NYS ASSOCIATION OF SERVICE STATIONS & REPAIR SHOPS, INC.

April 2022

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INSIDE THIS ISSUE

**US Consumers Curtail Driving;
Ukraine to Make Things Worse**

Even before Russia's Ukraine invasion, U.S. consumers feeling the bite of inflation were starting to curtail their driving habits, according to a recurring monthly survey on supply chains from research firm Morning Consult.

The statistics suggest that despite a stronger labor market, rising incomes are not keeping up with inflation. "Elevated inflation was already weighing on household budgets prior to Russia's invasion of Ukraine, meaning further price increases as a result of geopolitical disruptions could worsen the trajectory of spending growth in the United States," said Kayla Bruun, an economic analyst with Morning Consult.

Though people will buy gas regardless of higher prices, elevated costs are changing consumer behavior, she said. Nearly a third of adults said they drove less than usual in February, and more than half of those respondents said the prime reason was higher gas prices. "Supply disruption related to the conflict in Ukraine is stoking further increases in global energy prices, threatening to exacerbate this trend," Bruun said.

The survey showed that 53% of respondents said they drove the typical amount, 30% drove less, 9% drove more, and 8% weren't keeping track. Of those who said they drove less, 57% attributed this to higher gas prices, while 33% said their routine had changed.

"As household staples take up more space in monthly budgets and eat away at savings, consumers won't be able to afford major purchases like houses or cars, and it may be difficult for them to justify discretionary expenses like restaurant meals and vacations," the analyst said. "Behavioral responses to inflation, like driving less to limit gas consumption, could have secondary effects on economic activity, potentially reducing trips to restaurants or retail establishments."

OPIS DemandPro statistics do not show a decline in fuel demand last month. OPIS data from gas stations around the nation suggest fuel demand in February was above levels seen from July through January.

--Reporting by Donna Harris

U.S. to Ban All Russian Oil Imports

U.S. President Joe Biden today announced a ban on U.S. imports of crude oil, natural gas and energy from Russia in response to Russian President Vladimir Putin's continued war on Ukraine.

“We will not be part of subsidizing Putin’s war,” Biden said in comments this morning at the White House. “This is a move that has strong bipartisan support in Congress, and I believe the American people.”

Russian oil and refined products account for about 8% of U.S. imports of oil, or about 672,000 barrels a day, according to EIA data. Europe is Russia’s biggest market for its oil and natural gas imports. The European Union today pledged to cut by two-thirds its imports of Russian natural gas by year’s end and reduce its dependence on Russian fossil fuels before 2030.

“We are a net exporter of energy,” Biden said. “We can take this step when others cannot. Our teams are actively discussing how to make this happen. And today we remain united in our purpose to keep pressure mounting on Putin and his war machine.”

Biden cited his previously announced authorization of release of oil from the strategic petroleum reserves, in an effort to “minimize Putin’s price hike here at home” as the cost of gasoline surges.

The U.S. president acknowledged energy firms pulling out of Russia but issued a warning about pricing.

“To the oil and gas companies…it’s no excuse to exercise excessive price increases or padding prices to exploit this situation,” Biden said. “It’s no time for profiteering or price gouging.”

Biden also deflected criticism that his administration’s policies are crimping U.S. oil and gas production, calling it “simply not true.”

At the same time, he touted the need to electrify the vehicle fleet and said, “This crisis is a stark reminder to protect our economy. Over the long term we need to become energy independent. It should motivate us to accelerate a transition to clean energy.”

In trading today following Biden's announcement, WTI crude oil was at $128.28 a barrel, while Brent crude, the international benchmark, was at $132.75 a barrel, CNBC reports. Global oil futures hit as much as $139 a barrel this week, reports Reuters.

Consumers are paying 47% more than a year ago to fill up their cars, and energy executives at the CERAWeek energy conference in Houston said that gas prices are now getting to the point where consumer demand will decline. The national average price for a gallon of regular gasoline climbed to $4.173 today, topping the prior record of $4.114 a gallon set in July 2008, according to AAA.

Energy price shocks could quickly "get to a point where people are going to make decisions not to use the product because they can't afford it," Andy Brown, chief executive of Portuguese energy firm Galp Energia, told Reuters. "There is a chance we get demand destruction.”

Demand destruction is a sharp downward drop in demand for oil or another commodity. It can be triggered by things like fast-rising fuel prices or a pandemic, for example.

“As it currently stands, demand destruction is the only thing that could cool off prices,” Denton Cinquegrana, chief oil analyst, OPIS, told TransportDive. “There’s not much you can do if the economy is growing.”

(Cinquegrana will present his outlook for fuels at the NACS State of the Industry Summit April 12-14 in Chicago.)

“If energy prices continue to skyrocket, we will see significant inflationary pressure that will in turn lead to potential demand destruction,” Brigham McCown, founder of energy trade group Alliance for Innovation and Infrastructure, and the former head of Alaska's Alyeska Pipeline, told Reuters.

"I don't think that's overnight, but clearly within the next couple months, yeah, our economy is going to take a significant hit," McCown said.

U.S. Lukoil Station Owners Caught in the Crossfire of Russia's Ukraine Invasion

As Russia's invasion of Ukraine continues, consumers have decided to boycott U.S. gas stations carrying the banner of Moscow-based PJSC Lukoil Oil Co. However, most of the 230 U.S. Lukoil gas stations are owned by individual American franchisees, and the boycott may not hurt the parent company that badly, according to experts.

"Retail gasoline sales are a tiny portion of the revenue of oil companies," Tom Kloza, global head of energy analysis at research firm IHS Markit, told CNN. "When you compare their production of crude and trading cargos and barges, it is a small fraction of their business."

Most of the Lukoil-branded stations in America are located in New York, New Jersey and Pennsylvania, and their American owners make a living by doing much more than just selling gas, Jeff Lenard, vice president of strategic industry initiatives at NACS, told the news outlet.

In New Jersey, the Newark City Council voted on March 2 to suspend the licenses of local Lukoil gas stations and convenience stores.

"This is in solidarity with Ukraine," said Councilman Anibal Ramos, who sponsored the resolution suspending the licenses of at least two Lukoil stations in Newark, reported NJ.com.

However, Sal Reselvato, head of New Jersey Gasoline and Convenience Store Association, called the move "political theater" that only hurts local business owners and their employees.

"Nothing about it makes sense," Reselvato said. "For the small business owners who have invested hundreds of thousands of dollars for these franchises, how will they pay their rent, their mortgages and their employees?"

Lenard told CNN that retail fuel businesses are especially vulnerable to boycotts since they don't have much flexibility when it comes to the brand they operate under. Station owners generally must sign long-term contracts with oil companies to get that branding, making a switch to another brand next to impossible.

"Boycotting a specific store because of the brand won't affect the oil company. Instead, organized boycotts can have a significant negative effect on the local retailer that is locked into that long-term contract," Lenard said.

"The history of boycotts against oil companies is a history of mostly failures," said Kloza. "People are prone to filling up where it's convenient and where the price is right. And they put politics aside when they do that."

The IHS Markit executive recalled a boycott on CITGO Petroleum Corp. when former Venezuelan president Hugo Chavez was in power. "People organized boycotts against CITGO," he concluded. "Now, CITGO is pretty much moving along just fine."

US Governors Call for Suspending Federal Gas Tax

A group of six Democratic governors are calling for a suspension of the federal gas tax to provide relief to motorists amid surging fuel prices following Russia's invasion of Ukraine.

In the letter to congressional leadership, Michigan Gov. Gretchen Whitmer, Wisconsin Gov. Tony Evers, Minnesota Gov. Tim Walz, Colorado Gov. Jared Polis, New Mexico Gov. Michelle Lujan Grisham and Pennsylvania Gov. Tom Wolf urged adoption of the Gas Prices Relief Act, which would suspend the 18.3cts/gal federal gas tax through the end of the year.

The tax is used to fund the federal Highway Trust Fund, but the governors argue that any loss of revenue should be made up using cash from the general fund. The governors argue that the recently adopted federal infrastructure bill includes $118 billion for the Highway Trust Fund "and the Trust Fund's capacity to finance the construction and maintenance of roads, bridges, and highways across the country would not be diminished by the legislation."

"At a time when people are directly impacted by rising prices on everyday goods, a federal gas tax holiday is a tool in the toolbox to reduce costs for Americans, and we urge you to give every consideration to this proposed legislation," said the letter, which was sent to Democratic and Republican leaders in the House of Representatives and Senate.

None of the governors who signed the letter have suspended state gas taxes.

The proposal to suspend the gas tax has been panned by some taxpayer advocacy groups, with the Committee for a Responsible Federal Budget estimating a March through December pause would cost the federal government $20 billion, or about half the annual revenue estimated for the Highway Trust Fund.

"With the Highway Trust fund currently just five years from insolvency, lawmakers should not pursue policies that would widen the gap between dedicated revenue coming into the trust fund and spending coming out of it," the group argued.

The Tax Foundation said suspending the tax would be a mistake that, while providing little relief to motorists, "is a uniquely ill-suited policy for addressing rising prices."

The group said suspending the tax wouldn't address the root causes of rising gas prices and would actually work to increase inflation, since it would support demand amid tight supply. There is no clear way to ensure a cut in gasoline prices would be passed on to consumers, the group said.

The national average gasoline price Wednesday was $4.2516/gal, or more than $1.45/gal higher than a year earlier.

--Reporting by Steve Cronin

Maryland Becomes First State to Suspend its Fuel Taxes

Motorists in Maryland will be paying less to fill up starting Friday after Gov. Larry Hogan signed legislation making the state the first to suspend its gas and diesel taxes amid surging fuel prices.

The relief might be short-lived. The bill provides for a 30-day suspension of the 36.1cts/gal gasoline tax and 36.85/gal diesel tax, according to Hogan's office. The suspension is expected to cost the state nearly $100 million, the governor's office said.

Legislatures around the country are looking at suspending or lowering fuel taxes amid the surge in prices following Russia's Feb. 24 invasion of Ukraine.

In Maryland, for instance, the price of regular unleaded gasoline has gone from$3.5828/gal the day before the Russian attack to $4.1658/gal on Friday. That'sabout 14cts/gal from recent highs seen last week.

The measure to suspend the gas tax received unanimous support in the state House of Delegates and Senate and went into effect immediately following Hogan's signing it Friday, the governor's office said.

"This is, of course, not a cure-all, and market instability will continue to lead to fluctuations in prices, but we will continue to use every tool at our disposal to provide relief for Marylanders," said the governor, who also expressed support for pending legislation that would suspend automatic increases in the gas tax.

While the state is suspending the tax, the legislation doesn't require retailers to pass the savings on to customers. On Friday, gross rack-to-retail gasoline margins in Maryland averaged 32.2cts/gal while diesel margins averaged 57.7cts/gal, according to OPIS MarginPro data.

It's unlikely Maryland will remain alone in giving motorists a break at the gas pump. Later Friday, Georgia Gov. Brian Kemp was expected to sign a measure suspending that state's fuel taxes through May 31.

--Reporting by Steve Cronin

Georgia Joins Maryland in Pausing State Fuel Tax

As expected, Georgia has joined Maryland in suspending the state's gas tax to help consumers deal with quickly rising fuel prices.

Gov. Brian Kemp on Friday signed the measure suspending that state's 29.1cts/gal gasoline and 32.6cts/gal diesel fuel taxes through May 31.

Distributors are being told not to collect the tax during the suspension and can apply for a refund for taxes paid after Kemp signed the bill, according to the state Department of Revenue.

Kemp's signing of the bill came shortly after Maryland Gov. Larry Hogan signed legislation providing a 30-day suspension of that state's 36.1cts/gal gasoline tax and 36.85/gal diesel tax. The suspension is expected to cost the state nearly $100 million, the governor's office said.

Legislatures around the country are looking to suspending or lowering fuel taxes amid the surge in prices following Russia's Feb. 24 invasion of Ukraine.

On Monday, the national average price of regular unleaded was $4.2519/gal, according to OPIS data.

Prices are likely to rise further in the coming days, as April RBOB futures gained 13.28cts/gal to settle at $3.3716/gal in trading on the NYMEX exchange Monday. ULSD futures for the month gained 20.28cts to $3.8009/gal.

On Monday, gross rack-to-retail margins for gasoline averaged 29.8cts/gal in Georgia and 35.5cts/gal in Maryland, in both cases about a penny lower than some nearby states.

--Reporting by Steve Cronin, scronin@opisnet.com; Editing by Michael Kelly,

Connecticut Governor Signs Tax Holiday Bill into Law

Connecticut became the third state to offer a gas tax holiday after Governor Ned Lamont (D) signed the bill into law Thursday afternoon. Georgia and Maryland had adopted similar measures last week.

On Wednesday, the Connecticut legislature unanimously agreed on the gas tax holiday. The holiday waives the 25cts/gal tax from April 1 until July 1. Lawmakers in the nutmeg state also passed a week-long sales tax holiday starting April 10 on all items costing $100 or less. Local reports indicate that the sales tax holiday usually takes place in August ahead of the new school year.

Also part of the bill is three months of free bus service. While the state is waiving the 25cts/gal gasoline tax, the diesel tax is expected to remain in place.

-- Reporting by Denton Cinquegrana,

White House Taps Into Oil Reserves to 'Blunt Gas Prices'

President Biden announced his administration will release 30 million barrels of oil from the government's reserves to help "blunt gas prices here at home." The announcement came during last night's State of the Union address and is one of the few ways Biden can buffer Americans from higher prices at the pump, reports the Wall Street Journal.

The U.S., along with its allies, agreed to collectively release an initial 60 million barrels of oil from strategic petroleum reserves, according to a statement from the Department of Energy.

Energy analysts say that President Biden has limited options to quickly lower prices given the complexities of the industry's supply and demand.

(NACS sorts fact from fiction about gasoline prices in a series of popular Convenience Corner blog posts: "Does the President Control Gas Prices?", "Why Gas Prices Are Rising When They Should Be Falling," "Who Makes Money Selling Gas?", "Will We See $4 Gas?" and "Will Gas Prices Affect Summer Travel?")

Russia is one of the world's largest oil and gas exporters, and the country's attack on Ukraine has sent oil prices soaring, with Brent crude rising to $7 per barrel to close at $104.97 yesterday, the highest since 2014.

"We will continue advancing ongoing efforts to accelerate Europe's diversification of energy supplies away from Russia and to secure the world from Putin's attempts to weaponize energy supplies," said U.S. Secretary of Energy Jennifer M. Granholm in the statement.

International Energy Agency Executive Director Fatih Birol said in a statement that the situation in the energy markets is "very serious and demands our full attention. Global energy security is under threat, putting the world economy at risk during a fragile stage of the recovery."

ExxonMobil announced yesterday that it will exit Russia oil and gas operations and will not invest in new developments in Russia, following similar moves from bp and Shell. ExxonMobil's operations in Russia are valued at more than $4 billion, according to the company.

"We deplore Russia's military action that violates the territorial integrity of Ukraine and endangers its people," said ExxonMobil in a statement.

ExxonMobil operates the Sakhalin-1 project on behalf of an international consortium of Japanese, Indian and Russian companies, and the company is beginning the process to discontinue operations and developing steps to exit the Sakhalin-1 venture.

"Our role as operator goes beyond an equity investment. The process to discontinue operations will need to be carefully managed and closely coordinated with the co-venturers in order to ensure it is executed safely," said ExxonMobil

After Weak Overnight Period Oil and Products Plunge Even More

Petroleum futures had a strong third week of March, but the final days are beginning with heavy selling across the globe.

The catalyst most mentioned today are lockdowns in Shanghai which imply that demand destruction brought on by COVID variants may haunt markets well into the second quarter of the year. There is no meaningful progress on the conflict in Ukraine, but a heavy skew among buyers and fund managers leaves the market susceptible to washouts. So far, today is featuring a cascade of selling.

Just after 9:20 a.m. ET, benchmark crude oil values were down well over $7/bbl, with May WTI off $7.20/bbl, to $106.70/bbl, while May Brent eased to $113.42/bbl, a drop of $7.23/bbl. Once again, the volumes are off from what Monday might traditionally deliver in the 2017-2020 periods thanks to the danger of headline trading.

Gasoline and diesel prices were off to the extent that midday drops were likely or terminal liftings might drift as distributors avoided buying at relatively high prices. April RBOB only has a few days of trading left, and it fell 17.8cts/gal, to $3.292/gal, with May at $3.2607/gal, down 17.54cts/gal.

Diesel has been the big winner in the first quarter, but it is giving up the most ground Monday. April contracts were down 23.48cts/gal at $3.8798/gal, while May lost 20.99cts/gal, to $3.5413/gal. The 20ct/gal losses are predictive of transport truck liftings at the rack that could be $1,600 or so below weekend rack postings.

--Reporting by Tom Kloza

Have We Reached the Tipping Point for Gas Prices?

AAA says yes, but are consumers really driving less?

The national average for a gallon of gas is $4.24, according to AAA, which also says that the tipping point for consumer behavior changes toward gas consumption has occurred. In 2008, NACS Magazine published an article that found $3.71 was the tipping point. But John Eichberger, executive director for the Fuels Institute disagrees—he doesn't believe there is a tipping point at all.

"What we've seen in surveys and behavior over the years is people adapt," said Eichberger on this week's Convenience Matters podcast episode. "Typically, whenever you ask them at what point will you change your behavior, buy a different car, it's always the next threshold. So that point at which people think they're going to change behavior keeps moving with the price of fuel."

Although consumer behavior may not be changing because of record-high gas prices, behaviors did change because of the pandemic, and they have not (and may never) return to normal.

"As we're getting back to whatever the new normal is, you have a percentage of folks who are still working from home, and perhaps what's changing is the time they're doing errands," said Paige Anderson, NACS director of government relations, who also appeared on this week's episode. "The reality is people are still driving."

Anderson also points out that this period of high gas prices is happening during a very high inflationary period and a disrupted supply chain, which is different than prior high gas price periods.

"The reality is [that] gasoline is the No. 1 thing folks have to buy after housing," said Anderson. "You're going to find folks cutting their budgets elsewhere, not necessarily on fuel because … they've got to get to work and do the errands and get their kids to soccer practice."

Electric vehicles (EVs) usually come into play when discussing a tipping point for consumer behavior and what habits they would change, said Jeff Lenard, NACS vice president of strategic initiatives, the host of this week's episode. Lenard said that according to a recent NACS consumer survey, respondents believe that 15% of the cars on the road are EVs, but the actual amount is less than 1%.

"The EV commercials, the drumbeat about EVs, has taken hold with consumers," said Lenard.

Eichberger said although headlines are touting an EV revolution, it's really more of an accelerating evolution. Although EV sales are on an upward trajectory, the supply chain and microchip shortage are going to continue to influence the penetration of EVs.

"EVs are going to continue to gain market share, but it's not going to be nearly as rapid as some f the advocates think it's going to be because of natural progression of market," said Eichberger.

"You're seeing more [EV] options, more education, but the reality is even if you went to a car dealership right now and had the money to buy yourself an EV, they're not available," said Anderson, who added that there is a 12- to 24-month waiting list to purchase an EV, as well as smaller economy or high-efficiency vehicles, plus vehicles are at a premium rate because of supply and demand issues.

"It used to always be, what are the challenges to getting EVs in the marketplace? And it was usually cost, range anxiety and consumer choice," said Anderson. "You're seeing all of these addressed, but it's not going to happen overnight."

January 2022 US Vehicle Miles Below 2019 for 2nd Straight Month: DOT Data

Vehicle traffic in January 2022 fell again below levels two years ago, according to data compiled by the U.S. Department of Transportation's (DOT) Federal Highway Administration, as the highly contagious omicron variant of COVID-19 kept some motorists and office workers from leaving their homes.

In DOT's latest Traffic Volume Trends, total vehicle miles, which measure travel on all U.S. public roads and streets, were at 240.6 billion miles for January 2022.

That's around 8% below the 260.8 billion miles in January 2020, and a second consecutive month that the measure dropped below levels two years ago.

In November 2021, U.S. vehicle miles rose above levels during the same month two years ago. The lackluster trend in January was most likely the due to omicron, which was the main driver sending new coronavirus infection cases to record highs that month.

Year on year, however, January 2022 vehicle miles were 4.1% higher, DOT data show. On a seasonally adjusted basis, January's figure was 0.2% lower compared to December 2021 on a month-on-month basis, according to the DOT. That also marked a second consecutive monthly decline on a seasonally adjusted sequential month-over-month comparison.

According to OPIS DemandPro data, which surveys nearly 35,000 gas stations across the U.S., average gas station gasoline volumes on a same-store basis in January 2022 were down 16.3% versus two years ago, which was sharply wider than the 11.9% two-year deficit seen in December 2021.

--Reporting by Frank Tang

New York Retailers Call on State to Increase Lottery Commissions

A group of 14 trade organizations, including the New York State Association of Service Stations and Repair Shops, sent a letter to New York Gov. Kathy Hochul in an effort to increase lottery commissions by 1 percentage point over a four-year period in the state for its 14,600 licensed agents.

The letter alleges that under the New York Lottery system, sales agents are compensated in the form of a commission set by the Lottery Division, which was fixed at a rate of 6 percent of all ticket sales in 1967 and was never adjusted. Lottery sales volume has steadily risen since 1967, the letter states, but additional commission income to lottery sales agents has been far outstripped by sharp growth in their operating expenses.

"For example, a national survey of convenience stores shows that from 2010 to 2020 alone, core operating expenses rose 43 percent," the letter noted. "The upward pressure is worse than the national average in New York, where the minimum wage increased more than 80 percent from 2010 to 2020."

When costs rise in other segments, retailers can either absorb it, raise their retail prices, or cut expenses. But in the case of lottery sales, agents are forbidden from selling lottery tickets for more than face value, the associations wrote. The letter proposes a modest, gradual adjustment.

"Elevate their commission from 6 percent to 7 percent, phasing in the increase over a four-year period. That would equate to less than a 0.02 percent annual rate of increase over the 50-plus years since the rate was originally set," they said. "With the recent introduction of new digital forms of gaming over the next few years, the state can afford to increase commissions for traditional lottery sales agents while still generating higher revenue for education and other vital programs and services.

"Without new revenue, that will force retailers to cut expenses, the largest segment of which is labor. The typical U.S. convenience store employs 16 people full and part-time. Given New York's convenience store count of 8,000, this financial dilemma could impact the income of as many as 128,000 New Yorkers employed in convenience stores, not to mention those employed by other lottery sales agents," the letter continued. "An adjustment in lottery compensation, however, will preserve these jobs and enable our members to keep delivering the nation's leading lottery sales performance New York's education system deserves."

Lottery sales have increased from $53 million in 1967 to $8 billion today, with $3 billion being earmarked for education in 2020, according to the Lottery Division's fiscal year 2020 financial report.

In 2017, New York State Sen. Tony Avella (D-Queens) proposed a measure to increase New York lottery commissions from its current 6 percent to 8 percent. However, the measure was not adopted.

IQOS Will Not Return to U.S. Market in 2022

The past year has brought ups and downs for IQOS, the heat-not-burn tobacco product first introduced to the U.S. market in October 2019.

IQOS is an electronic device that heats tobacco-filled sticks wrapped in paper to generate a nicotine-containing aerosol. Under an exclusive licensing agreement with Philip Morris International (PMI), Altria Group Inc.'s Philip Morris USA (PM USA) subsidiary has been commercializing IQOS in the United States along with Marlboro HeatSticks.

In the first quarter of 2021, PM USA introduced a new IQOS 3 device into all current markets and mid-year, it brought the new product to the northern Virginia market. In addition, Marlboro HeatSticks were available in retail stores statewide across Georgia, Virginia, North Carolina and South Carolina as of the end of April.

Altria CEO Billy Gifford pointed out during the company's recent fourth-quarter and full-year 2021 earnings call that the team made "excellent progress" in the northern Virginia market, with Marlboro HeatSticks reaching 1.9 percent retail share of the cigarettes category in stores with distribution for the month of October.

However, come November, PM USA had to remove IQOS from the market due to an import ban and cease-and-desist orders from the U.S. International Trade Commission (ITC). As Convenience Store News reported at the time, ITC ruled that Philip Morris International and Altria must stop selling and importing the product.

The Sept. 29 ruling, which went into effect two months later, followed a finding that IQOS infringes on two patents by British America Tobacco Group, the London-based parent company of Reynolds American Inc.

"At the present time, we do not expect to have access to IQOS devices or Marlboro HeatSticks in 2022," Gifford said. "However, we remain focused on returning IQOS to the market as soon as possible, Our teams are actively working on reentry plans and we expect to be ready to bring IQOS back to U.S. consumers when available."

In a recent interview with the American Journal of Transportation, Philip Morris International CEO Jacek Olczak said the company is going to begin manufacturing IQOS in the U.S. in an attempt to get the product back on the nation's shelves next year.

The ITC decision left PMI with the options of producing the product domestically or tweaking the design. Changing the design, however, would require authorization from the Food and Drug Administration (FDA) again, according to the report.

“From the very beginning of us going to the FDA, we had in mind that IQOS would one day not only be sold in the U.S., but manufactured there, if you take into consideration the size of the market and the opportunity for IQOS,” Olczak told the American Journal of Transportation. “It's just happening sooner because of the ITC decision.”

PMI did not disclose where in the U.S. production will take place, but said it plans to start selling IQOS again in the first half of 2023.

Alternative Tobacco Agreement

PMI and Altria first reached a pact focused on alternative tobacco products in December 2013. The original agreement set the strategic framework to commercialize reduced-risk products and electronic cigarettes. In July 2015, the companies expanded the pact to include a joint research, development and technology-sharing agreement.

Two milestones are necessary for Altria's PM USA to maintain its exclusive license and distribution rights for IQOS in the United States and earn a renewal option for an additional five-year term, according to Gifford.

"The initial five-year term does not expire until April 2024, but we believe that PM USA has already met these milestones based on the performance of IQOS in the Charlotte, [N.C.] and northern Virginia markets," he said. "PMI has communicated that it disagrees with our position. We expect to continue discussing these matters with PMI.

"We firmly believe that heated tobacco products can play an important role in U.S. harm reduction, and we are continuing our efforts to support the category's growth," Gifford continued. "We have gained significant knowledge from our IQOS commercialization efforts, which we expect to use going forward."

"We demonstrated improved performance in each successive market and gained valuable knowledge in leveraging MRTP [modified-risk tobacco product] claims to transition smokers," Gifford said. "Additionally, we have built a robust post-market surveillance system — all of which, we believe, will position us to successfully achieve our objective of moving beyond smoking."

In addition to PM USA, other wholly owned subsidiaries of Richmond-based Altria Group Inc. include U.S. Smokeless Tobacco Co. LLC and John Middleton Co. Altria's non-combustible portfolio includes Helix Innovations LLC, maker of on! oral nicotine pouches, exclusive U.S. commercialization rights to the IQOS Tobacco Heating System and Marlboro HeatSticks, and an equity investment in Juul Labs Inc.

DMV Sends Out Inspection Station Notices

Please find attached two DMV messages that went out earlier this month. They explain the requirements for stations to maintain their status as inspection stations. Failure to follow the instructions will result in the loss of the station's inspection license.

Note: DMV has no plans to increase the stations charge for an inspection. We have been trying to negotiate this with them, but, so for our efforts have fallen on deaf ears.

Second note: Whereas the cost of the equipment may seem large, the cost of leasing it is much larger. We recommend for those that are considering remaining in the program, that they buy the equipment outright, finding a source of outside funding if necessary.

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

NYVIP MESSAGE No. 274

DATE: 3/2/2022

TO: ALL EMISSIONS INSPECTION STATIONS

FROM: NYS DEPT. OF MOTOR VEHICLES

SUBJECT: 2nd REMINDER: IMPLEMENTATION OF NEW NYVIP3 CONTRACT

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

This message is to remind you of upcoming changes to the New York Vehicle Inspection Program (NYVIP) and requirements to participate as an emissions station.

As previously advised in NYVIP Message #269 sent October 15, 2021 and NYVIP Message #271 sent 12/21/2021, the new program (NYVIP3) will launch on December 1, 2022. Beginning December 1, 2022, Opus Inspection, Inc. (Opus) will be the program manager for NYVIP3.

<u>The new program will require that all inspection stations purchase a new computerized vehicle inspection system (CVIS)</u>. Most components of NYVIP3 station equipment and operations will remain familiar to all existing stations that utilize the current NYVIP2 equipment.

Further, NYVIP3 equipment and software will include upgrades that will allow both inspection stations and DMV to better serve customers. New features include, but are not limited to:

- Print-on-demand inspection sticker printing
- Elimination of paper recording for all inspection types
- Integrated opacity inspection equipment for NYMA-registered Medium to Heavy Duty Diesel vehicles
- Enhanced online Certified Inspector training and certification including online renewals
- Improved OBD scan tool capability and station network communication
- Improved station assistance with problem vehicles during emission inspection
- CVIS web camera for added security

The purchase price of a new initial NYVIP3 CVIS unit is as follows:

Level 2	OBD & Safety CVIS	$1,695
Level 3	Integrated Opacity & Safety CVIS	$4,695
Level 4	OBD, Integrated Opacity & Safety CVIS	$4,995

In addition, Opus will offer a lease option. Under this option, payment is required in equal monthly installments for the life of the contract at the following rates:

Level 2	OBD & Safety CVIS	$45.00
Level 3	Integrated Opacity & Safety CVIS	$90.00
Level 4	OBD, Integrated Opacity & Safety CVIS	$98.00

Below are frequently asked questions (FAQ's) that will help you better understand any changes. This information is being provided to ensure that you are fully informed when making business decisions and/or renewing your New York State Official Inspection Station license.

1. **What is NYVIP3?**

NYVIP3 is the vehicle inspection program that will replace the current vehicle emissions inspection program known as NYVIP2 (New York Vehicle Inspection Program 2). Emissions testing is required as part of New York State's agreement with the EPA to comply with the Federal Clean Air Act.

Similar to NYVIP2, the NYVIP3 work station will electronically communicate with the on-board diagnostic (OBD) system of vehicles, record the status of the vehicles emission system, and transmit the data to DMV via the program contractor.

2. **Do I have to purchase NYVIP3 equipment?**

Yes. in order to continue participating in the voluntary inspection program, inspection stations will be required to purchase the new computerized vehicle inspection system (CVIS). The new equipment will accommodate the changes incorporated into the NYVIP3 program and allow for improvements in the operating platform for future changes to the program.

3. **What costs are associated with the NYVIP3 program?**

a) Initial CVIS unit: the new program will require that inspection stations purchase a new computerized vehicle inspection system (CVIS). The purchase price of a new initial NYVIP3 CVIS unit is as follows:

Level 2	OBD & Safety CVIS	$1,695
Level 3	Integrated Opacity & Safety CVIS	$4,695
Level 4	OBD, Integrated Opacity & Safety CVIS	$4,995

In addition, Opus will offer an equipment operating lease option. Under this option, payment is required in equal monthly installments for the life of the contract at the following rates:

Level 2	OBD & Safety CVIS	$45.00
Level 3	Integrated Opacity & Safety CVIS	$90.00
Level 4	OBD, Integrated Opacity & Safety CVIS	$98.00

b) Transaction fees: Stations will continue to pay the Contractor for each inspection conducted. Opus will continue to charge one transaction fee, per inspection, of $0.436 cents. This transaction fee remains unchanged from NYVIP2.

c) CVIS communication connection: Inspection stations must provide a NYVIP3 CVIS broadband communications connection and are responsible for any related charges.

4. When will I need to use the new inspection equipment?

You will continue to use the inspection equipment you currently have until notified otherwise. Stations must have the NYVIP3 equipment operational in order to continue to perform inspections after the official start date.

5. What equipment does the base NYVIP3 CVIS include?

- PC – Workstation
- Windows 10 Operating System
- CVIS NYVIP3 Software and Virus Protection
- 19” monitor
- Barcode Scanner
- OBDII interface (data acquisition device)
- Laser Printer (VIR, station reports, etc.)
- Thermal Sticker Printer
- Web Camera

6. What do I do with my old equipment?

The equipment belongs to you and can be disposed of (recycled) or reused elsewhere as you like. However, other than the storage cabinet, NYVIP2 equipment CANNOT be used in connection with the NYVIP3 program.

The current (CVIS) NYVIP2 electronic components contain hazardous elements and compounds, including lead, mercury, and cadmium, which can be toxic if released into the environment. Electronic waste CANNOT be thrown out in your garbage. Electronic waste is often hazardous waste. When it is properly recycled, most electronic waste is exempt from hazardous waste regulation. Regulations for handling of electronic waste are available from your local government and can be found at: http://www.dec.ny.gov/chemical/8788.html.

7. Does the new equipment include a warranty?

Yes. The NYVIP3 equipment is covered under warranty against defects and failures due to normal wear and tear for the duration of the contract. There is no additional cost for the warranty; the warranty cost for an initial unit is included in the “transaction” fee. The warranty does not cover defects caused by customer abuse.

8. How does the new equipment operate?

The NYVIP3 workstation will basically follow the same operational procedures that the current system uses. A certified inspector will enter vehicle information and safety inspection results. The workstation will then guide the inspector to perform the proper emission test and record the results. The NYVIP3 unit will offer Computer Based Training (CBT) to instruct inspectors how to use it.

9. How do I set up the equipment?

The NYVIP3 CVIS will be drop shipped with setup instructions. Operating software will be preinstalled and peripherals will be plug-and-play. A dedicated help desk will be available to assist users by phone. Opus field service representatives will be available for an onsite visit, if necessary.

10. Do I have to sign any contracts with Opus?

Yes, like the NYVIP2 agreement, if you want to participate in this program, you will be required to enter into a station participation agreement with Opus. This agreement will be posted on Opus' NYVIP.org website when it becomes available.

11. What type of vehicles can I inspect in the NYVIP3 Program?

You will be limited to inspect those groups of vehicles that you are currently licensed to inspect.

12. Do I have to obtain a new inspector's card or certification?

No. You will continue to use the inspector's card you have now.

13. What are my communications options for NYVIP3?

The NYVIP3 CVIS will only support broadband (wired and/or wireless) communication connections, including cellular and satellite broadband connections. Dial-up phone line connections will no longer be supported. Inspection stations will be responsible for any related broadband connection charges.

14.What optional equipment or upgrades may be available?

Opus has proposed the following options which, pending DMV testing and approval, will be available to stations.

- Professional Cabinet
- Wi-Fi Communication Card for in-station wireless LAN
- Wireless OBD scan tool
- Wireless Barcode Scanner
- Bluetooth Wireless Headset for hands-free safety inspection
- OBD Verification Tester embedded in OBD scan tool (no charge)

The wireless optional equipment provides greater freedom of equipment location, and faster data entry methods with fewer mistakes.

15.What improvements will be included in NYVIP3?

- Print-on-demand inspection sticker printing
- Elimination of paper recording for all inspection types
- Integrated opacity inspection equipment for NYMA registered Medium to Heavy Duty Diesel vehicles
- Enhanced online Certified Inspector training and certification including online renewals
- Improved OBD scan tool capability and station network communication
- Improved station assistance with problem vehicles during emission inspection
- CVIS web camera for added security

16. How long is the NYVIP3 contract with Opus?

The Contract with Opus Inspection will become effective on 12/1/2022 and will continue for a period of seven (7) years, and includes a renewal option for up to two (2) additional years.

17. Can I purchase or lease more than one NYVIP3 workstation?

Yes. However, additional CVIS units are priced differently than initial units. The total cost of one additional CVIS unit is as follows:

Level 1	Safety Only CVIS	$4,695
Level 2	OBD & Safety CVIS	$5,495
Level 3	Integrated Opacity & Safety CVIS	$8,995
Level 4	OBD, Integrated Opacity & Safety CVIS	$9,495

Monthly lease payments are as follows:

Level 1	Safety Only CVIS	$125.00
Level 2	OBD & Safety CVIS	$145.00
Level 3	Integrated Opacity & Safety CVIS	$240.00
Level 4	OBD, Integrated Opacity & Safety CVIS	$250.00

18. Will there be a change in inspection fees?

Inspection fees, which are set in regulation, and sticker fees, which are set in law, are not affected by this contract.

19. What happens next? What if I have questions?

DMV will follow up this communication with further information as it becomes available. Please be on the lookout for future NYVIP3 updates.

For further information, email Opus Inspection at NYVIP3Info@Opusinspection.com Please include your name, phone number, email address, and facility number with your question(s). Or call the office of Clean Air at (518) 474-0597 select Option #4.

NYVIP MESSAGE No. 277

DATE: **March 25, 2022**

TO: **OFFICIAL DIESEL EMISSIONS INSPECTION STATIONS (ODEIS)**

FROM: **NYS DEPTS. OF ENVIRON. CONSERV. & MOTOR VEHICLES**

SUBJECT: **INTEGRATED DIESEL OPACITY METERS IN NYVIP3 PROGRAM**

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

As previously advised in January 2020 and March 2021, all Official Diesel Emission Inspection Stations (ODEIS) wishing to remain licensed to conduct opacity (smoke meter) diesel emissions inspections will be required to participate in the upcoming NYVIP3 inspection program.

NYVIP3 is expected to begin on December 1, 2022. In preparation, each NYVIP3 ODEIS will be required to purchase a new NYVIP3 Computerized Vehicle Inspection System (CVIS) which includes an integrated Capelec CAP3030 smoke opacity meter to perform Heavy Duty Diesel Vehicle (HDDV) inspections.

By integrating a smoke opacity meter into the CVIS, NYVIP3 will provide a cost-controlled solution to increasingly expensive third-party smoke opacity meters subject to declining availability. The integrated Capelec CAP3030 smoke opacity meter will also include warranty coverage for the duration of NYVIP3.

Note as of December 1, 2022, all existing DEC-approved diesel opacity meters will become obsolete and can no longer be used by ODEIS as New York State inspection program equipment. Such equipment includes the Red Mountain Engineering Smoke Check 1667, Wager 7500, CalTest 1000-WIN-TR, Bosch RTT 100, ESP Diesel-sense 1667, SPX Dieseltune DX-240, and the Protech OPAX 2000-II smoke meters.

Please note NYVIP3 equipment and software will include upgrades that will allow both inspection stations and DMV to better serve customers. New features include, but are not limited to:

- Print-on-demand inspection sticker printing
- Elimination of paper recording for all inspection types
- 24/7 availability of inspection procedure instructions, regulations, and guidance
- Simple system-generated updates to ensure compliance
- Electronic records of all inspections to assist law enforcement

The purchase price of new initial NYVIP3 CVIS units are as follows:

Level 3	Integrated Opacity & Safety CVIS	$4,695 or $90/mo. lease
Level 4	OBD, Integrated Opacity & Safety CVIS	$4,995 or $98/mo. lease

The cost for any additional CVIS units at an ODEIS location are as follows:

Level 3	Integrated Opacity & Safety CVIS	$8,995 or $240/mo. lease
Level 4	OBD, Integrated Opacity & Safety CVIS	$9,495 or $250/mo. lease

Further, the NYVIP3 integrated opacity CVIS will be covered under warranty against defects and failures due to normal wear and tear for the duration of the contract.

Stations will pay the Contractor for each inspection conducted. Opus will charge one transaction fee, per inspection, of $0.436.

This information is being provided to ensure that you are aware of changes in the upcoming inspection program and are informed when planning future business decisions.

Opus will be coordinating initial outreach soon regarding registration and station participation. Information regarding the current inspection program (NYVIP2) can be found at WWW.NYVIP.ORG

For further information, email Opus Inspection at NYVIP3Info@Opusinspection.com. Please include the following information: name, phone number, and facility number.

DMV will follow up this communication with further information as it becomes available. Please be on the lookout for future NYVIP3 updates.