

FADRA

NEWS



**FADRA Starts Year Off
Right With Legislative Days**

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ARA University

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PRESIDENT'S MESSAGE

By Tim McMillon, M & K Auto Used Auto Parts, Inc.



Tim McMillon
M&K Auto Recycling

Greetings from Volusia County! Business has been good so far this year, and I hope it has for you, too.

In this issue, you'll see a report and pictures from this year's Legislative Days event. I learn something every year we go to Tallahassee, and I'm proud to represent our association to our state legislators. Every year, as a group, we are able to make small changes that help our businesses. Once again, I want to thank Steve Holland for all the work he does on behalf of this industry. He is an unsung hero and has always made himself available to members to answer any questions about regulations, NMVTIS, licensing, and other issues.

When I think of why it's important for me to belong to FADRA, this might be the biggest one: the ability to learn from and get advice from others in the industry. We're all competitors we all have our unique needs and problems, but we all rely on each other for parts and knowledge so we can serve our customers the best we can. We all have people we know

we can trust to provide a high-quality part ASAP when we need it, and I have found that FADRA has enabled me to expand that list. I work with people on the Board or meet people at the convention and we can talk face-to-face on common projects or issues, and that is a huge benefit to me and my business. I have made great friends through my association with FADRA. Please keep working to bring new members into our group. We are all stronger for it.

Speaking of which, it's not that far away that we'll be meeting in the Orlando area for this year's convention. Our Convention Committee and our staff brainstorm about great speakers, new ways to improve the knowledge and skills of our employees, and find some unique social events that will make it a memorable meeting. We'll be near Disney this year, so I expect a big turnout, and we're going to have a fair number of attendees from Alabama and Georgia as well. I hope everyone is able to bring their families to enjoy an evening at the attractions. When you get your registration forms this month, make sure you register for the meeting and at the hotel as quickly as you can. We're going to have a great time.

I hope everyone is doing well and always feel free to call me with a question or need for help.

Tim McMillon, FADRA President

Visit your association Website!
www.FADRA.org

Find more useful information from
your Professional Association,
including procedures for applying
for the Salvage Dealers License.



Calendar

April 2-7, 2016

ISRI Convention & Expo
Las Vegas, NV

April 28-30, 2016

URG Training Conference
Hyatt Hill Country Resort
San Antonio, TX

July 28-31, 2016

FADRA Annual Convention
Hilton Lake Buena Vista, Orlando
FL

October 26-28, 2016

ARA 73rd Annual Convention
Baltimore Convention Center

BEHIND THE WHEEL: EXECUTIVE DIRECTOR'S REPORT

By Kim O'Dell, CMP, O'Dell Group Management, FADRA Executive Director



I hope everyone is having a happy and profitable first quarter of 2016. FADRA has been busy with Legislative Days, memberships, our website, and planning the convention in July.

Legislative Days once again drew several members and enabled us to push forward with some legislation that helps

our members. Since we went to Tallahassee in January rather than March, it squeezed our planning a bit after Christmas and New Year's, but we put together an active group to meet with our legislators. Thank you again to Jim Taylor and Auto Data Direct, who invited us to the lovely old home and yard with enormous oak trees that they use for private events. As always, we'd like to see more members take part; you don't have to be a Board member to join us.

I would like to make an appeal to our members to solicit colleagues in your area to join FADRA. We recently sent out second notices to those members who haven't rejoined, and also to people who have been members within the last three years but haven't come back. Staff has worked to develop a good list of non-FADRA members and we have solicited them, but nothing beats a member contacting a non-member and telling them how the group can help them. We have a solid group of members, but we'd like to expand as much as possible.

In particular, South Florida is poorly represented in FADRA and we'd like to change that.

Staff has been working to improve the FADRA website, and if you haven't looked in awhile, please do so. You will see it looks better and has some good information about the group and opportunities to interact with members. We have a button now you can use to report news for the newsletter. Let us know what you think and if you have ideas for improvement.

Finally, as always we are working to make our annual convention the best it can be. Shan McMillon and her committee have put together a great list of speakers, with Sandy Blalock as our keynote. On Thursday evening, instead of a planned event, we're having an open night at the parks and Disney Springs for you to visit with your family and fellow members. We are also planning a Saturday schedule that enables owners to bring over their salespeople and dismantlers for a day, with sales classes and a forklift certification seminar. They can also eat lunch in the exhibit hall and visit with vendors on Saturday. Our banquet will include some dynamite entertainment as well as the auction. Attendee and exhibit brochures will be mailed at the beginning of April.

Please let us know how FADRA is doing and if we are meeting your needs. We have the benefit of a financially strong and (if I say so myself) well-managed association that serves its members. Feel free to call the office at any time. Happy Spring!

Alert!

In early March, several automotive recyclers have been contacted by a person posing as a Car-Part.com employee asking for server access to "install some software." The customers' servers have been hacked and all the vehicle and part images on their servers were encrypted and cannot be accessed. The "hackers" are now asking for bitcoin ransom.

Please DO NOT allow anyone to access your Inventory Management Systems unless you are positive who they are. Also, take the steps needed to back up your images locally or to the cloud to protect your business. If you have any questions, contact your Inventory Management System representative immediately.



Former FADRA Executive Director Passes Away



Flowers sent by FADRA Board to Marjorie's Celebration of Life.

Marjorie Stealey Cook, who served as FADRA's Executive director from 1982 through 2005, died on February 20, 2016, after a long illness. She was 64. Members will remember Marjorie for her good cheer and close attention to detail, and she was an important factor in the association's growth over two decades. She was born August 16, 1951 (Elvis's

birthday) in Mishawaka, Indiana. She is survived by her husband Dennis, daughter Brook and son Richard, and seven grandchildren. Donations may be made in her name to the Nan Cavaretta Scholarship Fund at www.nacavarettamemorialfund.com/#!donations/cwc9.

Al-Jon Founder Dies

Jon H. Kneen, the 'Jon' of Al-jon Manufacturing, died in his home in Naples, Florida, on January 26, 2016, at the age of 89.

After returning from World War II, where he walked among the first Americans at Hiroshima, he returned to the family farm. His entrepreneurial spirit was already alive as he helped modernize the farm. He went on to co-found Al-jon, a manufacturer of recycling equipment, in Ottumwa and would grow that company to be an important contributor to the economic health of southeast Iowa and the manufacturing community. His accomplishments led him to serve as chair of the Iowa Association of Business and Industry, director of the National Manufacturing Association, a member of the Chicago Federal Reserve Bank Advisory Council.

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Loetscher's Moving to New Facility

Loetscher Auto Parts, LLC is in the process of relocating. The business is located in Plant City. It has been owned by Ken Anderson and Steve Holland for the past six years, dealing with middle aged vehicles and RV salvage. Ken and Steve have purchased some industrial property about two miles from where they are located today. They plan to be relocated before July 1st at the new site, which consists of five acres with a 15,000 sq ft steel building in an industrial park. The business will be promoted as a Barely Used Auto Parts Dealer to solicit retail and wholesale customers.

Bee Line Out of Business

Long-time auto recycler Bee Line Used Auto Parts on West Landstreet Road in Orlando has closed, reported Tony Quarno.

New Member

Andrew R. Goberdhan and his family, who are new to the Ocala, FL area, are starting up a used auto parts business called Planet Auto Parts.

"Myself, my brother, and my father will be operating the business and each brings our unique experiences to the business. My father has over 30 years experience in the auto body and mechanical business. I have a background in economics, and have operated a car rental business for seven years, and have been in the auto parts business for eight years. My brother Ryan has operated our auto parts business with us for about six years now.

"We are happy to be members, and join the team of auto recyclers with the FADRA!"

Tommy Ellison Passes Away

Tommy Ellison, 63, a long-time employee of Rigsby's Auto Salvage in Zephyrhills, died on January 6, 2016. Tommy began working at Rigsby's in 1980 and became manager there until he retired. He was born in Jessup, Georgia. He was preceded in death by his wife, Maureen N. Ellison. He is survived by his children, T.J. Ellison (Nikki) of Zephyrhills, and Amanda Grossman (Leo) of Plant City, and five grandchildren.

Automotive Commodity Exchange (ACE) and MCI Cores Announce Merger



Automotive Commodity Exchange (ACE) and MCI Cores (MCI), announced on February 22 that they have signed a definitive merger agreement. This agreement combines the collection, harvesting, and distribution of “big” automotive cores and commodities processed by ACE with that of the “small” automotive cores and commodities processed by MCI. “Big” automotive cores encompass engines, transmissions, transfer cases, and rear ends. “Small” automotive cores include complex electrical, A/C, brakes, rotating electrical, and hydraulic.

“The purpose of combining ACE

and MCI is to provide a one-stop-shop for our suppliers and customers,” said Benny Cunningham, CEO of ACE. “We have a more advanced and modern vision of the future of the recycling industry and we start by combining resources and providing the recyclers with an easier sales transaction to create a 360-degree solution.” Benny spoke at the 2015 FADRA Convention.

ACE will be moving its facilities from Kansas City, Missouri to St. Louis. ACE/MCI Commodities have purchased a 430,000 sf facility in St. Louis to supplement MCI’s existing 150,000 square foot facility.

In addition, ACE/MCI Commodities have attained an 836,000 square foot facility in Appomattox, Virginia for future projects and expansion.

“The increased capacity allows us to process all cores and commodities, reduce wait time, and increase turns. It’s a win-win for everybody,” said Mr. Cunningham.

“By teaming up with ACE, MCI has the opportunity to break through barriers in the “small” automotive core parts industry, expand product offerings, and take the business to the next level. Our entire team is excited to work with ACE,” said Ed Matejic, CEO of MCI.

The merged company will be named ACE/MCI Commodities. Benny Cunningham has been named as the CEO. ACE/MCI Commodities will be actively releasing new programs in the upcoming months that will benefit the recyclers, customers, and remanufacturers.

Car-Part Takes Training on the Road

After seven years of successful conferences, Car-Part is offering a new twist on training. The Car-Part World Tour will bring training classes to cities throughout North America in 2016.

Janice Schroder, Vice President of Marketing, said: “Recyclers have asked us to bring our training closer to them, and we are happy to accommodate their requests.”

Training will be interactive and hands-on at a computer, and facilitated by Car-Part product experts. Topics include Car-Part Pro, Car-Part mobile apps, Images, Core Pricing and sales, CrashLink, Bidmate for buying, Checkmate Sales Pro Boot Camp, Partmate for inventory and assemblies, Car-Part Interchange Plus, Brokering, eBay through Checkmate, Reports, and more.

The Car-Part World Tour kicks off in Burnaby, British Columbia, on February 19-20, in cooperation with the

Automotive Retailers Association (ARA-BC) at their facility. Next scheduled is Raleigh, North Carolina, on March 12, following the Carolina Auto Recyclers Training and Conference. This fall in Baltimore, Maryland, Car-Part is pleased to provide 4 hours of training during the

Automotive Recyclers Association Annual Convention on Saturday, October 29. Even more stops will be added to the schedule in the coming weeks.

If your association (or you as an individual recycler) would like training in your area, please contact Car-Part and we will be happy to discuss coordinating a Car-Part World Tour stop with you or your association.

For more information and to register for a Car-Part World Tour stop near you, visit Products.Car-Part.com/worldtour or call 859-344-1925.



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LEGISLATIVE UPDATE

By Steve Holland, Brandon Auto Salvage, Legislative Chairman



The Legislative Committee has been very active researching a large number of Bills this session. The following sums up the majority of the action.

1. HB 1091 & SB 1510 - The House bill will replace the Senate Language. PWOFF's Bill addresses the Illegal Signage for purchasing salvage vehicles and is being introduced by Representative Bob Cortes and Senator Hutson. This bill has been modified and has passed through several committees.
2. HB 1029 & SB 566 - The House bill will replace the Senate Language. LKQ has been promoting this Bill relating to a Electronic Data Reporting Program and it is sponsored by Rep. Goodson and Senator Braynon. The purpose of this program is to require tracking by a Third Party Consolidator to the DMV Database of the sell of salvage vehicles and the reporting to NMVTIS.

3. A Windshield Fraud Draft is being promoted by the Safelite Glass Company and focuses on repairs of glass by unlicensed people such as car wash facilities. This bill has been discussed in committee and the language will change is adopted.
4. SB 960 & HB 1087 - This bill protects consumer information that is collected by auto dealers and is sponsored by Senator Bradley and Rep. Rooney. This has passed its first Senate Committee.
5. HB 875 Amendment 3 - This amendment by Rep. Santiago defines aftermarket and recycled parts and restricts warranties from being void for repairs of the vehicle with those parts. This amendment was withdrawn from committee and will possibly die this year.

Please keep your ears open for any information about these bills or any other bills that can affect our Industry. Contact me immediately if you hear anything that this committee should be involved with.





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FADRA STARTS YEAR OFF RIGHT WITH LEGISLATIVE DAYS

By Bobby Davis, Editor

Normally, the Florida Legislative Session begins in March and FADRA members visit in that month. The 2015 Legislature decided to exercise its discretion to begin earlier in 2016, however, so Session started in January. A dozen intrepid FADRA members journeyed to Tallahassee on January 26-27 to promote two important bills and once again cement relationships.

As always, the Board met on Tuesday at our host hotel, the Hilton Garden Inn. Afterwards, we adjourned to the old house owned by Auto Data Direct, who treated us to a wonderful barbecue and drinks. Jim Taylor and his crew were wonderful hosts, as always. In that comfortable setting our group shared stories and fellowship, and Steve Holland prepared us on the issues we'd be discussing on Wednesday.

Early Wednesday morning, we took taxis to the Capitol and got in line for a security check; thankfully, there was no line to speak of. We met lobbyist Trevor Mask in the rotunda, which was decorated with children's pictures since it was International Children's Day. Our group consisted of Tim McMillon, Shann Lathem-McMillon, Steve Holland, Gary Lindros, Jr., Bob Eubanks, Tony Quarno, Jason Grady, Jason Finley, and Phil Riffel, along with staff members Kim O'Dell and Bobby Davis. In addition, Chad Counselman of Counselman Automotive Recycling in Mobile, Alabama dove over to join our group as well, and he proved to be an excellent asset. Chad works on legislative affairs for his own state industry and is relaxed and knowledgeable in talking with legislators. We went to more than 25 appointments, including several new legislators.

Probably the most important meeting was with Rep. Bob Cortes (R-Altamonte

Continued next page





Springs), sponsor of the bill that aims to rein in the “We Buy Junk Cars” style of advertising and the unlicensed people who are buying more than the three vehicles they are legally entitled to. Cortes said that at his towing yard, he has seen some bait-and-switch tactics by some people. They offer \$500 for an old car, then hook it up when the person gets there and tells them that the condition is worse than what he thought and he’ll only pay \$200, then take the car away. He has had to intercede when such vehicles have been at his yard.

In addition, he told us that the bill had not yet been scheduled to be heard in committee that week; any bill that has a hope of getting passed has to get through committees first. We met with the committee chair and we found out from Trevor later that day that it was scheduled. This is why it is important to have a personal presence in Tallahassee when important legislation is being considered.

We also met with the House sponsor of the other critical bill (HB 1029/SB566), one sponsored by LKQ that would enable a third party to create a DMV database of names of persons or businesses that purchase or sell salvage vehicles in Florida. Goodson (R-Titusville) was comical and irreverent as always, though he is a serious and influential legislator.

All in all, our members were greeted respectfully and the legislators indicated support for our bills. The session is scheduled to run through March 11, and we will announce the fate of our bills to the membership as soon as we know something. Again, we hope that next year members other than those who serve on the Board join in, as it enables us to cover more ground and meet with more people.



STATE OF THE INDUSTRY

AUTO RECYCLERS FACING ROUGH ROADS

By Mike Breslin, American Recycler News

Back in January 2012 American Recycler published an article penned by Mark Henricks entitled "Rough Roads Ahead," about the problem of auto recyclers acquiring cars.

At that time, it was the number-one issue facing recyclers. Five years later, we followed up with Michael E. Wilson, chief executive officer of the Automotive Recyclers Association (ARA) and asked how business is for auto recyclers.

"I wouldn't say that the economy for auto recyclers has improved since 2010. In some aspects there may be some better opportunities for recyclers in the coming months, but if you are looking at the last five years, really not much has changed on buying at the auctions, other than fees continuing to increase.

For the last 18 months, because of the economic conditions in China, India, Turkey and so forth, full service recyclers have seen seller services and scrap prices take a huge downturn, probably 50 percent of what they were, maybe down more towards 75 percent on scrap prices. For recyclers on the self-service side, it's been a huge factor. The prices may have come down for purchasing vehicles, but if the scrap processors are not buying the hulks it causes a lot of issues and challenges for them.

"The self service part of the industry really had significant growth from about 2010 and coming out of the recession. That part of the market was definitely picking up. Folks in our industry that were full service were looking at opening up hybrid yards where one part was full service and the other part self service. Those who did that over the last two or three years did not experience an upturn for very long.

"In the full service sector, with the electronic commerce and on line auctions of salvaged vehicles, it continues to be more than auto recyclers that are buying vehicles. Probably about 50 percent of the buyers at the salvage pool auctions are recyclers and the rest are the general public and used car dealers. There's been a continued trend towards an increase in the public and used car market, probably a single digit increase since 2010. With the price of used vehicles being at an all-time high, a lot of dealers are coming into the salvage auctions,

purchasing vehicles, fixing them up and putting them up for sale."

Edmunds.com, a leading reference for car shoppers, recently reported that certified pre-owned (CPO) car sales are at an all-time high. In the company's latest used vehicle market report, analysts noted that in 2014 CPO sales hit an all-time high of 2.3 million. Last year, CPO made up 20.8 percent of total used car sales at franchised dealerships, the highest percentage since certified pre-owned programs were introduced.

"We fully expect CPO popularity to continue throughout 2015 because many leased cars are being returned to the dealership in excellent shape and lightly used cars are being traded in at faster rates than in previous years. This allows dealers to maintain a large CPO inventory," explained Edmunds.com senior analyst Jessica Caldwell. "Car shoppers are finding a great selection to choose from, and, in the current economy, many are comfortable spending a bit more for that extra peace of mind that a CPO car brings."

Wilson estimated that the number of used vehicles being exported out of the U.S. from auctions at about 30 percent. But it's mostly late model vehicles in the \$15,000 to \$20,000 price range, because it doesn't make economic sense to export the older, less expensive cars.

Also, Wilson pointed out that over the last 18 months the U.S. dollar has really strengthened, which is going to have a dramatic effect on the used vehicle export sector.

In 2010 ARA estimated that there were 8,400 automotive recyclers in the U.S. "Since then we sense there's probably been a small reduction in that number," said Wilson. "We are hearing of closing of shops because it's getting harder and harder to stay in business. In addition, there have been and continue to be numerous acquisitions. The landscape really hasn't changed that much since 2010. It was hard then and it's hard now. Some of the folks that were on the fringes back then have been weeded out.

"From what I hear, low prices for scrap metal are not going to rebound anytime soon," Wilson continued.

Continued next page

"Prices, I believe, are pretty much going to stay where they are for the rest of the year, at least, and I don't know how much further into 2016. The longer that price is down, it hurts each and every month for those relying on crushing cars when they are making one quarter or one third of what they were making five years ago. That's painful.

"Scrap prices are also having a hard time in the collision repair industry where we sell a lot of our parts. They've had a huge wave of public consolidation and we believe the recycling industry is going to see more taking place."

Wilson was referred to a group of recycling companies that consolidated with an IPO this spring as Fenix Parts, Inc. It combined eight original companies and created a network of full service and self service recycling parts yards in key regional markets in the U.S. and Canada. The founding companies had been in business an average of 25 years and operate from 13 locations. Since the IPO, Ocean County Auto Wreckers of Bayville, New Jersey has also joined the Fenix consolidation.

In speaking of the advantages of consolidation, W. Kent Robertson, chief executive officer of Fenix said, "Given the highly fragmented nature of the automotive recycling industry with literally thousands of companies, there is a great opportunity for further consolidation. In addition to growing organically, expansion through acquisition will be an important part of our overall strategy and a key long-term value driver for our customers and shareholders.

"We also believe there are significant benefits of scale – first, increased parts availability through the hub; second, synergy with respect to how we buy cars, tow and distribute parts to our customers; and third, the leverage we gain on our fixed cost structure and corporate general, administrative expenses. We see additional growth opportunities by enhancing the effectiveness of our sales force, the development of an integrated technology platform for bidding and pricing, the expansion of our dismantling capacity, and by growing our distribution in existing and adjacent markets," Robinson concluded.

"It wouldn't surprise me that other entities look to an IPO as a possibility over the next few years because of economies of scale and to make sure there's a long term plan for a business," Wilson predicted. "We have many generational businesses in the scrap industry, often third and fourth generation family businesses. Sometimes the

latter generations don't necessarily want to be in that business and are looking for ways to continue operations. Consolidation is one way."

Wilson said that one of the most significant changes for full service auto recyclers over the past five years is change at an accelerated pace. A lot of electronic commerce has taken place, especially over the past two or three years with new platforms coming into the marketplace that have caused issues. GM, for example, is looking at a dynamic pricing platform for their replacement parts. That will make it more difficult to price recycled parts. There are regional and seasonal pricing differences and many other supply and demand factors. Electronic platforms, especially in the collision and repair industry are getting more and more sophisticated so the quality of recycled parts needs to be raised. OEMs want to recapture the replacement parts market because it's dropped from 74.8 percent back in 2008, 2Q. Now they are at 65 percent on replacement parts.

"Since the spigot has kind of been turned off from China and other foreign markets some shredders are not even buying scrap depending on how much they have in inventory," Wilson observed. "And since there's really not much of a demand from shredders to buy scrap, that's really been hurting recyclers.

"No question, automotive recyclers are definitely getting more curves thrown at them these days, but the industry has been around for 100 years and they have modified their operations to compete as time has gone by. And, I am confident that most all of them will do the same down the road, but they will have to continuously adapt their operations to change," Wilson concluded.

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LOWER SCRAP PRICES FILL SALVAGE YARDS, REDUCE RECYCLING

By Peter Johnson, pjohnson@greatfalls Tribune.com

The always cyclical prices of scrap metals have spiraled down for more than a year to their 23-year nadir for a variety of global economic reasons.

The lower prices have led some salvage yards and even farmers who supply scrap materials to hang on longer to junked autos and used appliances, waiting for a better deal. That's caused a sharp reduction in volume for the companies that buy scrap and reprocess it back to usable metals for industry.

But a local expert with Pacific Steel and Recycling is cautiously hopeful that scrap prices will begin edging slowly back this year as national and global economies improve.

Generally speaking, the prices for such scrap metal as light gauge steel and tin found in car bodies, appliances and used farm equipment as well as for scrap copper, aluminum and brass have dropped about 65 percent since late 2014, resulting in a 50 to 55 percent reduction in the amount of scrap metal sold to Pacific Steel and Recycling and other companies in the industry, said Patrick Kons, vice president of scrap operations for Pacific, which is headquartered in Great Falls and has branches in nine western states.

"We think prices have hit rock bottom and will rise again incrementally," he said. "But it took 14 months for prices to fall so much and it might take that much time or longer for them to come back. But each supplier has a price point where its yards fill up and they need to sell. We want to stress that our recycling scrap yard is open and ready to serve them."

A skilled heavy equipment operator uses the long yellow arm of an excavator machine to stack a junked auto on top of a scrap metal heap at Pacific's scrap yard in northcentral Great Falls, where it will be compressed

by a bailer and shipped to the company's sophisticated shredders in Billings or Mayfield, Idaho. The shredders separate the scrap into aluminum, stainless steel and other metals for industrial reuse.

Lower prices have spurred reduced scrap volume, slowing business and forcing the company to reduce jobs at the Great Falls scrap yard from 14 employees at a peak a couple of years ago to seven currently, said Dillon Lane, Great Falls recycling manager.



Kons said Pacific had to shave costs by closing a combination steel and recycling plant in Lewistown and closing a new steel facility in Williston, N.D., shifting some of the employees 40 miles to the west to its plant in Sidney.

Pacific Steel and Recycling, an employee-owned company known for generous giving in its communities, also has trimmed its corporate giving until scrap prices and profits improve, he said.

Kons and Lane stressed that Pacific's recycling and scrap operations are continuing, with the company offering the best deal it can to customers.

Prices for scrap ferrous metals such as iron, light gauge steel and tin ranged between \$80 and \$100 a ton in late 2014, but fell to \$20 to \$30 a ton for much of 2015, with a brief low of \$5 a ton, Lane said. Aluminum cans, which went for about 45 cents a pound a year ago, are now 30 cents a pound.

Pacific's Great Falls branch still accepts other goods such as newspapers and cardboard from folks wishing to recycle and reduce pressure on landfills, but can't pay for such goods because of low prices. It makes an exception when bulk amounts of such products are donated for schools and charities.

Continued next page

Lane said he met with town officials in Choteau who were concerned that some residents are leaving junked vehicles on streets and used appliances in their yards because the scrap prices don't cover the cost of hauling them to Great Falls recycling plants. Lane said Pacific would like to help but can't afford to haul scrap from outlying communities either. He suggested rural folks toss what scrap they can into backs of trucks when they're driving to Great Falls.

Charlie Bumgarner, who farms east of Great Falls, said sale of scrap metal isn't a big factor that farmers count on annually as part of their business operation.

"But when scrap prices were really high four or five years ago, I cleaned out a lot of scrap iron pieces from around the farm and sold them, which was a real bonus," he said. "Some of that stuff, such as old farm implements or metal wire and barrels that we'd used for different projects, had sat there for a lot of years but is pretty well cleaned out now."

Cars piling up in salvage yards

"This is the worst price for scrap auto bodies that I've seen in 32 years in the business," said Steve Moltzan, owner of Moltzan's Auto Inc. in western Great Falls.

"In fact, the price of scrap metal is so low that it doesn't pay the fuel cost for putting auto bodies on a truck and hauling it to Pacific Steel and Recycling or Steel Etc. scrap yards across town," he said.

"Personally I have 27 acres of ground and can continue to stock and stack the wrecked and non-functioning vehicles that people bring in," he said. "But I'm not sure how much longer I can continue doing that. If I actually have to start stacking car bodies higher than the shield-fence, I'll get complaints from the public."

His nephew, laborer Chris Stice, gave the Tribune a tour of Moltzan Auto's massive backyard, which he estimated has grown to 1,800 vehicles since scrap metal prices plummeted a year ago. He said there used to be clear pathways in the yard, separating different makes of vehicles, but those pathways are filling up since the business no longer sells 50 or 60 vehicles a month to recycling businesses because of low scrap metal prices.

Moltzan said his salvage business primarily relies on selling auto engine and body parts such as alternators, starters, transmissions, fenders, hoods and head and tail lights stripped from junked vehicles, "so we have to keep taking in auto bodies to replenish our stock."

"Selling the leftover car bodies as scrap metal used to be what would determine our profit level," he said. But with low scrap prices discouraging him from making such scrap metal sales, he's lost part of his business profit wiggle room, he said.

Several factors cause low prices

Pacific Steel and Recycling's Kons said the price for primary metals have long had their ups and downs and in recent years have become even more tied to global economic trends.

"There are a lot of dynamics involved," he said. These are global commodities with cyclical prices."

Metal and scrap metal prices peaked in 2006, fell a few years after the 2008 recession and dropped sharply in late 2014 to the lowest levels since 1992, he said.

Kons cited several contributing factors in lower metal prices:

- Reduced growth in the economy of China, which had been importing a lot of scrap metal to supply its industrial, commercial and residential growth.
- Strengthening of the U.S. dollar, which made it more expensive for U.S. companies to export goods, including both raw materials such as metals, and finished products overseas and beneficial for foreign competitors to import goods into America.
- Overproduction from new ore being mined around the world, lowering the price of raw iron ore, copper and ores that make aluminum. Historically, such raw ore sold for more than reclaimed, scrap metals, but the surplus brought the price of raw ore closer to scrap prices, creating more competition for recycling companies.

A Jan. 5 *Wall Street Journal* story described how "supermines" costing billions of dollars were planned during recent boom times but went into production when slowing Chinese economic growth and other factors "dragged metal prices into a deep downturn."

But the giant mines cost so much to build that mothballing them is unthinkable now, the article said, so they keep producing, giving the mining sector "an extra bad hangover during the bust" and contributing to the glut of metal on the market and lowered prices for both raw and scrap ores.

- Less demand at domestic U.S. steel mills because of increased steel imports and a U.S. economy that's still not fully recovered from the recession.

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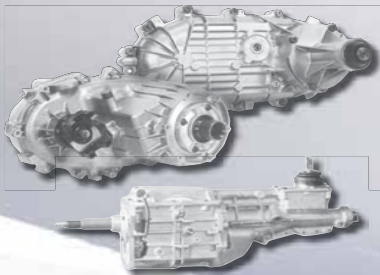
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2016 Shaping Up to Be a Year of Change for HUB Industrial Supply

Stuart Johnson, Director of Sales and Marketing, HUB Industrial Supply, an Applied MSSSM Company

Ordinarily, I like to use this platform to comment on issues facing the auto recycling industry. Today, I'd like to turn my focus inward and report instead on the company that I work for – HUB Industrial Supply – because there are exciting things happening here that affect the recycling industry at large.

HUB was acquired at the beginning of the year by Applied Industrial Technologies (NYSE: AIT) and is now operating as a subsidiary of Applied Maintenance Supplies & Solutions (Applied MSSSM). Overnight, we went from being a privately-owned company to being a part of a much larger corporation. What attracted the interest of Applied[®] was our in-depth specialization in a handful of industries — the auto recycling industry in particular.

The assignment from our new owners? Well, it's to keep on doing everything we've been doing to make life easier for recyclers—only now we have even more resources to improve and enhance the consumables you

use, deepen our range of in-stock supplies, and help you solve the supply and inventory problems that still take up too much of your managers' time.

On the subject of improved and enhanced consumables, we have been working with our engineers to address the difficulty of cutting the latest generation of ultra-high-strength steel, which is often referred to as Boron steel. Even the best reciprocating blades are lacking when it comes to cutting through a pillar that is made of this material. At long last, we've achieved a breakthrough in the blade technology and have made it available to recyclers everywhere. We call it our Boron Dismantler[™], and it cuts faster and lasts longer than other competitive blades we've tested. For example, it took four competitor blades to cut a quarter panel of a Volkswagen Golf, compared to the Boron Dismantler that finished the cut using only one blade. In a similar saw-off involving a Jeep[®] Cherokee, it took four competitor blades to finish a cut through the A-pillar and roof while the Boron Dismantler made the complete cut with its original blade.

How revolutionary is the Boron Dismantler? Suffice it to say we have gotten orders from two different saw blade manufacturers. Is it possible they want to reverse-engineer our blade to find out why it does what theirs can't?

Beyond the Boron Dismantler, there are other products we've recently launched such as our HUB Mark[™] Paint Markers as well as an intuitive suite of inventory management solutions we're calling INVENTORY IQ.

The auto recycling industry is entering a period of dramatic change that is being fueled by competition and innovation, and we at HUB feel the energy and are happy to participate in its transformation. Indeed, these are exciting times for HUB Industrial Supply.



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ARA UNIVERSITY

THE AUTOMOTIVE RECYCLING INDUSTRY'S PREMIER EDUCATIONAL PLATFORM SHARES THE LATEST UPGRADES AND ENHANCEMENTS THAT SET THE BAR HIGH FOR EXCELLENCE.

By *Caryn Smith, Automotive News*

The education of automotive recyclers, both new and seasoned ones, is becoming a necessity rather than a nicety. Advancements in technology are outpacing curriculum in traditional schools for auto industry workers. Vehicle technology that was once thought of as Jetson-futuristic just a few short years ago is now either under development or already implemented in vehicles.

In the session about the digital age at the 72nd Annual ARA Convention in Charlotte last fall, speaker Tanvir Arfi, President of Service, Maintenance, Repair and Parts for Solera said, "Today's vehicles have 360° cameras, 360° sensors, adaptive cruise control, lane changing sensors, and even OEM gateway technology which sends diagnostic information to repair shops before the car even arrives at the shop or before contact with the shop is even made from the vehicle owner." He noted that at least two companies are already under way building self-driving vehicles. The landscape of vehicle design is changing rapidly.

With all of this innovation, how can the automotive recycler keep up?

The ARA University's mission is to create innovative training content and delivery systems automotive recyclers utilize to ensure a productive workforce that can handle the cars of today and tomorrow as they populate professional automotive recycler's inventories. Take, for instance, the hybrid battery. Just a few years ago, the idea of dismantling a hybrid was a rare anomaly in the dismantling bay. Now, it is a mainstream consumer option, and a daily reality for some modern dismantlers.

Harvesting these new (and probably profitable) technology parts, such as the sensors, could even provide new streams of income. While the ARA University may not be able to create courses that handle every complex vehicle scenario, what ARAU can do is ensure that your workforce is sufficiently trained on the basics to leave valuable time to train for profits.

"The time of an automotive recycling facility owner or manager is best spent on training that can boost the bottom line," says Virginia (Ginny) Whelan, Executive Director of the Automotive Recyclers Association Educational Foundation (ARAEF), and the ARA University, the

Foundation's main educational platform. "It is easier for a trainer to teach how to handle more complex situations if the staff is already running at top levels for safety, compliance, basic technology, best business practices and so on. ARA University offers a flexible and far-reaching training option that can keep a team operating safely and effectively. Therefore, onsite training can focus on boosting profits for that specific facility."

Trailblazing for Others

In 2006, ARA University was an idea in the mind of Whelan. Known as a trailblazer in the industry, her involvement with ARA and parallel organizations like CIECA and others, offers her a snapshot of the future and its impact on the industry. She was talking about data integrity and protection before it (ie: parts numbers, codes, descriptions and information) was a concern for most in the industry.

Whelan learned auto recycling the way many do – in the family business. She was raised in the industry, yet went to college to become a teacher. She taught school before joining her father in business. As a leader-servant and a trendsetter, she was elected as the very first woman President of the ARA in 2000. This paved the way for other women to take the highest leadership position in ARA, and even led to the formation of the Ladies of the Automotive Recyclers Association (LARA), a group that encourages mentorship and promotes women in the industry work force.

After her term as ARA President, Whelan became the President of the ARA Educational Foundation.

In 2006, she experienced a setback that led her to leave the industry as an active business owner. She offered her resignation as the ARAEF President to then-ARA President Jim Watson. Watson checked the bylaws about her status, and found no prohibiting language for Whelan to continue in her ARAEF capacity. She continued to lead the effort to educate the industry workforce online.

"Motivated by helping others succeed, I wanted to ensure that no auto recyclers would fail due to lack of available information," says Whelan. "I saw an opportunity to blend my background in education and varied experience in the auto recycling industry. While ARAEF

Continued next page

was formed in 1946, it was time to enhance the learning opportunities offered to the industry.”

In the early ARAEF days, Whelan explained, the focus was on creating manuals and materials, and then on VHS tapes to distribute information. There was a strong focus of on-site education opportunities that was becoming nearly impossible to continue. “It was costly to do on-site training,” says Whelan, “and online training became most feasible.”

Whelan, who transitioned from ARAEF President to Executive Director several years ago, has certainly not done this alone. The ARAEF has a strong working committee with many who have contributed their time, passion and ideas, including the past ARAEF Presidents’ Fran Reitman, Billy Roberts, and under the current leadership of Roger Schroder.

Over time, the committee has also engaged knowledgeable companies to develop ARA University with relevant educational content for automotive recyclers to train their teams.

The plans for the next phase of ARA University with a new technology partner are amazing.

Educating Where You Are

In 2006, the ARA Educational Foundation debuted ARAUniversity.org at the ARA Annual Convention. “Forty-three companies signed up with only two courses offered and one more in production,” says Whelan. “By the 2007 convention, 250 companies were enrolled in the platform.” Fast forward to today, there are 547 companies and 10,000 unique users with 47 courses available that include safety, dismantling, sales, business, and procurement, and others.

“We really were early adapters to online training in the automotive industry,” says Whelan. “I-CAR did not go online until 2010.”

The technology companies employed to assist the University’s development have been crucial to its success. The initial technology provider created a professional platform that included a unique user experience. Employers and employees had their own accounts to manage the learning experience. The second provider increased the course material video quality, and improved search engine optimization and industry visibility.

“There are also partnership opportunities we have utilized with UL training, safety courses, software training, and in the future with our new partner, the possibili-

ties are significantly increased,” says Whelan.

Industry hot buttons initiate course development in the University. In the early ARAU days, there was a push for inventory and grading courses so that parts would be easier to sell based on common descriptions industry-wide and beyond. The University responded with a parts grading course. Courses that followed were based on skill sets, such as sales and dismantling. Most recently, the University has added critical safety and compliance courses, as regulators are tougher on inspections and leveraging hefty fines.

The current partnership with online educational technology company, KPA Online, is significant for the university in many ways. “KPA delivers Environmental Health and Safety, as well as Human Resources Management Compliance programs that help our clients achieve regulatory compliance, control risk, protect their assets and effectively manage people. We do this through a combination of innovative software, effective training, and on-site consulting. We believe that client education is the most important part of what we do, particularly in the complex areas of compliance and best practices,” says Eric Schmitz, Vice President, Environmental Health & Safety Products, for KPA.

“As a company, we’ve been specializing in the automotive industry since 1986 and, while we continue to expand into other markets, the auto industry will remain our niche. Our knowledge and expertise in the complex areas of environmental health and safety is far beyond that of our competitors and continues to evolve with the auto industry including changing regulations, new fuels sources and more,” Schmitz says.

“Since training is our focus, we will take ARAU to the next level by offering engaging, memorable training where students walk away with on-the-job skills, and environmental, health, and safety best practices that are applicable to the automotive recycling industry. We’re looking forward to the partnership.”

“This new partner is a company already in the space of developing learning management systems with an automotive focus, currently with multi-property dealers,” says Whelan. “They also have compliance information on every state. What we bring to the table is an expertise of our industry that they can take back to the OE training space. This is a relationship being developed that can be built upon in both directions, where in the past it has been one way.”

Continued next page

Reprinted from Great Falls Tribune, January 14, 2016

Recyclers Benefit

Ultimately, the main benefit of ARAU is to help auto recyclers maintain an effective workforce. Auto recyclers who do not train employees are less likely to retain employees, and they can also lose a competitive edge to those who do train. A trained team also reduces onsite injuries and costly mistakes, and allows for time to train for profits.

“Training reduces the risk for our employees as well as our liability with OSHA and the EPA. As owners and managers, the most important job we have is to protect our people, and to send them home at night to their families without injury and to protect the environment and our reputations as green recyclers,” says Tom Bessler, General Manager, Bessler Auto Parts Team PRP North America, in Wilder, KY.

“All of our new hires are required to do the training that will best protect them in their position, as well as give them the tools they need to perform their jobs to the best of their ability. We also reevaluate employees that are promoted from within or moved to another position in the company and have them complete any courses that are required for their new position. The safety training and OSHA required courses have proven to be most valuable.” ARAU is the training of choice for Bessler, “We use it all the time.”

Go Auto Recycling, Jacksonville, FL, is a strong user of ARAU and finds the safety modules most valuable to their workforce. Nick Fiore, General Manger, says using the ARA University send strong signals to your workforce. “It shows that you care about your employees. It also reduces the costs related to workplace accidents and injuries,” he says. “We pick ten Safety 1 and 2 field-related courses per year. After the first ten are completed, the employee can pick ten more for the second year.” Fiore would like to see audio formats in the future, “We use a PC for the training, but audio training versions in podcast form would be great. We have a lot employees with long commutes.”

While ARA University is fully functional on any device, most companies use a PC for the training. Whelan foresees a time when tablets and other methods could be used for more mobile training flexibility.

The Now of ARU

For the immediate future, Schmitz says much of

KPA's current training could be made available very soon to ARAU users.

“All of our current Environmental Safety courses will be added to ARAU to enhance the training expertise of end-users including, Forklift Safety, Personal Protective Equipment and Emergency Response,” he says. “We will also introduce cutting-edge courses in 2016 to assist recyclers with managing different battery types. Each course is custom developed by the KPA content development team, and undergoes a rigorous instructional design process.”

ARAU users don't have to wait for battery training. It is already available and facilitated by Interstate Batteries Recycling.

“Interstate Batteries Recycling currently offers scrap battery packaging and handling training at ARA University,” says Tod A. Lyons, Senior Sales Manager, Interstate Batteries Recycling, LLC. Recognized at the 2015 ARA Awards Dinner for their work to provide this on-line training, Lyons says, “The training has been available on ARA University's website for more than a year now, and more than 700 ARAU members have passed the training. The testing function is embedded into the program so you cannot move on without first passing the three quizzes.”

“The basis for the training is to show employees who recycle scrap auto and other lead acid batteries how to handle them according to DOT procedures,” says Lyons. “This includes proper packaging for transport and proper packaging for leaking batteries they may come across as well. Properly handling and transporting batteries protect the shipper from possible transport violations and the environment.”

Strong partnerships have allowed ARA University to thrive. “One of the major benefits of our training is the creativity and interactivity. At KPA, we respect the adult learner and their time, so many of our courses are designed to cater to their needs. This includes an array of interactive elements so learners can get the most out of every training. Our courses require learners to perform skills or perform replications of skills, which is at the heart of how learning truly takes place. Our design process augments our instructional experiences with hand-illustrations, custom videos, and templates consisting of engaging, eye-catching interactive themes. We believe the new training will greatly impact the effectiveness of ARAU students.”

Improving on Success

“Training is the key to successful organizations as well as successful employees,” says Schmitz. “Through innovative and engaging learning experiences, employees learn and become better at their jobs. This has the power to increase productivity and efficiency, and ultimately the quality of the product or service. Furthermore, promoting a safety culture in the workplace through effective training reduces accidents, and reduces Workers Compensation claims. Companies with fewer claims will ultimately see reduced insurance premiums making them more profitable by reducing overhead costs and employee churn.”

“KPA’s learning management system is simple and easy-to-use with a sleek, modern design,” says Schmitz. “It allows for quick and easy reporting with the click of a button. It allows managers to assign training requirements based on the specific position of employees. And,

of course, what we are most excited about is the mobile functionality. Through myKPAonline, courses can be taken not only on a desktop, but on tablets and iPads as well. This allows for easier access to training requirements and, more importantly, easy access to knowledge. These amazing benefits will increase training compliance throughout the organization and make for an exciting user experience.”

“We believe that the more effective the employees, the more efficient the organization. Building upon what ARAU currently offers,” Schmitz says, “our courses truly can change behavior in such a way that improves productivity, increases the quality of the services, increases employee retention, and turns companies into well-oiled machines.”

Caryn Smith is the editor of Automotive Recycling magazine and has been in the industry as a communications specialist for over 20 years.

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Bryan Minchew,

Owner University Auto Recyclers, Inc., Florida

Wow ... Wow ... Wow ... Very cool. I have run comparisons and analysis and I am very amazed and fascinated with the results and insights.

Leroy Liebermann,

Owner Eagle Auto & Truck Parts, Arizona

Because it is so streamlined and simple to get, I now have much more information regarding every aspect of my business that allows me to look at the "big picture" and make better-informed decisions regarding my business.

Scott Paine,

Owner Buckeye Auto Parts of Columbus, Inc., Ohio

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Zane Malcom,

Owner H&H Auto Parts, Nebraska & Colorado



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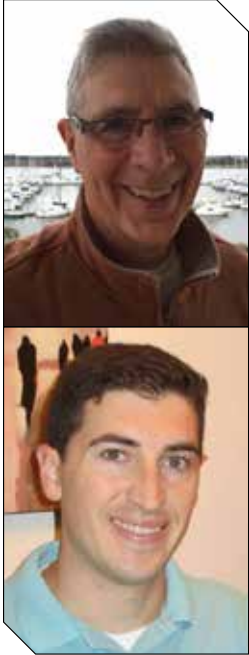
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DAILY COST OF BUSINESS

By Chad Counts and Robert Counts



Most of the time when we discuss breaking even, we are talking strictly about the amount of time it takes for the inventory (vehicles) you buy to produce sales that exceed their cost. In almost all cases you have not received the money you have just billed it out. This is not the point where we start making money; you still need to cover all the associated cost that goes along with the business opening the doors and turning on the lights. Your “Daily Break Even” is the amount of sales you need to cover all cost – cost of goods as well as all other expenses. In this article we will examine that number.

- What is your daily point to break even and start making profit?
- Have you ever stopped to consider that number?

Many retailers run at a loss for the majority of the days they are open for business, while making most of their profit on major shopping holidays and weekends. Which lead me to think, how many days are recyclers running at a loss throughout the year?

We’ve been tracking profitability by month with the companies we work with for a while now and most successful yards are still seeing at least 3 months where they lose money. Hopefully, this is due to overspending or buying inventory in a month where the buying market was soft, but still that is 25% of the year that we did not break even and it is eating profit from the rest of our year.

For others, a losing month, week or day is far too common. No one should be putting in the kind of work and hours recyclers do and lose money. This is simply **unacceptable**.

There is only one person or group of persons responsible for this, **ownership**. You are the only one(s) who are responsible and able to monitor all the data points to know if you are making money or not.

Let’s start there. In order to know your daily break even point you need to be monitoring your daily antici-

pated operating cost (wages, rent, utilities, etc.), daily anticipated cost of goods (vehicle cost, brokered cost, freight expenses) and from there you know what your target is.

For our customers, this is going to be a number that very soon we will begin forecasting and providing to them every day. We believe in the maxim that “What gets measured gets managed”. So we have been working for some time to be able to bring a bottom line mentality for our owners and managers to key in on every day.

The reality for most recyclers will be that likely a majority of days we are losing money and we are relying on stronger sales days to make up for the losses we are incurring most days. If not most days, surely we are losing money on more days than we should.

Right now, there is little to no change in terms of operating procedures or managerial efforts when we have slow days or weeks. For example, at least one of the last 2 months August and/or September were light or slow for many of you. What changed?

Did we hound quotes? Did we push callbacks? Did we drop our allowable discount rate? Did we send home production staff early or use them to catch up on maintenance?

There are a number of things we can do as business owners, to push our employees and our companies forward during slow business climates. The question is: Are we aware that it is happening and do we know the tools and resources available to minimize the losses?

I for one would rather aggressively close or discount parts to cover my overhead for the day than see it eat away at my profits. We are in the commodities business whether we know it or not. There is no fixed price for 80% of our merchandise, but there are limited opportunities to sell 80% of our stock.

Robert Counts, robert@countsbusinessconsulting.com, 512-653-6915 ©

Chad Counts, crcounts@countsbusinessconsulting.com, 512-963-4626 ©



Ron Sturgeon's Tools for Success

Learn to Delegate, to Tolerate Mediocrity, and to Value 20 Seconds

By Ron Sturgeon, Auto Salvage Consultant



Learn to delegate. You can't do it all. Yes, you can do the job of many of your employees better than they can, but that does not mean you should. Your employees trust you to run your business so that they get a check every Friday. You have plenty on your plate and can't let yourself be drawn away from the crucial tasks of setting the strategy

and managing to ensure its execution.

Yes, it will take your employees longer to get some jobs done. Yes, they will not do the job in the same way or with the same care you would have. It is what it is. You can't drive the forklift if you want to grow.

I recall in the first year of business, I was the go-to guy for anything Volkswagen because of my many years as a mechanic fixing VWs. My dismantler came in to my office get me to help him get a VW started. He came because I had gotten him in the habit of asking for help when he got stuck.

When he came in, I told him I couldn't work on the sales plan, the finance plan, and the new marketing plan if I helped him start engines. I told him to go figure it out. He understood that I had to work on the bigger issues that would make us grow.

I used this lesson many more times over the years. To grow, you simply must delegate. You will help your business and give your employees the chance to get better at their jobs.

Delegate, but do so selectively. Don't delegate important matters. Don't delegate so that you can slip away to play golf. Delegate so that you have the time to do what you must to grow your business.

Learn to tolerate mediocrity. Employees vary in quality and skills. If all of your employees had great skills and business acumen, they would all own their own businesses. Learn to deal with those who are, er, smarter than

others and with those that, well, aren't so bright. After all, you need worker ants.

If you have 20 employees, you will have five great ones, and five good ones, and ten worker ants that are great at what they do but are operating near capacity. You can't hold them all to the same standard.

I remember one of my competitors asked me how I could have 60 employees dismantling cars, when he couldn't hire five that were worth a crap. He wanted every employee to be as good as he was. I told him to look in the mirror, and review the way he hired, trained, managed, and led his people.

Know the value of small increments of time. If you can invest two hours today to save 10 minutes per week for the rest of your career, do it! Even if you pains you, do it!

Don't underestimate the value of saving 20 seconds in a process you do hundreds of times per day. Twenty seconds saved 180 times per day is an extra hour. Look at the processes that are the heart of your business to shave seconds from them.

Would you like to have an extra hour per week? Some folks won't take 8 hours to put in a new system that will save them 1 hour per week for the rest of their lives. Be smart. Invest in new systems when they will save enough time to make them worthwhile.

Remember only you can make business great!

Ron Sturgeon, Mr. Mission Possible, has been a successful business owner for more than 35 years. As a small business consultant, he can deliver wisdom and advice gleaned from an enviable business career that started when he opened a VW repair business as a homeless 17-year-old and culminated in the sale of several businesses he built to Fortune 500 companies. To inquire about consulting or keynote speaking, contact Ron at 817-834-3625, ext. 232, rons@MrMissionPossible.com, 5940 Eden, Haltom City, TX 76117.



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