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# Episode 15: Parts Unknown: Tariffs and Auto Recycling

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**As global trade tensions escalate, how will insurers and repairers weather the storm? Host Ryan Mandell sits down with Natalie Miller, CEO of Miller's Auto Recycling, and David Gold, president of Standard Auto Wreckers, to discuss the latest cross-border tariffs and their anticipated effect on the parts supply chain. Together they explore the important role automotive recycling plays in developing a sustainable circular economy.**


**Ryan Mandell:** Welcome back to the Mitchell Collision Podcast. I'm your host, Ryan Mandell, and I'm joined today in lovely Niagara Falls, Ontario, here with two luminaries from the Canadian auto recycling industry. We have Natalie Miller, who is the CEO of Miller's Auto Recycling, and David Gold, the president of Standard Auto Wreckers. Thank you so much for being on the show today.

**Natalie Miller:** Thank you for having us.

**David Gold:** Thank you so much.

**Ryan Mandell:** So, we're here as part of the Ontario Auto Recyclers Association Convention. It's a great event that's put on for not just recyclers in Ontario, but throughout Canada that come to this event. And you get a lot of

different stakeholders here participating, not just recyclers, actually. You get insurers and collision repair facilities. So we were all here today and we thought it was a great opportunity to talk about what's happening in North America right now as it relates to tariffs and how does that impact the Canadian collision repair industry. And one thing we talk to a lot of our clients about is using more recycled parts as a way to help mitigate the impact of these tariffs. So who better to talk to than these two fine people here today? So, Natalie, maybe we can start with you. We've been talking a lot today and you said you're already starting to feel some of the impacts of these tariffs.

**Natalie Miller:** Yeah, so we do a significant amount of trade both ways. So selling parts into the U.S., as well as bringing purchased parts back across into Canada. We've been doing this pre-COVID significantly, and we've just joined in with another group that we are selling and buying more in the last three months. So it has also been a trying time because the tariffs have come in and we are looking at how that impacts everything. So as of the moment right now, we've been able to make it work. We certainly are looking at all our analytics and looking at everything so that we can continue the process.

All of the cars we purchase are in Ontario. So we're keeping all that product here. Are we able to keep all those parts here? How will that impact us if, A, we're not selling or buying into the states? And those are things we just don't have those answers now. As an organization, we certainly have been talking about it in depth, how it's going to impact everything. But really, it's about how do we get the product to our customers? So, right now, with the ability to bring the product in from the U.S. as well as our ability to sell into the states, we're going to have to wait and see.

**Ryan Mandell:** And so this relationship you have kind of cross-border wise with some strategic trading partners within the recycling industry.

**Natalie Miller:** Yes, there's two different networks that we hook into in the states, different sets of trading partners. It has been a great relationship and it's great to have the access to the product and the inventory as well as the ability to sell into the U.S. and provide our inventory to them.

**Ryan Mandell:** David, are you doing any cross-border trade with your partners, either buying or selling?

**David Gold:** Ryan, first of all, thanks for having us. We appreciate what Mitchell did today because it was riveting. I learned a lot and I've seen you and listened to you many times in the past, as we know, but today specifically I feel like it was a breath of fresh air really in this meeting today with key stakeholders, I might add. I learned some stuff that's tangible that I have to now reflect on.

Our situation is a little different than Natalie's. We used to have a business, a location, right over the border here, like 10 minutes down Thorold Stone Road to Niagara Falls, New York. And our business model was both ways. We were connected to the same logistical systems that Natalie is currently connected to, and by happenstance a few years later, we're in Canada only. So for us, I'm buying salvage in Canada, and my customer base is primarily in Canada. Subject to the odd eBay sale and some e-commerce stuff. The net net, and the net net for most people and most auto recyclers especially in this room, is that we buy local, and as it was pointed out today, we sell local. So we're a little different than Natalie in that respect.

As fate would almost have it, talk about timing, I'm here today to figure out how I'm going to get back over the border with Team PRP and get part of the logistics system and we're all excited. And then yesterday, compounding the uncertainty that's going on, you called it, I think today a volatile situation, and it really is. It's changing left and changing right. So it's hard to know where to go and what to do. And for me, I'm just taking it in stride, knowing that the world is not coming to an end and knowing that we have a lot of salvage, both at Miller's and Standard that yield a lot of good products that we're going to use as donors for collision repairs, mechanical repairs and the like. For us, the tariffs are a factor and we're seeing a little bit on the commodity side

right now and we're going to see more uncertainty and disruption to come for sure in the supply chain.

**Ryan Mandell:** I think it makes perfect sense. And, you know, one of the things that you've been hearing in recent weeks has been this big push to buy Canadian. And that really seems like something that's very different than other supply chain disruptions that we've seen in the past. There is much more of a feel of supporting local, domestic Canadian businesses, which clearly would obviously benefit both of you. So are there things—as you're looking at kind of strategizing around this economic environment—that you can do in your business or you're thinking about doing that can kind of lean into that to be able to be that kind of supplier of choice in this current moment?

**David Gold:** We have reached out to the local community because Canadians are very emotional. Today was a little bit emotional. We are emotional creatures and it's not a very comfortable feeling. So we are appealing to people's emotions. We have marketing campaigns that went viral as Steve mentioned earlier. And we know that the supply chain is going to be negatively affected. We understand that our parts are going to be more valuable. We think this may be akin to pre-COVID. You already hear about recyclers realizing they're going to have to possibly raise prices because of the future and what's going to happen here and the ability to acquire salvage and the costs are going to occur. So, you know, it's an uncertain time, but we're certainly going to play on all the factors that can help us move more parts and really that's what we do. We buy vehicles and our job is to manage the business as well as we can, be involved with programs like Mitchell for sure, as we discussed yesterday, and move more parts in the marketplace.

**Ryan Mandell:** And, Natalie, are you seeing kind of the same kind of thing internally with your business?

**Natalie Miller:** As far as business-wise, we haven't changed anything that's focused solely on buy Canadian. So I think that we're supporting Canada, obviously, I'm proud Canadian, and we're enjoying that support that you're seeing in the community. However, it's challenging because we truly are on a border town. It's a huge part of our business; it's a huge part of our life. So I think that at this moment, we're kind of not pushing anything specifically Canadian. I mean, all our vehicles we buy, all our salvage comes from Canada. I mean we expect that a lot more of our parts are going to stay in Canada and service the industry here. So our collision shops, our repairs in the area. But at this moment, we're kind of just holding back and waiting to see what happens.

**Ryan Mandell:** I think that's a pretty common stance right now because it's so volatile as we talked about. I mean, it's changing day by day. It's changing hour by hour sometimes. I remember when there was the additional tariff, it was being doubled in response to electricity distribution, but then 12 hours later it was gone. And so, to me, it is one of those situations that requires cool heads to be able to properly analyze the situation and determine a right course forward.

One of the things that we would expect would be that there would be increased demand for your products because it's a much simpler supply chain. You talk about the aftermarket parts coming in, they're coming from overseas, from Eastern Asia, and several different locations. That has to come into different ports throughout North America, even more complicated being the OEMs where goods are moving across multiple borders for final assembly in different countries. You know, it's not very transparent. Your supply chain is actually the definition of transparent. And so are there things that you're kind of setting in motion to prepare for that potential eventuality around what we can expect to see in terms of increased demands?

**Natalie Miller:** I would say we're working on increasing our inventory levels, so buying more salvage vehicles, being able to process them and have everything ready and be prepared as the needs shift. That's something we've been slowly doing prior to this, and now it is just more incentive to say, OK, we need to turn this around and we need to make changes sooner. So that would probably be the biggest thing. Also looking at pricing, as David had mentioned, you know you start to see pricing is such a challenge in our industry—looking at the product, and it's really supply and demand. If there is demand for this product, our prices will go up and being on top of that and

knowing exactly the value of the goods that we do have.

**Ryan Mandell:** Are you able to adjust that pretty dynamically? How much data does it take for you to really see in the market, to start adjusting and kind of re-indexing your pricing?

**Natalie Miller:** Pricing is done daily, right? So I mean obviously, we can't price everything we have in our system. In our organization, we do it through the whole organization. So if our sales team's on and they're seeing a shift in it right away, we're on it. So it's a matter of, OK, there's some more demand for this. This price has changed. Looking at what everyone is selling it for. We need to make our shift now. So everything is just right on the moment. It is a daily task in our organization.

**Ryan Mandell:** Dave, are you kind of seeing a similar strategy internally?

**David Gold:** Absolutely. I mean, likewise, we are obviously cognizant of the pricing in the marketplace. We wish we had better algorithms that we could adjust faster on the fly and so forth, but that's not the reality necessarily with the auto recycling industry. There's a lot of data that drives our pricing and there's a lot of back orders that will make pricing go up. So it's a bit of science and art when you're at our level and we hit buttons and we look at CrashLink and we're trying to navigate the waters and see what is really the market demand for our product because we want to move the product. We want it to sell. We want to buy salvage. We want to sell those parts and we want to see the turnover. So, I mean, I believe right now that, to your point, the tariffs are confusing for everybody. I put about five hours into it last night, way too much. Not healthy.

The auto recycling supply chain is not really as confusing. We're pretty simple. We buy cars, we dismantle them appropriately as professional auto recyclers and dismantlers. And then we sell those parts back to the collision repair industry. The better we are at managing our business, the more parts we can sell. And there's a lot of lives at stake here too. It's no joke. I mean, we have 130 employees, and they have families and kids and you feel a tremendous sense of responsibility to do the best job that you can. We're the ones with the parts. We're hoping to be a positive element in the supply chain and that's really one of the values that auto recyclers have.

**Ryan Mandell:** You talk about looking at all these different inputs and making decisions based on those, one of which being parts availability and from the suppliers that compete with you—not so much on the recycler side but from the aftermarket and the OEMs. You know, one thing we saw during COVID obviously, as you all know, is just there were certain parts that for six months you couldn't get.

Is there a standardized way that you're coming about that intel to understand when are parts going on backorder, when does that kind of signal maybe different buying decisions for you in the salvage space, and then obviously pricing decisions also?

**David Gold:** That's a great question. I mean, the information that comes to recyclers, it's not exactly easy for us to take the data and use it to make better buying decisions and so forth. We're competing in a global market. There's a lot of talk today about where the salvage is going and a lot of it is going overseas and so forth. A lot of the stuff that's top priority for us that we know that there's possibly surprising disruptions and we want to get our hands on that salvage, very hard to purchase.

For us, we take an approach like Natalie is doing and we're processing a lot of different makes and models and tremendous variety. And we know that there's a tremendous need for it because our parts are flying off the shelves. I mean, things are moving, you know? Don't get me wrong. We're scared if automakers are not going to be able to have enough parts to make vehicles here and there's going to be massive unemployment. This is a scary situation today. And a lot that was going through my mind on the emotional response of what could happen to Canada. Usually I'm inspired, I come out of here rocking and rolling and we want to get on more estimates. We want to make sure that we're doing the best job we can. We're talking about QC and we're talking

about all this fun stuff. Now you're tempered a bit because you're thinking about really the reality of the situation, and it is a bit concerning for all of us here.

We're trying to do the best possible. We know that there were major shortages and vehicles sitting on lots and repair centers before. We know that we can help with that supply chain, and we are doing everything we can to do the best job possible to be able to supply those parts, to get those shops moving and get the parts to those shops so the cars can get back on the road.

**Natalie Miller:** I think as far as from our standpoint, and similar to David, you're watching what parts are in demand and you kind of just see, you start to see the trends. So some of that feedback comes through the collision shops, right? Through the relationships you have where they're starting to not be able to find these parts anywhere on estimates. And then that feeds back through our sales team to our sales manager. And we sit down and say, there's a lot of demand for this. What can we do? What do we have? Can we buy more of those? How do we get that inventory here to be able to supply that? So I think that's what we've seen mostly and similar that we saw in COVID. And I think that's what we expect the trend is going to be now that we're kind of going, OK, everyone keeps their ears open. Let's hear where that's going and let's see what our customers need.

**Ryan Mandell:** Sure. And you're right, a lot of that does just come from relationships. And that's, I think, one of the key tenets of the auto recycling industry, is it's still very much a relationship business. There's a lot of tech that's improved the way that you can operate and streamline and create efficiencies. But at the end of the day, it's still about building those relationships. And that's, I think, what gets lost sometimes with companies that aren't as successful.

One of the things we talked about today was the exposure of different technological parts in these vehicles. The fact that they're manufactured with multiple material types that come from different parts of the world, they're sourced from all over the globe, they might cross borders multiple times, so these are parts that probably from an OEM perspective may be at higher risk of incurring additional cost as a result of tariffs. Those are hard part types to sell from a recycled standpoint. Have you seen any movement in the ability to market those ADAS components, to sell those ADAS components? And maybe if not, how do you plan to capitalize because there's so much more tech in these vehicles today? And those are the parts and the components where they're actually most at risk right now.

**Natalie Miller:** We have not seen an increased demand as of yet. We have made, certainly, some changes. We're taking out a lot of the sensors and the ADAS. We're taking them out, stocking them on the side and saying, OK, is there going to be a demand for this? But it's not something that we've seen, you know, in the day-to-day sales at this point in time.

**David Gold:** And I would echo Natalie's sentiments. I mean, really, it's tough. These cars are computers on wheels. They're exceptionally complex. Some of the vehicles that we get in our shop and our dismantler has to take it apart, he may not have even seen one of these on the road before, let alone understand all the nuances and how to take parts off without damaging them and what they are. I mean quite honestly, the reality is we Google a lot of parts. It was brought up today. Sometimes you have a part, you don't even know what it is. There is no part number or name for it in our systems, let alone interchange, which is the Bible, and how auto recyclers speak to each other and how Natalie and I trade so many parts together because we can see each other's inventory and that's the language that we speak. It's all in our language, we don't speak OEM.

So at the end of the day, one thing that just came to mind, while we're not proficient at a lot of the ADAS units and so forth is there are a few exporters. One in particular, I know that he comes to our place and also goes to Miller's and harvests a lot of those parts because we built our own little museum of a product. He harvests those parts and ships them overseas and it's remarkable the level of detail and the amount of money that these parts are actually worth when you know what you're doing, when you know the product you have and so forth. And we

are selling this stuff, albeit the majority of the funds are coming in and you know the parts are being exported straight up.

**Ryan Mandell:** And that's where the demand is at right now. And so, until there's domestic demand, then you're kind of left with that option or to sit on them, unfortunately.

So maybe just to kind of close out for the folks that are listening that maybe aren't as familiar with the auto recycling world. Clearly, we're talking about the benefits of your parts in relation to this current economic environment and the fact that they can be more cost-effective and all of these different aspects. But beyond that, maybe just kind of close out and tell me one or two things that a collision shop and their insurance partners can benefit from by utilizing a higher percentage of recycled parts.

**David Gold:** For us as auto recyclers, we recognize our value add in the supply chain. From my point of view, we take a vehicle and we kind of look at it as just the box that the parts came in. We take the vehicle, we fully dismantle it and then we crush the hull immediately subject to selling some electronic parts that we've missed because we don't really understand them per se. The net net is that collision repairers and what we believe that we offer to all stakeholders is the ability for them to save costs. We have the parts, they're available. We know that the sales are there because our sales are growing month after month. It's the businesses that we have, the recyclers that are engaged are growing. We value partners like yourself and others that were in this room today. And we know that we can add value and we can not only just help the environment and reuse our product, but, hopefully, we can save a vehicle—which is really ultimately in everyone's benefit and it's great for the circular economy to be able to keep these vehicles going because they're good quality vehicles and we want to be a part of the solution.

**Natalie Miller:** And I think that's the one thing that a lot of people don't understand in our industry. I mean, obviously, people who don't know auto recyclers want to think we're a junkyard, that aspect of it, they don't understand the aspect of the circular economy. So we are truly that circular economy. The other part is we really have true OE parts. So the value of taking that vehicle that has been damaged, utilizing the good parts and selling those to the repairers in order to fix. I mean the carbon savings that we talk about, that came up in the room today, just the environmental part. We're not having to produce another part to put on the vehicle. And I think all those things are the aspects that we really need to get more of that out. We've talked about that many times as auto recyclers, how do we get that message out? How do we get that message not just to the people that actually know us, but out to the general public, right? How do they understand what our business actually does and the value that we have overall?

**Ryan Mandell:** So then that way you can build trust in the final product. So when they are going over the estimate with their collision shop and they see recycled parts on there, they feel good about it and not questionable. But, like you said, they are OE parts at the end of the day. And so you've got a leg up right there.

I just want to say thank you so much to both of you for spending this extra time today, especially after hours here after the convention. I really appreciate both of your time. You are just some of the best. I appreciate your time and also your friendship.

**Natalie Miller:** Thank you, Ryan.

**David Gold:** The feeling is mutual; I can tell you that. Thank you so much, Ryan.

**Natalie Miller:** Yes, thank you.

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