



Update

California/Nevada/Arizona Automotive Wholesalers' Association

CAWA — The Automotive Aftermarket Industry Association of California, Nevada and Arizona

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Aaron Lowe, AAIA and Tim Gerrity, General Auto Parts are presented with a framed Resolution that recognizes and honors the automotive aftermarket by Norm Plotkin and Jennifer Zins, CAWA's Government Affairs Team (see details on page six).

CAWA Annual Dinner Meeting

Sponsored by



(L/R) 2011 Officers are sworn in by Darrel Ruess, NGK Sparkplugs. Officers are Mary Davis, NGK Sparkplugs – Chair, Steve Sharp, WorldPac – Vice Chair, Ed Jimenez, Riebe's Auto Parts – Treasurer, Ron Cannon, CAP Warehouse – Secretary, Tim Gerrity, General Auto Parts, Past Chair

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Update

California/Nevada/Arizona Automotive Wholesalers' Association

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It's a
Smart
Decision



Feeling Fortunate to Survive

By Tim Gerrity, General Auto Parts – CAWA Chair of the Board

Fresh back from Industry Week in Las Vegas, our industry's manufacturers are showing some excitement about the future. Seems many are starting to think that the economy may finally be rebounding. It's about time – our government recently declared the recession ended – in June of 2009!

One large aftermarket manufacturer claims their best quarter in three years, while another is adding back most of their sales force. I've heard from a few happy auto parts distributors that are enjoying double-digit growth, while most are just as happy with any positive number.

The main floor of the AAPEX show appeared more active this year, and everyone's spirits seemed high at the end of each day (maybe that's because of all the new hospitality bars that a few manufacturers opened near the end of each day – right on the showroom floor!!).

I'm now looking back and reminding myself of how fortunate I've been to survive this last couple of years – and am especially thankful for all the relationships I've made thru my involvement with CAWA. I don't think I'd have much of a business remaining without the help of many of our Manufacturers Advisory Council (MAC) members. Plus all of the great ideas and guidance I received from other CAWA members.

After eight years as a CAWA board member, I've made many new friends, and have enjoyed watching this great organization grow. With Rodney and Julie's golden touch, this organization has emerged as the nation's premier Aftermarket Association, with every segment of the automotive aftermarket represented within our membership. Our ranks

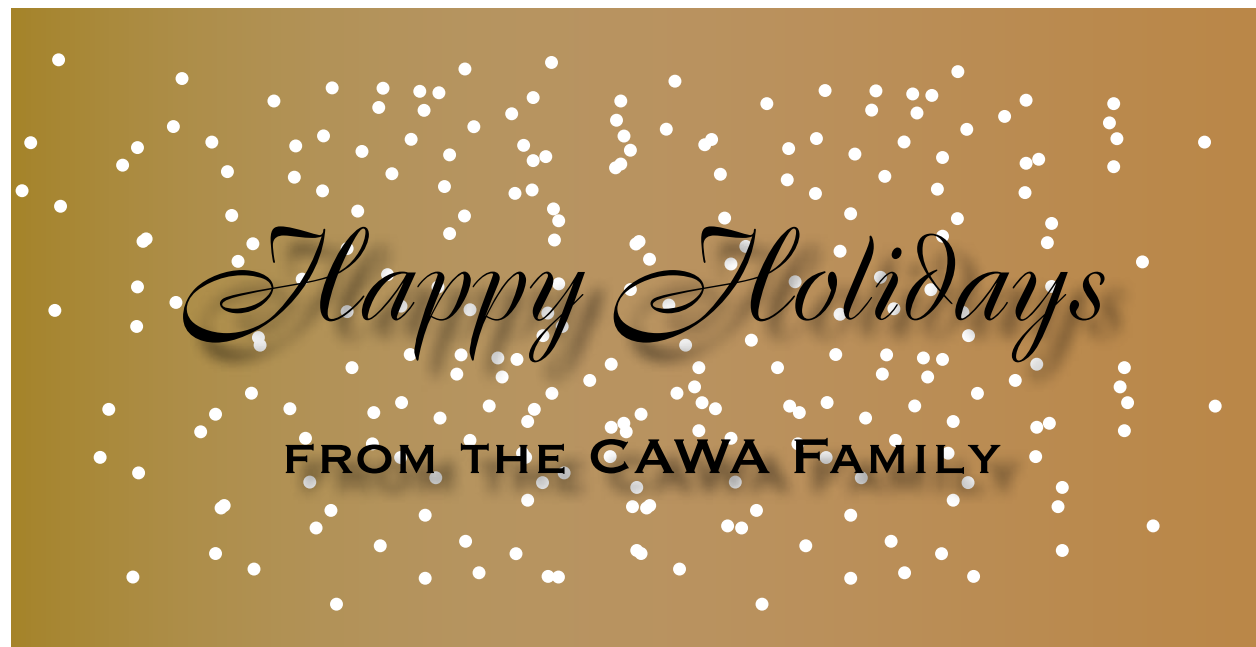
include the manufacturers, WD's, jobbers, national retailers/wholesalers, and now we are working side by side with ASCCA, the professional installer. No other organization can match our industry involvement.

In July, the State of California recognized the aftermarket as an important part of our commerce. In 2009, CAWA assembled the Brake Pad Coalition that, for the first time, brought together the aftermarket, the OEM market, and manufacturers for both sides to fight an attack on our industry. We succeeded in tailoring legislation in 2010 that not only protected the parts replacement market, but also made great strides in protecting consumers and our fragile environment.

It's been hard over the last few years, but it looks as if those of us who survived will soon be smiling again.



Tim Gerrity, Chair of the Board



CAWA Annual Dinner Meeting

October 31, 2010



Annual Dinner Meeting Sponsor, Selwyn Joffe of Motorcar Parts of America addresses the group and introduces the keynote speaker, Kei Matsuda.



Tim Gerrity is presented with his red vest to honor his chairmanship for 2010.



Keynote Speaker, Kei Matsuda of Union Bank provides an enlightening presentation about the US Economy and the effects it may have on the automotive industry and small business in the future.



After conducting the traditional "Red Vest Ceremony" Lyle Burgess presents Tim Gerrity with his outgoing plaque in appreciation of his service as Chair of the Board for 2010.

CAWA Annual Membership Dinner raises \$9,000 for the CAWA Memorial Scholarship. We thank the following members and friends for their generosity.

Auction Items donated by:

- CARQUEST** – NASCAR Race Package
- Palms Hotel** – Las Vegas Getaway Package including hotel, limo, dinner
- Bosch** – Bosch golf putter, balls, towel and tee pack
- Silverado** – Two night stay for two with a round of golf
- NSA** – Two bedroom, two bath condo in Heavenly Ski Resort
- KYB** – Cash contribution to Heavenly Ski Package
- Exide** (NASCAR Race Tickets and VIP Package, and Bristol Hotel stay)
- WorldPac** – Cash contribution
- USA Industries** – Cash contribution



And a special thanks goes to those that were the highest bidders of the wonderful auction packages:

- Selwyn Joffe, Motorcar Parts of America
- Norm Plotkin, CAWA Legislative Advocate
- Mike Morris, Past Chair of the Board
- Dan Roque, Activant
- Tom Stricker, Motorcar Parts of America
- Chuck Herr, NAPA Auto Parts
- Tim Gerrity, General Auto Parts
- Debbie Carter, Rancho Auto Parts



Several CAWA members took advantage of the AAPEX show and met face to face with customers.



A Successful Year for CAWA

Thank you for your support and membership in 2010. It is appreciated and without your commitment to CAWA, we would be less than effective in much of what we do, particularly in the government affairs process. This year we sponsored a “battery core deposit” bill in Arizona and the Governor signed it into law! Now our members in Arizona will not be hurt financially in consumer transactions with battery cores. Our Nevada members know that their legislature was dark this year and the next session will begin in 2011. We’ll be watchful there, as well, in the coming months.

Fortunately or unfortunately, many legislative and regulatory issues affecting our industry happen in Sacramento. I have highlighted the major issues this year and would like to remind our members of the services we provide you each and every day. Please call me (800.332.2292, ext. 1) or email me (admin@cawa.org) with your comments and questions regarding the value CAWA brings to you and your business.

Lastly, happy holidays from your CAWA family and thanks again for your membership in your industry’s trade association.

MAJOR LEGISLATIVE ISSUES

Brake Pad Reformulation Bill Signed into Law

CAWA led an industry coalition that included AAIA, MEMA, both domestic and international vehicle manufacturer alliances, friction material manufacturers, the retailers’ association and the repair industry to resolve industry concerns with SB 346 by Senator Kehoe that sought to limit copper content in brake friction materials and also required a fee on all brake pads sold to be collected at the retailer (e.g., your store) and installer level. The bill that emerged was the result of a strong commitment by all stakeholders to develop a workable process for reducing copper in brake pads that would ensure consumer safety and minimize the economic impact on small businesses.

SB 346, recently signed into law, now requires a two-step reduction in friction material copper content to no more than five percent after 2021 and no more than five tenths of one percent after 2025; exempts friction materials for use on vehicles manufactured prior to the

above compliance dates- otherwise known as a legacy vehicle exemption (so your store and warehouse inventories will not be impacted); creates an advisory board to review applications for and a process to follow for vehicles manufactured after the compliance dates that will not be able to meet the deadlines- otherwise referred to as an “offramp;” and gives regulators discretion in the enforcement of the bill’s provisions if there is evidence that any violation was inadvertent. The only fee in the bill now is for vehicle manufacturers who may need to participate in the offramp review process. *So, our store owners and others will not have to collect a fee (\$1.00 for every brake pad sold) and transmit it to state government.*



Rodney Pierini, Pres & CEO

Legislative Resolution Honoring California’s Automotive Aftermarket Adopted

CAWA sponsored a California Legislative Resolution that recognizes the significant contributions the automotive aftermarket industry provides to motoring consumers and the state as well as recognizing April as National Car Care Month.

Authored by Assemblyman Ed Hernandez (D-57), ACR 152 recognizes the considerable contributions of the automotive aftermarket to the state’s economy, transportation system, and environmental stewardship while also providing robust consumer choices for the transportation needs of Californians. The resolution also recognizes and supports the designation of April as National Car Care Month and encourages all citizens

CAWA Business Services

Don’t forget that CAWA also has a variety of business service programs designed to save you money. From insurance services to free legal counsel to access to a free human resources library and competitively priced business forms, CAWA programs are quality and competitive in today’s market. See www.cawa.org for further information.

to participate in activities that promote proper vehicle maintenance. ACR 152 will provide policymakers with a better understanding and appreciation of the industry and what CAWA does each and every day to help consumers with vehicle maintenance, provide lower cost, quality alternatives for their repair needs, and help the environment by keeping cars well maintained which leads to lower tailpipe emissions.

MAJOR REGULATORY ISSUES

Windshield Wiper Fluid Sales Restrictions in Effect

CAWA has worked with the California Air Resources Board (CARB) to provide businesses with a resource to help comply with the regulation affecting Automotive Windshield Washer Fluid. CARB has developed a web site to assist businesses with compliance. Information can be found at <http://www.arb.ca.gov/consprod/regact/awwf/awwf.htm>.

Effective last January (2009), allowable Volatile Organic Compound (VOC) content levels of certain automotive products including Windshield Washer fluid have been reduced and selling restrictions are now in place. If you distribute to these specified areas and counties, be careful not to stock antifreeze windshield wiper fluid with a higher VOC content in your retail stores in various categories in the state.

We have documented cases from CAWA members who have been fined by CARB for inadvertently stocking Type A antifreeze wiper fluid (or fluid with a higher VOC content level) in retail outlets that were not in Type A areas, because their DC/WD provides product to both Type A and Non Type A counties/areas. To avoid any confusion or enforcement consequences by CARB, we recommend you take extra precaution to ensure you are not delivering or stocking higher VOC content windshield washer fluid to your stores in non Type A areas and click on this link to get specific details <http://www.arb.ca.gov/consprod/regact/awwf/awwf.htm>.

Tire Pressure Regulations Takes Effect September 1

For your information and that of your commercial customers, a tire pressure regulation that was originated at the CARB took effect September 1, 2010. These regulations affect all automotive service

providers performing or offering to perform automotive maintenance or repair services. The regulation is intended to reduce GHG emissions from vehicles operating with underinflated tires by inflating them to the recommended tire pressure rating.

Specifically, automotive service providers are required to check and inflate each vehicle's tires to the recommended tire pressure rating with air or nitrogen at the time of performing any automotive maintenance or repair service. Service dealers must also indicate on the invoice that a tire inflation service was completed and the tire pressure measurements after the services were performed. For more information visit <http://www.arb.ca.gov/cc/tire-pressure/tire-pressure.htm>.

With the implementation of AB 32 (legislation designed to reduce greenhouse gas emissions), on CARB's radar screen we will see them continuously and aggressively pursuing the transportation sector and CAWA will be there to promote and protect your interests when they do.

Brake Repair Service Definitions Being Reviewed by Bureau of Automotive Repair (BAR)

As a result of administrative actions taken against several automotive repair dealers performing brake repairs, questions and concerns were raised by the industry regarding brake inspections and accepted standards. CAWA in conjunction with Automotive Service Councils of California and other industry partners representing the automotive services industry prepared and forwarded a written letter to the BAR requesting that BAR work with interested stakeholders to develop and create a minimum brake inspection and friction material replacement definition that is fair and reasonable. The goal has been to develop consensus so as to provide consumers with clarity as well as providing the auto repair industry certainty and a level playing field.

Based upon our industry's request, the BAR has responded and prepared a draft of a minimum and noncontroversial Brake Repair Service regulation which is intended to provide clarity to consumers and a level playing field for the industry. Stakeholder meetings will be held in the immediate future to get feedback and comments on this proposed draft. I know it's been a long process but we are continuing to move forward to address this important issue.



ASAAA members leading the National Legislative Industry Awareness program



Mary Davis, Kenny Ho, and David Finley

CAWA Helps Unveil National Legislative Industry Education and Awareness Program Aimed at State Legislatures

By Jennifer Zins

ASAAA Program will Educate State Legislatures throughout the Country about the Value and Quality of Aftermarket Replacement Parts

Aiming to increase the recognition by state policymakers of the major positive economic and consumer benefits generated by automotive aftermarket parts and service industry, the Alliance of State Automotive Aftermarket Associations (ASAAA), of which CAWA is a member, has unveiled their national industry education and awareness

program aimed at promoting to state legislators, key staff and policymakers across the country the importance, quality, value and availability of aftermarket replacement parts and services.

During a news conference held in conjunction with the opening day of the Automotive Aftermarket Products Expo in Las Vegas, industry leaders, aftermarket company and association executives as well as government affairs experts launched the ‘ASAAA Legislator Education and Awareness

Program’. This campaign will create a blueprint whereby state associations can implement creative industry education tools, messages and innovative resources in their own state Capitols and regulatory agencies to increase awareness among policymakers about the benefits of a vibrant and robust aftermarket industry.

In state Capitols nationwide industry advocates are faced with the challenge of educating legislative bodies about the value and importance that aftermarket replacement parts and service contribute to the nation’s economy and the motoring public. However, when describing aftermarket replacement parts and service, words like ‘imitation’, ‘inferior’, ‘not of like kind and quality’ are used by our opposition to confuse policymakers and discredit our industry. ASAAA’s campaign will arm our industry advocates with information to promote and protect the industry’s interests in the legislative and regulatory processes with a consistent and unified voice.

The “ASAAA Legislator Education and Awareness Program” which will officially launch in January 2011 has to date received generous financial support from ASAAA, Automotive Aftermarket Industry Association (AAIA), Automotive Warehouse Distributors Association (AWDA), Automotive Aftermarket Suppliers Association (AASA), AutoZone, LKQ Corporation, General Parts, Inc. – CARQUEST, Genuine Parts Company – NAPA, Advance Auto Parts, and Remy Power Products.

For more information contact Jennifer Zins at Jennifer@pzallc.com.



Jim Quinten, President & CEO of the Automotive Parts & Service Association informs attendees about the Legislative Awareness Program during the press conference held in Las Vegas

CAWA MISSION STATEMENT

The mission of the California/Nevada/Arizona Automotive Wholesalers’ Association is to provide communication, education, legislative and regulatory advocacy and group purchasing of services for its members, while promoting the automotive aftermarket industry.



Members LIR Brian Garcia, CARQUEST, Dian Wyman, Wyman and Associates, Danielle Allen and Chris Wilson, NAPA, Jennifer Zins, CAWA, Senator Negrete-McLeod, Scott Nassif, Apple Valley Auto Parts and Mayor of Apple Valley, and Pat Winters, CARQUEST

In District Legislative Meeting with Prominent California Senator

By Jennifer Zins

CAWA and AAIA hosted a legislative in district meeting with Senator Gloria Negrete-McLeod who serves as Chair of the powerful Senate Business Professions and Economic Development Committee.



Jennifer Zins, Director of Government Affairs

Conducted at the Napa Distribution Center in Fontana, CAWA members joined together to discuss issues impacting the industry and small business with the Senator. Members asked the Senator questions about key concerns they have with the California business climate, regulations and pending legislation impacting the automotive aftermarket industry.

In district legislative meetings are a key component in CAWA's government affairs program and provide a rare opportunity for members to talk in a personal setting with Legislators at a CAWA member facility in that Legislator's district. Senator Negrete-McLeod is a key player in the legislature and at the center of the aftermarket parts quality discussion. In our ongoing relationship with the Senator, it's very important and extremely valuable to continue to dialogue with the Senator about our industry and quality of aftermarket replacement parts and services.



Ask Our Attorneys

As a member of CAWA, you and your employees are eligible to contact an attorney to discuss legal issues in a completely confidential manner for up to ½ hour per month at **no cost to you**. Legal matters can range from estate planning, labor law, employee-employer relations, workers compensation, government regulations, debtor-creditor relations, contract and property disputes, environmental issues, etc.

Simply contact the law office in your state, **provide them with your CAWA member ID number**, and receive the **free consultation**.

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Law Office of David Gregory
951-781-9091

NEVADA

David Brown
Law Offices of Woodbury,
Morris & Brown
702-933-0777

ARIZONA

Jones Osborn
Osborn Maledon
602-640-9338



CAWA's Partnership in CalRecycle's Tire Sustainability Campaign Provides CAWA Members with Free Materials for Your Customers

By Jennifer Zins

Take Advantage of FREE Materials to Give to your Customers and Help Promote the Benefits of Proper Tire Maintenance

CAWA is a proud partner in the California Department of Resources Recycling and Recovery (CalRecycle) "Just Check It" Tire Sustainability Program to inform motorists about the benefits of proper tire maintenance. To learn more visit www.justcheckit.info.

We all know that by keeping tires properly inflated, Californians can stay safe on the road, get better fuel efficiency and have longer lasting tires, which helps save money and protect the environment. Help CalRecycle inform motorists about this important information too!

CalRecycle has developed a suite of FREE collateral materials for you to share with your customers including:

- ❑ Branded Recyclable Garbage Bags
- ❑ Branded Oil Rags
- ❑ Car Window Decals
- ❑ Tire Pressure and Tread Reminder Cards
- ❑ Tire Maintenance Fact Sheets

It's Easy to Order! Simply select the items you are interested in ordering and they will be shipped to you for FREE!

By participating in this program you are not only helping educate Californians on an important topic, but you are also positioning your business as a safety-conscious and environmentally-concerned business.

For more information about partnership opportunities with CalRecycle or the Free collateral materials, contact Jennifer Zins at 916-871-0603 or Jennifer@pzallc.com.

Nevada Legislative Highlights

2010 Election Fallout

By David Brown

Everyone knows the notable contest winners in Nevada: Reid Sr. won, Reid Jr. lost. But, what about the other races which will impact Nevadans more directly.

In the Nevada Senate, the Republicans picked up one seat meaning the Democrats held the majority at 11-10. Republican Barbara Cegavske endured another assault and fended off highly qualified Tammy Peterson. The R's got another break by retaining incumbent Dennis Nolan's seat with newcomer Elizabeth Halseth. That seat looked like a loss by the R's after Nolan's unscripted defense of a sexual offender. Republican candidate Michael Roberson defeated incumbent Joyce Woodhouse for the one seat gain. The R's were happy not to lose any seats, but needed two to win control of the Senate. That would have restored balance to the legislature because the R's only picked up two seats in the Assembly. Before the election, the Dems held a veto-proof lock on the Assembly at 28-14. While the Assembly R's may now be relevant in supermajority tax votes, they are still grossly outnumbered in an Assembly which will seat 19 freshmen!

With D's controlling both houses, the election of Republican Governor-elect Brian Sandoval takes on that much more significance to his party. The 2011 legislative session will include reapportionment of all national, state and local election boundaries which will dictate Nevada politics over the next decennium. The reapportionment vote only requires a simple majority so expect to see some gerrymandering with both houses controlled by Democrats. However, Sandoval can veto and force a supermajority vote if he uses it on the reapportionment bill. Expect to see a repeat of 2001 where the budget and reapportionment bills were held as bait to the very end. If anyone recalls, that didn't work so well as partisan politics took over in a bloodbath requiring a special session to resolve.

If you're a gambler, with a \$1-3 billion deficit, a huge freshman class, and a new Speaker in the Assembly, put your money down on the ugliest special session of all time.



David Brown,
Nevada Legislative
Advocate

California Bill to Require Brake Pad Reformulation Signed Into Law



Norm Plotkin,
California
Legislative Advocate

By Norm Plotkin

CAWA and AAIA, who have worked with stakeholders for over two years to resolve a number of industry concerns are pleased to announce the signing into law of SB 346 (Kehoe) by Governor Schwarzenegger.

SB 346 was introduced into the California Legislature by Senator Kehoe (D-San Diego) in early 2009. At that time the bill sought to limit copper content in brake friction

materials and also required at least a \$1.00 fee on each axle pad set sold which would be collected by retailers and installers with no guarantee that the fee would not increase. The bill also sought to impose penalties for non compliance upwards of \$10,000 per violation. The bill as originally drafted would have banned copper in brake pads without a rational framework for reformulation potentially jeopardizing the safety of the motoring public.

Since that time, negotiations with stakeholders and Senator Kehoe's office have concluded fruitfully on the bill which resulted in successfully addressing industry's key concerns and subsequent removal of industry opposition. Key among CAWA and AAIA concerns was the removal of the brake pad fee and retailer and installer collection points.

"CAWA and AAIA worked with an industry wide coalition that included the Motor and Equipment Manufacturers Association (MEMA), both domestic

and international vehicle manufacturer alliances, friction material manufacturers, the retailers' association and the repair industry," stated Rodney K. Pierini, CAWA President & CEO. "The resulting bill was the result of a strong commitment by the environmental community water agencies, vehicle manufacturers and the aftermarket to work through our differences and develop a workable process for reducing copper in brake pads that ensures consumer safety and minimizes the economic impact on small businesses," Pierini added.

The amended legislation which is supported by all industry groups, now requires a two-step reduction in friction material copper content to no more than five percent after 2021 and no more than five tenths of one percent after 2025; exempts friction materials for use on vehicles manufactured prior to the above compliance dates- otherwise known as a legacy vehicle exemption; creates an advisory board to review applications for and a process to follow for vehicles manufactured after the compliance dates that will not be able to meet the deadlines- otherwise referred to as an "offramp;" and gives regulators discretion in the enforcement of the bill's provisions if there is evidence that any violation was inadvertent. The only fee in the bill now is for vehicle manufacturers who may need to participate in the offramp review process.

"We are pleased that our industry issues were resolved in a collaborative and collegial way that allows the aftermarket a rational pathway to compliance", stated Aaron Lowe, Vice President, Government Affairs for AAIA. "While challenges lie ahead for the aftermarket in meeting the aggressive goals established in this bill; we are committed to moving forward in reducing copper in brake pads and are pleased the Governor has signed this legislation into law," Lowe declared.

Non Deductibility Statement:

For federal income tax purposes, CAWA dues may be deductible as a business expense but not as a charitable contribution. CAWA estimates that 27% of your dues for 2010 are not deductible as a business expense because they are attributable to lobbying as is in accordance with Internal Revenue Code Section 6033. Contributions to the Political Action Fund are not deductible as a charitable contribution or as a business expense for federal income tax purposes.

Sacramento Scene

By Norm Plotkin

The Legislature has adjourned for the year and has concluded its work on the thousands of bills that were introduced into the legislative session during 2010. CAWA's legislative team vigilantly monitored a host of legislative measures throughout the year that have, or could potentially have, an impact on aftermarket businesses. Below is the 'hot list' of bills that CAWA actively lobbied on your behalf including their outcomes.

For a complete list of all bills tracked please email CAWA Director of Government Affairs Jennifer Zins at Jennifer@pzallc.com or contact Legislative Advocate Norman Plotkin at 916-498-3304 or norm@pzallc.com.

SB 346 (Kehoe) – CAWA Position: SUPPORT
Outcome: SIGNED INTO LAW BY GOVERNOR

As noted above, this measure would require a reformulation of vehicle friction materials away from copper by 2025.

SB 427 (McLeod) – CAWA Position: SUPPORT
Outcome: VETOED BY GOVERNOR

Among other things, defines crash parts and aftermarket crash parts and strengthens fraud penalties for air bag fraud.

AB 787 (Hill) – CAWA Position: WATCH
Outcome: SIGNED INTO LAW BY GOVERNOR

This measure would increase the amount paid to an individual who retires their vehicle under BAR's Consumer Assistance Program from \$1500 to \$2000. It would also make the repair assistance program available only to low-income individuals whose income does not exceed 300% of the federal poverty level, as specified.

AB 2289 (Eng) – CAWA Position: WATCH
Outcome: SIGNED INTO LAW BY GOVERNOR

Authorizes the Department of Consumer Affairs (DCA) to require smog check stations to use computerized onboard diagnostic systems for new vehicles and provides DCA with administrative and civil penalty authority. Specifically, this bill:

Authorizes DCA to require Smog Check stations

to use onboard diagnostic (OBD) systems for vehicles model year 2000 and newer; provides for an alternative Smog Check test system for vehicles not equipped with second generation onboard diagnostic systems (OBD II) and vehicles with emission problems that may not be adequately detected by the vehicle's OBD II, as determined by DCA and the Air Resources Board (ARB); authorizes DCA to certify smog check stations that meet higher standards and that may inspect and certify problematic or especially polluting vehicles; allows DCA to impose an administrative fine, of no less than \$100 and no more than \$5,000 per violation, against a licensee, contractor, or fleet owner who violates Smog Check requirements and provides for appeal; allows law enforcement officials, acting on behalf of DCA, to impose a civil penalty of not more than \$5,000 for each day the violation occurs, and specifies that any person who fraudulently attempts to obtain a certificate of compliance will be subject to a civil penalty of not more than \$5,000; requires DCA, in consultation with ARB, to collect and analyze Smog Check data and make the analysis publicly available each year.



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INDUSTRY AND
CAWA UPDATES
WWW.CAWA.ORG**

Q: How Did November Elections Impact Healthcare Reform?

A: Let's wait and see...



Brad Davis,
Armstrong & Associates

What Happened: Republicans gained solid control of the House of Representatives (meaning there will be a new Speaker of the House). The Democrats' hold on the Senate slipped to a narrow majority (far below the "supermajority" they held a year ago). And, not related to the recent election but having an impact, the Executive Branch continues to see an exit of Presidential advisors.

Many Republicans want an outright repeal of "Obamacare" and feel they have an obligation to try to do so. But the reality is that the President himself

will veto any efforts of a full repeal and Republicans would be left stranded right where they began. Democrats have become harder-left and Republicans harder-right – with fewer moderates of both parties in the middle. This could lead to gridlock and lack of discussion...or already has.

Assuming the Republicans cannot override a Presidential veto of any legislation to repeal existing law, they may try, through the House, to withhold appropriation/funding dollars. Unfortunately, this only affects \$200 billion of the more than \$1 trillion of the measure's total cost. This method is a delaying tactic at best.

It is important to keep in mind there are many provisions of PPACA that do enjoy public support:

- Guaranteed issue of individual coverage
- Extension of coverage to overage children
- Removal of annual and lifetime benefit caps
- Small Business Tax Credit
- Free Preventive Care

One approach to a "piece by piece" repeal of parts of PPACA might be to leave in certain "good parts" while removing other very unpopular "bad parts", such as:

- W-2 Reporting Requirement
- Mandate for individuals
- Mandate for employers with over 50 employees
- Anti-Competition Measures
- Strict anti-discrimination testing

What does this mean Outright repeal is unlikely (but will be attempted). "Piece by piece" repeal will be the likely alternative – especially if forced through a non-appropriation/funding attempt by the House Republicans.

So, let's wait and see...

If you have any questions, please contact:

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MONEY SAVING PROGRAMS FOR MEMBERS ONLY



www.cawa.org



Workers' Comp Rates Expected to Rise Again this Year



The actuarial rate-making body known as the Workers' Compensation Insurance Rating Bureau (WCIRB) has recommended a 27.7% increase in benchmark rates for policies incepting on or after January 1, 2011. California Department of Insurance commissioner, Steve Poizner, has once again rejected the WCIRB recommendation despite the fact that the California Department of Insurance's own actuaries recommended that rates increase by 20.4%. Poizner does not have the authority to set rates, yet this is the third year in a row that he has rejected the rate hikes proposed by the WCIRB.

Insurance carriers are free to price their policies based on state regulations, claims experience, and market supply and demand—regardless of the benchmark. The real result is that Workers' Comp rates have steadily increased over the last 2 years after an extended drop due to reform measures.

What this ultimately means to you, the business owner, is to expect rates to increase on average about 5% in 2011.

California's largest workers' comp insurer, State Compensation Insurance Fund (State Fund), plans to raise its average rates by 5.1%. Preferred Employers Insurance Co. filed to increase its rates a mere 1.1%, while Farmers Insurance Exchange and two of its companies (Truckers Insurance Exchange and Mid-

Century Insurance Co.) filed rate increases of 4.5%, 7.8% and 5.6% respectively.

The cost trends that the Rating Bureau has noted in its rate filings are very real. The medical portion of workers' comp claims alone have been climbing by more than 10% a year. Also, a series of recent court decisions have ratcheted up the costs of the average claim by nearly 6%.

In making its rate filing, State Fund said it "reflects only the inflation to claims costs."

State Fund also said it would expand the number of companies that are eligible for credits on their policies. Starting in 2011, companies with \$25,000 or more in annual premium will be eligible for merit rating, which can result in discounts of up to 40% for those with excellent claims histories. Of course, that 40% can swing the other direction for poor claims history.

The problem for insurance companies and employers is that Poizner's continued rejections of the rate filings and WCIRB recommendations have rendered the benchmark rate unreliable at best. It also creates confusion over what we hear in the media versus what plays out in reality. The industry contends that if it were to follow the current published rates, losses would be substantial and we would see a mass exodus of carriers in the State—which would result in dire consequences.

Contact Armstrong & Associates for a competitive work comp quote - (800) 575-6891.

Estate Planning – Hire a Specialist!



YOUR LIFE'S WORK SHOULD NOT BE LEFT TO CHANCE



Wendy Kelley

If a family member had a serious heart condition that required surgery, we would surely seek out the best cardiovascular specialist available to perform the operation. The same should hold true when seeking advice on our estate and business succession plans.

Our families and businesses deserve the benefit of expert advice. We need legal advisors and other facilitators specifically trained and experienced in dealing with the estates of business owners. Many lawyers who are general practitioners are adept in handling common legal affairs. But, few of them would attempt to develop a sophisticated estate plan that could

provide the specialized legal documents you may need. Just as we would not likely ask our family doctor to perform open heart surgery, neither should we assume that a generalist attorney is qualified to develop a complex estate and business succession plan.

In addition to technical expertise, estate-planning attorneys often have developed the skill to explain complex issues to us in understandable terms. Since these attorneys regularly deal with multifaceted challenges facing family business owners, they can focus on listening. And because they may be more skilled and experienced in working with other advisors, they have a greater ability to direct the planning process to a successful—and cost-effective—outcome.

Federated is committed to helping family business owners complete this important planning. This is why our marketing representatives can help our clients locate attorneys specializing in estate planning and personally help facilitate much of the “leg work” that can make the process go more smoothly. Your local Federated representative would be happy to visit with you about this.

After all, your life's work should not be left to chance.

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CAWA is fortunate to have several businesses that give financial support, in addition to their annual dues, to CAWA's government affairs program.

With this support, CAWA's vigilance and protection on industry interests in the legislative and regulatory processes is more effective. Clearly, these CAWA members and partners understand the importance of an effective aftermarket industry presence in government affairs in Sacramento, Carson City, Phoenix, and Washington D.C.

CAWA is grateful for the support!

To add your company's logo and support CAWA's efforts, contact CAWA at 800-332-2292 or email programs@cawa.org.





CAWA GOES ELECTRONIC IT'S TIME TO JOIN IN!

UPDATE Newsletter for Members

The UPDATE newsletter is available on the CAWA web site – www.cawa.org. Although it will no longer be mailed to members, the newsletter is more convenient than ever!

- Read at your leisure at www.cawa.org.
- You may read it from your computer screen by flipping each page.
- Or, view it as a pdf file – which you may print and read at your convenience.
- Past issues are also available to view and refer to at any time.

LinkedIn for Members

Please join CAWA's LinkedIn group at www.Linkedin.com. An amazing resource through your fellow members – at your fingertips.

- It's easy – just create an account – free of charge.
 - Include as little or as much information as you like. We recommend your business name, address, phone number, and web site. Feel free to add special information about your business specialties, etc.
- It's free!
- It's confidential – you set the privacy settings according to your preferences.
- It's industry related – the CAWA Group will be managed and monitored by CAWA staff and only industry and member information will be allowed – no personal posts will be permitted.
- Great source of information – ask your fellow CAWA members about industry or business issues to learn and/exchange information.
- Priceless – having a discussion with fellow CAWA members about your industry and business issues and assisting each other for the benefit of the industry is priceless.

On-Line Dues Payments

We are proud to inform you that you will soon be able to pay your dues on line. Watch for more information provided on your dues invoices and through emails from CAWA (Julie Snyder – programs@cawa.org).

It's important that we have your email address so we can send you important updates about your membership and industry issues that will affect you and your business. Without your email address, we won't be able to keep you informed!

SEND YOUR EMAIL ADDRESS TO JULIE SNYDER AT PROGRAMS@CAWA.ORG.

Or, complete the following information and fax to 916-635-9995.

Company: _____ Member ID # _____

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