

Southwind

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Association of
Electric Motor Repair Shops
for Co-operative
Self-Improvement

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EVOLUTION TO REVOLUTION

By Raymond K. Paden

I'm not going to try to write an authoritative history of the electric motor industry in order to prove this, but it is my assertion that as our industry has *evolved* over time, the once symbiotic relationship between those who manufacture motors and those who repair them has endured a dramatic change. Today, motor shops are struggling as they try to compete in this changing environment. I am writing to describe one of the challenges we face during this period of evolution, and to suggest that, in order to adapt and survive, it is time for EASA's motor shops to consider (what some will call) a *revolution*.

When I first became a part of this industry thirty years ago, except for OEMs, motor shops were the primary sales outlet for new motors. Most of us had very companionable relationships with motor manufacturers, and sometimes enjoyed standing as an exclusive distributor for one or two particular brands in our area. In return for this favored status, the motor shops conducted warranty inspections, determinations and repairs for the manufacturers at extremely inexpensive rates. After all, in many cases the motor shop had sold the motor in question (earning what was then a nice profit) and by handling the warranty claim so cheaply the motor shop not only helped the manufacturer keep costs low and future profits high, they also provided a service for the shop's own customer.

But this has all changed now. Market pressure, intense competition from overseas, and other more or less valid reasons have driven the motor manufacturers to restructure their methods of marketing and distributing their product. Every EASA motor shop has seen new motor sales dwindle as the manufacturers turn increasingly to distribution through mass marketers, power-train distributors and even direct national sales contracts with our larger end-user customers. **Don't get me wrong ... the manufacturers have every right to market and distribute their product any way they choose.** The problem is, while the motor manufacturer's operations have evolved to (for the most part) leave the motor shops out of the profit loop, they still use and treat motor shops as if they shared some benefit in the manufacturer's new motor sales, and this is clearly no longer the case.

Diagnosing the cause a failure in a new motor requires training, intelligence and (quite often) a lot of time. The motor must be disassembled, cleaned and inspected. Often the connection must be pulled up and the phases pulled apart. In many cases the bearings, other parts or even the stator must be packaged and returned to the manufacturer. This takes a lot of time, but also consider time spent on the phone with the factory, on the phone with the (sometimes irate) customer, completing warranty reports and filing them, and finally, the months spent asking the manufacturer for payment and waiting for the check or credit to arrive. Incredibly, some manufacturers still expect motor shops to perform this service for \$35 to \$50. Probably every motor shop owner could relate horror stories about poor service, lack of cooperation and slow payment, but there are also tales of customers who purchased their motor from a bearing house or direct from a manufacturer, and then brought them to the motor shop for warranty consideration and expected *immediate* satisfaction.

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Like most in the motor repair business, I have many friends who work for motor manufacturers, and I am not trying whip up anger and resentment against them. I merely want to describe a problem, illustrate a point, and start us down the road to a solution. For years, motor shops have stood on the front lines representing the motor manufacturers *after the sale*. When we were a primary sales outlet for the factory this was only natural, but **the relationship that sustained that situation no longer exists**. When it comes to sales, motor shops are usually treated as *any other customer*, receiving a discount based on volume. High-volume distributors such as the bearing houses enjoy the best multipliers and make the most sales. But when one of those motors fails, the manufacturers still ask motor shops to subsidize the low prices that the distributor received by processing the warranty at a ridiculously cheap price.

Here in the Southeastern Chapter, we began a dialogue on these issues at our 2004 Fall Conference in Myrtle Beach. **Now it's time for this dialogue to begin throughout our organization.** Of course, it's always easier to bring a problem to everyone's attention than it is to describe a solution, but here are some possibilities that I would like to suggest as a starting point as we discuss this problem:

- Perhaps its time that we consider how the EASA "Code of Conduct" applies to Associate as well as Active Members. Uniform *minimum* warranties for new motors should be established that are clear and fair, and which clearly describe the role that manufacturers may expect EASA motor shops to play in their warranty process. [See sidebar]
- Perhaps it's time for EASA motor shops to begin treating motor manufacturers as they do any other customer, charging them shop rates and demanding that they pay in a timely fashion.
- If they care to, perhaps motor manufacturers and/or their mass distributors should be encouraged to open their own shops for the repair of warranty motors. Starting up and running a motor shop is not easy or cheap, and bearing this expense will raise the cost of new motors to end users, but EASA shops should not be expected to subsidize low prices on these products when we are no longer allowed to share in the profits, and when those low prices are continually denying us opportunities to rewind motors.

I am calling for the opening of an international debate on this subject within the Electrical Apparatus Service Association, and a fair consideration of the problems that our motor shop members are facing. Okay, maybe **revolution** is a little too strong a term, but I expect that this suggestion is not going to be well received in certain circles. Nevertheless, it is time that we talk about these inequities. Fair competitions is good for our industry and for our shops, but without a level playing field the profits from new equipment sales are going to continue to "flow downhill" to the manufacturers and their mass distributors, even as profitable rewinds become more scarce for EASA's Active Members. At the very least, motor shops should no longer

be expected to subsidize the process that is bleeding them to death.

If you are interested in this issue and want to get involved, or if you have a "horror story" you would like to share, please contact me at the new Chapter Office:

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Note: The views expressed in this article are solely those of the author, and do not necessarily represent the views of the Southeastern Chapter's Board, its members or any other person. See letter attached after last page.

The EASA Limited Warranties

APPARATUS SOLD BY MEMBERS

A Seller warrants that the apparatus sold by it shall be in whichever condition as defined below has been specified in the agreement between the seller and the customer.

NEW

The Seller warrants that they apparatus is new and subject to the manufacturer's warranty.

NEW APPARATUS NOT WARRANTED BY MANUFACTURER

The Seller warrants that the apparatus has never been in service. Such warranty will extend for a period of one year from date of shipment, during which time the apparatus will operate satisfactorily, with competent supervision, under rated load, original nameplate data, usage and conditions.

I had just sold a brand-new motor about four months ago, and now it was back in the shop. The drive end bearing had disintegrated, the rotor dragged and the windings grounded. I contacted the manufacturer to discuss warranty, and was surprised to hear that warranty would be denied. The motor's manufacture code, they said, indicated that it had been shipped from their factory to their distributor almost three years ago. Their warranty was for one year from *date of shipment from the factory*.

"Do you mean to tell me," I asked, "that I sold my customer a brand new motor that had absolutely no warranty whatsoever at the time I sold it because it had been sitting in your distributor's warehouse for more than a year?"

"That's right," they answered.

Well, that wasn't the end of the story. It so happened that the customer was (at precisely that time) negotiating for one of those "national sales contracts" with this manufacturer, so they quickly reversed themselves, accepted warranty, and paid me to repair it (six months after I billed them.) But it started me thinking. If a motor shop sells a brand new motor that has no manufacturer's warranty at the time it is sold, does the EASA Limited Warranty (above) prescribe that the motor shop must warrant that motor to "operate satisfactorily" for one year?

I doubt that this has ever been tested, but if EASA's motor shop members have "minimum standards" for their warranties, shouldn't EASA's Associate (Manufacturer) members also have "minimum standards" for their warranties? If so, isn't it time that we talked about what those standards should be?

review each year. Instead, an Audit Committee is created, consisting of the Chapter's Immediate Past President, President, Vice President, Secretary-Treasurer, and all current State Directors. This committee will review any or all financial transactions of the Chapter in accordance with rules they establish. At the end of each fiscal year, the committee will certify that they have reviewed the financial transaction related to the Chapter's Balance Sheet and Income Statement. A complete audit or review by an independent CPA may be ordered by a majority vote of the Board, or upon petition by a majority vote of the Chapter's Active members.

(2) The Board has approved an amendment to our bylaws that will allow reimbursement of expenses to the Meeting Planning Committee members at the discretion of the Committee, rather than reimbursing "all reasonable expenses."

At its next meeting, the Board of Directors will consider the following:

(1) A bylaws amendment to *remove* the provision that in a mail vote, any ballots not returned will be counted in the affirmative.

(2) A bylaws amendment to change the quorum from 15% to 10% of members present in person (or by proxy) or voting by mail ballot.

- (3) A series of bylaws amendments that:
- a. Creates a process by which bylaws amendments may be proposed by petition of the members.
 - b. Removes the *requirement* that proposed bylaws amendments must first be *approved* by the Board of Directors.
 - c. Revises the scheduling of dates for notice and vote on bylaws amendments proposed by the Board and by the membership.

In addition, at its next meeting the Board may consider other items of business such as may be properly brought before it. Look for information on their actions soon.

2005 Fall Conference Cancelled

I'm sure you've heard the sad news by now, but how could we publish without mentioning it? Hurricane Katrina terminated our plans for a Joint Fall Conference in New Orleans with the Southwestern Chapter, and thereby forced the following changes to our plans:

- Our friends in the Southwestern Chapter are still eager to meet with us! They are planning a spring meeting and will invite all members of Southeastern to join them. We hope that many will attend. Southwestern and Southeastern are the two largest Chapters in EASA, and have much in common.
- The Fall Board of Directors meeting was not held in October as planned. Katrina's resulting disruptions to the nation's fuel supplies and to the economy in general also played a part in postponing this meeting until early next year. Any business suggested by members in response to the announcement in the last *Southwind* will be considered at the Board's next meeting ... whenever that may be.
- Those companies slated to receive "Years of Service" awards at the 2005 Fall Conference will be honored at the 2006 Fall Conference.

We cannot forget, though, that our inconveniences are nothing compared to the suffering and devastation so many others have had to endure. Our prayers and best wishes go out to the survivors of Katrina as they try to cope with these great losses. Who knows? Perhaps New Orleans will be ready to host another joint EASA meeting a few years from now.

Many Thanks

to those Southeastern Chapter members who participated in the Member Needs Assessment Survey conducted by Industry Insights in September 2005. Participation was less than we hoped, but still better than the previous survey.

I am attending the International Board of Directors meeting next month to discuss and adopt a Strategic Plan using the results of this survey, and will report the results of this meeting upon my return. If you have any comments/concerns that you would like for me to address with the board, please feel free to email me at BCole3035@aol.com or contact me at Cole Electric Company, Inc. (404) 691-9119.

Brenda Cole
EASA
Region 2 Director



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Electrical Apparatus Service Association**

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Southeastern Chapter Board of Directors to Meet Soon!

The Southeastern Chapter Board will meet soon to discuss several items of business, including some proposed amendments to our Chapter bylaws. Other amendments have already been proposed and approved by the Board, and will be presented to the membership for a vote soon. (These amendments were to be considered at the cancelled Fall Conference in New Orleans.) If you have an item of business you would like the Board to consider, please contact the Chapter office as soon as possible.

At its last meeting in May of 2005, the following were approved by the Board for consideration by the membership:

(1) The Chapter has been paying more than \$1800 per year for a CPA to review the Chapter's financial records. When an audit was last called for in 2002, the cost was \$2800. The Board believed that it was wasteful to expend these amounts for an organization of our size with no more financial transactions than we have, particularly with our resources becoming scarce. Accordingly, the Board has approved a series of bylaws amendments that would remove the *requirement* for either an audit or

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WARNING!

In the last couple of months, two Chapter members in the state of Georgia have been victimized by check counterfeiters using very similar methods. This seems to be a striking coincidence, and it is suspected that there may be a link between the motor shop victims and the person or persons who obtained their checking account information, such as a dishonest employee at a vendor common to motor shops. Watch your account closely! If your checks are counterfeited, in addition to contacting the police and your bank, please notify the Chapter Office (address above) so that we can put these other members in touch with you. If a common link can be found, it may help police locate (and nab) the thief.

SOUTHEASTERN CHAPTER
ELECTRICAL APPARATUS SERVICE ASSOCIATION
REGION II: VIRGINIA, NORTH CAROLINA, SOUTH CAROLINA,
FLORIDA, GEORGIA, AND THE CARIBBEAN BASIN

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February 7, 2006

The Board of Directors
EASA Southeastern Chapter

RE: the Article "Evolution to Revolution" published in the Southeastern Chapter newsletter

Gentlemen and Brenda:

It has been pointed out to me that the above referenced article conveys to the reader the impression that the views were those of the Chapter Board, or at least that the Board had approved their publication. Of course, this is not the case (and it was not my intention to so imply) but after re-examining this article I must admit that it is a reasonable assumption. While I expected the tone, style and sentiments expressed to convey it as a personal message from me as a member, the use of my title and the Chapter name and address at the end could certainly lend itself to the interpretation that the article was somehow "official."

I have had several positive comments about the article's description of the situation (as I saw it) and the sentiments it articulated, but I do understand the concerns expressed by some motor manufacturers or their representatives. In my defense, I would say only that while I knew my comments would be controversial, I do believe that I stopped short of advocating any particular course of action, other than the opening of a dialogue on the issue among EASA's membership, both Active and Associate, and I don't see how anyone (motor manufacturers included) could decry that.

However, the use of my title and the Chapter's address was unfortunate and inappropriate, and for that mistake I extend to the Board, the Chapter's membership and the *Southwind* readers my sincere apologies. In the future, any of my editorializing will be clearly identified as such, and will include a disclaimer that the views expressed do not necessarily represent those of the Board or anyone else.

A facsimile of this letter will be reproduced in the next issue of *Southwind*.

Respectfully,



Raymond K. Paden

