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Talk Shop Anytime





TELEMATICS SECURITY EFFORTS ARE UNCOORDINATED, LACK STANDARDIZATION

BY BRIAN ALBRIGHT | Correspondent

The connected vehicle and telematics market is increasingly data-intensive, which has raised a number of security and privacy concerns in the automotive industry, for insurance companies and among consumers. While a number of efforts are underway to help ensure the safety of these telematics and other systems, approaches by automotive OEMs and telematics providers remain uncoordinated and lack any sort of standardization.

There are now mobile apps and vehicle systems that could potentially allow hackers to unlock car doors or even control safety systems remotely.

In 2016, NHTSA issued guidance on cybersecurity for vehicles, recommending a layered approach to reduce the probability of attacks, as well as timely detection and rapid response to potential cybersecurity incidents. So far, the

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Telematics security



There is already some indication that OEMs are hoping to restrict OBD-II access.



federal government has not created any new regulatory authority around vehicle cybersecurity, but it could be coming if industry efforts are seen as insufficient.

Any security approach will require balancing safety with access requirements. There is already some indication that OEMs are hoping to restrict OBD-II access (in a few cases, they have made it physically difficult to keep a dongle-type device plugged into the port during vehicle operation).

While this could make the data more secure, it would impede mandated access to emissions information, as well as aftermarket and third-party provider access to vehicle operational and maintenance data. That debate will likely get much louder as the universe of telematics technologies expands.

“There were early attempts by the manufacturers to simply block access to the OBD port, but those approaches have matured,” says Ben Miners, vice president of innovation at Intelligent Mechatronic Systems (IMS), which offers the DriveSync connected car platform. “No they are managing the secure delivery of

information from their own back-end servers, which at least puts control of the content with the manufacturers or a contractor.”

That’s why the aftermarket is trying to have an active voice in this discussion. The Auto Care Association has been working with vehicle manufacturers and other industry trade groups to create a secure vehicle interface (SVI) standard that could be turned into an official Society of Automotive Engineers (SAE) standard.

“It would allow data communicated through the OBD port or through a wireless method to be transmitted from the vehicle such that vehicle systems are protected but data is available to be used,” says Aaron Lowe, senior vice president of regulatory and government affairs at the Auto Care Association. “That would provide security, but still allow the industry to have access to the diagnostic data.”

That collaborative effort should hopefully keep open access part of the discussion. “There seems to be willingness to look at some methods like SVI to make sure it happens in a way ...CONTINUE READING □



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Braking system complexities UNDERScore VALUE OF TRAINING

By **JAMES E. GUYETTE** | News Correspondent

Educational requirements for brake repairers and the distributors who serve them are showing no signs of slowing down as an alphabet soup group of terms – ABS, ESC, TCS, EBD and AEB – are increasing the levels of knowledge needed to make the correct diagnosis and fix the related computerized circuitry that may be at fault.

Anti-lock braking systems (ABS), electronic stability controls (ESC), traction control systems (TCS), electronic brake force distribution (EBD) and automatic emergency braking (AEB) are just a few of the newer technologies breaking into a rapidly evolving brake category that previously involved replacing parts typically located directly behind the wheels.

Under an agreement recently reached among 20 automakers and American regulators, AEB will be standard equipment on all light vehicles sold in the United States by 2022.

“It’s definitely more complicated than it used to be,” says John Gardner, an instructor at Chipola College of Automotive Technology in Marianna, Fla. and host of the “Tech Garage” television show on the Velocity

Network, sponsored in-part by Advance Auto Parts.

“One of the most viewed topics is brakes – right back to the basics. I tend to want to lean into computer-command control and sensors, but when we get back to the basics it’s always the highest views,” he says. “You can do a brake job in your driveway as long as you don’t have codes to diagnose.”

For do-it-for-me professionals, “you have to break it down by pieces. There’s a lot more theory involved – it used to be all hands-on. The more complex it gets, you need more technicians who are able to do it, and there’s a shortage of technicians who are properly trained,” says Gardner. “A lot of the training has to be theory, hands-on and mentoring in the industry.”

Chipola’s brake education, also offered onsite at hotel conference rooms, distributorships, retailers and shops throughout the U.S. and underwritten by vendors, encompasses 60 percent theory and 40 percent hands-on.

“Brake manufacturers host a lot of classes to get people up to speed. The Aftermarket School is for technicians (and other industry professionals) already out there who can already...**CONTINUE READING** □

ASE GUIDES | QUESTION OF THE MONTH

A customer buys a head gasket for a car that has an overhead camshaft driven by a timing belt. Which of the following should the parts specialist do?

- A. Ring up the sale. If the belt breaks later, it will mean more sales (replacing bent valves, etc.) at that time.
- B. Recommend replacement of the timing belt for the extra sale now.
- C. Ask if the timing belt on the car has visible wear. If it does, the belt may be ready to break and should be replaced.
- D. For the sake of the store’s reputation, refuse to sell the customer the head gasket unless he buys the timing belt.

[Click here to see the answer.](#)



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Chris “Chubby” Frederick discusses fast track shop productivity improvements



The Trainer #62 – Digging into the first five modes of OBD II

TELEMATICS/CONNECTIVITY

Transportation Research Center plans \$45 million expansion for AVs

BY BRIAN ALBRIGHT
Correspondent

The Transportation Research Center (TRC) in East Liberty, Ohio is a large (4,500 acres) automotive testing facility and proving grounds. It includes road courses, wooded trails, a 7.5-mile high-speed oval test track and a 50-acre vehicle dynamics area.

TRENDS & MARKET Analysis

In January, the State of Ohio and Ohio State University announced they would fund a \$45 million Phase 1 expansion of TRC's 450-acre Smart Mobility Advanced Research and Test (SMART) Center for automated and autonomous vehicle testing.

Mark-Tami Hotta, CEO of TRC, spoke to *Aftermarket Business World* about the expansion.

Q: What types of autonomous vehicle and testing research has been going on at TRC prior to this new funding?

A: For over 20 years now NHTSA has been

doing preliminary research on autonomous and semi-autonomous systems. We have a high-speed oval track, a big flat dynamics area, straightaways and handling courses all designed before these technologies were developed. We can test autonomous vehicles, but it's not as efficient because of the other testing on non-autonomous vehicles being done in those areas.

For autonomous systems one of the most complex things is an intersection. For our proving grounds, we try to design as many intersections as possible because they are hazardous. We've hijacked those for ...CONTINUE READING ▢

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Focus on Telematics – What is in it for you as an automotive aftermarket professional?



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VENDORS

Brake product designs feature enhanced corrosion resistance

BY JAMES E. GUYETTE
News Correspondent

Headquartered in McHenry, Ill., with a worldwide marketing reach, Brake Parts Inc (BPI) encompasses the Raybestos, AIMCO, Lusac, Vortex and American Brakeblok lines. The product mix includes pads, shoes, rotors, drums, calipers, hydraulic parts and wheel hubs.

TRENDS & MARKET Analysis

Responding to a series of questions posed by *Aftermarket Business World*, BPI president and CEO David Overbeeke recently discussed the latest developments within the category.

Q: For several years now manufacturers have been changing composites and coatings to avoid corrosion on brake parts because of the highly corrosive liquid sprays that many Northern communities use before it starts to snow. What is your overview of these changes and benefits?

A: Yes, that's correct. With the expansion of open wheel designs, brake system coatings are more commonly found on rotors and calipers, as well as zinc-coated backing plates on friction pads, all aimed at reducing the effects of corrosion.

Road pre-treatment sprays coupled with salt applications have increased in popularity across the Northeast, thus surface coatings, like those found on the Raybestos RPT (Rust Prevention Technology) line, dramatically enhance rust resistance as well as maintain the visual cosmetic look of the parts. While it takes investment on the part of the manufacturer to provide these enhanced coatings, the increase in product cost is well worth the value received by the consumer.

Q: Are these coated parts now sold throughout the United States, even in the South where snow/road coatings are not an issue? Are there any facts that distributors, retailers and installers should know about marketing these

“What started out as a cosmetic remedy resulted in a product performance enhancement for the industry.”

products to their customers?

A: While coated parts have become more popular in the Northern regions, the acceptance across the country is growing due to the advantages they offer. The coating not only reduces rusting, but it increases durability, extends product life and adds value through keeping the parts looking “new.” This is particularly important on vehicles where the rotors and calipers are very visible through the wheel design.

Car manufacturers leveraged coatings as a way to combat complaints of “lot rot,” associated with rotors that would change adversely in appearance due to sitting in dealership lots for long periods of time. For them, what started out as a cosmetic remedy

resulted in a product performance enhancement for the industry.

Q: BPI is a global company; are these same coatings now sold in other nations, especially countries that experience snowy conditions?
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DAVID OVERBEEKE

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For the past 50 years, LuK clutches has stood for quality, technology and innovation.

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VENDORS

Mexico plays important role in worldwide parts production, sales

BY JAMES E. GUYETTE
News Correspondent

Mexico is a critical link in the global automotive supply chain. American aftermarket manufacturers, distributors, retailers and repairers – along with numerous international automakers and suppliers – could all end up getting caught in the crossfire if a trade war erupts from President Donald Trump’s statements toward Mexico and its vehicle exports to the United States.

“Mexico is beating us to a pulp,” said Trump in one comment directed at the nation’s automotive outsourcing presence.

TRENDS & MARKET Analysis

It remains unclear if Trump’s threatened re-do of the North American Free Trade Agreement (NAFTA) and enactment of a “big border tax” would apply only to completed vehicles, or if parts are included as well. But the ramifications and unintended consequences of an escalated tariff and trade tiff could have profound impacts beyond the Mexican OEM manufacturing sector.

Mexico would almost certainly retaliate with tariffs of its own. An unraveling of the social fabric and workforce

instability could ensue with the potential for civic unrest driven by economically based fears combined with a sense of sovereignty and wounded national pride. In February thousands of Mexicans took to the streets of 18 cities in protest of Trump’s stated ambitions.

Mexican President Enrique Peña Nieto is not faring well in opinion polls due to a host of domestic criticisms of his policies, but his status could show marked improvement amid nationalist fervor against the U.S. Or the situation could pave the way for an anti-American firebrand to mount a successful bid for the top office.

Notwithstanding widely predicted and dreaded pricing increases throughout the entire automotive segment, Trump’s proposed wall is another point of contention, both economically and culturally, one that could have repercussions far from the border in U.S. warehouses and on factory floors. For example, documented and undocumented workers of Mexican descent send significant portions of their paychecks to relatives back home, amounting to \$2 billion a month and accounting for 2.3 percent of Mexico’s overall economy.

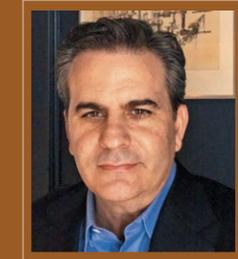
Delivering 3.2 percent of the country’s gross domestic product, “the booming auto sector makes Mexico the seventh-largest car producer in the world and the top

“Mexico is the seventh-largest car producer in the world and the top one in Latin America.”

Vendor Newsmaker

Q&A

JUAN CINTRÓN
CEO of Intran



How will the outsourcing-to-Mexico prospects of American auto parts manufacturers change under the Trump administration?



What did Cintrón say?
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one in Latin America, overtaking Brazil in 2014,” said analyst Elizabeth Gonzalez at the New York City-based Americas Society/Council of the Americas organization. “It’s also the world’s fourth-biggest vehicle exporter, as well as the sixth-largest auto parts producer, making \$85-billion worth in 2015.”

Mexico comprises the largest export market for made-in-the-USA auto parts, ...CONTINUE READING ▢

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LOGISTICS/CONNECTIVITY

Spare parts logistics market is booming; auto parts is key segment

BY BRIAN ALBRIGHT
Correspondent

The global spare parts logistics (SPL) market, which includes automotive parts, currently stands at \$52.7 billion a year, representing approximately 6.9 percent of total third-party logistics (3PL) revenue. That represents a 2008-2016 compound annual growth rate (CAGR) of 5.5, according to new research from Armstrong & Associates.

TRENDS & MARKET Analysis

Armstrong recently released a new report, “Keep it Running: The Quintessential Spare Parts Logistics Report.”

The automotive industry accounts for \$18.1 billion (34.3 percent) of total SPL revenue. The technology segment comes in second (\$17.7 billion, or 33.5 percent), while the industrial market accounts for \$10.9 billion (20.7 percent) of total SPL revenue. Elements and healthcare make up smaller portions of the total at \$3.9 billion (7.4 percent) and \$2.1 billion (4 percent), respectively.

The SPL market is growing right along with the rest of the logistics segment. Orbis Research estimates that the total global 3PL market will reach \$925.31 billion by

2020, and experience a CAGR of 5.52 percent.

According to previous research from Armstrong, the total U.S. 3PL market stood at 161.2 billion in 2015.

Geographically, Asia Pacific has the largest share of the SPL market (34.5 percent, or \$18.2 billion), while North America accounts for \$13.1 billion (24.9 percent), and Europe comes in third at \$10.9 billion (20.7 percent).

Transportation accounts for 70 percent to 75 percent of total costs, while warehousing makes up 25 to 30 percent. The transportation component is higher in North America and Asia than in Europe.

3PL specialists target auto segment

The SPL market is served by large 3PLs like Schenker, Ryder, SEKO, UPS, FedEx, DHL, and CEVA.

There could be new players emerging, however, as it appears Amazon is trying to position itself as a logistics and supply chain operator. The company has opened new distribution centers and leased a new fleet of trucks and Boeing jets to speed delivery times. Recently, the company announced plans to build a worldwide air cargo hub in northern Kentucky. So far, the company is focused on fulfilling its own e-commerce orders, but the infrastructure it is putting in place could easily serve as a 3PL network.

It appears Amazon is trying to position itself as a logistics and supply chain operator.

Technology Newsmaker

Q&A

DARRYL BARBER

Marketing Manager
UPS Automotive Segment



What are the key challenges in the automotive aftermarket parts industry when it comes to logistics?



What did Barber say?

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According to the Armstrong report: “If all of Amazon’s warehouses, accounting for 100.6 million square feet of space were counted as 3PL [value-added warehousing and distribution] space, it would be the third largest global VAWD 3PL behind DHL Supply Chain & Global Forwarding with 248 million square feet and XPO Logistics with 151 million square feet. Amazon is also growing its internal freight ...CONTINUE READING □

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Is your shop's problem THE PAINT OR THE PROCESS?

One of the services I provide as a business development manager for BASF Automotive Refinishes is to help with production flow to eliminate choke points or backlogs. The most common call I get is for help in the paint shop. My standard approach to evaluate production flow is to review the processes, watch the paint shop work and look for a trouble spot.

Recently I was asked to help with a paint shop backlog. I arrived at the shop around 10:30 a.m. I saw vehicles in both booths, a car in front of each booth bagged and ready to pull in to the booth and two more in line. I saw a paint technician using the spectrophotometer to validate the color, locate the color code and insert the information into the mixing queue. It seemed like everything was in order.

Then I heard the words “poly fill” and saw a car being

pulled into a middle line between the two refinish lines. I walked over to the car to talk with the paint technician and found that a body technician had sprayed polyester spray filler over all his bodywork. The paint technician explained it would take him a couple of hours to smooth out the poly fill and there were only 4.2 hours on the entire job.

Houston, I think we found a problem and I don't think it has much to do with the paint. Working with shop management, we created a process that required body technicians to finish their work to a 320-grit finish and send it to the paint shop unprimed.

Another shop I visited had a painter who would not mask a vehicle until it was in the paint booth where it could be wiped down in a clean environment. I saw his point, but the only area really needing to be wiped down is the area being painted.

Waiting until a vehicle is in the booth to mask it creates a severe gridlock in production. This practice reduces the number of booth cycles in a day that will snowball as the week progresses. Working with the paint team, we created a process to mask vehicles completely prior to moving into the booth. This process allowed the shop to increase production, solving an

We created a process that required body techs to finish their work to a 320-grit finish.

issue that, again, had nothing to do with paint.

Other issues I commonly run into are shops not filling the booth, paint booths sitting empty for long periods of time or people just standing around waiting for the booth cycle to complete. None of these really have much to do with the paint in the mixing rack but the habits shops have developed over time. Many of these habits can be corrected through these process improvements:

- Select a paint team member to be the sheriff over the vehicles coming into the paint shop. If there is a problem, write “stop” in the repair grid with the time the issue was found. The production manager should then take control of the repair and initiate the necessary action to correct the problem.

- Use a production tracking sheet to identify vehicles requiring refinishing and create a schedule that fills the

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JOHN SHOEMAKER
Business Development Manager
BASF North America

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Electronic cataloging: **LOST IN TRANSLATION NO MORE**

“The interconnectedness of the online shopping experience revolves around a content-rich catalog.”

Consumers searching to buy the correct auto part rely on electronic catalogs to guide them through the selection process. Retailers and distributors expect their suppliers to provide them with the most complete and descriptive content in order to sell more parts and to keep them sold. However, too many suppliers are struggling to make their catalogs conform to the industry standard because something winds up lost in translation.

Fortunately, says Jared Psak, founder of Wise Auto Data, there's a practical fix to the suppliers' struggles that bridges the manufacturers' unstructured, original cataloging data to the e-commerce marketplace. In a recent interview, Psak discussed his belief that suppliers have the potential to build a highly comprehensive electronic catalog through a combination of awareness, preparation and choice.

Consider awareness. When Amazon kicked into full throttle, by taking on Federal-Mogul, Dorman Products, and Cardone, one thing about e-commerce became vividly clear: digital cataloging is more critical than ever for selling auto parts. Amazon's vendors understand the interconnectedness of the entire online shopping experience that revolves around a content-rich catalog.

Writing for the New York Post in January 23, 2017, Josh Kosman reported on a recent Wall Street confidential forecast that by year-end, Amazon could clear \$5 billion in parts sales. What wiper blades, door handles and brake pads have in common is that they are application-specific. This feature means that an exact year-make-model match with the part number is required. Between the sales potential and product offerings, Amazon's new suppliers appreciate the value of electronic cataloging that demands an application-specific format.

Only a handful of the auto care industry's leading suppliers and manufacturers, says Psak, have mastered the ability to organize a trove of scattered automotive data into a compatible format for digital catalog consumption, as governed by the industry standards called ACES (Aftermarket Catalog Exchange Standard) and PIES (Product Information Exchange Standard). There's no surprise in Psak's mind that these high-performing cataloging managers for Federal-Mogul, Dorman and Cardone fit the Amazon model of publicizing the most relevant attributes for making an informed product purchase decision.

Over more than 15 years, ACES has evolved to

become the industry norm for the management of the vehicle application data that makes online cataloging possible. An ACES file contains vehicle attributes, auto parts classifications and related qualifiers. These rules enable the supplier to input their product information into their customers' databases. More suppliers, noted Psak, need to know that an ACES file is not an ACES file unless it is an XML-formatted file enabling aftermarket businesses to communicate with each other.

In a recent column written for Aftermarket Business World, GCommerce Vice President Scott Luckett likened banking ATM standards to ACES and PIES. ACES is the credit card while PIES is the issuing bank. All credit cards share the same common characteristics, notably the rectangular shape, the magnetic strip and the rounded corners. Suppose a bank repositioned the magnetic strip away from the back: no ATM could read the card. That is why a standardized

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ALAN R. SEGAL
President,
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Amazon's Alexa, colonoscopies AND AFTERMARKET MARKETING

Men hate bad news. It's probably the primary reason we die younger than women. In general, we don't take care of ourselves like we should, lament the time and the cost of preventative procedures, and fear the results of necessary procedures that, in our opinion, are simply best left to chance.

Actually, we think that if it's horrible news and we don't know the prognosis, magically it will go away. It's not often that I can draw some sort of parallel between an overdue colonoscopy and the aftermarket, but I'm going to try with as little innuendo as I can.

Now, who really wants a colonoscopy? Nobody, that's who. My insurance will pay for the procedure entirely, and my wife insisted. I agreed, although sheepishly. The cleansing preparation prior to the event was in no way anticipated to include sheer agony of gut wrenching proportions, nor did I ever think I would have the time to finish the last 12 chapters of "War and Peace." Much to my surprise and further literary confusion, I went down two pant sizes and have now developed a hatred for strawberry Gatorade.

The morning of the procedure, I checked my ego at the door of the hospital as this was emotionally neces-

sary. I divested myself of all that I had been invested, and clothed myself in the ever fashionable v-back gown of shame. More nervous than a wildebeest preparing to cross an African stream displaying a flotilla of toothy crocodiles, I attempted to calm myself for what was to come.

Upon entering the surgical room of my local hospital, I began to notice that I knew all of the nurses, the doctor and even the anesthesiologist. Both pair of my cheeks turned red. My anesthesiologist began to tell me he needed to get the oil changed in his truck, one of the nurses asked about a window regulator for her car, and the doctor quipped something about his muffler we just installed making some unwanted noises. Although they were all masked, I swear before my twilight of sleep fell over me, I could see a devilish grin on all of their faces. "God help me," I muttered to myself drifting terrified into an abyss of darkness.

Then I awoke. Not in the recovery room, which is preferred, but in the middle of the procedure. As I lay on my side, I looked feverishly toward my feet. I exclaimed, "Hey, I'm awake," and saw what can only be described as my doctor fly fishing with a garden hose.

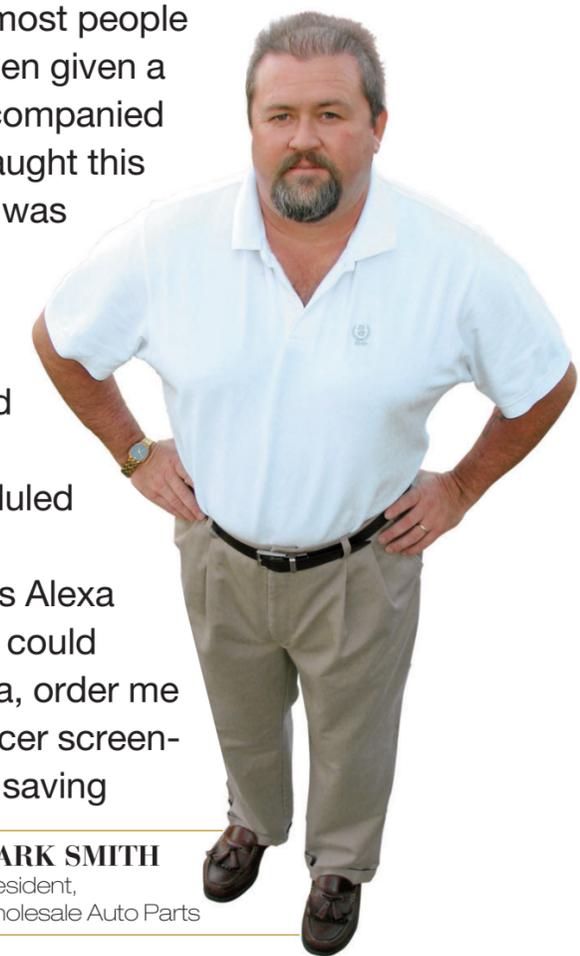
Then I awoke again, but this time in the recovery

room. After dressing, I was presented with a series of images that basically detailed my affliction, the likes of which would keep most people awake at night, and then given a clean bill of health accompanied with the news that I caught this at just the right time. I was thankful for the news, embarrassed of the situation required to receive said news, and earnestly planning my next prescribed scheduled maintenance.

What does Amazon's Alexa have to do with this? I could have asked her, "Alexa, order me an at-home colon cancer screening kit. Thus, possibly saving myself unneeded embarrassment and the need to

...CONTINUE READING ▢

“The capability of Alexa taking care of you is nothing compared to what she's about to do for your car.”



MARK SMITH
President,
Wholesale Auto Parts

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AV backers hope for **MORE POLICY ACTION IN TRUMP ERA**

Like much else in Washington, regulatory action on self-driving cars has ground to an apparent halt because of President Trump's directive to federal agencies to both review actions taken in the last days of the Obama administration and to cancel two regulations for each new one that an agency approves.

That directly affected the National Highway Traffic Safety Administration (NHTSA), which on Jan. 19 issued guidance on vehicle-to-infrastructure (V2I) policy, which was seen as a complement to the autonomous vehicle policy guidance the NHTSA issued in the fall of 2016.

The V2I guidance was pulled off the NHTSA website two days later, in deference to Trump's dictate, a NHTSA press spokesman explained. It is not clear how the Trump edicts affect the vehicle-to-vehicle (V2V) proposed rule the Obama administration issued in December.

Some, such as Paul Brubaker, president and CEO of the Alliance for Transportation Innovation, think the Trump administration can't do worse than the Obama administration. He gives the Executive Office of the President during Obama's term a D-minus.

Obama announced in January 2016 a \$4 billion infu-

sion into autonomous vehicle (AV) development over the next 10 years. The White House never pushed for that proposal and Congress never considered it.

"They had a duty to make life-saving autonomous vehicles a national priority but didn't engage on the issue until the last year of the second term," Brubaker said. He credits the leadership of Mark Rosekind, the last NHTSA administrator, and Transportation Secretary Anthony Foxx for leading creation of the first federal AV policy and adds that they did the best they could under difficult circumstances. But both joined the Obama administration very late in the game.

Brubaker, who was one of the members of the Commission on the Future of Autonomous Vehicle Testing and Safety, which released a report in January, is encouraged by early signs from the Trump administration.

"At Secretary Chao's confirmation hearings, the whole area of automation and leveraging innovation was the second most talked about topic, after infrastructure," he says. He also likes the Trump administration's indications that it believes in a regulatory environment that is restrained and outcome-focused, representing a major departure from the existing regulatory construct.

“Rulemaking in the early months of the Trump administration will be scarce.”

Specifically, Brubaker wants the Trump NHTSA to exempt AVs from the Federal Motor Vehicle Safety Standards and to allow sale of AVs that manufacturers have attested have met certain criteria, undergone simulation, and have done some degree of testing, though not billions of miles, which some seem to favor.

"The NHTSA should assume certain features such as brakes, steering wheels and accelerators are not on true level 4 or 5 autonomous vehicles," he explains. He also wants to see a federal pre-emption of state AV safety regulations that he argues are already creating an unworkable patchwork of unique state requirements.

Rulemaking in the early months of the Trump administration will be scarce.

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STEPHEN BARLAS
Washington Correspondent

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Iran is the new **AUTOMOTIVE FRONTIER**



Iran is home to 30-plus public and private automakers and more than 1,500 auto part manufacturers.



The emerging automotive sector in Iran, along with easing of international sanctions, can offer new opportunities for suppliers, according to Steve Ganster, director at Solidiance Asia Pacific.

Ganster discussed the Iranian automotive market with members of the Overseas Automotive Council (OAC) of the Automotive Aftermarket Suppliers Association (AASA).

Iran's automotive sector is expected to grow at a compound annual growth rate (CAGR) of approximately 14 percent from 2016 through 2020, with passenger cars and SUVs representing about 54 percent of the demand. The country is home to 30-plus public and private automakers and more than 1,500 auto part manufacturers.

Ganster noted that the auto sector will be an early beneficiary of easing of sanctions, with foreign firms already making significant inroads in Iran. The market is prime for replacement parts, with an average light vehicle age of 10.4 years. He noted that nearly 30 percent of all light vehicles on the road are more than 15 years old.

The drop in Iran's average vehicle age is due to

increased production and the country's vehicle scrappage program. Iran's light vehicle parc average age has dropped by seven years in the past 12 years, Ganster said. With further implementation of the scrappage program and planned increase of vehicle production, Iran's average age is expected to decrease by at least two years by 2025.

The parts and service market of Iran's vehicle parc was estimated at \$5.5 billion in 2015, Ganster explained. Industry channel partners include authorized aftersales centers (OEM), independent workshops, auto parts sellers and parts manufacturers.

Authorized aftersales centers are increasing in number and strengthening their services. Especially in the import car market, the competition between OEMs is high. Independent workshops are present even in the most remote areas of the country, and are still popular despite the increase of authorized centers.

Auto parts sellers are composed of a large number of importers, wholesalers and retailers, estimated at about 21,000 companies. As of 2016, an additional 750 candidates have applied for auto part selling licenses in Iran. The country's parts manufacturers may lack design and technology capabilities, but they compensate with a full spectrum of services. CROUSE and EZAM are the leading players, manufacturing engine parts, transmissions, steering, brakes, etc.

Sanctions by the United Nations and the United States continue, but with the easing of some sanctions, key global auto part makers can re-establish their presence in Iran and reclaim their share of Iran's market. There are additional legal challenges facing American companies in Iran, but these can be overcome, Ganster noted.

Teams setting up operations in Iran cannot be made up of
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BEN BRUCATO
Executive Director AASA OAC

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STRONG SALES, POSITIVE OUTLOOK

AUTO SERVICE FRANCHISES REPORT IMPROVED SALES, MARGINS IN STUDY

BY BRUCE ADAMS | Managing Editor

Auto service franchises had a good year selling auto parts in 2016 and look forward to even a better year going forward, according to the *Aftermarket Business World* 2017 Auto Service Franchise study. The study surveyed franchise owners and managers about their parts-buying habits and their sales to customers.

Half of those responding to the study said their parts sales increased during the last 12 months compared to 46 percent who said their sales increased in last year's study.

Some 58 percent said they expect their auto parts sales to increase during the next 12 months, compared to 48 percent who replied that they expected sales to increase in last

year's study. Only 4 percent said they expect their parts sales to decrease in the next 12 months compared to 8 percent who forecast a sales drop in last year's study.

In addition to increased sales, respondents said their margins also improved. Some 59 percent responding to this year's study said they had improved gross margins on auto parts sales during the last 12 months compared to 47 percent who said their margins improved in last year's study. This year, 22 percent said their margins on parts sales improved 1 percent to 5 percent and 17 percent said their margins increased 6 percent to 10 percent.

Respondents are equally optimistic about their gross margins in the next 12 months as 59 percent said they expect their margins to improve and only 3 percent said they expect their margins to drop.

When it comes to the needs of their customers, 34 percent of respondents said that part quality is the most important attribute and 28 percent said it was price.

Some 37 percent of auto service franchises responding to this year's study said they prefer to buy auto parts from warehouse distributors, while 32 percent prefer to buy from auto parts retailers and 19 percent prefer to buy from jobbers.

Methodology: The *Aftermarket Business World* Auto Service Franchise study was fielded to readers of *Motor Age* magazine via email. Survey results are intended to show general market trends, not statistical certainties. □

Battery Chargers

Needs of customers

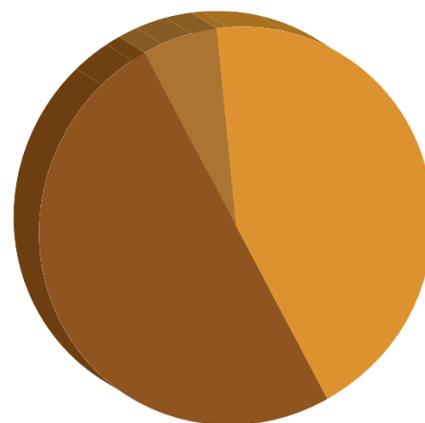
Quality	38%
Availability	18%
Price	33%

Most effective marketing tool

Shop's recommendation	65%
In-store displays	14%
Other	13%

2016 battery charger sales

44% Increased
50% Held Steady
6% Decreased

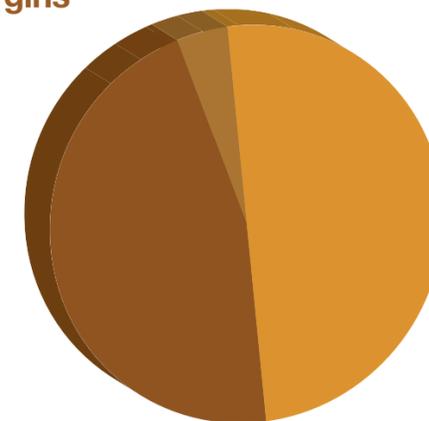


45% of auto service franchisees electronically order this product from suppliers.

85% of auto service franchisees report that they stock battery chargers on an as-needed basis.

Expected 2017 gross margins

50% To Increase
46% To Hold Steady
4% To Decrease



2017 battery charger sales expectations

To increase 1-10%	49%
To increase 11-20+%	3%
To hold steady	44%
To decrease	4%

Preferred supplier

Jobber	22%
Warehouse distributor	41%
Auto parts retailer	23%
Other	10%

45% report that

MASS MERCHANDISERS

are the main competitors when selling battery chargers.

Some chart totals do not reach 100 percent because all answer options are not represented.

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Auxiliary Lighting

Needs of customers

OEM form, fit and function	30%
Price	24%
Quality	26%

Most effective marketing tool

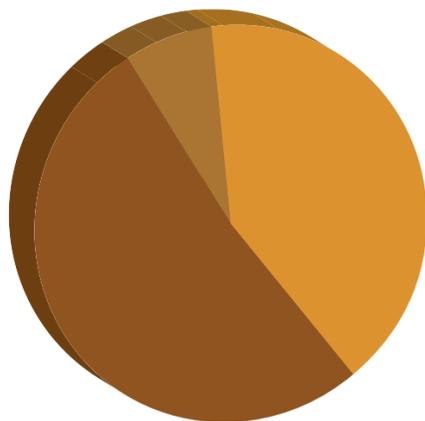
Shop's recommendation	55%
In-store displays	18%
Other	13%

2016 auxiliary lighting sales

41%
Increased

52%
Held Steady

7%
Decreased



52% of auto service franchisees electronically order this product from suppliers.



STRONG SALES, POSITIVE OUTLOOK

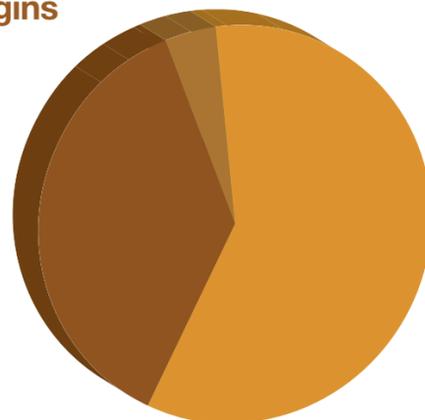
68% of auto service franchisees report that they stock auxiliary lighting on an as-needed basis.

Expected 2017 gross margins

59%
To Increase

37%
To Hold Steady

4%
To decrease



2017 auxiliary lighting sales expectations

To increase 1-10%	45%
To increase 11-20+%	11%
To hold steady	40%
To decrease	4%

Preferred supplier

Jobber	16%
Warehouse distributor	35%
Auto parts retailer	32%
Other	10%

31%
report that

OTHER SERVICE REPAIR FRANCHISES

are the main competitors when selling auxiliary lighting.

Some chart totals do not reach 100 percent because all answer options are not represented.



One new, one old headlight



Two new headlights

Change in pairs

Two new headlights are safer than one

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innovation you



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Brakes

Needs of customers

Quality	44%
Price	28%
Availability	14%

Most effective marketing tool

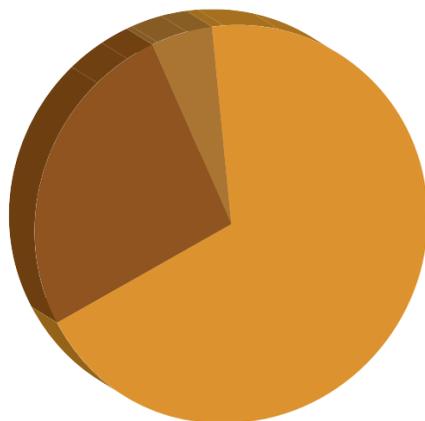
Shop's recommendation	85%
Coupons (online and print)	6%
In-store displays	4%

2016 brake sales

69%
Increased

26%
Held Steady

5%
Decreased



54% of auto service franchisees electronically order this product from suppliers.



STRONG SALES, POSITIVE OUTLOOK

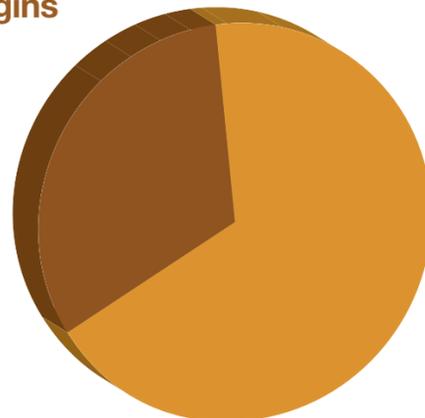
67% of auto service franchisees report that they stock brakes on an as-needed basis.

Expected 2017 gross margins

68%
To Increase

32%
To Hold Steady

0%
To Decrease



2017 brake sales expectations

To increase 1-10%	48%
To increase 11-20+%	23%
To hold steady	29%
To decrease	0%

Preferred supplier

Jobber	20%
Warehouse distributor	31%
Auto parts retailer	37%
OEM parts arm	10%

38%
report that

OTHER SERVICE REPAIR FRANCHISES

are the main competitors when selling brakes.

Some chart totals do not reach 100 percent because all answer options are not represented.

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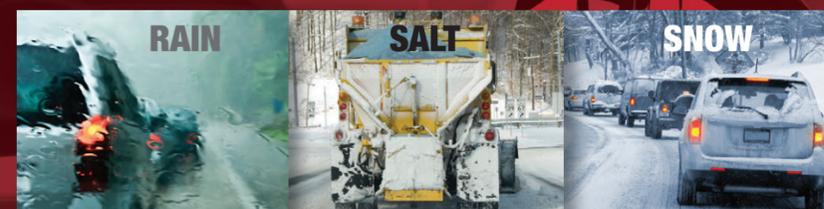
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Raybestos® RPT Rust Prevention Technology™ Coated Rotors

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