growing from (DIFM) or due-in from maintenance and fleet business. This was offset, in part, by a $4 million decrease in aftermarket parts sales.

On an organic basis, aftermarket parts sales were flat year-over-year, as a $13 million increase in commercial sales was offset by a decrease in retail sales. The group's cost of goods sold and other expenses from operations increased by $20 million (or 3%) due to higher sales volume as well as a reduction in vendor support funds.

Gross margin on net sales and automotive services labor revenue decreased by $13 million (or 6%) to $199 million. As a percentage of net sales and automotive services labor revenue, gross margin declined from 31% to 29% on a year-over-year basis.

According to management, the automotive segment experienced some margin rate contraction for its services and parts businesses tied to a reduction in vendor support funds and other unfavorable margin adjustments, possibly as a result of the sale of Federal-Mogul to Tenneco.

For the quarter, Icahn Automotive reported a $22 million adjusted loss before interest, taxes, depreciation and amortization because of expenses related to the transformation of the business and additional costs related to investments in the commercial business. This compares to a $10 million adjusted loss a year ago.

As a reminder, Icahn Automotive is in the process of implementing a multiyear transformational plan designed to restructure its operations and improve profitability. And, according to Icahn Enterprises' quarterly report filed with the SEC on May 2, the automotive segment continues to evaluate "strategic alternatives" with respect to the aftermarket parts business.

The Icahn Automotive Group consists of Pep Boys, Auto Plus, Precision Tune Auto Care and AAMCO Total Auto Care. It also is the licensor of Cottman Transmission and operates under several local brands.

Icahn Automotive has over 22,000 employees, more than 2,000 company-owned and franchise locations and 25 distribution centers throughout the United States, Canada and Puerto Rico.

Source: The Greensheet

Tenneco Delays Separation into Two Standalone Companies

Tenneco Inc. has delayed the separation of its business into two standalone companies, with the aftermarket and ride performance-focused DRiV spinoff now expected to occur mid-2020 rather than the second half of 2019.

According to a Tenneco press release dated May 9, the revision allows for additional time for the two proposed companies to align and stabilize business processes and systems, solidify margin and cash flow performance and strengthen their balance sheets.

"It was just over a year ago – April 10 – in fact that we announced the strategic acquisition designed to transform Tenneco into two purpose – built, industry – leading independent businesses," Co – CEO Roger Wood said on the companies May 9 quarterly conference call.

"Today, we're just as excited as we were a year ago and just as committed to the creation of two new companies, both for the opportunity that it will bring to employees and the benefits that will be generated for our shareholders.

"You've seen in the press release that we have adjusted the timing on our expectation for the spin. We have made the adjustment to allow our businesses to set up processes, further improve margins, generate cash flow and strengthen our balance sheet. "We're looking forward to spinning mid – 2020 or as soon as favorable conditions occur."

On the call, Co-CEO Brian Kesseler said: "Since we closed the deal and began working on combining these great businesses, we have seen a number of challenges that we didn't expect, everything from lower light vehicle volumes in China, a temporary drop over the last couple of quarters in aftermarket revenue and trade and tariff issues that the entire industry has been wrestling with."

Kesseler noted that, after a couple of tough quarters, the company has worked through some challenges and from an operational standpoint, "we have our arms around the business."

"For the first time, we have leadership teams in place and operating as independent businesses as we will after the separation. The teams are highly engaged in driving the results and we expect continued quarter after quarter margin improvements," he told analysts on the call.

"We are seeing the benefits of synergies starting to ramp and other operational improvements focused on growing our top line and increasing our profitability. We're continuing to optimize our portfolio with strategic acquisitions and divestitures that will help set each business up for success."

Source: The Greensheet

Tenneco: Q1 Aftermarket Volumes Softer than Anticipated in North America

For the first quarter of 2019, Tenneco Inc. reported $4.48 billion in total net sales and operating revenues, an increase of $1.90 billion or 73.7 % over the same period a year ago, largely due to the acquisition of Federal-Mogul.

The business that will become "New Tenneco" post separation, saw its revenue grow 3 % year-over-year, while the businesses that will become DRiV Inc., saw its revenue decline 3 %, as aftermarket volumes were softer than anticipated, particularly in North America.

Co-CEO Brian Kesseler told analysts on the company's May 9 quarterly report conference call that out-the-door sales in the North American aftermarket met expectations in January. However, the back end of February started to see some slip on a year-over-year basis. "If you listen to most of our customers, March was a tough month." Kesseler said.

For the quarter, the Motorparts aftermarket segment of DRiV saw its pro forma revenue decrease by $106 million or 11.7 %, to $797 million mainly because of a decline in volume and mix, currency exchange and the lost revenue as a result of having sold the Anco wipers business.

In the Americas, Motorparts revenue was down 9 %, with sales down in all categories. Europe, the Middle East and Africa revenue declined 7 %, attributable to overall soft market conditions and inventory consolidation. Asia/Pacific revenue rose 5 % tied to growth in China and India.

For the second quarter of 2019, DRiV revenue is expected to rise 4 % to 5 % sequentially, as aftermarket revenues return to expected levels. Management also anticipates sequential margin improvement of roughly 200 basis points for DRiV, attributable to higher revenue, synergy and manufacturing improvements.

For the full year, DRiV revenue is expected to come in flat in a year-over-year basis. Motorparts revenue is expected to be up slightly year-over-year as the company begins to tap lost business from the second half of last year.

- The Tenneco Board of Directors has suspended the company's quarterly dividend beginning in the second quarter of 2019.

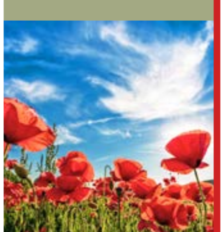
Source: The Greensheet

O'Reilly Auto Parts Rapidly Expanding in to New York State

With the Grand Opening of the Solvay Store in Syracuse, O'Reilly Auto Parts is rapidly increasing their presence in New York State. Two other recent openings in Colonie and Rouses Point has expanded their total to seven locations, with many more in the planning stages.

Once the "master" hub stores are completed and opened, they then concentrate on satellite stores in that surrounding area. There are approximately thirteen locations in various stages of the planning process in and around Central New York.

According to their website, O'Reilly Auto Parts has over 5,000 stores in 44 states, carrying all the parts, tools and accessories one will need, as well as offering free Store Services like battery testing, wiper blade and bulb installation, check engine light testing and more.



CREDIT CARD SURCHARGING 101

You've heard it called many names: convenience fee, cash discount, surcharge, merchant fee, service fee. They aren't all the same though, and there are rules. Surcharging is growing in popularity, with more businesses every day enrolling in the program. Before you decide if surcharging is the right option for your business, you should know what it entails.

A Supreme Court decision in 2013 made it legal for businesses to assess a surcharge on credit card transactions, provided that the local state laws didn't specifically outlaw the fee. **Currently there are 6 states that have laws prohibiting surcharge: Colorado, Connecticut, Kansas, Maine, Massachusetts, and Oklahoma.** California, Florida and New York also prohibit the fee, but the law is being challenged in the respective state courts, and it seems likely the bans will be overturned. Texas prohibited surcharging up until 2018, when the State lost the case and the Court determined it was legal to surcharge.

For those states that allow surcharging, businesses must abide by the rules of the Court judgment:

- The surcharge fee is capped at 4%, or your effective rate, whichever is lower.
- The fee can ONLY be assessed on credit card sales. Debit cards processed as credit **cannot** be assessed the fee.
- The merchant must disclose the surcharge fee in four places: the front door, the register, behind the counter, and on the receipt.
- Merchants must register with their card processor, Visa, and MasterCard. There is a 30-day waiting period after registration before a merchant can activate the surcharge fee.
- Surcharge fees must be included when issuing a return to a customer.

Not all processors, and not all terminals, are capable of supporting the requirements for compliant surcharging. It's important that you talk with your processor to make sure your terminal can determine between credit and debit cards, and the equipment should give you the option of bypassing the surcharge fee in order to avoid losing the sale should a customer refuse.

It's important to understand the distinction between the various fee programs available, as well. 'Cash discount' is the most common one in today's market, aside from surcharge. When using 'cash discount,' the posted prices include the credit card surcharge, and customers who pay using cash are given a discount as an incentive. Convenience fees are the next most common program, where a business charges a fee for the convenience of paying with a credit card when other available methods of payment are more complicated. Most states limit the convenience fee to just government and utility payments, and it's typically a flat fee. Merchant fees are the closest to surcharge fees, just using a different term, and Service fees are generally billed in relation to labor fees. While not as regulated as surcharge fees, these types of fees carry their own requirements, and any business utilizing one of these programs is urged to verify they are compliant with all laws to avoid potential fines for non compliance.

One last component of the surcharge program is customer feedback. Customer response to the program has been mixed, and in most cases, negative. Since the surcharge program only applies to customers who use traditional credit cards, not debit cards, customers are feeling double charged – once from their credit card company for the interest they pay, and once from the business for the fee the business pays. As a business owner, you will have to decide whether the 4% you collect is worth the irritation and potential loss of business as customers search for other companies who are not assessing surcharges.

If you are interested in surcharges, our team at Superior Financial Systems is ready to answer any questions you may have, and help get you set up. Contact Todd Lazar for more information: (888) 737-7762 | Todd@SFSProcessing.com

Announcement of Scholarship Award Recipients for 2019

The New York State Automotive Aftermarket Association (NYSAAA), their Board of Directors and the Scholarship Committee, in conjunction with the University of the Aftermarket Foundation (UAF), are pleased to announce the Memorial Scholarship award winners for 2019.

These Scholarships are made possible by the generous response to the voluntary scholarship donation request that was a part of the Membership Dues billing cycle for 2019-2020.

The Debbie J. Tranello Memorial Scholarship recipient is Brooke Martin of Fort Covington, New York, located north and east of Malone, near the St. Lawrence River and the Canadian border.


Brooke Martin

A National Honor Society member, Brooke attends Salmon River High School where she is the Vice President of the French Club and the President of the Prom Committee and is ranked in the top 15 % of her class.

As the recipient of the George H. Ball Community Achievement Award, Brooke's volunteer experience includes the yearly Easter Egg Hunt, the Spaghetti Dinner at the local Fire Department and in the Special Education classroom since the 7th grade.

Brooke's father is the owner of Adirondack Auto Parts in Fort Covington and North Bangor, New York, as an Auto Value jobber. Brooke will begin her studies at SUNY Potsdam with the goal of becoming a Special Education teacher, just like her mother.


Patrick Brooks

The John J. Lorenzen Memorial Scholarship recipient is Patrick Brooks of Melville, New York, located about 40 miles east of New York City on Long Island where he attends Half Hollow Hills High School.

He has been playing in the high school orchestra for nine years, participating in the plays and musicals. He works at the Chipotle Restaurant and for two summers was a counselor for 20 elementary boys at Park Shore Day Camp.

Patrick has his ASE certification in painting, refinishing and non-structural repair and has competed as a member of SkillsUSA. In the fall, Patrick will begin his studies at Alfred State College School of Applied Technology in the Automotive Repair and Automotive Trades program at the Wellsville campus.

Congratulations to Brooke and Patrick. "These recipients have shown that their past experiences and volunteer work indicate that they possess the necessary skills and determination to be a success in whatever they choose for their career," said Mr. C. Fred Forsythe, the Managing Director of the New York State Automotive Aftermarket Association.

New Member for the 2nd Quarter of 2019

Green Wave Salvage & Recycling LLC
2974 State Route 5
Frankfort, NY 13340

Hans Hendrick
315-313-6700
E-mail: alissa@greenwavesalvage.com