# RSGDA

**REPAIR SHOP & GASOLINE DEALERS ASSOCIATION**
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## INSIDE THIS ISSUE



**NACS: New Overtime Rule Could Negatively Impact Small Businesses**

A new U.S. Department of Labor (DOL) rule increasing the salary threshold for mandatory overtime could have unintended impacts on small operators and their employees, according to NACS.

Effective July 1, the salary threshold for overtime protection will increase to the equivalent of an annual salary of $43,888 before increasing to $58,656 on Jan. 1, 2025.

The July increase updates the present annual salary threshold of $35,568 based on the methodology used by the prior administration in the 2019 overtime rule update. On Jan. 1, 2025, the rule's new methodology takes effect, resulting in the additional increase. The rule will also adjust the threshold for highly compensated employees.

Starting July 1, 2027, salary thresholds will update every three years by applying up-to-date wage data to determine the new levels.

The Biden-Harris Administration stated the new rules will expand overtime protections to certain salaried executive, administrative or professional employees who were not previously covered by federal overtime pay requirements.

However, NACS expressed concern over the effect the new requirements would have on store managers and assistant managers. In November 2023, the association filed comments regarding the Fair Labor Standards Act and opposed the increase.

Despite the trepidation, NACS positively acknowledged the two-tiered delay, which it believes will alleviate some of the potential burdens the rule will have on employers.

**Thousands of Small Business Administration Loan Recipients Have Now Defaulted**

Thousands of businesses who accepted Small Business Administration (SBA) loans during the COVID-19 pandemic have now defaulted and owe a total of $59 billion in late fees, according to Small Biz Trends.

A recent report from the Wall Street Journal revealed that of the $390 billion in recovery loans given by SBA from the COVID-19 disaster program, 860,000 of those loans are now delinquent and in collections.

The reasons for these businesses defaulting can range from missed payments, to financial struggles, or their business going under–but some have argued the terms of payments were not initially made clear to them.

When the federal debt collection program was first approved by Congress, rather than funding the program, the

Treasury Department was directed to charge borrowers late fees. SBA has stated that borrowers in default typically cover these collection fees. But some of those who signed up for these relief loans claim that they weren't made aware of how these fees work.

Ampac, a skincare company, took out a loan of $500,000. Before the company defaulted, they paid off $425,000 of the loan. With the loan now in collections, Ampac still owes $262,000.

"I can't charge that as a business," described COO David Bade of the 30% fee to the Wall Street Journal. "You would go to jail for usury."

**Industry Groups React to Proposed Debit Swipe Fee Changes**

Multiple retail industry groups told the Federal Reserve that its proposed changes to debit card swipe fees are a welcome start, but not sufficient.

If adopted, the proposed revisions to Regulation II's Interchange Fee Cap would result in the base component cap decreasing to 14.4 cents, the ad valorem component would decrease to 4 basis points, and the fraud-prevention adjustment would increase to 1.3 cents per transaction.

The public comment period on the changes ended May 12 after being extended by three months.

The National Retail Federation (NRF) told the Federal Reserve that its proposed methodology change leaves the debit swipe fee cap too high.

"We are very appreciative that the board has undertaken to update the interchange rate so that it will no longer depend on data that is now 15 years old," said NRF Chief Administrative Officer and General Counsel Stephanie Martz said in a letter to the Federal Reserve's Board of Governors. "The economic factors that were considered by the board when it originally set the maximum allowable interchange rate for covered issuers in 2011 based on 2009 data have changed dramatically."

When set, the current cap was 2.7 times card-issuing banks' average cost of 7.7 cents for processing a payment and was meant to cover actual costs at 80% of institutions, according to the NRF, which stated that the current proposal works out to 3.7 times banks' average cost was determined by new methodology intended to ensure that actual costs are covered for 98.5% of banks.

Martz urged the Federal Reserve to keep the cap at 2.7 times banks' average cost, resulting in a limit of 10.5 cents per transaction, or to set tiered rates based on based on banks' debit card transaction volume.

The Merchants Payments Coalition (MPC) expressed similar sentiments, stating that the debit swipe fee reduction would still provide banks with huge profit margins that no competitive business in the nation could charge.

According to the MPC, the proposed rate would lower the amount banks can charge by less than a third, despite the fact that their average cost of processing a transaction has fallen by nearly 50%. A 14.4 cent rate would give average profit margins of 270%, nine times the 30% average profit margins large banks make on their business overall, the organization stated.

A group of banks and credit unions submitted comments urging the Federal Reserve to fully rescind the proposed rule change entirely, arguing that it would harm consumers, banks and credit unions and would violate the law by prohibiting banks from recovering costs incurred by providing affordable, safe debit card programs and a reasonable return on that business.

**Anti-Right-to-Repair Automakers Admit to Sharing Driver Data Without Required Warrant**

Several automakers recently admitted to Congress that they would share drivers' data with lawyers and law enforcement without a warrant, according to the Drive.

In 2014, several automakers signed on to the Alliance for Automotive Innovation's (AAI) Consumer Privacy Protection Principles, which promised to withhold data on location, biometric, or driving behavior data from third parties unless presented with a court order.

Now, Automotive News has reported that eight of those automakers–Toyota, Subaru, Mazda, Nissan, Kia, BMW, Mercedes-Benz, and Volkswagen–told Congress that they would share a driver's data if presented with a subpoena. However, a subpoena is not a court order backed by a judge, but only a request for information from a lawyer.

The revelation prompted backlash from Senators Ron Wyden and Ed Markey, who in a statement to the Federal Trade Commission claimed it was proof of these automakers going back on the agreement they signed in 2014.

The lobby group behind that agreement, AAI, have been actively fighting against the passage of right-to-repair legislation, having held campaigns on the alleged threats it poses to data security.

**Federal Trade Commission Warns Auto Industry on Data Usage Practices**

The Federal Trade Commission (FTC) recently released a statement warning the auto industry of its data privacy practices, reports the Record.

A blog post published May 14 by FTC's Division of Privacy and Identity Protection told the auto industry that it's being closely watched by the agency, and that vehicle data privacy has been something FTC has been aware of as a potential danger for years now.

In particular, the agency noted concerns it has with the sale of geolocation data, likening the tracking capabilities of modern vehicles to that of mobile phones. FTC added that companies with access to sensitive data may only use it for the reasons they give for collecting it, and that in many cases, it may be better to not collect the data at all.

This is the first comment made by FTC on vehicle data privacy since 2018, and came just as several major automakers confessed to Congress that they would release driver data to others upon request without a warrant.

Blog posts from FTC typically act as informal warnings for industries, and are the result of public listening sessions and workshops it's participated in, according to Electronic Privacy Information Center's Director of Litigation John Davisson. Organizations such as Consumer Reports have been calling on the agency to look into the sharing of data with insurers and data brokers from automakers.

**Why Is There an Automotive Technician Shortage?**

The automotive technician shortage isn't a byproduct of just one factor — it's the perfect storm of many. The average lifespan of vehicles continues to rise, leading to more, older cars in operation with a greater chance of mechanical breakdowns. In addition, fewer young people are becoming automotive technicians while the baby boomers who make up much of the current workforce begin to age.

According to a 2022 study from S&P Global Mobility, the average age of light cars and trucks in operation in the U.S. rose to over 12 years old. The average age of cars reached an all-time high that year — the fifth straight year that the typical vehicle has, on average, gotten older

The number of graduates completing postsecondary programs in the automotive sector has dropped 20% since 2020, with 11.8% of this drop occurring in just one year. Projections for demand continue to increase despite this drop in graduates, with the expectation that the U.S. will need over four times more automotive technicians than will graduate in the next five years.

The average wage for an automotive technician is about 20% lower than the national average — which, according to the U.S. Bureau of Labor Statistics (BLS), is $61,900. With the average yearly salary of an automotive technician sitting at $49,690, current and potential technicians seem to be eying other opportunities to keep up with the cost of living.

The baby boomer generation, which consists of people born between 1946 and 1964, is rapidly aging out of the workforce. The BLS states that in 2024, this cohort will be between the ages of 60 and 78. In addition, the annual Gallup Economy and Personal Finance survey found that the average retirement age in 2022 was 61, with nonretirees' target retirement age being 66.

Just how bad is the automotive technician shortage? TechForce Foundation, a nonprofit that guides students into careers as professional technicians, releases a Technician Supply and Demand document each year. The group's latest report, from 2022, includes some startling statistics.

The bottom line? We may need more than 100,000 new technicians to join the workforce every year through 2026 for supply to keep up with demand, and that's extremely unlikely to happen.

**Numbers: How Auto Repair Shops Pay Technicians**

Pay plans for auto repair shops is often a hot topic in the automotive aftermarket. According to the 2023 Ratchet+Wrench Industry Survey Report, there are five key plans auto repair shop owners use.

Here's a breakdown of how independent repair shop owners structure and pay their teams.

- Flat rate: 23%
- Salary: 10%
- Hourly: 28%
- Hourly plus commission: 23%
- Salary plus commission: 6%
- Other: 12%

Interested in learning more about technician pay plans? Read "The SOP: What's the Best and Most Effective Pay Plan for Technicians?" found in the inserts at the end of this newsletter.

**Survey: U.S. Drivers Delaying Repairs Due to Stress, Financial Constraints**

A recent survey conducted by OnePoll on behalf of Pep Boys found what repairs are stressing drivers out the most, and how many are putting off needed maintenance as a result.

The Sun reports that one in five Americans have been ignoring a "check engine" light in their vehicles between six and 18 months, with most drivers disregarding it for an average of four months.

Nearly one third of drivers try to wait as long as possible before seeking out vehicle repairs, with 39% waiting until something breaks or fails before deciding to bring the car in.

It isn't surprising, as 48% of drivers said the financial burden of repairs is what's kept them from taking their car into the shop. Of those surveyed, 30% said that car ownership is more stressful than their finances or personal relationships.

In spite of this, vehicle maintenance is still on the forefront of most drivers' minds. 93% agreed that preventative care is important, along with 38% describing it as a high priority. Of those who put off repairs, 35% came to regret it, having experienced unexpected fees, emotional stress, and almost a quarter having a roadside emergency as a result.

When it comes to repair jobs that stress drivers the most, engine problems top the list, stirring dread in 66% of respondents. Following behind is brakes at 33%, and fuel system issues are a concern for 31%. Some repairs prompt immediate action from some drivers, though; predominantly exterior lights and window cracks.

**Hunter Engineering Launches Free, Online Training Platform**

Hunter Engineering has launched an online, global training platform for customers, technicians, technical school instructors, students, and anyone else interested in learning about automotive work, according to a press release.

Following nine months of updating and optimizing educational content, Hunter University offers dozens of free, online courses. Each course runs for about five minutes, making it possible to complete a 10-module course in around an hour.

Hunter University aims to provide a personalized experience with features including personal profiles, different learning paths, task tracking, and training history. Equipment certifications can be attained through the platform at an individual's own pace, and materials for instructors to use in class are also available for download.

With the courses being offered in 21 different languages, Hunter University is also accessible globally. To register go to the following website:

**https://sso.hunterindustries.com/user/register**

**Use Aftermarket Parts to Your Business Advantage**

Rachet+Wrench

All shops know that, while O.E. is ideal, using aftermarket parts can be advantageous to your price point, profit and customer satisfaction… but only if you choose wisely. Wholesale parts specialist Nicole Newman shares her experience and observations about aftermarket parts selection.

"In my 20 years in the wholesale business, I've seen and heard a lot of cautionary tales about aftermarket parts. But there are aftermarket parts companies that engineer and build with quality and operate with ethics and the best interest of the customer and end user top of mind."

Here are Newman's tips on what to look for (and what to look out for) in the world of aftermarket parts.

*O.E. backing*

"Aftermarket parts that are built to O.E. specifications and tested to O.E. standards certainly get a thumbs up in the aftermarket part selection process," said Newman. "That O.E. backing points to some quality marks for the parts themselves, including proper fit, even in all- or most-makes applications. So, functionality with other connected or affected parts are all part of the design." Because O.E. backing goes hand-in-hand with quality engineering, things like thread alignment, bolt-hole placement and plug-in connections are already in place right out of the box. That can mean lower install times, fewer comebacks and higher customer review ratings.

*Warranty coverage*

Although there are few things in business that are "risk-free," parts warranties, and especially part warranties that cover failed parts and your shop's labor costs, are a big win for mitigating risk on an aftermarket parts selection. Newman advises, "When shopping for aftermarket parts, always take a good look at the warranty, which should be posted on the part manufacturer's website. Examine the warranty details prior to making a purchase."

*Ordering support*

"An aftermarket brand is invested in your business and will provide support services that help your business succeed," said Newman. That includes cross-brand coverage and cross-reference on interchangeable parts. They'll also work behind the scenes with data and promotions to make ordering easier. Look for support data and programs like buyers guides, application guides, promotions, rewards and high-quality catalog parts data that is based on industry standards, so you can specify and receive the parts you want. And an easy-to-use online parts catalog that brings it all together to make your job easier.

*Future-oriented*

"When an aftermarket brand has a vision for the changing landscape of vehicle technology, that's a strong indicator that they are in it for the long haul," says Newman. When choosing an aftermarket parts company, look for products that enhance safety, compliance and long-term reliability. The benefits ultimately lead to more satisfied customers, a stronger reputation and a more diverse customer base.

**Automatic Emergency Braking Required in All New U.S. Vehicles After 2029**

The National Highway Traffic Safety Administration (NHTSA) this week said that all new vehicles sold in the U.S. must be equipped with automatic emergency braking (AEB) systems by September 2029, reports Reuters.

Since the COVID-19 pandemic, there has been a spike in pedestrian traffic deaths, with 2023 seeing a fatality rate higher than any pre-pandemic year since 2008. In 2022, the number of pedestrian deaths rose by 0.7%, marking a new record since 1981. With the passage of the 2021 infrastructure law, NHTSA was directed to implement standards for AEB.

After 2029, all cars and trucks must be able to stop and avoid collision with vehicles in front of them at a speed of up to 62 mph. In the event that collision with a vehicle is imminent, AEB must be applied at up to 90 mph. When a pedestrian is detected, AEB must be applied up to 45 mph.

NHTSA claimed that the new rule will save 360 lives each year and prevent 24,000 injuries. In 2016 a voluntary agreement was made by 20 automakers, stating that they would make AEB standard on nearly all U.S. vehicles. In 2023, the Insurance Institute for Highway Safety found that all 20 automakers have followed through thus far, having equipped 95% of their products with AEB.

**General Motors Vehicles Tracking, Reporting Driver Data to Insurance Companies**

General Motors has come under fire for enrolling drivers into the OnStar Smart Driver program without their consent, which tracks their driving habits and shares it with insurance companies, according to Jalopnik.

A New York Times reporter, who had first broke news of GM sharing drivers' info with data brokers LexisNexis Risk Solutions and Verisk, recently found herself at the center of the problem.

Though GM said back in March that it ended its relationship with LexisNexis and Verisk, the reporter and her husband received reports from the two companies this month, with details on 203 trips her husband had taken since January, and a report from Verisk detailing 297 trips.

Though she had confirmed back in January that they were not enrolled in the Smart Driver program, her husband logged on to his online GM account, where it now said they were enrolled. Come to find out, she was enrolled by her dealer when buying her 2023 Chevy Bolt. That it initially said they weren't enrolled is due to what GM calls a bug.

Dealership customers are required to be shown a series of screens that they check "yes" or "no" on, but the reporter experienced a dealer signing off on them without her knowledge. Though a GM spokeswoman told her dealers are required to show these screens, the GM dealer in question said that his pay is docked if he fails to enroll drivers in OnStar.

"He said that was a mandate from G.M., which sends the dealership a report card each month tracking the percentage of sign-ups," she writes in her New York Times report.

She is far from the only GM owner to experience this, having heard from many others since her initial reporting on GM's data sharing practices. One driver described her insurance having gone up 50% as a result of GM sharing her data, and 10 federal lawsuits have been filed against GM in the past month by other drivers in the same situation as the Times reporter.

**General Motors to Pay Out $150M to Electric Chevy Bolt Owners Over Defective Batteries**

General Motors and LG Electronics will create a $150 million fund to reimburse Chevrolet Bolt EV owners who experienced defective batteries, reports Reuters.

With batteries manufactured by LG, after the vehicle's launch in 2015 a string of recalls were issued in 2020 over reports of fires breaking out in vehicles. A billion-dollar recall initiative over battery fire risks was launched in 2021 before production on the Bolt EV was put to rest last year.

Bolt EV owners may be eligible for up to $1,400 in payments if they had the latest software update installed prior to Dec. 31, 2023. Those who got rid of their vehicles before the software update was released, as well as those who had battery replacements done, will be paid out a minimum of $700.

"GM, LG Energy Solution and LG Electronics have agreed to a settlement with plaintiffs to resolve class action litigation related to the Bolt EV battery recall," told GM in a statement to Reuters. "As a result, Bolt owners who received a battery replacement or who have installed the latest advanced diagnostic software may qualify for compensation."

**Ford Ordered to Explain Reasoning For Recall Solution to NHTSA**

The National Highway Traffic Safety Administration (NHTSA) has highlighted concerns it has with Ford's proposed remedy for a recent recall related to fuel leaks and engine fires, reports Reuters.

The recall in question was issued by Ford for over 42,000 SUVs, comprised of 2022-2023 Bronco Sports and 2022 Ford Escapes equipped with 1.5L engines. The issue stems from the potential for the fuel injector to crack and leak fuel, possibly leading to an underhood fire.

Ford's solution to the problem was to issue an engine control software update, as well as the installation of a new drain. The update would enable the vehicle to detect a pressure drop in the fuel rail, and in turn trigger a "seek service" message displayed to the driver as the car disables the high-pressure fuel pump, reduces engine power output, and cools off potential ignition sources.

NHTSA claimed that the solution does not adequately address the underlying cause of the problem, in a letter made public yesterday. The agency criticized the recall for not having defective fuel injectors replaced before they fail.

Last month, Ford said it had received reports of five underhood fires occurring in 1.5L Escapes and Bronco Sports, with no injuries or accidents. The automaker has until June 21 to answer questions NHTSA has about the recall, including its reasoning for the prescribed solution.

**EIA: U.S. Share Of Electric And Hybrid Vehicle Sales Decreased In The First Quarter Of 2024**

The share of electric and hybrid vehicle sales in the United States decreased in the first quarter of 2024 as battery electric vehicle (BEV) sales declined. Hybrid vehicles, plug-in hybrid electric vehicles, and BEVs fell to 18.0% of total new light-duty vehicle (LDV) sales in the United States in the first quarter of 2024 (1Q24) from 18.8% in 4Q23, according to estimates from Wards Intelligence.

This decline in market share was driven primarily by BEV sales, which fell from 8.1% of the total LDV market in 4Q23 to 7.0% in 1Q24. This decline represents the first BEV market share decline since the economic effects from the COVID-19 pandemic began in 2Q20.

The U.S. LDV market is highly seasonal, and total sales usually level off in the first quarter after an end-of-year sales increase. BEV sales grew 7% in 1Q24 compared with 1Q23 after 13 consecutive quarters of double-digit gains.

BEVs continue to be popular in the luxury vehicle segment, maintaining about one-third of luxury LDV sales from 1Q23 through 1Q24. Of all BEV sales in 1Q24, 8 out of 10 sales were luxury models. Luxury vehicles BEVs fell to 16% of the market, off from 18% in 2023.

Total U. S. sales of mass-market LDVs declined by 1.0%, and total mass-market BEV sales fell 17.9%, reducing the market share of BEV models from 2.2% in 4Q23 to 1.8% in 1Q24. Manufacturers have released mass-market BEV models and increased production capacity over the past couple of years, but the halt in Chevrolet Bolt production pulled the mass-market BEV market share down in 1Q24.

The U.S. industry average LDV transaction price decreased slightly during 1Q24 as luxury vehicles lost market share. According to Cox Automotive, average BEV transaction prices fell 3.8% compared with 4Q23 and 9.0% compared with 1Q23. Average 1Q24 BEV transaction prices were $6,904 higher than the overall industry average

**Honda to Invest Billions Into Electric Vehicle Production and Development**

As many automakers shy away from electric vehicle production in favor of hybrids, Honda has announced plans to invest $65 billion into EV production through fiscal year 2031, reports Associated Press.

During an online presentation, Honda Chief Executive Toshihiro Mibe told reporters about a new EV series planned, called 0 Series, which will be released in North America come 2026 before offering it globally. By 2030, Honda plans to have seven of these EV models on the market and for 40% of its global auto sales to be comprised of battery and fuel cell EVs.

Of the $65 billion being invested, $13 billion will go toward research and development on software, with another $13 billion funding EV value chains throughout the U.S., Canada, and Japan. $39 billion will be used for other projects related to EVs, such as building next-generation EV production plants, electric motorcycles, and developing EV models.

**Electric Vehicle Battery Failures Plague Drivers, Repairers**

As the number of electric vehicle owners grows, so does the gap in technicians able to salvage their batteries when they fail, leading to many EVs being prematurely disposed of, reports KUOW Public Radio.

Medlock and Sons, an auto repair shop in South Seattle, is one of the few businesses in the U.S. that performs repairs on EV batteries. The shop’s parking lot is full of Teslas and other EVs, overflowing to EVs parked along the road outside.

“We have like 350-plus appointments for Model S battery repairs, and we just don't have time to go any faster,” said Carl Medlock, the shop’s owner.

When Christine Barnes experienced her Tesla Model S battery dying, she was told by Tesla that the entire battery would need to be replaced, costing her $20,000. She opted not to do that, and her husband called up Medlock’s shop. Though they were told it could be a while before the battery could be repaired and Barnes sold the Tesla to Medlock, Medlock eventually was able to repair Barnes’ former battery.

The situation underscores a larger problem stirring in the repair industry, as noted by Gary Fantozzi, director of automotive programs at Shoreline Community College. Though technicians could begin to be trained on how to repair EV batteries, automakers aren’t interested in that as a solution.

EV batteries can be dangerous to operate on, with only a couple automakers even allowing their techs to perform repairs on them. If customers are willing to buy a new car after their battery dies, automakers aren’t as motivated to invest in the training and resources it would take to salvage more EV batteries.

**Battery Recycling Organizations Develop Program for Electric Vehicle Repairers**

EV battery recycler Ascend Elements has partnered with Call2Recycle to develop management, logistics, and recycling services for repair shops working with EV batteries.

Ascend Elements–which operates one of the largest lithium-ion battery recycling facilities in North America–will integrate its battery recycling capabilities with Call2Recycle’s collection, logistics, and tracking services. Whether EV batteries are at the end or middle of their life, or damaged or defective, shops can utilize the service to have them shipped out and recycled.

A cloud-based platform called GreenTraxEV is used to schedule battery shipments, and provides information on the routing and logistics of EV battery.

Through the new service, Call2Recycle and Ascend Elements aim to collect and recycle a total of over 300,000 EV battery packs by 2030.

**Biden Announces New Tariffs On Chinese EVs, Semiconductors, Solar Cells And More**

U.S. President Joe Biden on Tuesday unveiled steep tariff increases on an array of Chinese imports including electric vehicle (EV) batteries, computer chips and medical products, risking an election-year standoff with Beijing as he woos American voters who give his economic policies low marks. These include a quadrupling of EV duties to over 100% and doubling the duties on semiconductor tariffs to 50%.

The new measures affect $18 billion in imported Chinese goods including steel and aluminum, semiconductors, electric vehicles, critical minerals, solar cells and cranes, the White House said. The EV figure, while headline-grabbing, may have more political than practical impact in the U.S., which imports very few Chinese EVs.

The United States imported $427 billion in goods from China in 2023 and exported $148 billion to the world's No. 2 economy, according to the U.S. Census Bureau, a trade gap that has persisted for decades and become an ever more sensitive subject in Washington.

"American workers can out-work and out-compete anyone as long as the competition is fair, but for too long it hasn't been fair," Biden said during a speech in the White House Rose Garden before unions and companies. "We're not going to let China flood our market."

China immediately vowed retaliation. Its commerce ministry said Beijing was opposed to the U.S. tariff hikes and would take measures to defend its interests.

U.S. Trade Representative Katherine Tai said the revised tariffs were justified because China was stealing U.S. intellectual property. But Tai recommended tariff exclusions including hundreds of industrial machinery import categories from China, including 19 for solar product manufacturing equipment.

**U.S. Government Widens Timeframe for EVs to Adapt to Domestic Production Standards**

The U.S. government has allowed a wider timeframe for automakers to adapt to its standards for domestically-sourced battery materials, reports AP News.

Final regulations for the credits included under the 2022 Inflation Reduction Act were released by the Treasury Department this past Friday, which originally, beginning in 2025, would have required EV batteries to not contain any critical materials from outside the United States to be eligible for tax credits.

Following input from the auto industry, treasury officials have expanded that timeframe. Though this year will see the rollout of rules designed to bolster domestic production of EV battery supplies, small amounts of graphite and other materials will now be exempt from these rules until 2027.

As of this year, consumers who purchase an EV from an authorized dealer will receive eligible tax credits at the time of purchase, which can range from $3,750 to $7,500 for new EVs. Requirements for eligibility include the buyer's income, the vehicle's price, and where the battery's materials are sourced from.

Without the recently added exemption for small amounts of graphite, some vehicles meeting nearly every requirement for tax credits would be disqualified from having them, which could potentially make more EVs eligible for tax credits in 2025 and 2026.

**Most EV Drivers Charge at Home or Stay in Cars at Public Chargers: Study**

Sixty-nine percent of electric vehicle drivers said they typically charge their vehicle at home, while 12% charge at parking garages and 8% at roadside stations, including convenience stores, according to a new study from the Electric Vehicle Council for the Transportation Energy Institute.

When EV drivers do recharge at a public station, 91% said they choose to stay in their cars, though a high percentage of EV drivers also said they sometimes leave their vehicle.

The study, Electric Vehicle Market Insights, released earlier this month, surveys EV and non-EV drivers as well as businesses that host or operate charging stations. The Transportation Energy Institute is a non-advocacy research group.

About 75% of EV drivers said that in addition to charging at home they recharge their vehicles at public stations. And roughly one in four of the drivers who use public stations said they recharge at convenience stores.

EV drivers take 30 minutes to an hour to charge and about 30% said they buy a snack or drink while waiting at a public charging station.

Of those using public charging stations, about one-third charge at a public site twice a week, 20% say they use public sites weekly and 4% use them every day.

About half of the EV drivers said they have vehicles with a maximum mileage range between 300 and 400 miles, one-third said they had a maximum range of 200 to 299 miles and 15% said their vehicles have a range of 400 miles or more.

The most preferred services and amenities in order are sites with multiple dedicated charging spots open around the clock, chargers in highly visible areas, bright lighting around the chargers and visible security cameras. Prepared food offerings and children's playgrounds also were popular.

Most site hosts said they were satisfied with their investment in a charging business. Ninety-eight percent said their revenue expectations were generally met or exceeded. Just 2% said their revenue is not meeting their expectations.

"This is not to say that site hosts' EV charger businesses are necessarily profitable," the report said. "Some businesses may have forecast they were going to lose money with their initial EV charger investments."

--Reporting by Donna Harris, dharris@opisnet.com; Editing by Jeff Barber,



**2024 Sees Spike in Electric Vehicle Energy Consumption**

The first few months of 2024 have seen a continued increase in electric vehicles' electricity consumption, reports Reuters.

In just the first two months of this year, electricity consumption from EVs rose more than 50% from the same timeframe last year. Through February 2024, EVs used 1.58 million megawatt hours (MWh) of electricity. During that same time last year, that number was 1.04 million MWh.

Unsurprisingly, the state with the highest EV energy consumption in 2023 was California, though the state accounted for just under 34% of total national EV electricity demand–a decrease from last year, when it was 35.2%, as drivers across more states begin the EV transition.

Following behind California in EV energy consumption has been Florida, Texas, New York, and Washington, but they're far from the only ones, with 13 other states having used 100,000 MWh or more electricity to charge EVs last year, spanning nationwide from Maryland to Illinois, and from North Carolina to New Jersey. North Dakota, Wyoming, and South Dakota saw the lowest EV energy consumption in 2023.

The state that saw the largest spike in EV energy consumption last year was Oklahoma. The region experienced a 74% rise in EV energy use in 2023, which may likely be credited to an expansion in public chargers and government incentives for at-home chargers.

**AFPM Launches Campaign to Overturn White House Tailpipe Emissions Rule**

The American Fuel & Petrochemical Manufacturers on Monday launched a series of multimedia ads across nine states urging Congress to overturn Biden administration tailpipe emission regulations that it said will ban most internal combustion engine vehicles by 2032.

AFPM President and Chief Executive said the administration "knows full well that their new EPA regulation amounts to a ban on most new gas cars in less than a decade."

Thompson called the rule "unlawful and un-American" and said a vote to overturn the regulation "should be an easy decision" for Congress.

The organization's ads will run in Michigan, Pennsylvania, Wisconsin, Arizona, Nevada, Ohio, Montana, Georgia and Texas. The six states viewed as key battlegrounds for the 2024 election are Michigan, Pennsylvania, Wisconsin, Arizona, Georgia, and Nevada.

The campaign includes broadcast, cable television, digital ads, text messages and phone calls to "bridge the awareness gap" on the issue, AFPM said.

--Reporting by Tom Kloza



**DOE to Release 1 Million Barrels of Gasoline in Northeast to Lower Gas Prices this Summer**

T the U.S. Department of Energy's (DOE) Office of Petroleum Reserves announced a solicitation for the sale and liquidation of 1 million barrels (42 million gallons) of gasoline in the Northeast Gasoline Supply Reserve (NGSR). This solicitation is strategically timed and structured to maximize its impact on gasoline prices, helping to lower prices at the pump as Americans hit the road this summer.

The awarded entities, likely made up of retailers and terminals, from this sale will have the fuel transferred or delivered no later than June 30, 2024, just in time for the July 4 holiday.

- Port Reading, NJ (900,000 bbl)
- South Portland, ME (98,824 bbl)

The volumes will be allocated in quantities of 100,000 barrels. This approach will ensure a competitive bidding process that both fuel retailers and terminal holders can participate in – ensuring this product can flow into local retailers ahead of the Fourth of July 4 holiday and that it will be sold at competitive prices, helping lower costs for American families and consumers.

**Easing Gas Prices to Drive Summer Road Trips**

Savings at the pump are prompting more drivers to hit the road this summer.

More than three-quarters (76%) of Americans plan to take a road trip between Memorial Day and Labor Day weekends, up from 18% in 2023, according to GasBuddy's "2024 Summer Travel Survey." The average traveler has two road trips planned, with nearly half (49%) expecting to drive five or more hours to reach their destination.

Setting the stage for summer travel is the decline in gas prices. GasBuddy estimates the national average will hold in the mid-$3 per gallon range for much of the summer, with potentially tens of thousands of stations falling below $3 per gallon throughout the next several months. GasBuddy forecasts that gas prices will average $3.58 per gallon nationally between Memorial Day and Labor Day.

In line with major travel holidays, Memorial Day is the most popular, with 60% of respondents planning a road trip, followed by Independence Day (45%) and Labor Day (34%). More than half (58%) of road trippers have already confirmed their plans by booking accommodation. GasBuddy expects July 4 to be the lowest priced holiday at the pump, with Labor Day a bit uncertain due to hurricane season.

Gas prices are a major factor in where to stop. While road trips may reign supreme, expenses are a major factor shaping summer travel this year. Approximately 63% of survey respondents cited cost as their top consideration when planning trips and 46% said high gas costs this year have impacted their itineraries.

While price reigns in importance, few Americans are looking at an electric vehicle (EV) to alleviate fuel costs: nearly 15% of respondents are thinking about purchasing an EV.

**AAA Predicts Record Number of Drivers Over US Memorial Day Weekend**

U.S. gasoline demand has been lackluster so far this year, but AAA on Monday said it expects a record number of Americans will take to the road over the extended Memorial Day weekend.

The auto club predicted 38.4 million people will travel by car over the five-day holiday period starting on May 23. That's 4% above the 36.9 million who traveled by auto last year and 1.9% above the 2019 record. AAA in 200 began tracking the number of people who travel during the holiday.

AAA said it expects a total of 43.8 million will travel across all forms of transportation during the holiday period. That's also a 4% increase from 2023 levels and would be the highest number of travelers since 2005, the organization said.

It expects air travel to rise by nearly 5% from last year, with 3.51 million flying over the holiday - also the highest level since 2005. The number using other forms of transportation, including train, bus and cruise ship, is expected to rise by 5.6% from last year to 1.9 million. That's slightly higher than pre-pandemic levels seen in 2019, AAA said.

The expected increase in auto travel comes as gasoline prices heading into the holiday are just slightly higher than those seen by travelers last year. On Monday, the national average cost of regular unleaded was $3.618/gal, according to OPIS data, up from $3.572/gal on the Friday before Memorial Day last year.U.S. retailers are seeing some of the strongest gross rack-to-retail margins of the year as the holiday approaches.

On Monday, the average U.S. gasoline margin was 45.4cts/gal, 1ct higher than at this time last year and about 12cts higher than at the start of last year's holiday weekend.

Margins, however, could fall to 2023 levels if wholesale gasoline prices - which have been under pressure in recent weeks - strengthen in the days leading up to the unofficial start of the summer driving season.

AAA's forecast for increased travel comes as 2024 fuel sales lag behind levels seen last year. Energy Information Administration data showed year-to-date gasoline demand running 1.4% behind the same period in 2023.

OPIS DemandPro data, which is based on weekly surveys of more than 30,000 retailers nationwide, shows same-station sales year-to-date down 5.6% year to year.

OPIS data also showed sales still struggling to return to pre-pandemic levels, with DemandPro showing current U.S. gasoline demand consistently more than 20% lower than during the same period in 2019.

--Reporting by Steve Cronin



**March Vehicle Miles Traveled in US**
**Up 0.7% Year on Year: DOT**

U.S. vehicle miles traveled was higher in March compared to a year ago, according to the latest data from the Department of Transportation's Federal Highway Administration.

DOT's Traffic Volume Trends report published Tuesday estimated U.S. drivers traveled 275.5 billion miles in March, up 0.7% compared with March 2023, marking a second consecutive monthly increase on a year-to-year basis.

It was also the highest number for vehicle miles traveled during the month of March since DOT began tracking the data in 1999.

On a seasonally adjusted basis, however, vehicle miles fell 0.4% compared with those in February, DOT data showed.

DOT's data showed the South Atlantic - which includes Florida, Georgia, the Carolinas, Virginia, West Virginia, Maryland, Delaware and the District of Columbia - was the only region out of five that posted lower vehicle miles (minus 0.7%) in March.

According to OPIS DemandPro data, which canvasses more than 30,000 gas stations across the U.S., March station gasoline volumes were down 5% year to year. Improving fuel mileage and more electric vehicles on the road may explain how miles traveled increases even as fuel demand may have fallen.

--Reporting by Frank Tang



**US Gasoline Price Index Up Again,**
**Though Overall Inflation Cools**

The U.S. gasoline price index rose by 2.8% in April, the third straight month it has increased, the Bureau of Labor Statistics reported on Wednesday. Before a seasonal adjustment, gasoline prices rose 5.2% month to month.

Higher gasoline prices along with increasing housing costs accounted for 70% of price inflation in April, though the overall inflation rate slowed from March, BLS said.

Over the past year, gasoline prices are up by 1.2%. The three straight monthly price increases followed declines in October through January, the data showed.

The energy index rose 1.1% in April, as it did in March and is up 2.6% over the past 12 months. The fuel oil index increased by 0.9% in April, but is 0.8% over the past year.

After several months of increases, electricity and natural gas utility prices fell in April by 0.1% and 2.9%, respectively. Gas utility prices also declined over the last year by 1.9%, though electricity prices rose 5.1% over the last 12 months, according to BLS data.

The Consumer Price Index rose 0.3% in April after increasing by 0.4% in March. Over the last 12 months, the CPI has increased 3.4%. The April number has been seasonally adjusted.

--Reporting by Donna Harris



**US Gasoline Station Wages Fall From Peak**

The average hourly wage for nonmanagerial workers at U.S. retail gasoline stations in March fell from the record high reached in January and February, and the average hourly wage for retail gasoline stations with convenience stores declined for the second straight month, the Bureau of Labor Statistics reported Friday in an update.

The average hourly wage at fuel stations in March was $17.09, down 17cts or about 1% from February's $17.26, but 2% higher than the year-ago average of $16.75.

The average hourly wage at gasoline stations with convenience stores in March was $16.90, down 21cts, or 1.2% from $17.11 in February, but 2% higher than $16.56 a year earlier.

The average hourly wage for nonmanagerial workers across all retail businesses has increased in each of the last three months, the bureau's data show. In April, the average retail worker made $20.97 hourly, up from $20.81 in March and $20.69 in February.

--Reporting by Donna Harris



**Biden Administration Indefinitely**
**Postpones Menthol Ban**

The Biden Administration put another hold on deciding whether to issue a final rule that would ban menthol cigarettes.

In a statement issued on April 26, U.S. Health and Human Services Secretary Xavier Becerra said that the proposed ban "will take significantly more time."

"This rule has garnered historic attention, and the public comment period has yielded an immense amount of feedback, including from various elements of the civil rights and criminal justice movement," Becerra commented. "It's clear that there are still more conversations to have, and that will take significantly more time."

The ban was first delayed in December 2023, and plans to finalize the ban in March never materialized. In published remarks, administration officials stated that they were still committed to implementing a ban.

Menthol cigarettes account for approximately 34% of cigarette sales, according to NACS.

The delay, according to sources, is because the White House is concerned such a ban might alienate some Black voters, prompting the decision to potentially be pushed until after November's election.

A 2022 study found that among Black adults who smoked, 80% of them smoked menthol cigarettes, reported The Wall Street Journal.

Earlier this month, as a result of the White House missing another deadline to make a decision on a proposed federal menthol cigarette ban, the African American Tobacco Control Leadership Council, Action on Smoking and Health and the National Medical Association have filed a lawsuit against the U.S. Food and Drug Administration (FDA) in response to the inaction.

This is the second suit the groups have brought against the administration, after an initial filing in June 2020 which specifically sought to compel the FDA's determination on whether to add menthol to the list of prohibited characterizing flavors, as Convenience Store News previously reported.

The impending menthol ban has also received opposition from NACS, which advocates on behalf of the convenience and fuel retailing industry, as well as National Association of Tobacco Outlets (NATO).

According to NACS, prohibition does not rid these products from society but instead pushes current users to the illicit market, creating an issue for society as a whole and undermining the compliance efforts and investments made by responsible tobacco retailers. In addition, prohibition leads to an influx of these products on the illicit market and illicit sellers do not comply with laws limiting sales to minors.

Additionally, as part of the comment process, NATO met with representatives in December from the Office of Management and Budget, the Executive Office of the President, the FDA and the Department of Health and Human Services to advocate that the final rulings not be published.

In its meeting with federal officials, NATO argued publication of the rulings would:

- Have a substantial negative economic impact on reputable, licensed and regulated retail businesses;
- Negatively impact government revenues and the public programs which they fund; and
- Result in significant unintended consequences, such as the supply of these products shifting from licensed and regulated retailers to an already flourishing illicit market.

It also argued that licensed and regulated retailers, like NATO's members, sell tobacco products responsibly and are in compliance with all laws and regulations, which already prevents youth access to menthol cigarettes and flavored cigars.

**Sen. Durbin Questions FDA Over Youth Access to Unauthorized E-Cigarettes**

Brian King, director of the U.S. Food and Drug Administration (FDA) Center for Tobacco Products, and Brian Boynton, U.S. Department of Justice (DOJ) principal deputy assistant attorney general, briefed U.S. Senate Majority Whip Dick Durbin (D-Ill.) on enforcement efforts against unauthorized e-cigarettes used by minor smokers.

Durbin, who chairs the Senate Judiciary Committee, convened the meeting after raising concerns over the FDA's missed and delayed deadlines for reviewing premarket tobacco product applications (PMTAs) from e-cigarette manufacturers as the law requires, allowing e-cigarette products that are popular among youth smokers to remain on store shelves.

After being sued by public health groups, the FDA was ordered by the U.S. District Court in Maryland to complete these reviews by Sept. 9, 2021. According to Durbin's office, more than two and a half years later, FDA has still not completed all of its PMTA reviews.

"The law is clear. E-cigarette manufacturers must prove that a product is 'appropriate for the protection of public health' to gain market entry. But thousands of vape products on store shelves today, full of harmful chemicals and nicotine, have not met that requirement, yet are being sold and addicting children nationwide," said Durbin.

In the meeting, Durbin questioned King on the FDA's delay in reviewing PMTAs and pushed for answers on why the agency appears to be failing to use its full authority to take enforcement actions against manufacturers or retailers found to be selling unauthorized vaping products.

Last year, Durbin's office examined the FDA's public data files to identify e-cigarette manufacturers who have received both marketing denial orders and warning letters yet continue to sell unauthorized products. The review found at least 22 vaping products that appeared to be sold online by the manufacturer in violation of the law and in defiance of repeated enforcement actions by the FDA.

**US Indicts Five Florida Residents for Alleged Gasoline Pump Skimming**

Five Florida residents were indicted this week for their alleged involvement in a multi-state gasoline pump skimming scheme, according to a Department of Justice news release this week.

Luis Edel Trujillo Pena, Deyvis Hernandez, Luis Ernesto Vigil Ochoa, Isvaldo Guerra Perdomo and Deonelky Tabares Cid were charged with conspiracy, four counts of wire fraud, 15 counts of access device fraud and three counts of aggravated identity theft.

If convicted, DOJ said the men face up to 20 years in prison for each count of wire fraud, up to 10 years in prison for each count of access device fraud, up to five years in prison on the conspiracy count, a consecutive minimum penalty of two years in prison for each count of aggravated identity theft and payment of restitution to victims.

The defendants are accused of placing skimmers on pumps in north Florida and other states and making counterfeit credit and debit cards with stolen account information that they used primarily to purchase diesel. The stolen fuel was offloaded into containers at a fuel yard and sold to a fuel station linked to one of the defendants, according to court documents.

Earlier in May, DOJ said seven Miami residents were indicted in eastern Virginia for their alleged involvement in a pump skimming theft ring. The men were charged with racketeer influenced and corrupt organizations conspiracy and money laundering conspiracy.

The release said that from 2014 to April 2024, they allegedly installed skimmers on fuel pumps throughout the U.S. and made counterfeit payment cards with the stolen card data, using the cards to buy gift cards and electronics and to make ATM withdrawals and cashback purchases from retail stores. The defendants allegedly sold the stolen merchandise for cash.

Eduardo Rodriguez, Idalberto Rivero, Anyelo Jesus Muino Ayala, Raul Ferrao Pons, Jorge Enrique Fonseca Vazquez, and Luis Gustavo Diaz are charged with one count of RICO conspiracy and one count of money laundering conspiracy. If convicted, the defendants each face a maximum penalty of 20 years in prison for each count.

--Reporting by Donna Harris



**Your Inspection License May be Worth Money**

Depending on where you are located, it may be possible to sell your license. Before merely turning it in, contact the association for further information.

**Age Requirements for Sellers of Alcohol and Tobacco**

A minor (person under the age of 18) can be employed by a grocery store or drug store licensee (1) to handle and deliver alcoholic beverages, and (2) as a cashier when in the presence and direct supervision of a person of the age of 18 or older, or (3) in a position requiring the handling of empty containers in the direct supervision of a person of the age of 21 or older.

There are no such restrictions for sale of tobacco

**DMV Record Retrieval**

DMV record retrieval is available to association members and affiliates at a cost of $12 per record. Additionally, you may order DMV certified paper abstracts of driver's license, vehicle registration, and vehicle title records for an additional fee of $2 per abstract. Please call (518) 452-4367, (585) 924-4423, (607) 723-1849 (315) 455-1301or (716) 656-1035

# SSDA-AT Joins Letter Calling for CTA Repeal Legislation

**SSDA-AT continues to join and lead efforts calling for CTA repeal. Below is a recent letter sent by SSDA-AT.**

Dear Senator Tuberville and Congressman Davidson:

The undersigned organizations, representing millions of small businesses, strongly support legislation to repeal the Corporate Transparency Act (CTA). Your bill, appropriately entitled the "Repealing Big Brother Overreach Act," would put an end to this poorly constructed and onerous reporting regime.

The CTA was designed to help law enforcement prevent money laundering by requiring shell companies to report information regarding their beneficial owners (BOI) to the Department of Treasury. The law, however, defines a shell company as any legal entity with 20 or fewer employees or $5 million or less in revenues. In other words, every small business in the United States.

The concept of beneficial owner is broadly defined as well, and includes owners, senior management, members of the board, and any employee or outside consultant exerting significant control over the businesses' operations.

Covered entities must report and regularly update the personal information of their "beneficial owners" to the Treasury Department's Financial Crimes Enforcement Network (FinCEN) or face significant fines and jail time.

As a result of this broad sweep, FinCEN expects to collect over 32 million submissions just this year, with an additional five million annual submissions thereafter. Multiply 32 million by the number of beneficial owners per entity, and it becomes apparent that the CTA reporting regime is likely the biggest data collection regime in the history of the federal government outside of the Tax Code.

Despite its unprecedented scope, we expect the CTA to be of little practical use to law enforcement, as criminals are unlikely to accurately self-report their information to FinCEN. Meanwhile, because the CTA targets entities with low revenues and few employees, the brunt of its reporting burden and excessive penalties will be shouldered by law-abiding, Main Street businesses.

Last month, the District Court for the Northern Alabama ruled the CTA exceeded the Constitution's enumerated powers and was therefore unconstitutional, but the resulting injunction applies to the plaintiffs only – members of the National Small Business Association. As a subsequent notice from FinCEN made clear, all other covered entities are still required to file their BOI reports by the end of the year.

Your legislation would put an end to this remarkable overreach by repealing the CTA in its entirety. It would end this unnecessary reporting regime before it gets started and it would give Congress the opportunity to craft a better approach that balances our national security needs with the interests and rights of law-abiding small business owners.

The undersigned organizations are grateful for your efforts and strongly support this legislation.

Sincerely,

SSDA-AT and other trade associations

# House Small Business on CTA

With the Corporate Transparency Act in effect for several months now, the House Small Business Committee convened to discuss how the rollout of the new law is going. The short answer – not so good.

The hearing featured testimony from three small business stakeholders who covered everything from compliance costs to legal and cybersecurity risks posed by the reporting requirements.

The first witness was Carol Roth, whose advocacy on behalf of the Main Street business community. Asked by Congressman Dan Meuser whether Treasury had reached out to affected businesses to help them understand their new compliance obligations, she responded:

"Not that I'm aware of, and certainly not with the small business owners that I've spoken with. For my written statement for the record I submitted almost 450 statements from small business owners across the country who are vehemently opposed to the CTA. Most of them, when I've raised this through the media or other ways they've come in contact with me, had never heard of it. They also have no idea who FinCEN is."

"Your average small business owner is just trying to stay afloat, and isn't familiar with that division of Treasury. And when they find out they ask, Why is it that the Financial Crimes Enforcement Network is asking for my information? So, the communication hasn't been there. "

Next was Tim Opsitnick, a member of the National Small Business Association and owner of Cleveland-based Technology Concepts & Design whose practice focuses on cybersecurity and data privacy. Tim drew on his background in commenting on the various cyber risks posed by the CTA:

"Let me stress – we do not know the database is secure. We further know that the information and/or access to the database will be shared. Every time an owner shares their information, the risk that it will be misused or lost to the dark web significantly increases. FinCEN's own website opens with an alert about fraudulent solicitations under the CTA."

"According to NSBA research, the average cost to remedy a small business data breach is $15,297. In my experience, this is low. I have seen small companies face costs over $100,000. Regardless, either figure could cripple many small businesses, who are cash-flow-sensitive. Small businesses cannot afford to be vulnerable: the majority of small businesses that suffer a breach will be out of business within six months."

The third hearing witness was Roger Harris, an attorney and the president of Padgett Business Services, who refuted the government's talking point that noncompliance will not be prosecuted:

"It's going to depend on their definition of 'willful.' I wish FinCEN was as good at offering definitions of what constitutes willful as Mr. Kalman, because we've asked for that guidance and haven't received it. I'm not sure anyone is out to penalize small businesses just for the sake of penalizing them. But as long as that threat hangs over them, small businesses and firms like ours are going to have to be cautious in how we interpret the law."

Harris raises an important point that deserves to be amplified. The position of CTA supporters appears to be that most violations of the CTA's requirements will be accidental and would not rise to the level of willful. But one of our complaints of the CTA is how difficult it is to comply, even if you make a reasonable attempt.

For example, the owner of five fast-food franchises will have to report the BOI of himself and anyone that exerts "substantial control." Exactly what "substantial control" means is famously vague, so it is up to the owner and his advisors to make a determination. Let's say he decides to report the BOI of the Managers of each franchise, but not the Assistant Managers.

Is that the right decision? Who knows – it will have to be litigated – but what we do know is that it was willful and, therefore, if the owner got it wrong, he's liable for five counts of failing to comply.

This brings us to the last highlight of the hearing – Congressman Blaine Luetkemeyer's reflection on how the legislation he once supported has morphed into a compliance nightmare for millions of small businesses:

"I'm an interesting guy to be here because I was a sponsor of the Corporate Transparency Act, and my intention was to minimize the effect this had…[The Financial Crimes Enforcement Network] doesn't need this. They have tools in their toolbox to go to court and get the warrants they need to be able to investigate."

So lots of heartburn and little comfort over the CTA, particularly as lawmakers hear firsthand how businesses are faring under the new compliance regime. The more light we can shed on this poorly-conceived law, the more likely it is that lawmakers provide the relief their constituents badly need.

**Convenience Channel Braces for a Slowdown in Cigarette Sales**

In early December, British American Tobacco (BAT), parent company of Reynolds American Inc., announced that it would take a hit of around $31.5 billion, writing down the value of some of its U.S. cigarette brands, and acknowledging that its traditional market had no long- term future.

This marked a first in two ways, according to Reuters. It was the first time a major global tobacco firm had written off the value of its traditional cigarette business in a major market and, at the same time, emphasized the need for the industry to focus on alternatives. RBC Capital Markets analyst James Edwardes Jones said the news exemplifies the "perils of the industry" and sends less confident signals about the outlook for cigarettes.

Similarly, Bonnie Herzog, managing director and senior consumer analyst at Goldman Sachs, called it "a very negative signal on the long-term viability of the cigarette market."

Convenience store retailers' expectations for the overall cigarettes category in 2024 are cautious. Nearly half (46%) expect their average per-store sales of cigarettes to decline this year, up 19 points from a year ago. Nearly two-thirds (62%) predict their unit volume will decrease as well, up from 59% last year, according to the findings of the recently released Convenience Store News 2024 Forecast Study.

The top factors hurting the cigarettes category, according to c-store retailers, are "never-ending" rising prices, an uncertain regulation space, and an overall decrease in cigarette smokers and associated shift toward alternative products.

"Cigarettes will continue to decline as that customer moves to smokeless, nicotine and e-cigarettes," one retailer respondent remarked. In the regulatory space, c-store retailers are particularly concerned about the proposed federal rule that would prohibit the use of menthol in all cigarettes and roll-your-own and heated tobacco products. As of press time, the proposal was with the White House Office of Management and Budget for final review. Menthol cigarettes account for 34% of total c-store cigarette sales.

Goldman Sachs' "Nicotine Nuggets" survey for the fourth quarter of 2023, representing 67,000 retail locations across the United States, found that cigarette volume declines accelerated sequentially in the quarter, and the same level of deterioration in cigarette volumes is expected this year.

*A Bright Spot*

One segment of the cigarettes category seems to be bucking the trend and that's fourth tier/deep discount brands. C-store retailers are allocating more space to this segment as they expect trade-down activity to accelerate. For some, this marks the first time they are carving out space in their stores for this segment.

Looking at the subcategories of cigarettes (super premium, premium, discount and deep discount), deep discount is the only price tier that showed any growth in 2023, according to Don Burke, senior vice president of Management Science Associates Inc. (MSA), which specializes in collecting and analyzing tobacco industry sales data.

While premium represents the majority of cigarette sales for most c-store retailers, consumers across the other three price tiers are jumping to deep discount because of the current inflation rate, gas prices and another interesting reason noted by Burke: government incentives that went to consumers who use tobacco during the pandemic ended in 2022. "Because of that, we've seen a lot of consumers today going to deep discount," he said. "It's a trend we think will continue for the next several years."

Burke also pointed out areas of the country with very distinct differences in top-selling cigarette price tiers. The middle of the country has the strongest representation in deep discount; the eastern part of the country is strongest in discount; the West Coast and New England are strong in premium; and in the South, super premium tends to sell best.

*Polyusage on the Rise*

Today's price-conscious consumers are not staying as brand loyal as they have been historically. They are increasingly making purchase decisions based on what is on promotion. This can even mean poly product use by smokers.

Goldman Sachs' fourth quarter research found that promotional activity picked up in the quarter led by the oral nicotine and e-cigarette segments as manufacturers invest in promotions to drive conversion and volume.

Convenience store retailers are more optimistic about the other tobacco products (OTP) category than the cigarettes category this year with 56% expecting their average per-store sales of OTP to rise in 2024, a 7 point jump from a year ago, and 53% predicting their unit volume will increase, a 20 point jump from last year. Nearly half of retailer participants in this year's Forecast Study (48%) said they plan to add more OTP SKUs this year, and 41% plan to devote more square footage to OTP.

The high cost of premium cigarettes, as well as the growing variety of product options available in OTP, are expected to positively impact this category in 2024.

*Flavor Ban Effect*

Shifts in category and consumer spending dynamics have been further exacerbated by flavor ban momentum at the state and federal levels, and uncertainty regarding the future of the e-cigarette category and category innovation as the U.S. Food and Drug Administration is still reviewing premarket tobacco product applications for big market brands, Goldman Sachs noted in its latest "Nicotine Nuggets" survey.

MSA's Burke points to California's flavor ban (menthol cigarettes included) that went into effect in December 2022 as a case study for retailers to consider. The firm's research showed that while cigarettes were down more than twice as much in California as the rest of the U.S. (-14% and -6%, respectively) in the second quarter of 2023, they were down half as much as the rest of the U.S. (-3%) in California's surrounding states of Oregon, Nevada and Arizona.

Focusing only on menthol cigarettes for the same period, California was down almost 100% while the rest of the country was down 6.3%. The same surrounding California states were up 10.1% in menthol for the period.

So, the lesson to retailers in states and localities that surround states and localities that put flavor bans in effect is that they should pay attention to and increase their menthol cigarette supply and expect an uptick in sales, according to Burke.

Not all the news was bad for California, however, as it did show an increase in nonmenthol cigarette sales (up 5.3%) during the same period, showing that many consumers who don't want to travel outside the state will switch to nonmenthol.

For retailers in states and localities that do go through flavor bans, there is opportunity for them to increase their nonmenthol supply of cigarettes, Burke advised.

# The SOP: What's the Best and Most Effective Pay Plan for Technicians?

Jan. 11, 2024

**Cecil Bullard is the founder and CEO of The Institute for Automotive Business Excellence** in Ogden, Utah. A veteran in the auto care industry, Bullard has run many successful shops and now lends his expertise to helping other shops succeed.

Ratchet+Wrench spoke to Bullard to find out how fledgling auto repair shop owners—those in operation for less than two years—should approach creating and implementing pay plans for their automotive technicians.

*As told to Chris Jones*

In my experience, the best pay plan for shops is a performance-enhanced plan with a base and bonus structure. Before you start, it's important first to understand what you can afford to pay for each position and what the employee needs to do to earn that pay. Once you understand that, you take 60% of the available pay and give it to your technician as a base, hourly/salary. You should then build 40% of the available pay for the position into a bonus structure for achieving the specific goals you want them to achieve and for doing the job that you want them to do. It also helps to have a good job description, so everyone understands what they're supposed to do.

You will need to determine what you want from a tech. I want a certain number of hours, a high quality of work, and I want my tech to be educated and have whatever certifications they can to prove that they know what they're doing. If that's what I need from a tech, then the bonus is going to be structured around those three things. And the more hours they produce, the more money I can pay them. You should then meet with them about the goals for the position and get their agreement.

It used to be we had hourly and flat rate. Flat rate puts the burden on the employee and hourly puts the burden on the shop. Hourly rarely motivates. Hourly says, "It doesn't matter what I do I still get paid." Flat rate can be a motivator for some people, but it's also can be a demotivator; it demoralizes some. Some coaching companies talk about lowering the tech's pay or putting them on a flat rate so that when they're not performing, it doesn't cost the shop, but now you have a bunch of underpaid people who are underperforming and unhappy in your business. It's just not a good pay system and in some States, it won't meet their minimum standards.

## The Numbers

For the shop to be profitable, if I'm paying a base pay, there's a minimum number of hours that need to be produced. If you look at paying 40% of your effective labor rate, let's say your effective labor rate is $120, which will leave $48 an hour to pay your technician. I would take the benefit costs out, around $8 an hour, and have $40 an hour to work with. I would give the tech $28 or $30 an hour as a base hourly pay, and then build a $12 to $14 an hour bonus structure, based on the performance I want.

## The Caveat for Newer Shops

Paying techs will get easier when you have a consistent enough business where a technician can do at least 40 hours a week. Brand-new shops should be careful. You've got to build car count, average repair order, and may have a tech you're paying a base salary of X ($1,000 a week) for three, four, or even six months before you get to the point where you can really afford the bonus. If you haven't built the clientele to stay consistent, you're most likely to pay a guarantee and lose money on that technician to start. You also need to pay a competitive rate because you need a good tech. If you can't pay a competitive rate, you're unlikely to get a good tech and you're likely to struggle with quality of work issues and comebacks.

Now, let's say the average shop in the United States is $130 an hour, and I can afford to pay 40% of that out to a technician but I'm a new shop starting out. You may not be hiring a super-tech or you might be that tech, so you may not be paying $40 an hour. You might start a b-tech out at $30 an hour and guarantee them 40 hours ($1,200 bucks a week) no matter what they produce. Hopefully, at some point, they will be doing 40 hours or more. At this point, you can look back and say, 'I'm not going to raise your base rate from $30 an hour, I'm going to take the guarantee away and the $30 an hour is going to come to you because you were here for 40 hours. So, you're still making $1,200 but now there is a bonus structure on top of that that has to do with your productivity, your education, and your lack of comebacks where I will pay you another $12 an hour because when you're producing 40 hours, I'm making enough money, and I can do that.'

There are some important rules around pay plans to keep in mind. First, never pay something to somebody that they have no control over. (You don't want to pay a tech based on margin because they don't control margin). Second, if you're going to put a bonus structure in place, make sure they can earn it first. If you have only 30 hours a week in your shop and you put a bonus structure starting at 40 hours, your techs will say, "Wait a minute. There are only 30 available hours, and you're telling me I get a bonus if I get 40? I can never earn it." If you put a carrot in front of them that they can't get, it's frustrating. Third, make sure the bonus is enough to motivate behavior. You can't have a $1 an hour bonus because if I'm a good tech and I'm putting out 50 hours and you say I'm going to give you an extra dollar an hour at 50 hours, it's not enough to motivate me. But if you say you'll get another $10 an hour at 50 hours, that will motivate me. Next, you must have a good reporting system that documents and displays what they're doing. If my technician's bonus is based on hours produced, on Wednesday they need to know how many hours they've produced so that by Friday they can earn their bonus.

Don't overcomplicate your pay plan, keep it simple, and make sure you have a system of documenting what's going on that both the employee and the owner can see. You don't want it to be a surprise for them on Friday when they don't get their bonus.

**NYVIP MESSAGE No. 302**

**DATE: 05/16/2024**

**TO: ALL INSPECTION STATIONS**
**FROM: NEW YORK STATE DMV**

**SUBJECT: CRITIAL INFORMATION - Stretch Limo Reminder**

*****PLEASE BRING THIS MESSAGE TO THE ATTENTION OF THE STATION OWNER AND/OR MANAGER*****

This is another important reminder of requirements related to altered vehicles (stretch limousines). You must report all altered vehicles (stretch limousines) that are presented for inspection at your facility to DMV, **regardless of whether an inspection is conducted (Vehicle and Traffic Law 308-a).** Inspectors **must** answer questions regarding increased seating capacity correctly when performing any inspection on the NYVIP CVIS.

**Failure to follow these rules will result in substantial penalties up to and including revocation of your inspection license and or certification.** DMV takes these violations seriously and will pursue all possible enforcement actions including revocation. Charges include failure to report an altered vehicle, and improper altered vehicle reporting, and violations of V&T Law 308-a.

**A vehicle is "altered" if it has been stretched or widened to increase seating capacity. If you have any questions regarding a specific vehicle, err on the side of caution and please call DMV Office of Clean Air at 518-473-0597 and select option #4.**

As of February 3, 2021, Transportation Law requires registrants to obtain a DOT exemption letter for altered vehicles with a seating capacity of 9 or more persons (including driver) for such vehicles to be inspected at a DMV licensed inspection station.

For anyone wishing to learn more regarding safe limousine operation, special requirements, and Limo operator safety performance data, please go to: https://webapps.dot.ny.gov/operator-safety-inspection-performance-data

NEW YORK STATE OF OPPORTUNITY. | Department of Motor Vehicles

# ALTERED VEHICLE REPORT

DATE

**An inspection station must complete this form and notify the DMV within 24 hours any time an altered vehicle is presented for inspection, whether or not an inspection is conducted.**

**An altered vehicle is defined as a vehicle that has been stretched or widened to increase passenger capacity.**

## INSTRUCTIONS

1. Complete sections 1-6. Do not leave any fields blank.
2. Email a copy of the completed form or send an email with all required information to limoreport@dmv.ny.gov or fax the completed form to (518) 474-2739.

## SECTION 1 — VEHICLE PLATE INFORMATION

| PLATE NUMBER | STATE |
|---|---|
| | |

## SECTION 2 — VEHICLE INFORMATION

VEHICLE IDENTIFICATION NUMBER

## SECTION 3 — SEATING CAPACITY

From the observations of the inspector, how many passengers will this vehicle hold (including the driver)? ________

## SECTION 4 — DOT EXEMPTION

If the vehicle seats 9 passengers (including the driver) or more, were you given a DOT exemption letter?

☐ No ☐ Yes If "Yes", you must email or fax a copy of the exemption letter with this form.

## SECTION 5 — ALTERER INFORMATION

Is there a Federal Alterer's Safety Certificate affixed to the vehicle (normally found on the door jamb)?

☐ No ☐ Yes

## SECTION 6 — FACILITY INFORMATION

| FACILITY NAME | FACILITY NUMBER |
|---|---|
| | |

NAME OF FACILITY REPRESENTATIVE/INSPECTOR

**If you have questions about this process, contact DMV at (518) 473-0597.**