HB 99

Alaska State Legislature

Interim:
716 W. 4th Ave., #650
Anchorage, AK 99501-2133

Phone: (907) 269-0160
Fax: (907) 269-0177

Session:
Alaska State Capitol, Rm 416
Juneau, AK 99801-1182

Phone: (907) 465-4930
Fax: (907) 465-3834
Toll Free: (800) 331-4930
Rep.Cheryll.Heinze@legis.state.ak.us

Representative Cheryll Heinze
District 24 - Anchorage

TO: Representative Jim Holm, Chairman
House Transportation Committee

FROM: Representative Cheryll Boren Heinze

DATE: March 3rd, 2003

RE: HB 99

We would request that you schedule HB 99 for a hearing before your committee.

Enclosed are:

1. HB 99
2. Sponsor Statement
3. Sectional Analysis prepared by Legislative Legal Services
4. Ford Collision Repair Position Statements
5. GM Collision Parts Position Statements
6. Toyota Collision Parts Position Statements
7. AutoInc. Magazine Article: "Studies Show Imitation Crash Parts Diminish Value of Vehicles."
8. GAO Report: "Motor Vehicle Safety, NHTSA's Ability to Detect and Recall Defective Replacement Crash Parts is Limited."

JC Conley
from Ketchikan

Response to Sponsor's statement for HB99

"There are many types of replacement parts used to repair collision-damage to a motor vehicle. "Original equipment manufacturer" (OEM) parts are developed by the original manufacturer of the motor vehicle, and are designed to meet particular fit, finish, function, and corrosion resistance specifications. Non-OEM (also called "aftermarket") crash parts are reverse engineered to replicate the original. While some non-OEM (aftermarket) parts are a comparable low cost alternative to the OEM parts manufactured and distributed by the vehicle's manufacturer, professionals have found others to be inferior to OEM parts in terms of fit, finish, and quality."

Not true many aftermarket parts exceed OEM specifications; the aftermarket improves poor designs and offers lifetime warranties. In many situations the after market and the OEM's part are supplied by the same manufacture. The after market serves the customer and creates a competitive market place. This bill clearly attempts to create a monopoly for the OEM's in the case of collision repair.

"The use of non-OEM parts in the repair of a new vehicle can affect the vehicle's resale value, the manufacturer's warranty, and the vehicle's safety."

This is an unproven statement, many OEM dealership regularly purchase and install after market parts. My company does a lot of business with both a GM and Ford dealer. NAPA parts give them the ability to offer their customer's lifetime guarantees on some repair jobs a feature not available with the use of OEM parts. I have spoken with service managers that speak of the poor quality of some of the OEM parts that they must use for warranty repairs. They install NAPA parts on out of warranty repairs because of our improved designs and better warranty.

"I am concerned that many Alaskans are not aware of the use of aftermarket parts in their vehicles' repair, or the effect the use of non-OEM parts can have on their vehicle."

This statement implies that after market parts are dangerous. The after market has repeatedly improved poor OEM designs. We offer better warranties and in the 24 years I have been in the parts business NAPA has not had to recall any vehicles that our parts have been installed on. Can the OEMS make the same statement? Our goal is to be the best supplier of automotive repair parts to our customers. We don't need the Alaska State Legislature to pass laws that give us an unfair advantage. We believe in the quality of our products and support the American tradition of the consumer voting with their pocket books.

[Code of Federal Regulations]
[Title 16, Volume 1]
[Revised as of January 1, 2003]
From the U.S. Government Printing Office via GPO Access
[CITE: 16CFR700.10]

TITLE 16--COMMERCIAL PRACTICES

CHAPTER I--FEDERAL TRADE COMMISSION

PART 700--INTERPRETATIONS OF MAGNUSON-MOSS WARRANTY ACT--Table of Contents

(a) Section 102(c) prohibits tying arrangements that condition coverage under a written warranty on the consumer's use of an article or service identified by brand, trade, or corporate name unless that article or service is provided without charge to the consumer.

(b) Under a limited warranty that provides only for replacement of defective parts and no portion of labor charges, section 102(c) prohibits a condition that the consumer use only service (labor) identified by the warrantor to install the replacement parts. A warrantor or his designated representative may not provide parts under the warranty in a manner which impedes or precludes the choice by the consumer of the person or business to perform necessary labor to install such parts.

(c) No warrantor may condition the continued validity of a warranty on the use of only authorized repair service and/or authorized replacement parts for non-warranty service and maintenance. For example, provisions such as, ``This warranty is void if service is performed by anyone other than an authorized `ABC' dealer and all replacement parts must be genuine `ABC'

parts," and the like, are prohibited where the service or parts are not covered by the warranty. These provisions violate the Act in two ways. First, they violate the section 102 (c) ban against tying arrangements. Second, such provisions are deceptive under section 110 of the Act, because a warrantor cannot, as a matter of law, avoid liability under a written warranty where a defect is unrelated to the use by a consumer of ``unauthorized'' articles or service. This does not preclude a warrantor from expressly excluding liability for defects or damage caused by such ``unauthorized'' articles or service; nor does it preclude the warrantor from denying liability where the warrantor can demonstrate that the defect or damage was so caused.

Teleconference Order Form **Fax #465-2864** **4872**

Sponsor and/or Committee Name			Date
HTRA– Rep. Holm, Chair			Thurs April 24, 2003
Start/End Time	**Chairing site**	**Juneau Room**	**Testimony**
	Juneau	Cap17	Yes ✓ No __ Invitational __
Contact Person and	**Phone Number**	**Other sites may add?**	**Testimony Limit**
Barb Cotting	465-4858	Yes	

Subject of meeting and/or Bills on agenda

HB 40
HB 99
HB 217

Sites - LIOs		Sites - Offnets	Phone #
Anchorage	✓		
Barrow			
Bethel			
Cordova			
Delta Junction			
Dillingham			
Fairbanks	✓		
Glennallen			
Homer			
Juneau			
Kenai			
Ketchikan			
Kodiak			
Kotzebue			
Matsu			
Nome			
Petersburg			
Seward			
Sitka			
Tok			
Valdez			
Wrangell			

There will be several off-nets - I don't have names yet.

Will give attached names 4/23/03

Notes

✓

Jack Gillis

Certified Auto Parts Assn

CAPA

Calling from Wash D.C.

[redacted] *

~~[redacted] AK~~

Sandy Bass CDTS

HB 99

Testify April 24

Hi 703-519-7555

703-921-1093

Coalition for Auto Repair Equality

Calling from

703-519-1555

Virginia

CSK AUTO
CHECKER • SCHUCK'S • KRAGEN

To: Representative James Holm

Fax Number: (907) 465-2937

From: Mr. Bud Glasgow

Date: April 9, 2003

SUBJECT: Alaska House Bill No. 99

Dear Representative Holm:

Schuck's Auto Supply has been a proud participant in the automotive aftermarket for many years. Schuck's sells the highest quality parts and has many satisfied customers. It is beyond our belief that the Alaska House Transportation Committee will debate HB 99, a crash parts bill that will restrict competition, hurt our industry, and hurt low and middle-income motorists.

Crash parts bills have been defeated in many states and are written to "legislate profits" to those who sell car dealer parts. This is unfair legislation and discriminates against those of us who make our living working in the aftermarket.

We are also your constituents, and this bill is an insult to us. Please vote NO on HB 99. Thank you.

Sincerely,

907-451-7720

Mr. Bud Glasgow
Store Manager
Schuck's Auto Supply
Fairbanks, Alaska

Subject: Testimony HB 99
Date: Wed, 23 Apr 2003 10:03:41 -0800
From: Mike Pawlowski <Mike_Pawlowski@Legis.state.ak.us>
Organization: Alaska State Legislature
To: Barbara Cotting <Barbara_Cotting@legis.state.ak.us>

The same people as last time are calling in off-net, here are the states.

Is the number the same?

1 Alliance of Automobile Manufacturers- Jim Kiley (D.C.) ✓
2 > *Daimler Chrysler- Brian Rogos (Michigan)* ✓
3 > *Ford Motor Company- George Gilbert (Michigan)* ✓
4 > *General Motors- Bill Holden (Michigan)*
5 > *Toyota- Karl Krug (California)* ✓

Mike

waiting for Jim Kiley - He was on line but must have "dropped off" - then came on at 3:00

Called L10.

Added Eileen Sottile ✓ (calling from Iowa) w/ Keystone.

Testifiers:

April 10

HB 170:

Duane Bannock, DMV, to answer questions

HB 99:

OFF-NET:

Support HB 99

Jim Kiley, Alliance of Automobile Manufacturers
Brian Rogos, Daimler Chrysler
George Gilbert, Ford Motor Company
Bill Holden, General Motors
Karl Krug, Toyota

Oppose HB99

Sandy Bass-Cors, Coalition for Auto Repair Equality (CARE)
Jack Gillis, Certified Auto Parts Assn (CAPA)

IN PERSON:

Eileen Sottle, Keystone Automotive, and Auto Body Parts Assn

HB 40:

Chuck Hosack, DMV

HB99 Testifiers

Testifiers:

HB 170:

Duane Bannock, DMV, to answer questions

~~HB 99:~~

OFF-NET:

Keep

Jim Kiley, Alliance of Automobile Manufacturers
Brian Rogos, Daimler Chrysler
George Gilbert, Ford Motor Company
Bill Holden, General Motors
Karl Krug, Toyota
Sandy Bass-Cors, Coalition for Auto Repair Equality (CARE)
Jack Gillis, Certified Auto Parts Assn (CAPA)

IN PERSON:

Sottile

Eileen ~~Settle~~, Keystone Automotive, and Auto Body Parts Assn

HB 40:

Chuck Hosack, DMV

Teleconference Order Form **Fax #465-2864** ✓ 4/3/13 **4872**

Sponsor and/or Committee Name			Date
HTRA– Rep. Holm, Chair			Thurs April 10
Start/End Time	**Chairing site**	**Juneau Room**	**Testimony**
1:30 – 3:00	Juneau	Cap17	Yes ✓ No __ Invitational __
Contact Person and	**Phone Number**	**Other sites may add?**	**Testimony Limit**
Barb Cotting	465-4858	Yes	no

Subject of meeting and/or Bills on agenda

HB99

HB40

Sites - LIOs		Sites - Offnets	Phone #
Anchorage	✓	Sandy Bass-Davis	323-937-4910
Barrow		~~Ellen Sollite~~	305-409-7942
Bethel			
Cordova			
Delta Junction		Coming in	
Dillingham			
Fairbanks	✓	Johnson	
Glennallen			
Homer			
Juneau			
Kenai			
Ketchikan			
Kodiak			
Kotzebue			
Matsu			
Nome			
Petersburg			
Seward			
Sitka			
Tok			
Valdez			
Wrangell			

Notes

4/3/13 offnet

Sandy Bass - Cors

Coalition for Auto Repair Equality ("CARE")

In Virginia

1-800-229-5380

to testify on HB99

April 10

From

CA: 323-937-4910 Monday-Friday

*

* **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

4/3/13

Auto Body Parts Ass'n

Janet

Stephanie

Keystone Automotive

HB 99

* Ellen Sottile

(305-863-7564)

(Miami)

from 305-409-7942

* As of 4/4/13 - Remove her name!

HB99

(Ray Warner to
Certified Auto Parts
Assn CAPA

Wash D.C.
202-835-0740

Jack Gillis
Will testify
Exec. Director

WE, THE UNDERSIGNED NAPA ALASKA EMPLOYEES AND ASSOCIATES IN ANCHORAGE, REQUEST THAT YOU VOTE AGAINST HB 99, AN UNNECESSARY CRASH PARTS BILL AND OPPOSE ALL CRASH PARTS LEGISLATION. WE ASK THAT YOU STAND UP FOR THE HARDWORKING PEOPLE IN ALASKA'S AFTERMARKET AND ALASKA'S HARDWORKING MOTORISTS.

	PRINT NAME	ADDRESS	CITY	ZIP
1)	DON LOSKI	400 Winfield Cir	Anchorage	99515
2)	BRIAN KEENE	2010 Stockbridge Ct.	ANCHORAGE	99507
3)	Heidi Ramey	10981 Narachine Cir	~~Anchorage~~ Eagle River	99518
4)	Debora Civilian	204 Creekside	Anchorag	99504
5)	Char Adamo	6701 Holly	Anc AK	99507
6)	Heather Ash	2212 Glacier St	Anc AK	99501
7)	[illegible]	6701 E 2nd Ave	Anc	99504
8)	STANFORD L. CONAWAY	2457 Cottonwood St	ANCH, AK	99508
9)	STAN SNIDER	PO Box 774461	Eagle River, AK	99577
10)	GREGORY [illegible]	1900 ARCTIC BLVD	ANCH, AK	99503
11)	Nicoal Nakiberg	6811 Colonial Ct #4	Anch AK	99502
12)	Johnny Taunton	7801 Mayflr #	Anch AK	99502
13)	Pamela Wakefield	816 11 Lane St	Apt 4	99508
14)	TERRY HALL	539 H St #235		99501
15)	Quanyel Robarson	111 Muldoon Rd	# 10 ANCH 99504	~~AK~~
16)	KEEF A DOWNING	8000 GREENWOOD ST #1	ANCH	AK 99518
17)	Mark Dallman	6711 Tiffany	Terrace	Anch AK 99507
18)	Anthony Burkett	[illegible]	Anch	AK 99518
19)	[illegible]	905 Richmista	Anch	99501
20)	Michelle Wright	1918 Juneau Dr	Anchorage,	AK 99501
21)	Deborah Henry	10631 Nicole Cir	E R,	AK 99577
22)	Patricia Fairbanks	9305 Jacklin Cir	Anch,	AK 99502
23)	TERRI SCHNABL	16101 BRIDGEWOOD CIR.	ANCHORAGE	99516
24)	[illegible] MYERS	12521 TAHITIAN LOOP	ANCH.	AK 99515

25) CHERYL MARTIN 1731 Lake Otis Anchorage 99508
26) RICARDO McINTOSH 4924 RED TALON CIR. ANCHORAGE 99507
27) TRISHA MASSINT 17300 BALDEAGLE CIR EAGLE RIVER 99577
28) Kate Phass 6945 meadow St Anch AK 99507
29) Trisha Pense 3935 San Ernesto #4 ANCH AK 99508
30) JASON PUGH 2830 SNUG HARBOR CIR. ANCHORAGE, AK 99507
31) Clint McElwee 7230 Cantonment CT Anchorage AK 99507
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April 9, 2003

The Hon. Jim Holm
House Transportation Committee
Juneau, Alaska

RE: NAPA says NO to HB 99

Dear Rep. Holm,

I am a voter, taxpayer and NAPA associate living in the town of Anchorage. I am writing to alert you to my very strong opposition to HB 99, another Alaska crash parts bill.

Since NAPA parts are manufactured by the same companies that manufacture car dealer parts, and since aftermarket parts come with life-time or long-term warranties, the only reason that I can figure out that crash parts bills are returning is that the car dealers mean more to the Representatives than do the small, independent service and repair industries who service all--people, including low and fixed income motorists throughout Alaska.

HB 99 steers motorists into purchasing car dealer parts under the impression that the car dealers sell better quality. Not true. The only reason car dealer parts are promoted is that they cost up to 50 PERCENT MORE than aftermarket parts and that means they can charge motorists a higher mark-up.

A vote for HB 99 is a vote AGAINST the hardworking people in Alaska. I ask that you vote against this bill and any other crash parts bills. Please reply to my letter.

Thank you.

Sincerely,

Don Loski

Don Loski
General Manager
NAPA Alaska Distribution Center
6220 Rovenna Street
Anchorage, AK 99518

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

Certified Automotive Parts Association
Washington, D.C.

FACSIMILE

DATE: April 10, 2003

TO: Representative Jim Holm **FAX:** 907-465-2937

FROM: Ray Warner

RE: Testimony of Jack Gillis

NUMBER OF PAGES INCLUDING COVER SHEET: 5

COMMENTS:

Suite 306/1518 K Street, NW/20005 www.capaceritified.org 202-737-2212/202-737-2214(Fax)

Testimony of

Jack Gillis
Executive Director
Certified Automotive Parts Association

capa

Before the Alaska House Transportation Committee
In Opposition to HB 99

April 10, 2003

My name is Jack Gillis, I am Executive Director of CAPA, the Certified Automotive Parts Association. In addition, I serve as Director of Public Affairs for the Consumer Federation of America and I am author of The Car Book, which is prepared in cooperation with the Center for Auto Safety. I am here today representing CAPA in opposition to HB 99.

CAPA is a non-profit organization, which certifies the quality of parts used for auto body repairs. We are not a manufacturing, marketing or sales organization. We simply establish standards for competitive (non-car company) parts in order to ensure their functional equivalency to car company parts.

As a consumer advocate, I have spent over 13 years working on this important consumer program in order to protect American consumers from both poor quality and the ravages of the car company monopoly on aftermarket parts.

I am here today to ask you to give consumers true choice in the marketplace, protect them from one of the biggest secret monopolies in America and protect them from poor quality crash repair parts. About 80% of the cosmetic replacement parts needed to repair your cars are only available from one source, the car companies, who mark up their replacement parts by up to 800%.

Car companies are spending millions of dollars to discredit aftermarket parts, scare consumers, co-opt body shops, and coerce state legislatures and regulatory agencies into protecting their monopoly with thinly veiled attempts to restrict aftermarket parts usage. This bill is a classic car company bill. It simply

perpetuates that monopoly by discriminating against aftermarket parts and prohibiting their use for the first four years of a vehicle's life.

Clearly there are two important issues facing the committee: Protecting consumers from a car company part monopoly and protecting them from potentially poor quality parts. Monopolies do not foster quality or fair prices. In fact, by increasing the car companies monopoly on crash parts, you are providing no incentive for them to improve the quality of their parts. On the other hand, if you foster competition, not only do you encourage fair prices, but also you stimulate quality improvements. Furthermore, if the competition is certified for quality, then you set a quality baseline that protects the consumer from shoddy parts. This legislature needs to foster a market that encourages both competition and protection from poor quality. Part quality certification programs encourage both.

The Certified Automotive Parts Association (CAPA) has such a program. The CAPA Board of Directors includes representatives from collision repair shops, consumer groups, insurance companies and part distributors. Our chair is the former chair of the nation's largest collision repair association.

In order for an aftermarket part to be certified by CAPA, a participating manufacturer must first allow a detailed review and inspection of its factory and manufacturing processes by our independent testing laboratory, which determines compliance with CAPA requirements. We evaluate the tooling, assembly, painting and inspection processes to ensure that the manufacturer is capable of producing aftermarket parts equal to, or better than, car company parts. Each part is then subject to a battery of material, corrosion, weld, and appearance tests. Finally, the part must pass a rigid vehicle test fit.

CAPA has been accredited by the American National Standards Institute (ANSI) as a standards developer, and joins such notable organizations as Underwriters Laboratory, National Safety Council and Society of Automotive Engineers.

Clearly there is a problem with parts quality. Collision repairers do not want to be forced to use poor quality. It's a hassle and it does not serve consumers. What needs to be implemented is a requirement that the less expensive aftermarket part meet minimum quality standards. Phasing-in a quality certification program

of any third-party independent certifier, like I have described today, will address both the monopoly and quality issue.

I'd like to comment on car company part quality: As part of its comprehensive vehicle test fit process, CAPA regularly conducts test fits of car company brand service parts. Between March 1999 and March 2002, CAPA put 1,907 car company parts through an extensive vehicle test fit and discovered that 50% (954) parts did not meet CAPA standards for fit, finish and appearance. For the record, we will provide the committee with copies of our study and we have also prepared a short video showing some of the things we found.

Even collision repair leaders throughout the United States are saying, "I'm beginning to think that Jack Gillis is right—car company parts have problems."

Regarding the proposals in HB 99. The bill would require written notice or disclosure for aftermarket parts. This is nothing more than a thinly veiled attempt to protect car company profits and deny consumers the extraordinary benefits of competition. The sole purpose of written notice or disclosure is to bias consumers against reasonably priced aftermarket crash parts and steer them to the overpriced car company brand parts. Please note that the bill does not require the collision repairer or the insurer to disclose who made such critical parts having to do with steering, braking, or electrical circuitry, only the exterior cosmetic replacement parts.

If the true intention of the bill is to disclose critical information to consumers, then surely it would be important to disclose who makes these vital parts. If disclosure were required in all parts, I would be for it. On the other hand, limiting disclosure to one type of part only serves to bias the consumer against those parts. I am 100% for disclosure if it's intent is to educate and inform. On the other hand, if its intent is to protect a monopoly, then I am against it.

Finally, I would like to make a brief comment on the safety issue. I have been fighting for safer cars for nearly 25 years – fighting for airbags, antilock brakes, better crash protection, and rollover protection – and I can tell you that these parts do not have serious safety ramifications. That's why the Center for Auto Safety and the National Highway Traffic Safety Administration do not consider them to be safety related parts. However, the most powerful evidence of their limited effect on safety is the insurance industry itself. If, in fact, they were foisting unsafe parts on consumers, it would be their own companies who would be

paying increased bodily injury claims – and that's simply not happening. Say what you will about insurance companies, but one thing they don't like doing is paying a lot of money in claims. Therefore it is illogical that they would be encouraging the use of a type of part that would increase their liability for bodily injury.

To summarize, HB 99 only encourages the continuation of the car company parts monopoly and poor quality. This committee has a unique opportunity to foster, encourage and demand competition—not continue to protect car company monopolies. We all know what happened when the car companies had to compete with the Japanese. Let's force them to step up the competition.

I encourage you to take steps to protect consumers from poor quality parts and the car company monopoly. If you truly want to protect consumers, require that the crash parts used to repair cars meet minimum standards for quality—don't ban competition, encourage it.

Thank you for the opportunity to comment on this bill.

F:\WordDocs\CAPA\Legislation\Testimony\Alaska HB 99 Testimony April 10 '03.doc

CSK AUTO
CHECKER • SCHUCK'S • KRAUSER

To: Representative James Holm

Fax Number: (907) 465-2937

From: Mr. Bud Glasgow

Date: April 9, 2003

SUBJECT: Alaska House Bill No. 99

Dear Representative Holm:

Schuck's Auto Supply has been a proud participant in the automotive aftermarket for many years. Schuck's sells the highest quality parts and has many satisfied customers. It is beyond our belief that the Alaska House Transportation Committee will debate HB 99, a crash parts bill that will restrict competition, hurt our industry, and hurt low and middle-income motorists.

Crash parts bills have been defeated in many states and are written to "legislate profits" to those who sell car dealer parts. This is unfair legislation and discriminates against those of us who make our living working in the aftermarket.

We are also your constituents, and this bill is an insult to us. Please vote NO on HB 99. Thank you.

Sincerely,

Bud 907-451-7720

Mr. Bud Glasgow
Store Manager
Schuck's Auto Supply
Fairbanks, Alaska

09-353
N

CSK AUTO
CHECKERS • SCHUCK'S • KRAUSE'S

To: Representative James Holm

Fax Number: (907) 465-2937

From: Ms. Debra Mosher

Date: April 9, 2003

SUBJECT: Alaska House Bill No. 99

Dear Representative Holm:

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We are also your constituents, and this bill is an insult to us. Please vote NO on HB 99. Thank you.

Sincerely,

Debra Mosher STR # 1628

Ms. Debra Mosher
Store Manager
Schuck's Auto Supply
Fairbanks, Alaska

OT-353

CSK AUTO
CHECKER • SCHUCK'S • KRAGEN

To: Representative James Holm

Fax Number: (907) 465-2937

From: Ms. Darin Dyer

Date: April 9, 2003

SUBJECT: Alaska House Bill No. 99

Dear Representative Holm:

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Sincerely,

Darin Dyer

Ms. Darin Dyer
Store Manager
Schuck's Auto Supply
North Pole, Alaska

Darin not registered Dyer family henry in District 9

CSK AUTO
CHECKER • SCHUCK'S • KRAGEN

To: Representative James Holm

Fax Number: (907) 465-2937

From: Ms. Priscilla Carelock

Date: April 9, 2003

SUBJECT: Alaska House Bill No. 99

Dear Representative Holm:

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Sincerely,

Priscilla Carelock

Ms. Priscilla Carelock
Store Manager
Schuck's Auto Supply
Anchorage, Alaska

Not Registered

CSK AUTO
CHECKER • SCHUCK'S • KRAGEN

To: Representative James Holm

Fax Number: (907) 465-2937

From: Ms. Beverly Taggert

Date: April 9, 2003

SUBJECT: Alaska House Bill No. 99

Dear Representative Holm:

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Sincerely,

Bev Taggert

Ms. Beverly Taggert
Store Manager
Schuck's Auto Supply
Palmer, Alaska

Not Registered

CSK AUTO
CHECKERS • SCHUCK'S • KRAGEN

To: Representative James Holm

Fax Number: (907) 465-2937

From: Mr. Bob Deal

Date: April 9, 2003

SUBJECT: Alaska House Bill No. 99

Dear Representative Holm:

Schuck's Auto Supply has been a proud participant in the automotive aftermarket for many years. Schuck's sells the highest quality parts and has many satisfied customers. It is beyond our belief that the Alaska House Transportation Committee will debate HB 99, a crash parts bill that will restrict competition, hurt our industry, and hurt low and middle-income motorists.

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Sincerely,

Mr. Bob Deal
Store Manager
Schuck's Auto Supply
Eagle River, Alaska

Dist 17 - R
EAGLE RIVER

CSK AUTO
CHECKER • SCHUCK'S • KRAUSE

To: Representative James Holm

Fax Number: (907) 465-2937

From: Mr. Cliff Paul

Date: April 9, 2003

SUBJECT: Alaska House Bill No. 99

Dear Representative Holm:

Schuck's Auto Supply has been a proud participant in the automotive aftermarket for many years. Schuck's sells the highest quality parts and has many satisfied customers. It is beyond our belief that the Alaska House Transportation Committee will debate HB 99, a crash parts bill that will restrict competition, hurt our industry, and hurt low and middle-income motorists.

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Sincerely,

Mr. Cliff Paul
Store Manager
Schuck's Auto Supply
Anchorage, Alaska

CSK AUTO
CHECKER • SCHUCK'S • KRAGEN

To: Representative James Holm

Fax Number: (907) 465-2937

From: Mr. Bill Hall

Date: April 8, 2003

SUBJECT: Alaska House Bill No. 99

Dear Representative Holm:

Schuck's Auto Supply has been a proud participant in the automotive aftermarket for many years. Schuck's sells the highest quality parts and has many satisfied customers. It is beyond our belief that the Alaska House Transportation Committee will debate HB 99, a crash parts bill that will restrict competition, hurt our industry, and hurt low and middle-income motorists.

Crash parts bills have been defeated in many states and are written to "legislate profits" to those who sell car dealer parts. This is unfair legislation and discriminates against those of us who make our living working in the aftermarket.

We are also your constituents, and this bill is an insult to us. Please vote NO on HB 99. Thank you.

Sincerely,

Mr. Bill Hall
Store Manager
Schuck's Auto Supply
Soldotna, Alaska

Ron Jones

From: Ron Jones [rojones@gpi.com]
To: Representative_Jim_Holm@legis.state.ak.us; Representative_Beverly_Masek@legis.state.ak.us
Cc: Representative_Hugh_Fate@legis.state.ak.us; Representative_Vic_Kohring@legis.state.ak.us; Representative_Dan_Ogg@legis.state.ak.us; Representative_Mary_Kapsner@legis.state.ak.us; Representative_Albert_Kookesh@legis.state.ak.us
Subject: House Bill 99

Dear Representative,
My name is Ron Jones and I am the Sales Manager for General Parts Inc. AKA CARQUEST Auto Parts for Alaska. CARQUEST has a total of 24 auto part stores in Alaska with locations in Sitka, Dutch Harbor, Kodiak, Cordova, Homer, Kenai, Soldotna, Nome, Healy, Delta Junction, Valdez, Glennallen, Talkeetna, Palmer, Wasilla, Eagle River, Fairbanks and four locations in Anchorage. We take great pride in being able to offer a choice of quality aftermarket parts to new and used vehicle owners. People buy from us because they want to outfit their vehicles with many more options then they came from the factories with, and because we offer many parts that far exceed the durability and quality of the Original Equipment Manufacturer.

All of our stores are dependant upon being able to supply parts for new and used vehicles from small passenger cars to large construction vehicles. Attempting to pass any legislation that has to do with "motor vehicles" could endanger the livelihood of every person working in the automotive aftermarket.

The proposed House Bill only talks about aftermarket crash parts and alleges that only the original equipment manufacturer makes parts that are of acceptable quality and that if you use other than an O.E.M. part you "may invalidate the remaining warranty of the original equipment manufacturer on that motor vehicle part". OK, now what happens when you put on an O.E.M. part from a wrecked vehicle that may look good to the naked eye, but who knows? Many insurance companies request using these parts if available. How about having those parts subjected to stress from an accident, heat from fires or torches, impact wrenches, etc. Maybe the wrecking yards should not be allowed to sell those parts? I see many brand new O.E.M. parts arrive with shipping damage and body shops get compensated to fix it before the customer even sees or knows about it. Maybe the non dealer body shops should not be allowed to fix those vehicles due to a possible invalidation of the O.E.M. warranty?

If we just use O.E.M. parts for EVERYTHING, we'll never have a warranty issue, a safety issue, a quality issue, or a fit and finish issue. Let me sell you a bridge.

If you have an issue with a crash part that you don't think is proper, CHANGE INSURANCE COMPANIES! Don't make every other vehicle owner pay a higher rate just because you have a problem with YOUR insurance provider. As an American you have the right to choose. You can choose a different insurance company, a different make of vehicle, the dealer you want to buy it from, AND THE PARTS AND ACCESSORIES you want to use on it.

RON JONES
National Account/JV Sales Manager
GPI/CARQUEST-Anchorage Store Group
907 273 5617
ron.jones@GPI.com

Certified Automotive Parts Association
Washington, D.C.

FACSIMILE

DATE: April 10, 2003

TO: Representative Jim Holm **FAX:** 907-465-2937

FROM: Ray Warner

RE: Testimony of Jack Gillis

NUMBER OF PAGES INCLUDING COVER SHEET: 5

COMMENTS:

Testimony of

Jack Gillis
Executive Director
Certified Automotive Parts Association

Before the Alaska House Transportation Committee

In Opposition to HB 99

April 10, 2003

My name is Jack Gillis, I am Executive Director of CAPA, the Certified Automotive Parts Association. In addition, I serve as Director of Public Affairs for the Consumer Federation of America and I am author of The Car Book, which is prepared in cooperation with the Center for Auto Safety. I am here today representing CAPA in opposition to HB 99.

CAPA is a non-profit organization, which certifies the quality of parts used for auto body repairs. We are not a manufacturing, marketing or sales organization. We simply establish standards for competitive (non-car company) parts in order to ensure their functional equivalency to car company parts.

As a consumer advocate, I have spent over 13 years working on this important consumer program in order to protect American consumers from both poor quality and the ravages of the car company monopoly on aftermarket parts.

I am here today to ask you to give consumers true choice in the marketplace, protect them from one of the biggest secret monopolies in America and protect them from poor quality crash repair parts. About 80% of the cosmetic replacement parts needed to repair your cars are only available from one source, the car companies, who mark up their replacement parts by up to 800%.

Car companies are spending millions of dollars to discredit aftermarket parts, scare consumers, co-opt body shops, and coerce state legislatures and regulatory agencies into protecting their monopoly with thinly veiled attempts to restrict aftermarket parts usage. This bill is a classic car company bill. It simply

perpetuates that monopoly by discriminating against aftermarket parts and prohibiting their use for the first four years of a vehicle's life.

Clearly there are two important issues facing the committee: Protecting consumers from a car company part monopoly and protecting them from potentially poor quality parts. Monopolies do not foster quality or fair prices. In fact, by increasing the car companies monopoly on crash parts, you are providing no incentive for them to improve the quality of their parts. On the other hand, if you foster competition, not only do you encourage fair prices, but also you stimulate quality improvements. Furthermore, if the competition is certified for quality, then you set a quality baseline that protects the consumer from shoddy parts. This legislature needs to foster a market that encourages both competition and protection from poor quality. Part quality certification programs encourage both.

The Certified Automotive Parts Association (CAPA) has such a program. The CAPA Board of Directors includes representatives from collision repair shops, consumer groups, insurance companies and part distributors. Our chair is the former chair of the nation's largest collision repair association.

In order for an aftermarket part to be certified by CAPA, a participating manufacturer must first allow a detailed review and inspection of its factory and manufacturing processes by our independent testing laboratory, which determines compliance with CAPA requirements. We evaluate the tooling, assembly, painting and inspection processes to ensure that the manufacturer is capable of producing aftermarket parts equal to, or better than, car company parts. Each part is then subject to a battery of material, corrosion, weld, and appearance tests. Finally, the part must pass a rigid vehicle test fit.

CAPA has been accredited by the American National Standards Institute (ANSI) as a standards developer, and joins such notable organizations as Underwriters Laboratory, National Safety Council and Society of Automotive Engineers.

Clearly there is a problem with parts quality. Collision repairers do not want to be forced to use poor quality. It's a hassle and it does not serve consumers. What needs to be implemented is a requirement that the less expensive aftermarket part meet minimum quality standards. Phasing-in a quality certification program

of any third-party independent certifier, like I have described today, will address both the monopoly and quality issue.

I'd like to comment on car company part quality: As part of its comprehensive vehicle test fit process, CAPA regularly conducts test fits of car company brand service parts. Between March 1999 and March 2002, CAPA put 1,907 car company parts through an extensive vehicle test fit and discovered that 50% (954) parts did not meet CAPA standards for fit, finish and appearance. For the record, we will provide the committee with copies of our study and we have also prepared a short video showing some of the things we found.

Even collision repair leaders throughout the United States are saying, "I'm beginning to think that Jack Gillis is right—car company parts have problems."

Regarding the proposals in HB 99. The bill would require written notice or disclosure for aftermarket parts. This is nothing more than a thinly veiled attempt to protect car company profits and deny consumers the extraordinary benefits of competition. The sole purpose of written notice or disclosure is to bias consumers against reasonably priced aftermarket crash parts and steer them to the overpriced car company brand parts. Please note that the bill does not require the collision repairer or the insurer to disclose who made such critical parts having to do with steering, braking, or electrical circuitry, only the exterior cosmetic replacement parts.

If the true intention of the bill is to disclose critical information to consumers, then surely it would be important to disclose who makes these vital parts. If disclosure were required in all parts, I would be for it. On the other hand, limiting disclosure to one type of part only serves to bias the consumer against those parts. I am 100% for disclosure if it's intent is to educate and inform. On the other hand, if its intent is to protect a monopoly, then I am against it.

Finally, I would like to make a brief comment on the safety issue. I have been fighting for safer cars for nearly 25 years – fighting for airbags, antilock brakes, better crash protection, and rollover protection – and I can tell you that these parts do not have serious safety ramifications. That's why the Center for Auto Safety and the National Highway Traffic Safety Administration do not consider them to be safety related parts. However, the most powerful evidence of their limited effect on safety is the insurance industry itself. If, in fact, they were foisting unsafe parts on consumers, it would be their own companies who would be

paying increased bodily injury claims – and that's simply not happening. Say what you will about insurance companies, but one thing they don't like doing is paying a lot of money in claims. Therefore it is illogical that they would be encouraging the use of a type of part that would increase their liability for bodily injury.

To summarize, HB 99 only encourages the continuation of the car company parts monopoly and poor quality. This committee has a unique opportunity to foster, encourage and demand competition—not continue to protect car company monopolies. We all know what happened when the car companies had to compete with the Japanese. Let's force them to step up the competition.

I encourage you to take steps to protect consumers from poor quality parts and the car company monopoly. If you truly want to protect consumers, require that the crash parts used to repair cars meet minimum standards for quality—don't ban competition, encourage it.

Thank you for the opportunity to comment on this bill.

F:\WordDocs\CAPA\Legislation\Testimony\Alaska HB 99 Testimony April 10 '03.doc

Car Company Quality:
A Vehicle Test Fit Study of
1,907 Car Company Service Parts

Study Dates: March 1999 – March 2002

Prepared By

Certified Automotive Parts Association
1518 K Street NW, Suite 306
Washington, DC 20005

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Car Company Quality Vehicle Test Fit Study

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Results

1,907 Car Company Parts Tested—50% Fail CAPA Standards

During the period between March 1999 and March 2002, CAPA conducted fit tests of 1,907 car company service parts. One-half (50%) of these car company brand service parts failed to meet CAPA standards for fit and appearance. The results varied among the major car makers: The highest failure rate was present in General Motors parts (65%) and Honda parts had one of the lowest (27%). This report details those findings.

A key component of CAPA's Quality Certification Program is the vehicle test fit process. For each vehicle test fit, CAPA takes precise measurements of the car company service part, originally installed car company part, and CAPA part(s).[1] Detailed records are made of these measurements, as well as their fit and appearance quality. The purpose of the vehicle test fit effort was not to evaluate the quality of car company service parts, but to ensure that parts in the CAPA certification program are equivalent to or better than the car company service parts being used by collision repairers.

Over time, the number of vehicle test fits performed continued to grow, as did the amount of data recorded from those test fits. In analyzing this data, cumulative problems with car company service parts purchased in the open market began to emerge.

This report contains an overall analysis of the quality of 1,907 car company service parts in systematic fit and appearance examinations. The purpose of this report is to provide the industry with a view of the quality of car company brand service parts. There is currently no independent quality certification for these car company parts.

Visit the CAPA website at www.CAPAcertified.org for additional information on the test fit results of the car company parts in this study.

[1] In this report, "CAPA parts" refers to aftermarket parts in the CAPA program that are either CAPA certified, or in the process of becoming CAPA certified.

Background

Reverse engineering is the scientific method of methodically dissecting and measuring a product in order to duplicate or enhance it. In manufacturing, reverse engineering is a commonly accepted and often used practice. Car companies frequently use reverse engineering to obtain information on another company's product in order to create a competing product. While reverse engineering often leads to improvement and innovation, it is frequently used to provide consumers with competing products at lower prices.

As is common across all aftermarket industries, the parts that CAPA certifies are reverse engineered from car company service parts purchased directly from the open market. Initially, the CAPA program mandated that the manufacturers producing competitive parts duplicate the car company service parts. After production had begun, the CAPA part had to demonstrate repeatable fit on its checking fixture. In theory, the resulting part would be comparable in fit to the car company service version of the part, which was presumed to be good.

In reality, while the CAPA parts matched their car company service counterparts, at times they were not fitting the vehicles for which they were intended. The reason: significant inconsistencies in the car company service parts. Reverse engineering duplicates everything, including defects that may not appear until the part is mounted on a vehicle. A defect in a car company service part that was copied in a CAPA part is referred to as a "follow-through" defect. (See Chart 5.)

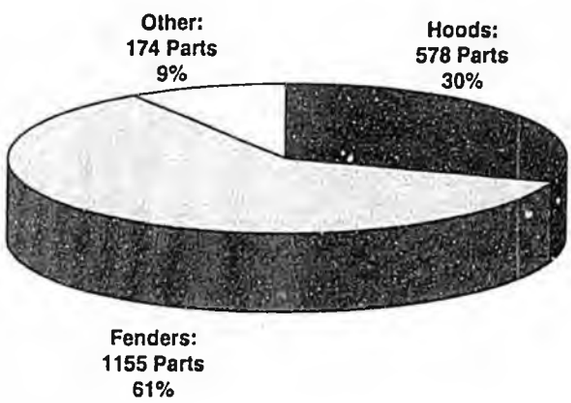
The Vehicle Test Fit (VTF) portion of the CAPA certification program was implemented over three years ago (March 1999) in an effort to compensate for the variability in the fit of car company service parts. Since that time, all applicable parts could not become CAPA certified until they had passed the VTF portion of the certification process. In addition, parts entering the program prior to March 1999 were also required to comply.

CAPA includes car company service parts in its vehicle test fit process to help ensure that the parts in its program display comparable or better fit and quality than the car company service parts. If a car company service part properly fits the vehicle, then the CAPA part must meet or exceed the fit of that part. If a car company service part that properly fits the vehicle cannot be located, then the car company original part is used or the competitive part will not be considered for certification.

Background (continued)

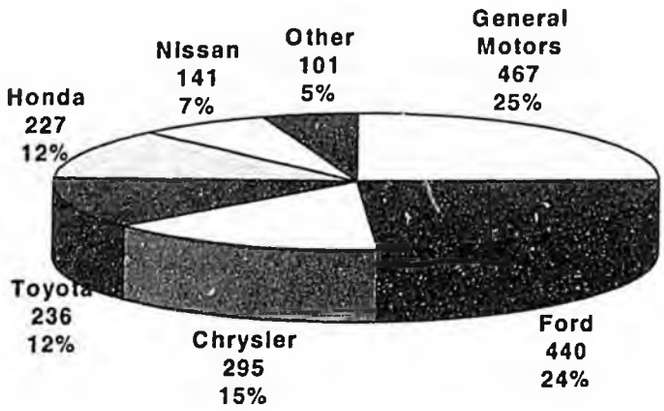
The population of the car company service parts included in this report was completely dependent on the population of CAPA parts, i.e. a car company service part was test fit only if it was the counterpart of a CAPA part that was being tested. The car company service parts were purchased directly from car company dealerships from March 1999 to March 2002. The part types included fenders, hoods, tailgates, and bumper covers. This information may also be viewed at www.CAPAcertified.org.

CHART 1
CAR COMPANY PART TYPES INCLUDED IN STUDY (1,907 PARTS)



"Other" includes part types such as tailgates and bumper covers.

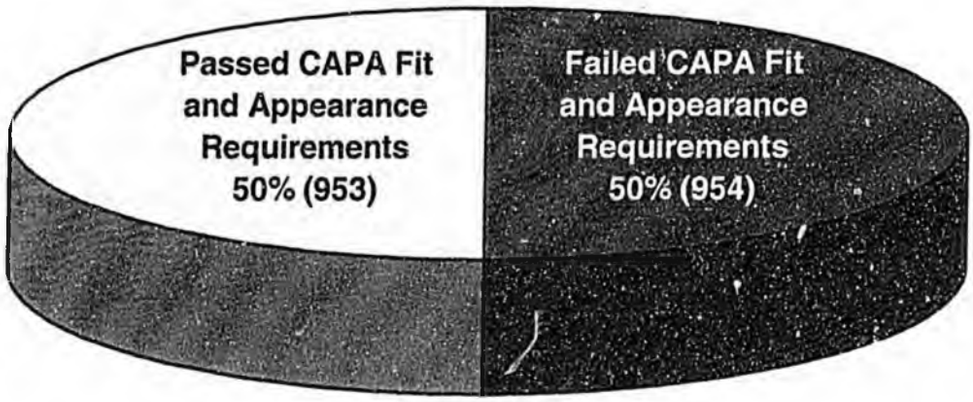
CHART 2
CAR COMPANY MANUFACTURERS INCLUDED IN STUDY (1,907 PARTS)



"Other" car company manufacturers include BMW, Isuzu, Mazda, Mercedes, Mitsubishi, Suzuki, and Volkswagen.

Overall Car Company Quality

CHART 3
OVERALL RESULTS
CAR COMPANY SERVICE PART QUALITY STUDY
(1,907 PARTS)



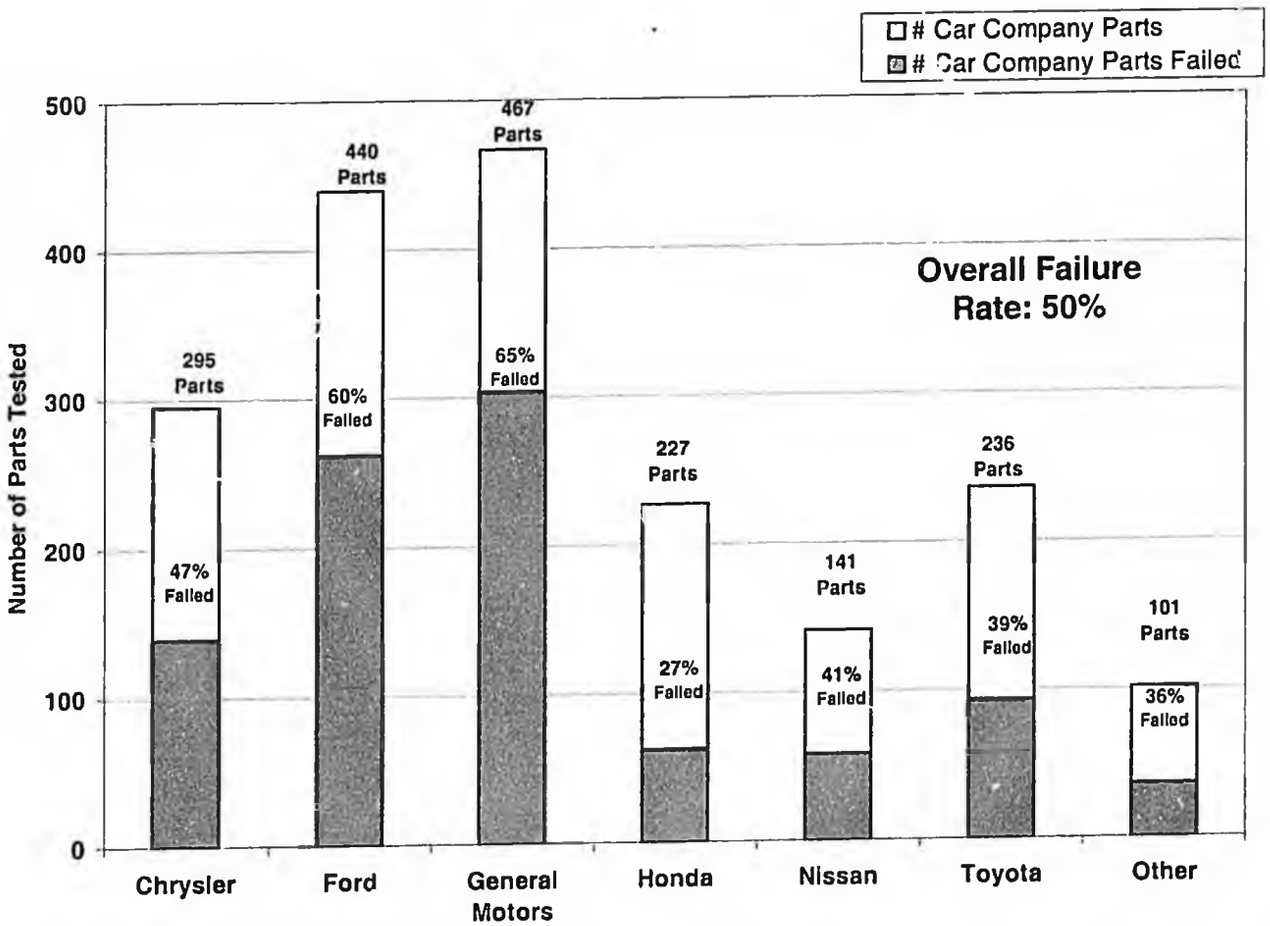
Overall Summary	# of Parts	% of Total
Fail	954	50%
Pass	953	50%
Total Car Company Parts Evaluated	1,907	

Failure Types	# of Parts	% of Failures
Total Parts Failed*	954	
Fit	511	54%
Appearance	673	71%

*Parts can fail both Fit and Appearance.

Car Company Failure Rates

CHART 4
CAR COMPANY FAILURE RATES BY MANUFACTURER (1,907 PARTS)



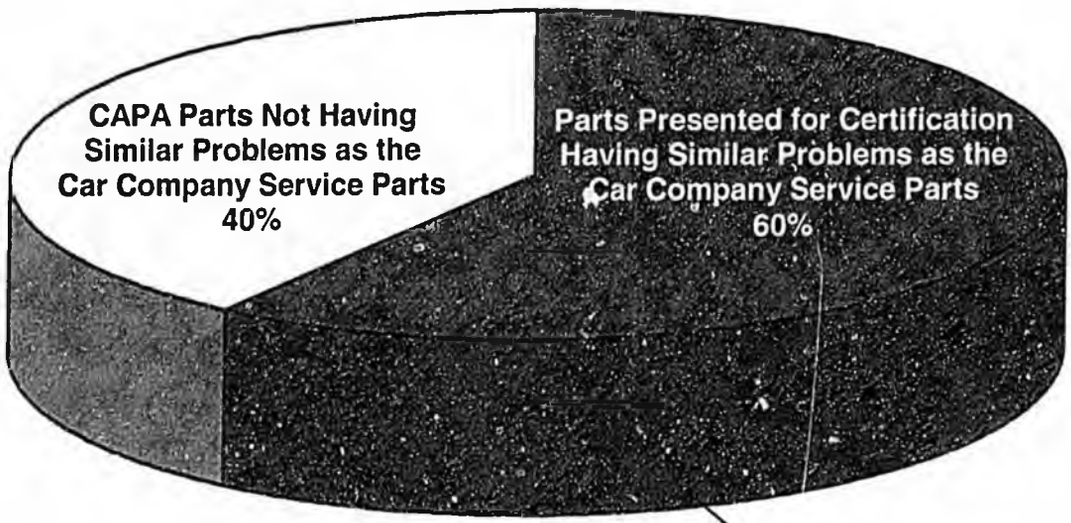
"Other" car company manufacturers include BMW, Isuzu, Mazda, Mercedes, Mitsubishi, Suzuki, and Volkswagen.

How Variability in Car Company Service Parts Could Affect CAPA Parts

When a CAPA manufacturer develops a new part using car company service parts that have fit problems, it is probable that the competitive part will exhibit a similar problem. This is why the CAPA program mandates the Vehicle Test Fit.

If the part presented for certification does have a fit problem, the manufacturer must correct it prior to certification. While these parts technically match the car company parts, because they don't fit, they cannot become certified.

CHART 5
FIT DEFECTS IN CAR COMPANY SERVICE PARTS THAT ARE OBSERVED IN PARTS APPLYING FOR CAPA CERTIFICATION

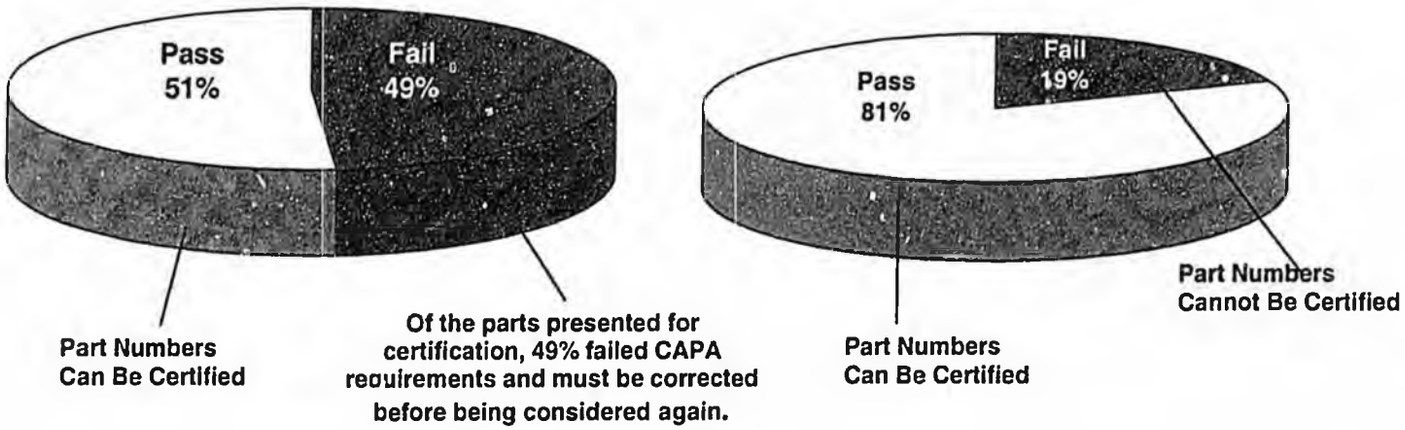


These parts, though matching car company service parts, will not become certified.

CAPA vs. Car Company Test Results

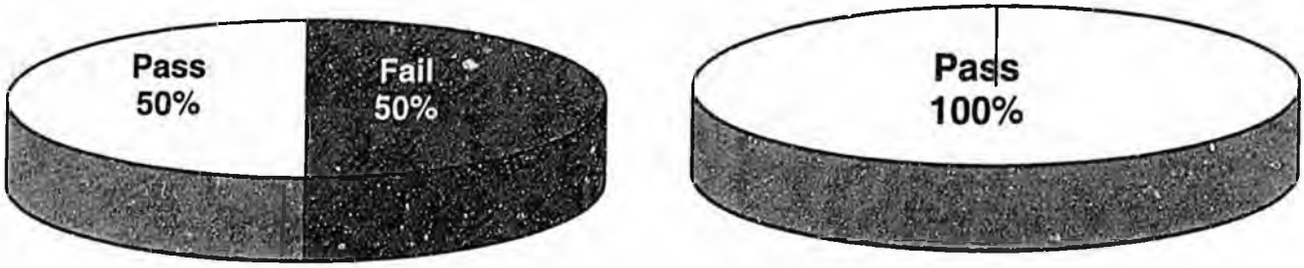
Of the 49% of parts that failed on the first test, 62% were resubmitted. Of those, 81% passed. Overall 76% of CAPA parts presented became certified.

CHART 6
VEHICLE TEST FIT RESULTS
PRELIMINARY AND SUBSEQUENT RETESTS



When compared to car company parts in the market, 100% of CAPA parts meet standards and only 50% of the car company parts meet the standards (Chart 7).

CHART 7
CAPA CERTIFIED PARTS ARE EQUIVALENT TO OR BETTER THAN THEIR CAR COMPANY SERVICE COUNTERPARTS.



Percent Car Company Service Parts Meeting CAPA Standards

Percent of Parts introduced as CAPA that meet CAPA Standards

Conclusion

The data presented in this report was collected from the vehicle test fits required by CAPA over a three-year period. The purpose of the vehicle test fit is not to evaluate the quality of car company service parts, but to ensure that parts in the CAPA certification program were similar to or better than the car company service parts being used by collision repairers.

Analysis of the car company service part test fit data reveals that half the parts purchased from the market during the time of this study did not meet CAPA's quality standards.

The parts in the CAPA program are reverse engineered from the car company service parts available on the market. If the quality of the car company service parts is variable and the parts display fit defects, it is probable that similar defects will be reverse engineered into the CAPA part unless a vehicle test fit is performed. This is why the CAPA program mandates the Vehicle Test Fit. If a part does have a fit problem, the manufacturer must correct it prior to certification.

This systematic approach to part quality ensures that a defect in a CAPA part is detected prior to certification. Currently, CAPA is the only organization regularly checking the quality of both car company and independently produced parts.

During the timeframe of this study, 49% of the new CAPA part numbers submitted for certification failed the vehicle test fit on their first attempt. Fifty percent of the car company service parts failed. The car company service parts remain available in the market with the noted defects. The independent parts failing will not be available on the market as CAPA certified until they have been fixed and fully comply with certification standards. For this reason, CAPA certified parts are equivalent to or better than the car company service counterparts.

CAPA will continue in its efforts to ensure the quality of automotive parts that it certifies. CAPA encourages competition in the marketplace to ultimately reduce the cost of crash repair without compromising quality.

Methodology

Fit

For each test fit, the VTF Technician mounted each part, both car company service and CAPA, and adjusted it on the vehicle to get the best fit possible. However, the technician did not modify a part to achieve an acceptable fit, which would be the probable course of action if the part were being used in a collision repair situation. The technician's goal was to determine whether or not the part had shortcomings that would make it undesirable in a collision repair situation.

The fit assessment included the following:

TABLE 1: FIT ASSESSMENT

VTF Fit Evaluation Points	Evaluation Point Description	Associated Problems
Overall Fit to Adjacent Parts	Part shape, contour, length, style lines, etc. compatible to adjacent parts.	Non-complimentary, incorrect size, shape, position
Gap	The horizontal distance between two measurement points.	Inconsistent Tight Wide
Flush	The vertical distance between two measurement points.	High Low
Attachment Points	All brackets, fasteners, flanges, hinges, holes, striker-related components.	Incorrect position Incorrect size Incorrect construction

Methodology (continued)

Appearance

In addition to being evaluated for fit, both the car company service and CAPA parts were evaluated for appearance quality.

TABLE 2: APPEARANCE CRITERIA	
Criteria	**Description**
Adhesive	Missing, lack of bond, or adhesive causing distortion to the Class "A" surface (pull down).
Burrs	Sharp teeth-like protrusions at the edge of the part.
Chips	Small areas where the EDP coat is missing; usually due to damage, i.e. factory, warehouse & shipping handling.
Corner Radius	Rounded corners that do not match the car company service parts; corners lacking material creating a hole; sharp corners resulting from excess material or poor grinding operations. Opposite corners having differently shaped radii.
Dents or Bumps	Depression or protrusions on the Class "A" surface that can be seen or felt with the back of the fingernail.
Dirt or Foreign Matter	Small particles in the EDP coat Class "A" surface that can be felt with the back of the fingernail.
Excess Material	Extra material on the part that is not seen on the car company service parts which may affect the part fit to the vehicle. Seen as "flash" on plastic parts or in cowl areas, fender folds at door lines, mounting flanges, and hood corners.
Grind Marks	Cuts in the Class "A" surface that are present after EDP which can be felt with the back of the fingernail.
Metal Fold Lines	Visible fold line on the Class "A" surface caused by crimp operation on hoods.
Non-Uniform Coating Coverage	Inconsistencies in the EDP coating such as blisters, missing or thin EDP, or drip marks due to hanging that can be felt with the back of the fingernail.
Non-Uniform Trimming	Trimming inconsistencies on the Class "A" surface typically seen on plastic parts due to manual trim operations. Also can be seen on metal parts at mounting flange areas where trimming is inconsistent.
Orange Peel	Rippled or wavy EDP coating on the Class "A" surface that can be felt with the back of the fingernail.
Pits	Small porous holes in the EDP coat on the Class "A" surface.
Rinse Residue	Visually detected streaking marks or discoloration left after the EDP process.

Methodology (continued)

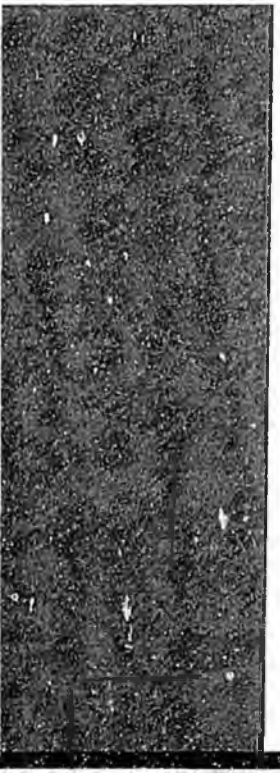
TABLE 2: APPEARANCE CRITERIA	
Criteria	**Description**
Rolled Edges	Upward bulge typically seen along the crimped edge of the part or where metal is forms a bodyline. Observed at hood edges, fender-to-door line, fender cowl area, and top fender-to-hood edge.
Rough Surfaces	Inconsistencies on the Class "A" surface that can be seen or felt with the back of the fingernail; typical of poor EDP; surface feels gritty; can be a poorly reworked areas on part.
Scratches or Gouges	Marks on the Class "A" surface that can be felt with the back of the fingernail. Most often caused by damage due to handling or debris in the stamping process.
Tool Marks	Markings left from the tool when it draws or shapes the material into the part.
Underside Metal Folds	Edges and corners not crimped in the same manner as the car company service parts. This applies to Class "B" and "C" surfaces on the part or the underside of parts.
Waviness/ Distortion/ Ripples	Visible variations on the Class "A" surface and formed edges such as bodylines, folds, or bends. Includes edge roughness, edge contour, edge consistency, and edge radius.
Weld Burns or Missing Welds	Welds that burn through or distort the Class "A" surface. Also welds that are missing.
Wet Mar	Smeared EDP coat due to packaging prior to coat being fully dry or cured.
	Note: Class A surface areas are those that can be seen from an upright position when the part is installed on the vehicle and all mating components, such as hoods, doors, and trunk lids, are in the closed position.

Glossary

Appearance	The outward, or external aspect of the part. In order to assess the appearance of a part, the Vehicle Test Fit Technician visually inspects the part according to a specific set of requirements outlined in CAPA's Quality Standards Manual.
Checking Fixture	A device used to verify the dimensional integrity of a product, such as a fender or a hood. The checking fixture enables the manufacturer to ensure that the part has all the critical mounting holes, gap measurements, and flush measurements so that the part will fit the vehicle.
Fit	The proper size, shape, and dimensions. In order to assess the fit of a part, the Vehicle Test Fit Technician mounts the part on an undamaged vehicle.
Car Company Original Part	A part installed at the car company assembly plant.
Car Company Service Part	An aftermarket crash part produced by, or for, a car company.

What Does the CAPA Quality Seal Mean?

How does it impact you, your business and your industry?



Certified Automotive Parts Association

CAPA Mission Statement

CAPA is a non-profit, independent, third party standard setting organization whose goal is to ensure that the market has high quality, fairly priced alternatives to expensive car company parts.

CAPA Objectives

- Develop quality standards for the manufacture of competitive auto body parts.
- Ensure that parts bearing the CAPA Quality Seal fully comply with CAPA Quality Standards.
- Provide independent laboratory participation to ensure integrity and conformity to generally accepted guidelines for third party certification programs.
- Publicize the certification program to consumers, collision repairers, insurance companies, government agencies, and part distributors.

Aftermarket Parts-What Are They?

The motor vehicle aftermarket industry maintains, repairs, and accessorizes vehicles after they leave the showroom. Parts used in the aftermarket encompass everything from batteries to headlights to body panels. Today's U.S. motor vehicle aftermarket is a $250 billion industry employing millions of Americans at over 500,000 business locations.

One segment of the aftermarket industry includes the parts typically used to repair cars after an accident. These parts, often called "collision" or "cosmetic parts," include hoods, quarter panels, fenders, bumpers, headlights, and grilles.

Lighting test

Vehicle Test Fit at CAPA Validator's lab

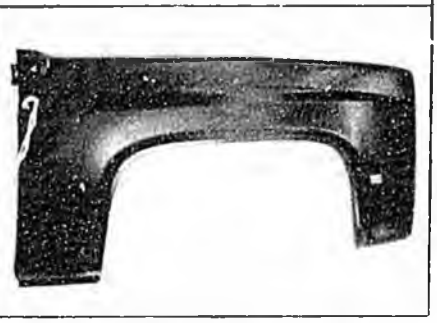
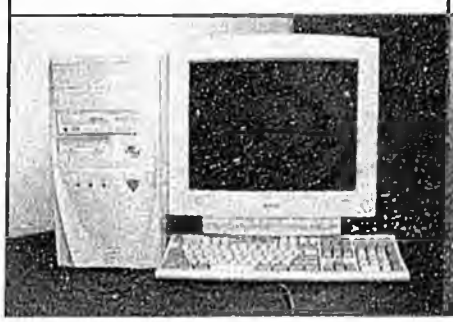
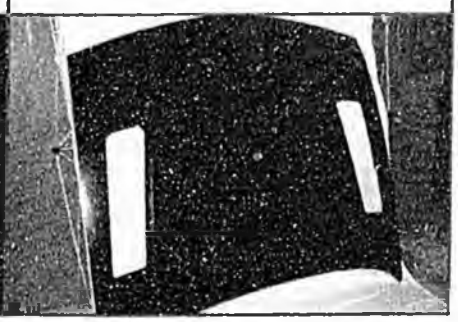
In 1,900 CAPA Vehicle Test Fits, 50% of car company service parts did not comply with CAPA standards.

Monopoly vs. Competition

Competition not only reduces prices, but also improves quality. Consumers benefit greatly from competitive markets. Currently, there is little competition in the collision parts industry, which enables car companies to charge very high prices for their parts. Just think about how complex the manufacture of a computer or television is compared to stamping a metal body part! Yet these car company collision parts can cost much more than many high-tech items.

What Happens in a Car Parts Monopoly?

Here's how some typical car company parts compare in price to some very complex consumer products:

A TV/VCR costs around $150 and plugs in for immediate use	A Chevrolet truck fender costs over $550 and an additional $350 to install
	
A desktop computer with color printer and color monitor costs $600	A Pontiac Grand Prix hood costs approximately $1400
	

Who Supports Competition?

- Center for Auto Safety
- Consumer Federation of America
- Ralph Nader's Public Citizen

All are on record in support of CAPA, its goals and/or aftermarket parts.

- Repairers and other parties are now stating that there is a need for a certification program.
- The Automotive Service Association, the largest collision repairer association in the U.S., has endorsed CAPA's model bill on a national level, which would require the use of certified parts.

Vehicle frame straightness test

The number of CAPA certified parts has increased by nearly 300 applications each year since 1998.

Steps to CAPA Certification

I. CAPA Approves Manufacturer to be a CAPA Participant

- Approval of manufacturer's quality control manual.
- Approval of manufacturer's facility and manufacturing process.

II. Part Approval and Certification Process

- Manufacturer submits individual parts for certification. CAPA does not "grandfather" parts into program.
- Material and performance tests conducted on part samples and compared to car company service part.
- Vehicle Test Fit (VTF) performed on actual vehicle to insure accurate fit.
- Parts that fully comply with all CAPA standards receive the CAPA Quality Seal.

Checking gap during Vehicle Test Fit

III. Regular Re-Inspection and Monitoring

- CAPA conducts regular random inspections of checking fixtures, parts, and factory.
- CAPA carefully reviews all manufacturer lot inspection documentation.

IV. Monitoring Marketplace Quality

- CAPA performs random production, material and vehicle fit testing.
- Complaint Program- CAPA offers a complaint program so parties can file a complaint if a part doesn't meet CAPA standards.
- Parts will be de-certified if standards aren't being met.

Documentation of Vehicle Test Fit

The CAPA Quality Standards Manual is over 260 pages and details hundreds of requirements. It is reviewed and updated on a regular basis and is available to the public.

Who We Are

CAPA is headquartered in Washington, D.C. with an administrative staff that oversees the program. CAPA has an active Board of Directors and Technical Committee comprised of a cross-section of industries, including manufacturers, distributors, insurers, collision repairers, consumer groups, and consultants.

The CAPA Board of Directors sets CAPA's policies and oversees the program. The CAPA Technical Committee performs periodic, in-depth reviews of CAPA Standards and refines them as required to assure the continued quality of CAPA certified parts. See CAPA's website at www.CAPAcertified.org for a current listing of Board and Technical Committee members.

CAPA is approved by the American National Standards Institute as a standards developer.

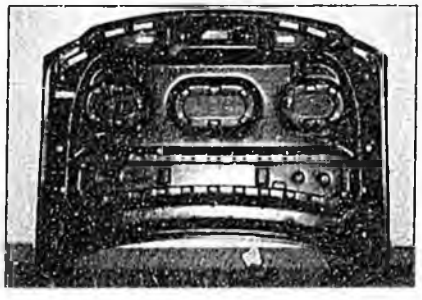
Technical Committee meeting

What CAPA Certifies

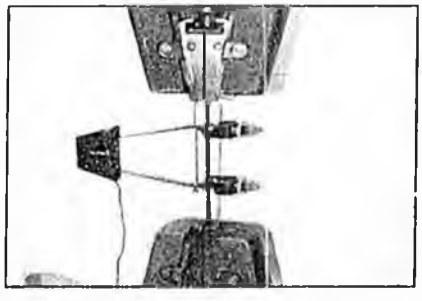
- Fenders
- Door shells
- Trunk lids
- Truck box sides
- Tailgates
- Bumper covers
- Hoods
- Quarter panels
- Truck beds
- Radiator supports
- Side moldings
- Header panels
- Grilles
- Lamp covers
- Taillights
- Headlight bezels
- Headlights
- Side lights

What Tests Are Performed on CAPA Certified Parts?

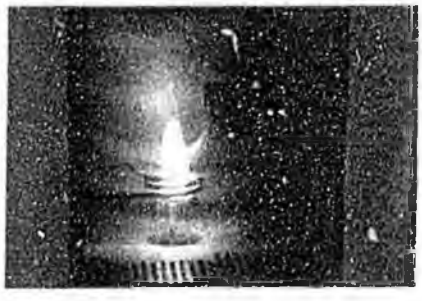
CAPA Certified Parts are tested for: adhesive integrity, coating performance, material composition and properties, mechanical properties, thickness, appearance, corrosion protection, form and fit, weld integrity, fasteners, and hardware. They are also subject to a rigorous vehicle test fit prior to certification.



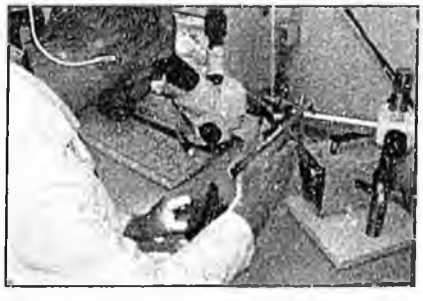
Part prepped for test



Strength of material



Metal composition



Chemical composition

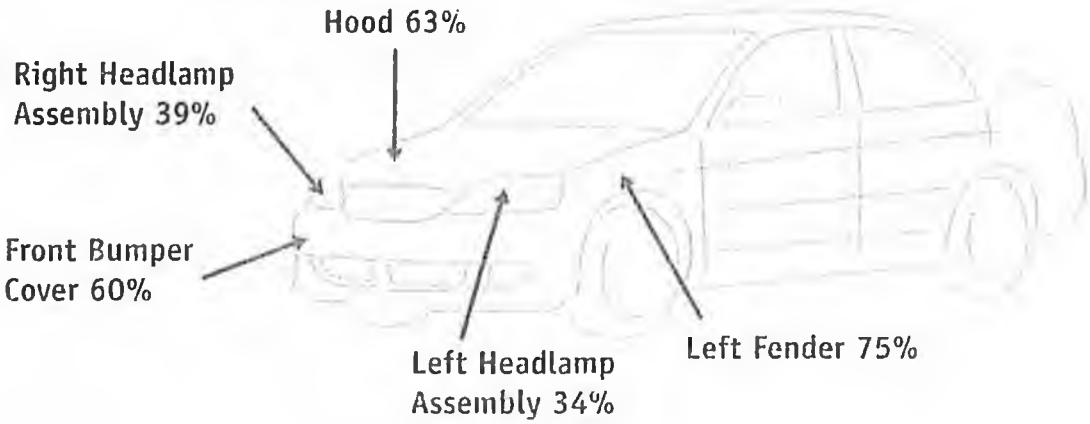
To arrange a tour of the CAPA validator's laborato or a CAPA presentation at your facility, contact CA at 202-737-2212 info@CAPAcertified

CAPA vs. Car Company Parts:

A Cost Comparison

Estimated Savings Using CAPA Parts vs. Car Company Service Parts

(estimated based on a Honda Civic front driver's side collision)



Using CAPA certifiable parts could reduce repair costs by at least $400,000,000 per year.

Benefits:

- More repairs means fewer totaled vehicles.
- Distributors sell more parts.
- Consumers save money and get better quality parts.
- Provides an effective means of claims cost containment.

What if CAPA Didn't Exist?

The car companies win in two ways:

1. They can charge whatever they want for parts.
2. As repair costs escalate and more cars are totaled, consumers are forced back to the showroom to buy another car.

In addition:

- There is no incentive for improved quality.
- The lack of choice negatively affects all parties.

Letter from Jack Gillis, Executive Director of CAPA

The Certified Automotive Parts Association (CAPA) is a non-profit, third party, ANSI-accredited standard setting organization whose goal is to ensure that the market has a high quality, fairly priced alternative to expensive car company parts.

CAPA began in 1988 as a coalition of consumer advocates, insurance companies, repairers, and distributors who wanted to encourage competition in the crash-parts industry in order to assure quality and control consumers' costs.

Competition from non-car company manufacturers pushes down costs, but some consumers worry about the quality of these parts. The CAPA certification program identifies which non-car company parts are as good as or better than the car company parts they replace.

Since the CAPA program began, we've continually strived to improve and expand the standards. The result has been a dramatic improvement in the quality of parts bearing the CAPA seal. CAPA utilizes an independent, third party validator to ensure integrity and conformance to the CAPA standards. The validator performs all mandatory testing on parts and also audits manufacturing facilities before a manufacturer can submit parts for certification. Only those parts which fully comply with CAPA's rigid standards are allowed to bear the CAPA Quality Seal.

The existence of CAPA depends on the support of a variety of groups, including insurance companies, distributors, manufacturers, consumers, and collision repairers. This support can come in the form of funding, specifying/using CAPA parts, and promoting CAPA throughout your organization. If you're interested in learning more, please don't hesitate to contact me.

Thank you,

Jack Gillis

CAPA NEEDS YOUR SUPPORT!

- Funding
- Using CAPA Parts
- Educating Staff about CAPA

LET US HELP YOU LEARN MORE

- Tour of the CAPA Validator's Laboratories
- Free Informational Seminar
- Promotional Materials
- CAPA Database

CONTACT US TODAY!

Certified Automotive Parts Association

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Washington, DC 20005
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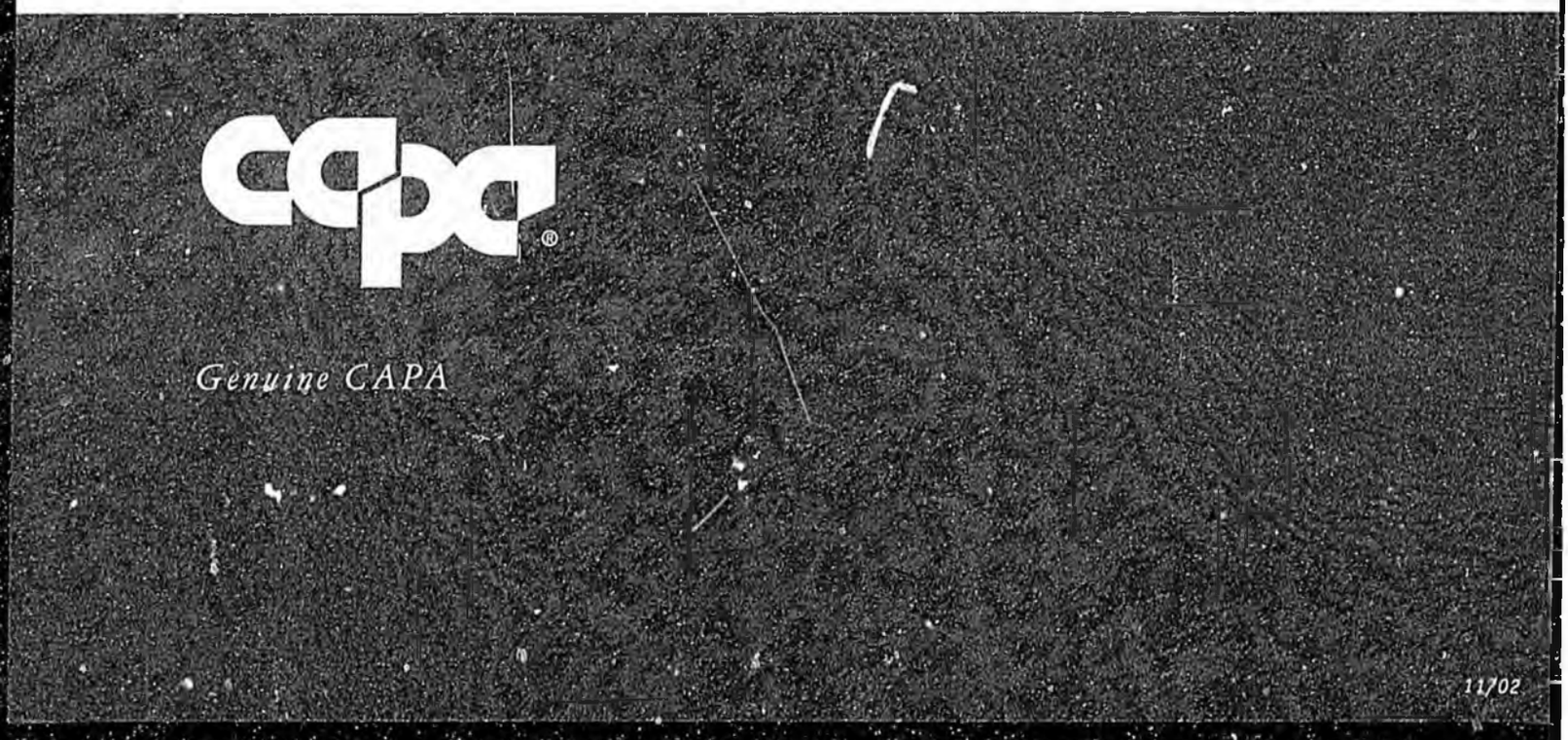
info@CAPAcertified.org
www.CAPAcertified.org



STATUS REPORT

INSURANCE INSTITUTE FOR HIGHWAY SAFETY

Special issue

1005 N. Glebe Rd., Arlington, VA 22201
703/247-1500 Fax 703/247-1588
Internet: www.highwaysafety.org
Vol. 35, No. 2, February 19, 2000

This special issue focuses on the safety of cosmetic repair parts from competing suppliers. Recent special issues have focused on the following subjects:

Graduated licensing	34:10 (1999)
Vehicle compatibility in crashes	34:9 (1999)
Child safety	34:8 (1999)
Neck injuries	34:5 (1999)
Vehicle safety advancements	34:4 (1999)
Pedestrian deaths, injuries	34:3 (1999)
Truck safety	33:8 (1998)
Urban crashes	33:4 (1998)
Crash compatibility	33:1 (1998)
Airbags	32:9 (1997)

ISSN 0018-988X

The Insurance Institute for Highway Safety is an independent, nonprofit, scientific and educational organization dedicated to reducing the losses — deaths, injuries, and property damage — from crashes on the nation's highways. The Institute is wholly supported by automobile insurers:

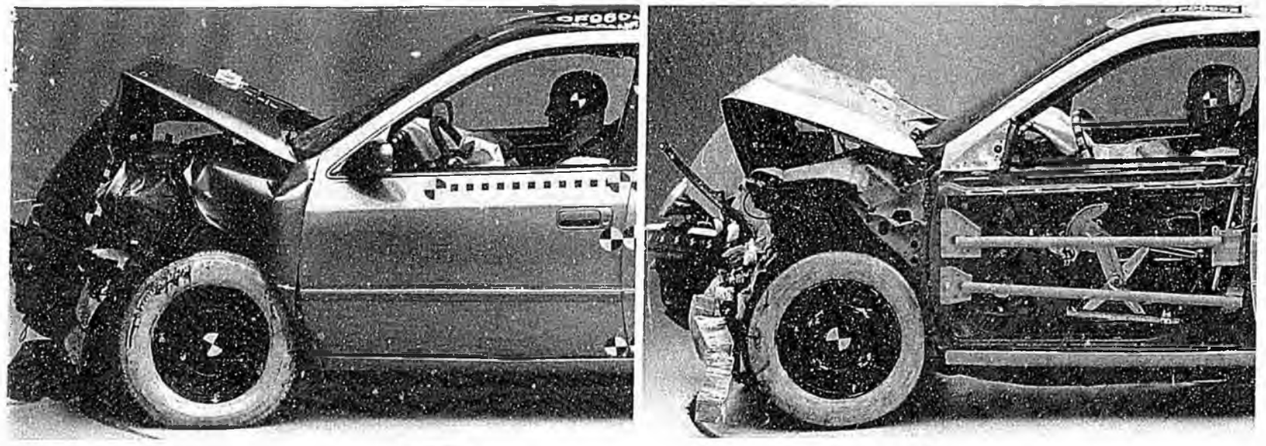
Alfa Insurance
Allstate Insurance Group
American Express Property and Casualty
American Family Insurance
American National Property and Casualty
Amica Mutual Insurance Company
Amwest Insurance Group
Auto Club South Insurance Company
Automobile Club of Michigan Group
Baldwin & Lyons Group
Bituminous Insurance Companies
Brotherhood Mutual
California Insurance Group
California State Automobile Association
Cameron Companies
Church Mutual
Colonial Penn
Concord Group Insurance Companies
Cotton States
Country Companies
Erie Insurance Group
Farmers Insurance Group of Companies
Farmers Mutual of Nebraska
Fidelity & Deposit
Foundation Reserve
Frankenmuth
The GEICO Group
General Casualty Insurance Companies
Grange Insurance
Harleysville Insurance Companies
The Hartford
Idaho Farm Bureau
Kansas Farm Bureau
Kemper Insurance Companies
Liberty Mutual Insurance Group
Merastar
Mercury General Group
MetLife Auto & Home
Middlesex Mutual
Montgomery Insurance Companies
Motor Club of America Insurance Company
Motorists Insurance Companies
Motors Insurance
MSI Insurance Companies
National Grange Mutual
Nationwide Insurance
North Carolina Farm Bureau
Northland Insurance Companies
Oklahoma Farm Bureau
Old Guard Insurance Company
Oregon Mutual Group
OrionAuto
Palisades Safety and Insurance Association
Pekin Insurance
PEMCO Insurance Companies
The Progressive Corporation
The Prudential
Response Insurance
Royal & SunAlliance
SAFECO Insurance Companies
SECURA
Shelter Insurance Companies
State Auto Insurance Companies
State Farm Insurance Companies
The St. Paul Companies
Tokio Marine
USAA
Virginia Mutual Insurance Company
Warrior Insurance Group
Yasuda Fire and Marine of America
Zurich U.S.

Special issue: cosmetic repair parts

STATUS REPORT

INSURANCE INSTITUTE FOR HIGHWAY SAFETY

Vol. 35, No. 2, February 19, 2000



Cosmetic repair parts irrelevant to safety

If car crashworthiness isn't influenced by whether or not a vehicle's cosmetic crash parts are on the car or removed, then it follows that the source of the parts also is irrelevant to crashworthiness. This is demonstrated in a new test of a Toyota Camry from which the front-end cosmetic parts were removed.

Before detailing the crash test, here's a little background: A car's cosmetic repair parts (often called crash parts) include fenders, door skins, bumper covers, and the like. In the continuing debate about whether such parts from aftermarket suppliers

are as good as cosmetic parts from original-equipment manufacturers, the issue of safety keeps cropping up (see *Status Report*, Nov. 21, 1987). Claims are made that using cosmetic crash parts from sources other than original-equipment manufacturers could compromise safety. But the fact is, the source of the parts is irrelevant to safety because the parts themselves, except possibly the hood, serve no safety or structural function. They merely cover a car like a skin.

"The safety claims are red herrings to try to frighten people. With the possible exception of hoods, there are no safety implications of using cosmetic crash parts from any source," Institute president Brian O'Neill says. Car hoods can affect occupant safety in a crash or even without a crash (see p. 5). But there's no evidence that hoods from aftermarket suppliers fail to perform as well as original-equipment hoods.

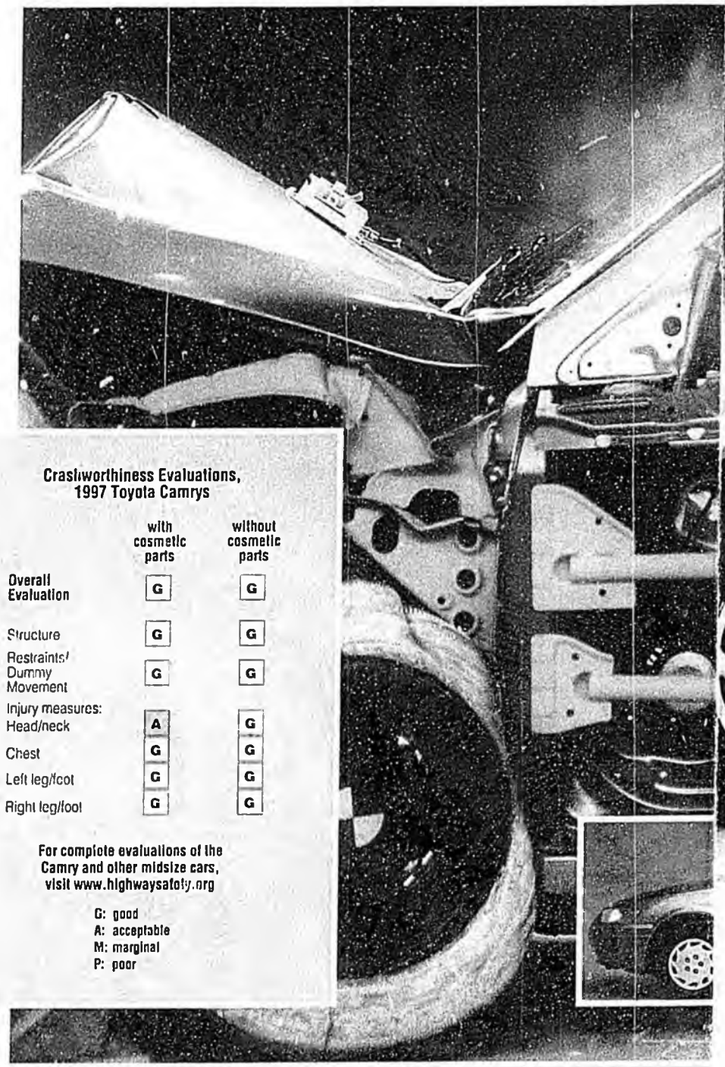
To again demonstrate the irrelevance of safety in the cosmetic crash parts debate—such demonstrations have been conducted before (see p. 4) — the Institute recently tested a 1997 Toyota Camry from which the front fenders, door skins, and front bumper cover were removed. The original-equipment hood was replaced with a certified hood from an aftermarket supplier. The test results then were compared with results involving a 1997 Camry with its original-equipment parts intact.

Both Camrys performed with distinction in 40 mph frontal offset impacts. Both earned good crashworthiness ratings according to the Institute's evaluation procedures. This means a Camry that doesn't have any of its front-end cosmetic parts is rated better than most competing midsize cars that still have such parts.

Detailed results of the performances of the Camrys in the offset tests were similar. During each test, researchers recorded measures on the driver dummy to assess the likelihood that people in on-the-road crashes would be injured. These measures were similar. The dummy in the Camry without its cosmetic parts recorded slightly lower results for leg injuries, but the differences were well within the expected range of test-to-test variability.

After each test, researchers also measured intrusion into the occupant compartment. There was slightly more intrusion in the footwell of the Camry without its cosmetic parts (again, the differences were within the range of test-to-test variability), while measurements of instrument panel and A-pillar movement were almost identical.

Control of the crash test dummies and measured steering column movement also were similar. In each test, the dummy's head hit the B-pillar during rebound. Head acceleration from this impact in the Camry without its cosmetic parts was lower.



Crashworthiness Evaluations, 1997 Toyota Camrys

	with cosmetic parts	without cosmetic parts
Overall Evaluation	G	G
Structure	G	G
Restraints/ Dummy Movement	G	G
Injury measures: Head/neck	A	G
Chest	G	G
Left leg/foot	G	G
Right leg/foot	G	G

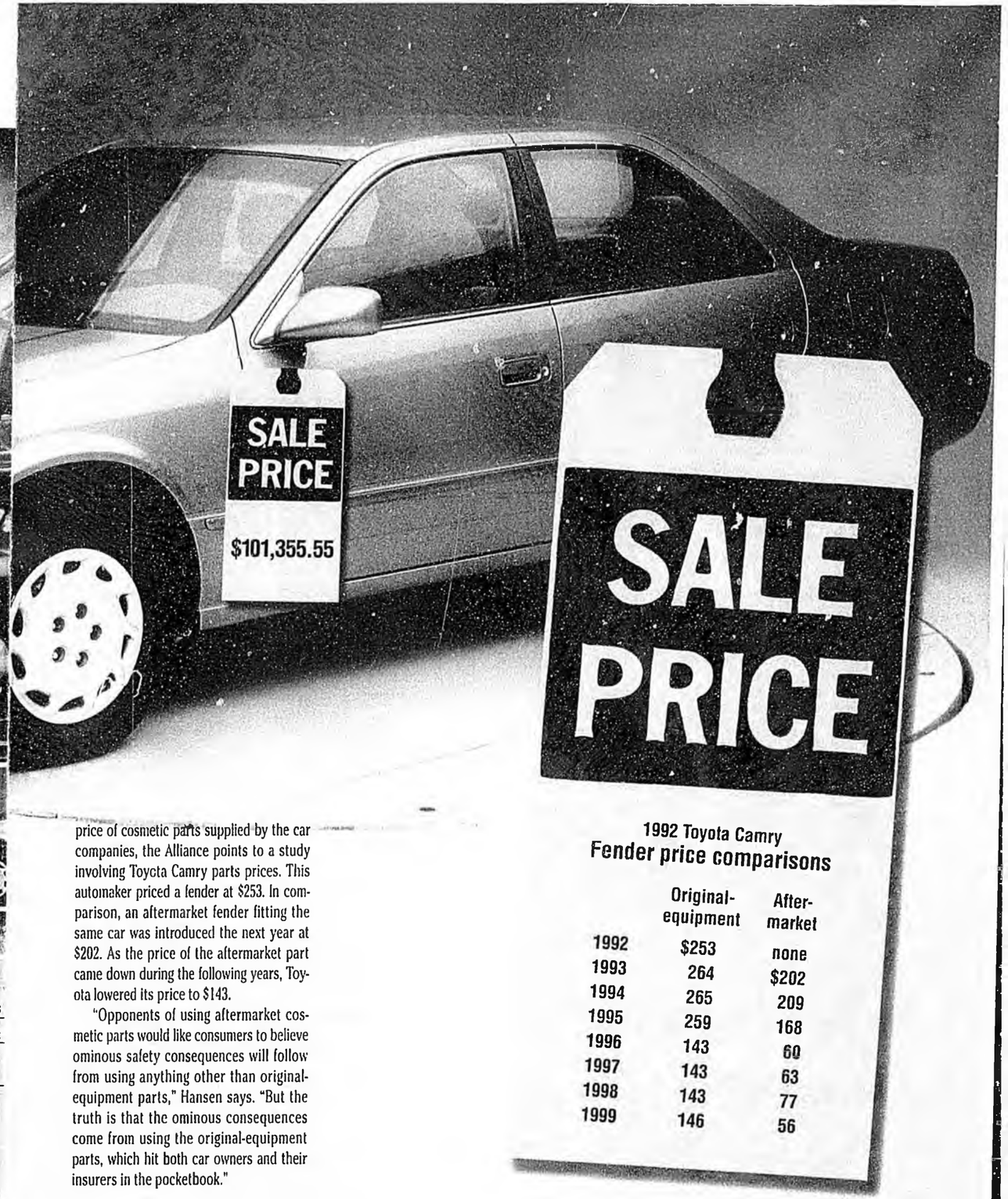
For complete evaluations of the Camry and other midsize cars, visit www.highwaysafety.org

G: good
A: acceptable
M: marginal
P: poor

Both the original-equipment and aftermarket hoods performed well, buckling as they're designed to do. Neither one was pushed back anywhere near the windshield, so front-seat occupants in real crashes similar to these tests wouldn't be endangered.

"There essentially was no difference in crashworthiness performance. Both Camrys were rated good. The cosmetic parts didn't *(continues on p.6)*

	Injury measures		
	Head		Chest
	HIC	Peak gs from hard contact	Maximum compression (mm)
1997 Toyota Camry with original-equipment cosmetic crash parts	470	127	36
1997 Toyota Camry without cosmetic crash parts	582	40	37



price of cosmetic parts supplied by the car companies, the Alliance points to a study involving Toyota Camry parts prices. This automaker priced a fender at $253. In comparison, an aftermarket fender fitting the same car was introduced the next year at $202. As the price of the aftermarket part came down during the following years, Toyota lowered its price to $143.

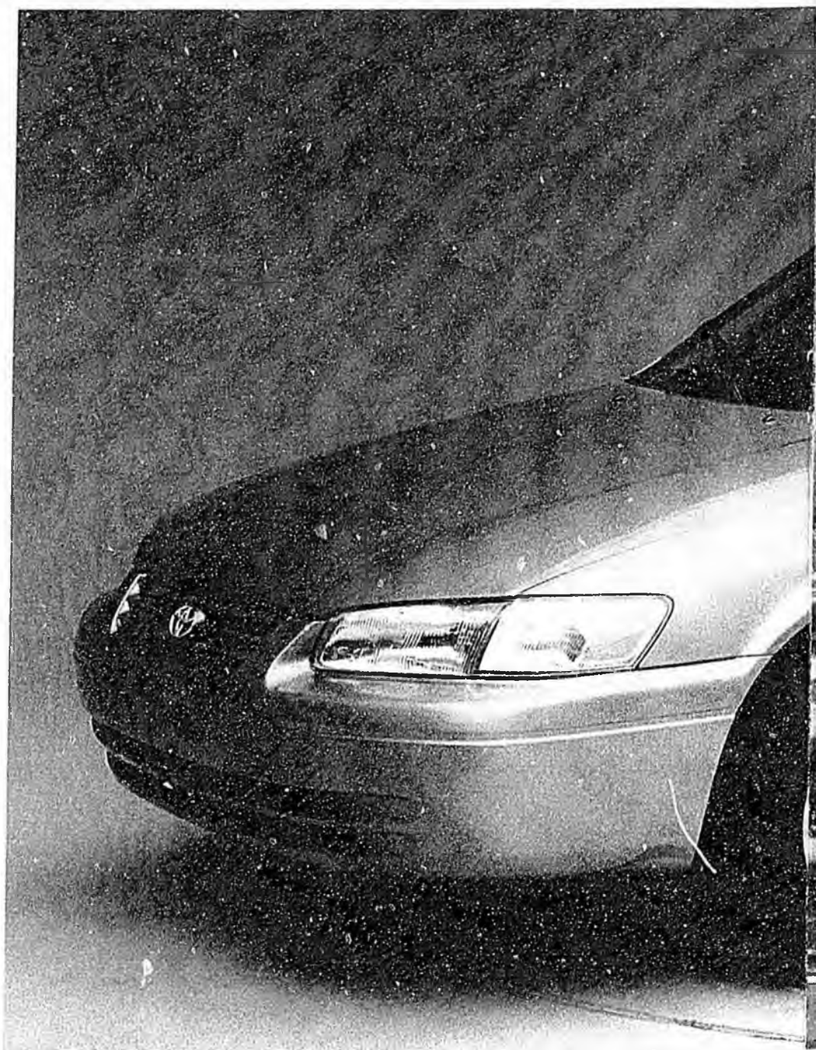
"Opponents of using aftermarket cosmetic parts would like consumers to believe ominous safety consequences will follow from using anything other than original-equipment parts," Hansen says. "But the truth is that the ominous consequences come from using the original-equipment parts, which hit both car owners and their insurers in the pocketbook."

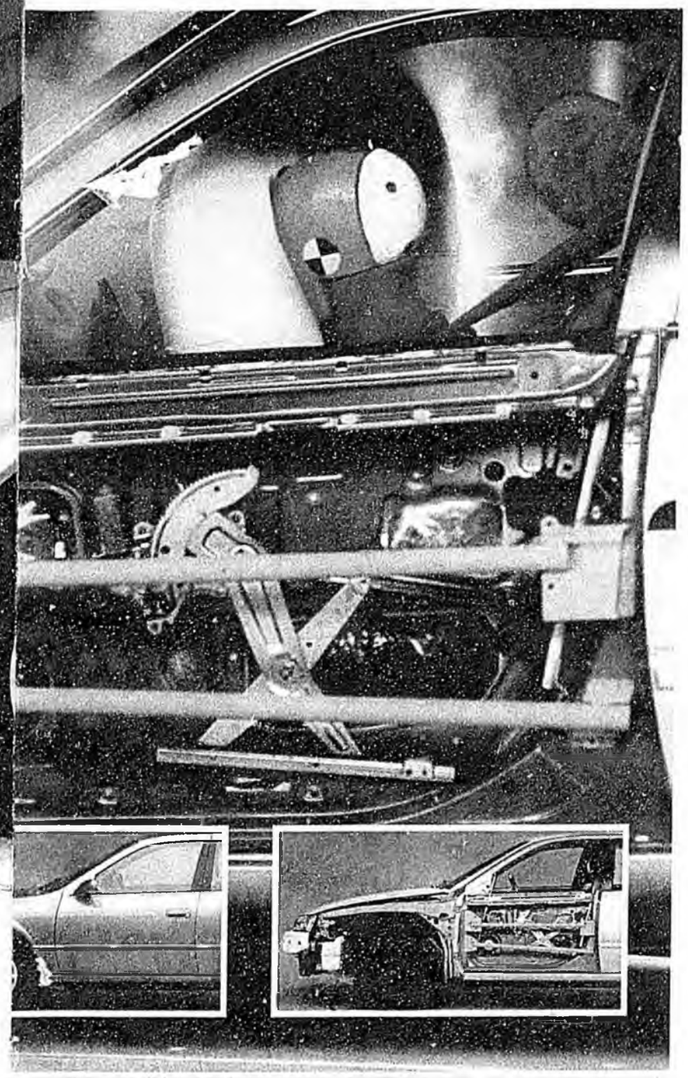
1992 Toyota Camry
Fender price comparisons

	Original-equipment	After-market
1992	$253	none
1993	264	$202
1994	265	209
1995	259	168
1996	143	60
1997	143	63
1998	143	77
1999	146	56

(continued from p.2) influence the results," O'Neill points out. "Only three other midsize four-door cars we've tested match the Camrys' crashworthiness ratings. In contrast, 10 cars in this class are rated acceptable, 2 are marginal, and 11 are poor. So a Camry without cosmetic parts offers more protection in a serious frontal crash than many competing cars with all cosmetic parts supplied by the original-equipment manufacturers."

These photos, taken after the 40 mph offset crash test, show how well the driver space was maintained in both Camrys. The space was maintained regardless of the presence (top photo) or absence (above) of cosmetic crash parts.





Real issue about cosmetic parts is cost of original-equipment parts, not safety of aftermarket parts

There's no merit to the safety questions that have been raised about cosmetic auto crash parts from aftermarket suppliers. But there's a very big pocketbook issue associated with using repair parts from original-equipment suppliers — they cost a lot more than the aftermarket parts.

The Alliance of American Insurers recently toted up the cost of rebuilding a 1999 Toyota Camry with parts supplied by the car company. The tab came to $101,355.55, compared with the Camry's sticker price of about $23,000. And the cost of the rebuilt car could have been even higher except for markdowns because of competition from aftermarket suppliers. The Alliance's Kirk Hansen, director of claims, points out that "if the aftermarket parts didn't exist, the price of the Camry would be closer to $200,000."

To demonstrate just how the introduction of aftermarket parts influences the

	Maximum tibia index		Steering column movement		Measures of occupant compartment intrusion						
					A-pillar movement	Instrument panel rear movement		Footwell intrusion			
Peak gs, 3 ms clip	Left	Right	Upward (cm)	Rearward (cm)	Rearward (cm)	Left (cm)	Right (cm)	Left (cm)	Center (cm)	Right (cm)	Footrest (cm)
39	0.57	0.63	5	2	2	3	3	1	12	11	4
36	0.48	0.60	3	4	2	3	3	16	18	13	9

Injecting safety into the continuing debate about cosmetic crash parts

Even though safety is irrelevant to the debate about original-equipment versus aftermarket cosmetic crash parts, numerous attempts have been made to inject safety into the controversy. For example:

In a 1999 article entitled "Shoddy Auto Parts," *Consumer Reports* conceded there are "little data on the safety of replacement parts." Without any objective evidence of safety problems, *Consumer Reports* relied on anecdotal evidence, of which the article says "there is enough ... to raise concern." Yet no convincing evidence was offered.

During consideration of legislation on aftermarket crash parts, a 1999 report from the Florida House of Representatives cited *Consumer Reports* extensively as well as the views of automakers. A Ford representative, for example, is quoted as saying "no testing has been conducted to verify that the performance of imitation crash parts ... in front-end crashes will be compatible with Ford airbag systems ... Because so little is known about the effect of imitation parts on an airbag system and component integrity, Ford believes genuine Ford crash parts should be used."

This statement was issued despite one from Ford's vice president for environmental and safety engineering, Helen Petrauskas, in 1987. She told Institute president Brian O'Neill that "after a review of the information you provided, as well as other data available to us, we have concluded that, in general, fenders and door 'skins' are components whose design or manufacture is not likely to have a significant effect on vehicle safety."

Still, some car company representatives continue to raise the safety issue. For example, a 1997 General Motors statement said "any deviation in the use of parts not specifically designed to meet the original specifications can compromise the integral balance between the safety systems."

According to a bill introduced last year (but not enacted) in the New York legislature, "the use of genuine crash parts (parts manufactured by or for the company that manufactured the vehicle itself) should be required to assure quality, safe repairs. Studies have shown that some alternative parts create unnecessary safety risks due to improper fitting." However, neither the studies nor details of their findings were specified.

Responsible studies linking aftermarket parts to safety compromises don't exist. And, as *Consumer Reports* conceded, the National Highway Traffic Safety Administration "hasn't been getting complaints about the safety of replacement parts." In fact, the agency responded to a query from U.S. Congressman John Dingell in 1991, noting that "there are no data or analyses available at this time to suggest a safety problem with aftermarket or replacement components." There still aren't.

Two crash tests, one 13 years old, show irrelevance of safety to crash parts debate

The recent crash test of a 1997 Toyota Camry into a deformable barrier at 40 mph (see p. 1) isn't the first time the Institute has used tests to show the irrelevance of safety to the cosmetic repair parts debate. When this controversy heated up in the 1980s, the safety-related claim of the moment was that cars repaired with cosmetic parts from aftermarket suppliers might not comply with federal motor vehicle safety standards.

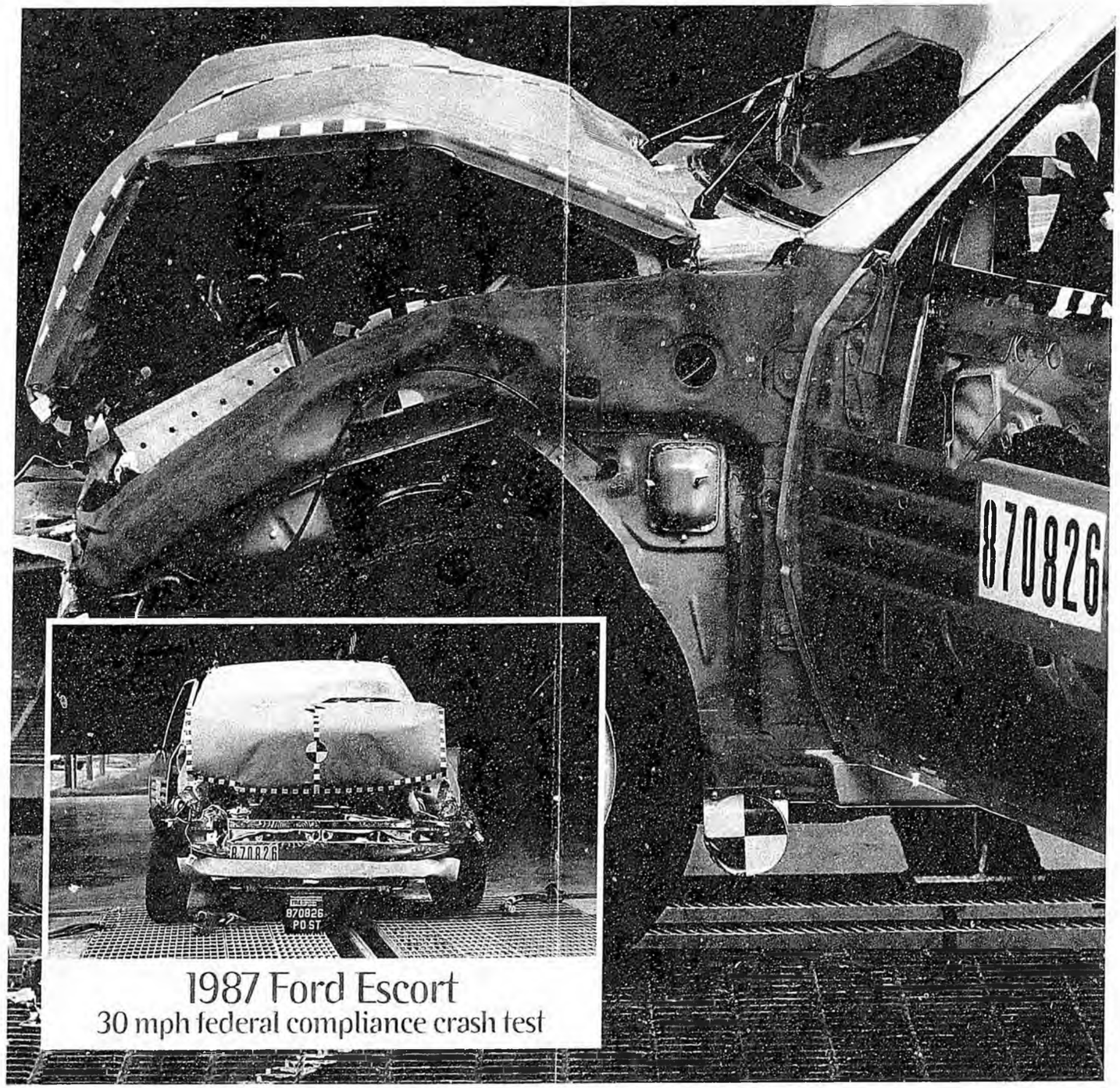
The Institute entered this dialogue in 1987, saying "there's no reason to believe — let alone assume — that cosmetic crash parts significantly influence car crashworthiness." To reinforce this conclusion, Institute researchers demonstrated the point in a crash test.

Ford Escort test: A 1987 Ford Escort was crashed into a rigid barrier at 30 mph to measure compliance with the federal motor vehicle safety standards that specified crash test requirements at the time. Like the Camry, the Escort was crashed without its front fenders, door skins, or grille. The original-equipment hood was replaced with an aftermarket part to measure compliance with federal requirements, according to which the hood must not intrude into the windshield or a defined zone around it in a 30 mph crash.

And the result? The Escort complied with all front-into-barrier crash test performance requirements specified in five separate federal standards. It met these requirements with room to spare. There was no appreciable movement of the steering column. Head injury measures for driver and passenger dummies were far below the threshold used to indicate injury likelihood. Chest and upper leg injury measures also were low. Windshield retention was 100 percent. The hood buckled and didn't intrude into the protected zone. Fuel spillage was zero.

Vauxhall Astra test: The Institute isn't the only research group to conduct such a test. In 1995, England's Motor Insurance Repair Research Centre tested a 1995 Vauxhall Astra from which the fenders and door skins had been removed and the hood replaced with an aftermarket part.

The result of this front-into-rigid-barrier impact at 30 mph was similar to the Escort test. That is, the Astra complied with the same U.S. safety standards. According to the Astra's certification report, "comparison of the test vehicle with a previously tested vehicle of identical type tested to the same standard indicated that the presence of 'non-indigenous' panels had little effect on failure mode, as did the absence of the front outer wing panels and doorskins."



1987 Ford Escort
30 mph federal compliance crash test

Unlike other cosmetic crash parts used in auto repairs, the hoods of cars could influence safety

The hood is the single cosmetic part that could be a source of safety problems. There are two possible concerns.

In the absence of a crash: The first possible concern has nothing to do with performance in a crash. It has to do with whether a hood latch or attachment points could fail while driving and allow the hood to fly up suddenly, obscuring the driver's view. *Consumer Reports* has cited an unverified claim that an aftermarket hood failed in this manner and caused a crash.

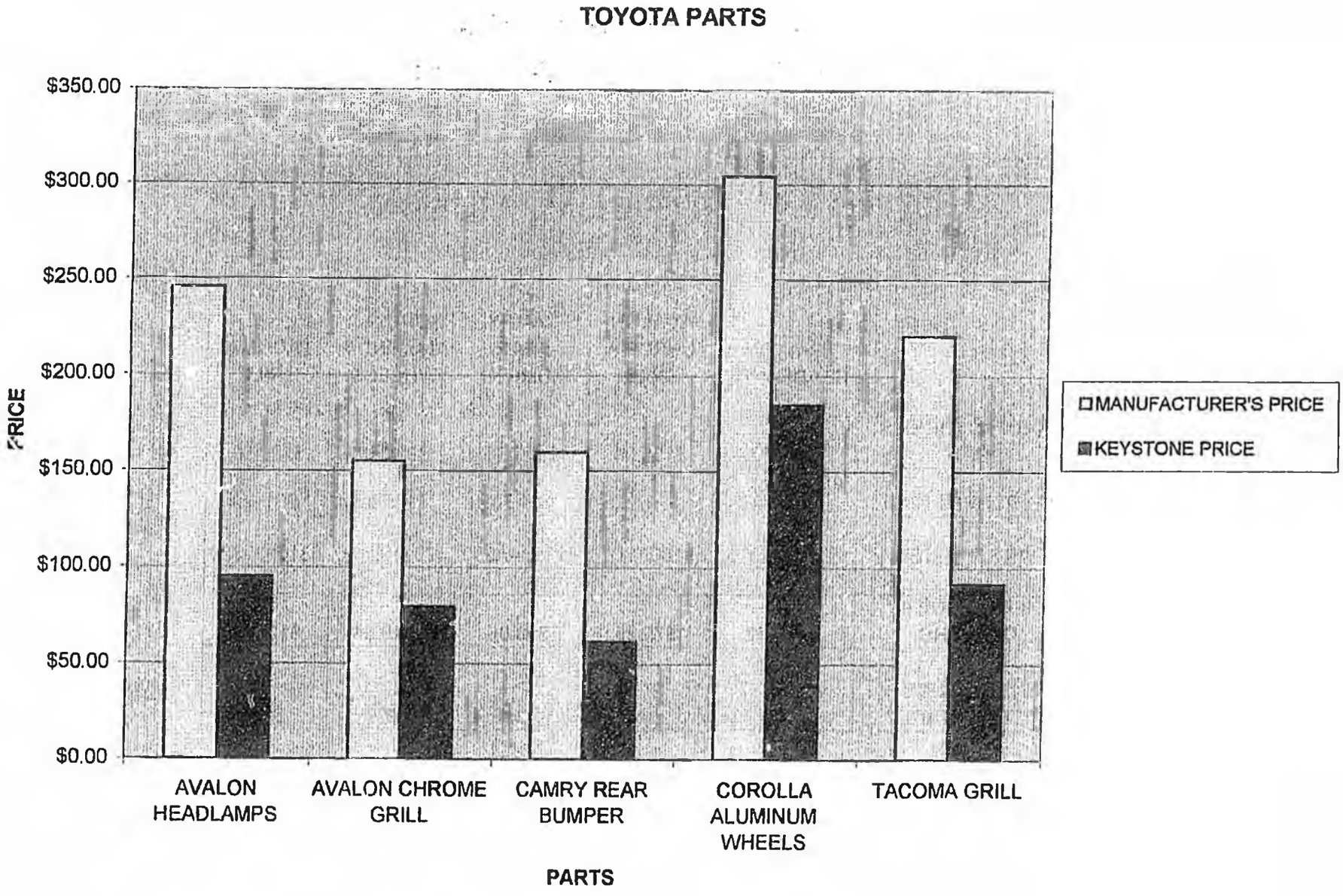
A notable absence from the same article is acknowledgement that hoods from original-equipment manufacturers can, and do, have defective latches and/or attachment points that fail in the same manner. Auto manufacturers have conducted 47 safety-related recalls involving original-equipment hoods, mostly because of hood latches and attachment hardware. A total of 6,216,946 vehicles have been recalled. Many cases have involved hoods that flew up, causing some reported crashes.

"Such a large number of safety-related recalls of original-equipment hoods lends perspective to the unsubstantiated allegation in *Consumer Reports* that aftermarket hoods are somehow inferior," Institute president Brian O'Neill notes.

The quality of many aftermarket crash parts used for auto repairs, including car hoods, is evaluated by the Certified Automotive Parts Association (CAPA). "All hood latches and strikers are subject to additional testing," CAPA says, "to evaluate their dimensions, retention, and hardness of core and case." Other than hoods, the parts CAPA certifies aren't safety related. This group doesn't certify parts that are subject to the requirements of federal motor vehicle safety standards.

Crash performance: The second possible concern relates to hood performance in crashes — whether they will buckle, as new-car hoods are designed to do, so a hood doesn't get driven back near the windshield. CAPA certifies hoods by ensuring that the same buckle points present in hoods from car companies also are present in the aftermarket hoods it approves.

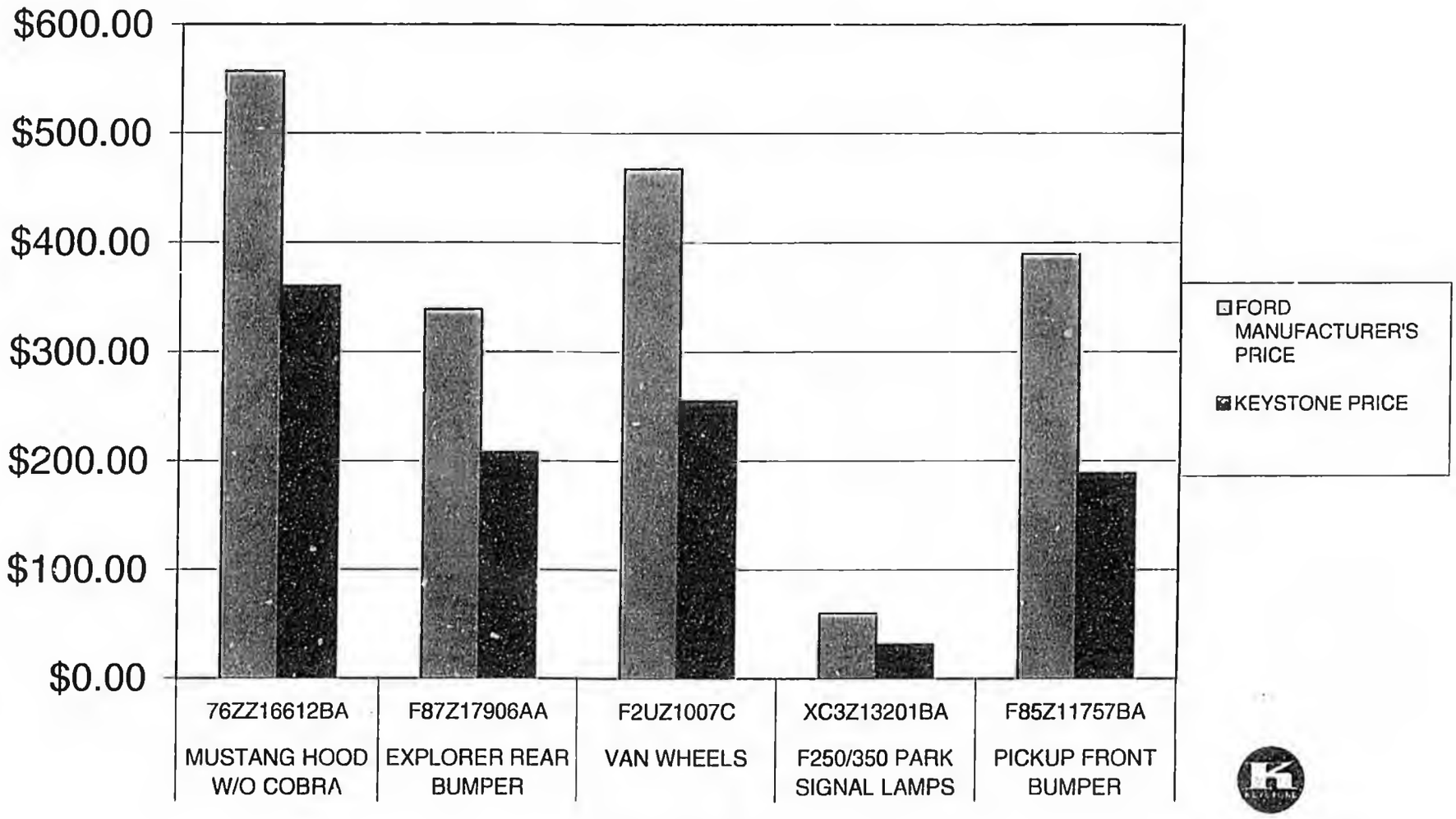
"Hoods must buckle as they're supposed to, or else safety could be compromised," O'Neill says. "It's obviously not feasible to crash test every aftermarket hood. But in several tests in which original-equipment hoods have been replaced by aftermarket ones, the replacement hoods have performed exactly as they should. This is to be expected because the buckle points are built in."


TOYOTA PARTS
$350.00
$300.00
$250.00
$200.00
$150.00
$100.00
$50.00
$0.00
PRICE
AVALON HEADLAMPS
AVALON CHROME GRILL
CAMRY REAR BUMPER
COROLLA ALUMINUM WHEELS
TACOMA GRILL
PARTS
MANUFACTURER'S PRICE
KEYSTONE PRICE

Difference in Cost Using
Aftermarket Parts vs. OEM Parts

TOYOTA PARTS COMPARISON					
	AVALON HEADLAMPS	AVALON CHROME GRILL	CAMRY REAR BUMPER	COROLLA ALUMINUM WHEELS	TACOMA GRILL
MANUFACTURER'S PRICE	$245.67	$155.09	$159.81	$304.64	$220.59
KEYSTONE PRICE	$95.15	$79.80	$61.75	$185.00	$91.45
PART NUMBER	8111007010	53100AC010	52159AA900	4261102140	5310035300
DIFFERENCE IN DOLLARS	$150.52	$75.29	$98.06	$119.64	$129.14
DIFFERENCE (PERCENTAGE)	61%	49%	61%	39%	59%

COMPARISON OF FORD PARTS



FORD PARTS COMPARISON

	MUSTANG HOOD W/O COBRA	EXPLORER REAR BUMPER	VAN WHEELS	F250/350 PARK SIGNAL LAMPS	PICKUP FRONT BUMPER
PART NUMBER	76ZZ16612BA	F87Z17906AA	F2UZ1007C	XC3Z13201BA	F85Z11757BA
FORD MANUFACTURER'S PRICE	$556.60	$339.07	$467.23	$60.00	$390.00
KEYSTONE PRICE	$360.60	$208.00	$255.00	$31.45	$188.75
DIFFERENCE (IN DOLLARS)	**$196.00**	**$131.07**	**$212.23**	**$28.55**	**$201.25**
DIFFERENCE (PERCENTAGE)	54%	63%	83%	91%	107%

Legislation: "The Monopoly Game"

In the early 1990s, car manufacturers tried to convince the US Congress to pass legislation that would protect them from competition. The response of the US Congress was an emphatic rejection of the proposal. Without a federally enforced monopoly, auto makers turned to state legislators to promote their cause.

In the last few years, car companies have found sponsors for legislation and several states have debated legislation that would restrict or modify the use of competitive parts. In the past 2 years alone, 40 bills that would have impacted the use of aftermarket parts were killed. Representatives, when informed on the issues, clearly see there is no reason to pass restrictive legislation and have voted to protect the concept of free enterprise. When the market is left to itself, it will adjust to consumer demand.

Benefits of Aftermarket Parts to the Consumer...

- Helps to keep insurance premiums down
- Provides an inexpensive alternative to high priced car companies' parts
- Saves consumer's vehicle from being totaled
- Provides limited lifetime warranties
- Offers extensive parts distribution-helps repair consumer's vehicle faster
- Creates competition that is always good for the consumer
- The Center for Auto Safety, National Highway Traffic Safety Administration, and the Insurance Institute for Highway Safety all agree that aftermarket crash parts are not safety related

THE CONSUMER WINS!!!

abpa

Automotive Body Parts Association
9970 NW 89th Court,
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Phone: 305-863-7564
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Email: IPDES@bellsouth.net

The History of the Aftermarket:

In search of competition

Meet the $101,335.55 Toyota Camry*

This 1999 Camry retails for only $23,263. If repaired with only OEM parts, it would cost more than 4 times the sale price.

*Source: Alliance of American Insurers Study

The Industry

Since the invention of the automobile, car manufacturers assumed they would hold a monopoly on the market for replacement crash parts such as hoods and fenders. After all, consumers had no choice but to purchase their parts from the manufacturers when involved in accidents, and to pay outrageously high prices for simple pieces of pressed sheet metal. It has been estimated that manufacturers were selling parts for as high as 800% profit margins.

As early as 1920, independent manufacturers began producing replacement parts such as batteries, windshield wipers and mufflers (e.g. Midas and Diehard). However, nothing in the collision replacement market has been initiated until 1981.

Competition

In the early 1980s, independent manufacturers started to produce replacement crash parts. Ironically, today some of these manufacturers are also contracted to produce parts for car companies.

Competition from independent manufacturers provided the consumer with alternatives to the high prices of parts. These 'aftermarket parts' sold for 20% - 50% less than the 'original equipment manufacture' or OEM parts. The auto manufacturing industry was livid. Their monopoly was gone!

AUTO MANUFACTURERS' ACTIONS

In order to counteract this loss of revenue, auto manufacturers attacked replacement parts by calling them inferior and unsafe. Where there was no competition—the arrogance of a monopoly prevailed and prices remained high. For example, the cost of a hood was more than the cost of expensive appliances such as a refrigerator with top freezer.

THE RESULT OF COMPETITION

As a result of the increase in the availability of quality aftermarket parts, usage has increased dramatically in auto body shops. Also, due to the birth of healthy competition, OEM parts prices have declined. OEM parts still cost considerably more than aftermarket parts, but they have experienced a drop in prices. Why? Simply put, they want to keep up with the competition. As a consumer, have you ever purchased a generic drug in place of an expensive name brand drug, knowing it will do basically the same thing, and pocketed the savings? That's the same concept behind the sale of aftermarket parts compared to OEM parts. The parts are functionally equivalent, cost considerably less, while the OEM parts cost substantially more.

For example, to rebuild a 1999 Toyota Camry with all OEM parts, it would cost **$101,335.55!!!** And that is just for the parts!

Henry Ford has been reputed as having said he would give his cars away if he could have a monopoly on selling replacement parts! Well sorry Henry! The independent aftermarket has created the competition that provides fair market pricing.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.

Competitive Replacement Parts

All About Automotive Aftermarket Crash Parts

Issues addressed:

- Safety
- Competition
- Quality
- Magnuson-Moss Act
- Facts vs. Fiction

INSIDE

Why Auto Manufacturers are Terrified of Aftermarket Replacement Parts

Henry Ford has been reputed as having said that he would give cars away if only he could have a monopoly selling replacement parts. This attests to the plain truth that the $12 *billion* market is serious business. And the auto manufacturers already control over 80% of the market. Considering their piece of the pie is so large, no wonder they attempt to use legislative tactics to ensure their monopoly! Auto

Mr. Ford

manufacturers falsely suggest to consumers that all competitive replacement parts are inferior; they claim that using replacement parts will void a car's

warranty; and they attack the quality, fit, and performance of these parts. They are just plain wrong!

Definitions

Aftermarket parts/ Competitive replacement parts: all sheet metal and plastic parts produced by either OEM authorized or independent sources. They represent the majority of damage in auto accidents. Also known as cosmetic parts and 'skin' of the vehicle.

CAPA parts: parts certified by an independent validating lab for the Certified Automotive Parts Association that meet standards of quality production.

Generic parts: general; not having a trademark or trade name.

OEM parts: original equipment manufacturer. Those parts are actually produced by the car manufacturer or an independent source under contract to the car manufacturer.

Genuine parts: the term car manufacturers like to give to their parts even though many times they are not the same as those used in the production line. The car companies contract out much of the production of their replacement crash parts to outside sources.

SAFETY

THERE IS NO SAFETY ISSUE

Car manufacturers love to point at safety and claim that aftermarket replacement parts are just not safe and endanger the motorist. This is simply not true.

Aftermarket crash parts are the 'skin' of a car– a car's structural reliability is not affected by these skins, just like our bodies' structural dependability rests not our skin but on our bones.

In fact, over the years crash tests performed by highly regarded unbiased safety institutes have proven the safety argument to be without bias.

INSURANCE INSTITUTE FOR HIGHWAY SAFETY AND THE THATCHAM INSTITUTE:

According to the IIHS (an independent organization), "if crashworthiness is not influenced by whether or not a vehicle's crash parts are on the car or removed, then it follows that the source of the parts are also irrelevant to the crashworthiness."*

"The fact remains that for the possible exception of hoods, the parts themselves have no safety or structural function. These parts act like one's skin: they merely cover the car."*

An IIHS 1987 30 mph "federal compliance crash test"* involving the Ford Escort reaffirmed that crash parts do not influence the crashworthiness of a car.

In 1995, an independent crash test was conducted in England by Thatchem, the Motor Insurance Repair Research Center. Thatchem used federal safety tests to prove that a vehicle's cosmetic panels make no significant contribution to the structural strength and safety of the vehicle. The conclusion was "that replacement parts do not affect the safety or structural reliability of vehicles."*

Recently, the IIHS crash tested a 1997 Toyota Camry with an aftermarket hood and a 1997 Toyota Camry with its original parts. The results were compared and the Institute reports that "both earned good crashworthiness rating according to the Institute's evaluation procedures."*

Repeatedly, the Insurance Institute for Highway Safety has stated that safety is simply not an issue. There is no basis on which to claim that safety is at risk.

The IIHS has been testing vehicles for safety and damage for decades - the safety allegations are simply unfounded.

Think about it, why would insurers continue to insure cars if they were deemed unsafe after repairs were made? That would be bad business and risk future claims payments!

Source: Vol 35 No. 2 February 19, 2000; States Report Insurance Institute for Highway Safety

"There is no reason to believe– let alone assume– that cosmetic body parts significantly affect car crashworthiness."
~ Insurance Institute for Highway Safety President Brian O'Neill

The Massachusetts Auto Damage Appraisers Licensing Board

The Board has announced that there is no "scientific evidence" to "support the conclusion that ...aftermarket parts are unsafe"

"...'skins' are components whose design or manufacture is not likely to have a significant affect on vehicle safety."
Helen Petrauskas (Ford's vice president for environmental and safety engineering)
1987

The National Highway Traffic Safety Administration:

Cosmetic, non-structural auto body parts have no safety ramifications. Crash parts are not safety related.

QUALITY

The Consumer Reports 'Test'

In February of 1999, Consumer Reports (CR) published an article reporting the

failure of aftermarket replacement parts. With an apparent bias, this article failed to accurately report the aftermarket issue and the complexity of our industry.

The article reported that a repaired hood on a 1998 Honda fractured the windshield. What the report failed to acknowledge is that the repair to the hood had been made in October 1988 - that's a *full 10 yrs.* prior to the part's alleged failure. In that same year, Ford recalled 1,183,617 of its own hoods—Consumer Reports had only one.

It should be known that the test was not done by an independent lab, but one hired by CR. Their engineers, their body shops and their lab was used in what can only be described as a biased and unscientific test.

- CR did not conduct blind test fits of parts.
- CR only tested 18 of the millions of aftermarket parts.
- No one from the aftermarket industry was present to ensure the investigations were impartial.
- CR claimed there was little safety documentation. In truth, they failed to acknowledge the Insurance Institute for Highway Safety, the National Highway Traffic Safety Administration and the DOT information available.

CIC Blind Fit Tests

The Collision Industry Conference (CIC) provides a forum for discussion on national issues that affect various segments of the collision industry.

The Parts/Airbags Committee of the CIC is charged with identifying the issues concerning parts used in collision repair, to make suggestions for improvements and to provide a forum to communicate these issues to involved parties.

In January 1999, and again in October 2000, body shop owners participated in a blind test fit and rated replacement parts as good as OEM parts! The parts were scored on their fit, finish, and acceptability

So, what do these tests prove? Simply put, they prove that aftermarket parts *are* comparable to OEMs. When bias is removed, replacement parts have scored as high or higher than OEM parts.

HOW BLIND TESTS WORK:

A blind test means that the participants do not know before-hand which part is aftermarket replacement and which is OEM. Every participant looks at the vehicle with the original parts. Then the parts are placed on the vehicle.

The method used in a blind test eliminates any hidden agenda or preconceived notion regarding the quality of aftermarket parts. The participants have no choice but to be fair – and in being fair, they rated replacement parts similar to OEMs.

Please refer to the article following this page regarding the test fits.

CollisionWeek®

Aftermarket Parts Shine Again at Latest CIC Test Fit

At the most recent Collision Industry Conference (CIC) Parts Demonstration conducted in Orlando, Florida, non-OEM parts again received better overall scores than their OEM counterparts.

The non-OEM parts received an overall acceptability rating of 74.52% while just 57.37% of the judges felt that the OEM equivalent parts would be acceptable to sell to their customers, compared to the original factory parts which scored 78.07%.

In fact, with the exception of the non-OEM side lamp's rating for finish, every non-OEM part rated in this test scored higher than the OEM equivalent for both fit and finish.

The full results of the CIC Parts Demonstration are included below.

Test Vehicle: 2001 Ford F150 pickup

PART	MANUFACTURER	CAPA CERTIFIED
Non-OEM LF Fender	Gordon	Yes
Non-OEM RF Fender	Yung Shine	Yes
Non-OEM LF Headlamp	TYC	No*
Non-OEM LF Side Lamp	TYC	No*

*CAPA does not certify lamps

PART	RESPONSES	FIT	FINISH	ACCEPT
Original LF Fender	28	2.89	3.52	64%
Original RF Fender	27	3.41	3.5	81%
Original LF Headlamp	27	3.37	3.89	88%
Original LF Signal Lamp	27	3.67	3.91	80%
OEM LF Fender33	2.94	3.36	56%	
Non-OEM LF Fender	42	3.4	3.81	61%
OEM RF Fender	44	2.89	3.22	31%
Non-OEM RF Fender	31	3.16	3.56	70%
OEM LF Headlamp	41	3.17	3.59	57%
Non-OEM LF Headlamp	30	3.37	3.64	82%
OEM LF Side Lamp	37	3.51	3.85	85%
Non-OEM LF Side Lamp	29	3.59	3.71	71%
Original Parts	27	3.33	3.71	78.07%
OEM Overall	38	3.13	3.5	57.37%
Non-OEM Overall	30	3.37	3.63	74.52%

Prior to changing parts on the vehicle, the fit of the original parts were rated. Then, the original parts were replaced with off-the-shelf non-OEM and OEM parts. Observers were unaware of the type of part they were rating. They were rated 1 to 5, 5 being the best. Reviewers were also asked, yes or no, if the parts were acceptable to sell to customers.

1/9/01

COMPETITION

In Search of Competition

Free market competition is exactly what our economy is based on. Yet, legislation has been introduced which attempts to restrict the very basis of the thriving aftermarket collision parts industry. In the early 1990s, auto manufacturers tried to get federal legislation passed that would prevent competitors from producing replacement parts. Congress rejected this plan favoring competition. Making no headway in the federal system, auto manufacturers turned to the state legislatures to promote their agenda.

Auto manufacturers are determined to retain their stronghold on this $12 billion industry by restricting fair competition. There has been no cause for safety concerns. So the only reason these auto manufacturers want to restrict the production of replacement parts is to maintain their own $9.6 billion share of the aftermarket collision parts industry. Their criticism of competitive replacement parts is directly related to their shrinking bottom line.

The OEM Roundtable was formed by the car companies to push legislation that would restrict the aftermarket's ability to compete. Their attempts to create an even bigger monopoly year after year have been squashed—yet the battle continues!!

"Aftermarket parts have a meaningful place in the repair of an automobile."
~ The Massachusetts Auto Damage Appraisers' Licensing Board (ADALB)

Auto Manufacturers' Markups

The introduction of competitive replacement parts has benefited consumers by reducing OEM prices.

Before replacement parts were available, car companies had their replacement parts marked up to unreasonable levels.

From 1968-1976 the Federal Trade Commission conducted three investigations on the car company crash parts monopoly. The conclusion was that consumers were paying too much for parts.

With the introduction of competitive crash parts, OEM's were forced to lower prices by at least 30%.

For example, with no competition, the cost of a Camry OEM fender was $253. With the introduction of a competitive fender for $104, Toyota dropped the price of its OEM fender to $144.

FORD PARTS COMPARISON

	MUSTANG HOOD W/O COBRA	EXPLORER REAR BUMPER	VAN WHEELS	F250/350 PARK SIGNAL LAMPS	PICKUP FRONT BUMPER
PART NUMBER	76ZZ16612BA	F87Z17906AA	F2UZ1007C	XC3Z13201BA	F85Z11757BA
ORIGINAL MANUFACTURER'S PRICE	$556.60	$339.07	$467.23	$60.00	$390.00
KEYSTONE PRICE	$360.60	$208.00	$255.00	$31.45	$188.75
DIFFERENCE (DOLLARS)	$196.00	$131.. .	$212.23	$28.55	$201.25
DIFFERENCE (PERCENTAGE)	54%	63%	83%	91%	107%

Prices subject to change

Source: Keystone July 2000 Crash Parts Digest and the Mitchell Collision Estimate Guide 2000.

Competition and the Consumer

In the collision repair market, the car companies control 80% of the market. The non-OEM aftermarket makes up about 15%; the last 5% is controlled by the salvage industry.

Increasingly, auto manufacturers are buying up the salvage market. Their strategy is to control the salvage yards. They encourage the totaling of an accident vehicle.

Restricting the use of competitive replacement parts destroys fair competition and creates a monopoly with cradle-to-grave control by auto manufacturers.

Imposing regulations on competitive replacement parts, manufacturers and distributors could eliminate aftermarket businesses. The resulting monopoly by automakers would mean higher prices charged for auto parts and auto repairs. This would, in turn, lead to higher insurance costs that consumers will be forced to bear.

The $101,335.55 1999 Toyota Camry

The Cost of Repairs

Even without paint and labor, a 1999 Toyota Camry would cost $101,335.55 if put back together with OEM parts! This car retails for only $23,263.

According to Kirk Hansen of the Alliance of American Insurers, the cost of replacement parts has a direct impact on the price consumers pay for auto insurance. This is so because the cost of repairing damaged automobiles accounts for 40% - 50% of insurance premiums. Expensive parts make repairs more costly and, therefore, premiums go up. Often,

vehicles that should be repaired are instead totaled because of the outrageous price for repairing with OEM parts.

Aftermarket parts are used for other mechanical repairs such as batteries, oil filters, and tires, yet there is no cause for consumer concern, nor have any objections been made by auto manufacturers to the use of these parts. They still, however, continue to criticize competitive replacement parts that have been proven to have nothing to do with safety. The only logical explanation for this is that competitive replacement parts are directly related to the auto manufacturers' shrinking profits!

Imagine, for the price of a Ford Mustang hood you can purchase an 18 cu.ft. refrigerator valued at over $500!

QUALITY

Replacement parts are functionally equivalent to OEM parts. CAPA has been testing and certifying parts since 1987. CAPA uses the same labs that auto manufacturers use to

test their parts—ENTELA Labs. These labs aid in the development of standards and the inspection of competitive replacement parts.

Amazingly, the same auto manufacturers who publicly condemn the quality of competitive replacement parts, turn around and present some of our replacement parts manufacturers with quality awards. One such example is Jui Li, a manufacturing plant in Taiwan, being awarded the 'Ford Preferred Quality Award'.

Some competitive replacement parts manufacturers have been awarded QUALITY AWARDS from OEM manufacturers such as Ford.

CAPA

CAPA oversees a testing and inspection program that certifies the quality of automotive parts used for collision repairs. CAPA ensures that parts meet quality standards for fit, component materials, and corrosion resistance.

Through the CAPA program, consumers, insurers, and repairers have an objective method for evaluating the quality of certified parts and their functional equivalency to similar parts manufactured by automotive companies.

To ensure quality of parts, CAPA tests metal composition, welds, screws, resistance to chipping and scratching and a 500-hour salt spray test.

Contrary to our competitors' statements, competitive replacement parts do not diminish the value of a car. With correct repairs, the car is restored to its "pre-accident" condition. Both the NADA and the Kelley Blue Book, authorities on cars, do not diminish the value of a vehicle based on the use of certain parts.

The CAPA Seal

The Certified Automotive Parts Association provides consumers, collision repairers, and insurers with a means of confirming the quality of crash parts through the CAPA seal.

Aftermarket Parts Do Not Invalidate the Warranty of A Vehicle

The Magnuson Moss Warranty Act

Under the Act, aftermarket parts do not void the warranty of a vehicle. Simply stated, a dealer can-

not worm his way out of a legal warranty simply because the consumer has installed aftermarket parts. No properly installed part will void the warranty of a vehicle.

What the Act Does Not Allow

There are several prohibitions under the Magnuson-Moss Warranty Act. The Act does not allow implied, "tie-in-sales" provisions, and deceptive or misleading terms.

The following is a sample tie-in sales provision that is illegal:

"In order to keep your new Toyota Avalon warranty in effect, you must use ger ine Toyota brand parts. Failure to have scheduled maintenance performed, at your expense, by the Great American Repair Company, Inc., voids the warranty."

Federal law prohibits companies from invalidating warranties for the use of generic/ aftermarket parts Magnuson-Moss Warranty Act

Conclusion

Time and time again, auto manufacturers try to confuse consumers by telling them that the installation of aftermarket parts will void their vehicle's warranty.

One such example is a Nissan ad that 'shows' body shops "How to Install a Genuine Nissan Bumper in Your Customer's Head".

The ad uses propaganda and untruths to coerce customers into using a genuine part. For example, the ad tells body shops to 'inform' the customer that "lesser quality parts may actually decrease a car's resale value".

After getting the customer furious concerning the aftermarket parts that are installed in his car, the ad concludes by telling the body shop to "sit back and let someone else do the dirty work for a change".

In following their usual contradictory routine, auto manufacturers have also issued statements contradicting their statements to consumers.

Installation of a non-genuine Ford item...does not, in and of itself, render our warranty void.

- Ford Motor Company *

These are examples of some more statements made by car companies:

Certain changes that you might make to your truck do not, by themselves, void the warranties described in this booklet. Examples of some changes are: installing non-parts, components, or equipment.

- Car Company

If a part fails due to a defect in material or workmanship not related to an aftermarket product or the labor to install it, (Car Company) would be responsible for covering the failed part."

-Car Company

*Source: www.ican2000.com

THE CONSUMER WINS

The Consumer

WHAT THE AFTER-MARKET INDUSTRY DOES TO AID THE CONSUMER

•**Lower premiums:** With the use of aftermarket parts, insurance companies don't pass on the cost of using OEM parts to consumers in the form of increased premiums.

• **Prices:** Simply put, competition keeps prices down for the consumer.

• **Cycle time:** The availability of aftermarket parts makes cycle time more efficient as customers are usually able to get their cars repaired faster.

•**Prevent a monopoly:** Since the introduction of aftermarket parts, car companies have lowered their exorbitant prices. Aftermarket parts prevent OEM replacement parts prices from skyrocketing.

•**Totaled vehicles:** Using aftermarket parts can prevent a car from being totaled and prevent the consumer from having to pay higher premiums.

•**Better Choice means Better Service:** Many car owners are looking for a cost effective, quality repair to help keep their cars on the road. Aftermarket competition allows the consumer that option.

The consumer, if 'upside down in a lease or purchase', must reach into his pocket to pay off a totaled vehicle, then again, must reach into his pocket for the down payment at the car dealer to purchase the car that will take them to work.

The Collision Repair Centers

✓ **Fix cars:** Collision repair centers are able to repair a vehicle with aftermarket parts, rather than having it totaled and receiving no business.

✓ **Car companies:** If OEM parts are used, car companies would steer repairs to their own collision repair centers, rather than the independent collision repair centers.

✓ **Designer Repair shops:** Car companies would like to stop parts competition as well as repair competition. Recent actions by car companies show their intent to take business away from independent repair shops.

✓ **Keeping business:** With the availability of aftermarket parts, collision repair centers aren't idle. Money and business flows in.

"In spite of increased public acceptance of competitive parts, the auto manufactures continue to oppose their use."

~ Robert Hurns
NAII

"...consumers have an instinctive revulsion to monopoly." [A monopoly's] effects include higher prices, restricted output, limited choice, lower quality, and wasted valuable resources."

~ JOAN CLAYBROOK
(President-Public Citizen)

QUALITY ASSURANCES/OUR MANUFACTURERS:

Many of Our Manufacturers Make Parts for Car Companies Too!

Quality Certification: QS-9000

QS-9000 is a set of Quality System requirements adopted by the automotive industry.

In 1994, Ford, Chrysler and General Motors announced that QS-9000 would immediately replace all previous supplier quality programs.

The QS-9000 system requirements include three sections. Section 1: Common requirements; includes the exact text of ISO 9001 with the addition of automotive/heavy trucking requirements.

Section 2: Additional requirements including those beyond ISO 9001.

Section 3: Customer Specific Sections; contains requirements unique to Ford, General Motors or Chrysler.

Independent manufacturers such as Fey Automotive Products Inc., TYC and Polywheels have achieved QS-9000 Certification

QS-9000:
If it is good enough for the car companies, why not good enough the for aftermarket industry?

What Does This System Mean for Quality?

Registration in the QS-9000 system means that competitive manufacturers can match their activities with those on the international level.

Furthermore, the System puts competitive manufacturers on the same level as those of auto manufacturers. Therefore, if auto manufacturers choose to criticize the process of certification or if they decide to criticize quality, they are, in effect, criticizing their own methods.

The System requires manufacturers to state what they are going to do, and then ensuring they do what they say.

This assures reliability and adherence to the same standards as those set by auto manufacturers.

This international System has been enhanced to meet the needs of the auto industry. It includes key product characteristics, unique testing requirements and validation guidelines.

The emphasis is on continuous enhancement, identification of imperfections and definitions of the appropriate procedures.

Competitive manufacturers have adopted the same standards as auto manufacturers! If auto manufacturers claim aftermarket parts are inferior, then it is only logical to also brand their parts inferior!!

Highlighting our Quality Aftermarket Manufacturers

A GREAT EXAMPLE OF QUALITY IS JUI LI, ONE AFTERMARKET MANUFACTURER THAT HAS BEEN IN THE BUSINESS FOR OVER 30 YEARS.

IN 1995, FORD MOTOR COMPANY AWARDED JUI - LI THE "PREFERRED QUALITY AWARD".

AutoLign is a US based parts producer for car companies. Unique to AutoLign is its exclusive use of OE- style tooling to manufacture products using OE quality raw materials. Parts are made in the USA.

The Automotive Body Parts Association
ABPA

There are now more than 220 members of the Automotive Body Parts Association, founded nearly 20 years ago to represent the interests of the distributors, suppliers and manufacturers of alternative collision replacement parts. Collectively, the members of ABPA operate from nearly 350 separate collision parts distribution, bumper sales and recycling facilities in North America. They are also responsible for distributing more than 75 percent of non-OEM aftermarket collision replacement parts sold to the collision repair trade.

The members of ABPA are dedicated to serving the collision repair industry by providing quality replacement parts, dependable service and fair prices. Each subscribes to a Code of Ethics which encompasses high standards of business practice on behalf of its customers and the motoring public.

Facts about this business which the manufacturer, distributor and supplier of automotive collision parts, as well as their respective customers, should continually keep in mind:

- ABPA 's members recognize their responsibility to provide the collision repair industry with Quality Products
- ABPA members warranty the products they sell with limited lifetime warranties; in many cases they are better than car companies' warranties.

This Information brought to you by the Automotive Body Parts Association

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CollisionWeek
Your Global Source for Collision Repair Industry News, Statistics, and Trend Analysis
Monday, March 5, 2001

AAIA Responds to U.S. GAO Report on Aftermarket Crash Parts

A report just issued by the U.S. General Accounting Office (GAO) should be welcome news to the aftermarket crash parts segment of the industry, according to the Automotive Aftermarket Industry Association. The report looked at the safety of aftermarket crash parts and NHTSA's role in regulating this industry segment.

After extensive research that included examining several scientific studies and conducting interviews with more than 40 trade organizations, parts distributors and vehicle manufacturers, the GAO report did not lead to any recommendations for regulatory or legislative restrictions of aftermarket crash parts, said AAIA.

"Although NHTSA has the authority to regulate aftermarket crash parts, it has not determined that these parts pose a significant safety concern and therefore has not developed safety standards for them," the report stated.

"NHTSA has been given greater powers to investigate and recall products as a result of the Firestone tire issue. I'm sure that if NHTSA detected safety problems with aftermarket crash parts, or any parts for that matter, they should and would take action," said Alfred L. Gaspar, AAIA president & CEO. "AAIA has long maintained that there is no evidence supporting car company's allegations of safety problems relating to the use of aftermarket crash parts. We're extremely pleased that the GAO report mirrors our position."

The GAO report including the following comments from NHTSA: "NHTSA has not taken action to regulate aftermarket crash parts because studies conducted to date and other data and analysis do not demonstrate that there are safety-related problems with the parts."

CollisionWeek
Your Global Source for Collision Repair Industry News, Statistics, and Trend Analysis

Tuesday, January 9, 2001

Aftermarket Parts Shine Again at Latest CIC Test Fit

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The full results of the CIC Parts Demonstration are included below.

Test Vehicle: 2001 Ford F150 pickup

Non-OEM Parts Tested	Manufacturer	CAPA Certified
Non-OEM LF Fender	Gordon	Yes
Non-OEM RF Fender	Yung Shine	Yes
Non-OEM LF Headlamp	TYC	No*
Non-OEM LF Side Lamp	TYC	No*
*CAPA does not certify lamps		

Comparative Summary

	Responses	FIT	Finish	Accept
Original LF Fender	28	2.89	3.52	64%
Original RF Fender	27	3.41	3.5	81%
Original LF Headlamp	27	3.37	3.89	88%
Original LF Signal Lamp	27	3.67	3.91	80%
OEM LF Fender	33	2.94	3.36	56%
Non-OEM LF Fender	42	3.4	3.81	61%
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Related Story
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United States General Accounting Office

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Report to Congressional Requesters

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MOTOR VEHICLE SAFETY

NHTSA's Ability to Detect and Recall Defective Replacement Crash Parts Is Limited

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Contents

Abbreviations

ARA	Automotive Recyclers Association
CAPA	Certified Automotive Parts Association
ICBC	Insurance Corporation of British Columbia
IIHS	Insurance Institute for Highway Safety
NHTSA	National Highway Traffic Safety Administration
ODI	Office of Defects Investigation
OEM	original equipment manufacturer

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United States General Accounting Office
Washington, D.C. 20548

January 31, 2001

The Honorable Byron L. Dorgan
United States Senate

The Honorable John F. Tierney
House of Representatives

The National Highway Traffic Safety Administration (NHTSA), the federal agency responsible for reducing accidents, deaths, and injuries resulting from motor vehicle crashes on the nation's highways, estimates that over 6 million automobile accidents occurred in the United States in 1999. To repair crash-damaged vehicles, consumers spent over $8 billion and bought over 61 million sheet metal and plastic body parts (including exterior fenders, bumpers, hoods, and doors). Consumers and body shops that repair crash-damaged vehicles have a choice in many instances of buying new replacement parts from either the original equipment manufacturer or other sources, commonly called aftermarket manufacturers. These aftermarket manufacturers produce their parts by copying the design of the original vehicle parts.

Concerns have been raised for many years about the quality and safety of aftermarket crash parts.[1] A number of auto manufacturers and repair shop owners argue that aftermarket crash parts are inferior to original parts and pose a possible safety risk. Conversely, many aftermarket manufacturers and auto insurers argue that aftermarket crash parts can be equal in quality to original parts, are safe, and can cost up to 65 percent less than the original equipment manufacturer's parts. Public awareness was heightened in October 1999 after judgments totaling over $1 billion were entered against State Farm Mutual Automobile Insurance Company in response to a class action complaint concerning the use of aftermarket crash parts. The trial court concluded that State Farm breached its insurance policies by requiring the use of aftermarket parts that did not return damaged vehicles to their precrash condition. The court also found that State Farm's conduct violated the Illinois Consumer Fraud and Deceptive Business Practices Act.

[1]Crash parts are generally made of sheet metal or plastic and installed on the exterior of a motor vehicle. These parts include bumper components, hoods, doors, fenders, and trunk lids. Crash parts exclude mechanical parts such as batteries, filters, shock absorbers, and spark plugs.

State Farm has appealed this decision. In light of the decision, State Farm has suspended its specification of aftermarket crash parts in repairs.

Concerns have also been raised about the safety of replacing deployed airbags with nondeployed airbags taken from old or otherwise damaged vehicles. Many maintain that the airbag is such an important safety item that only new bags produced by the original manufacturer should be used to replace deployed bags. Others contend that recycled airbags pose no safety issues when properly handled and installed and that their use can save the consumer hundreds of dollars in repair costs.

Because of potential concerns about the safety of aftermarket crash parts and recycled airbags, you asked us to provide information on

- studies on the safety of aftermarket crash parts and recycled airbags,
- NHTSA's authority over aftermarket crash parts and recycled airbags, and
- NHTSA's ability to identify and remove unsafe aftermarket crash parts and recycled airbags from the nation's roadways.

To respond to these questions, we identified and reviewed existing safety studies on aftermarket crash parts and recycled airbags; reviewed NHTSA's legal authority over aftermarket crash parts and recycled airbags; reviewed NHTSA's defect identification, investigation and recall processes; toured two crash test facilities; and interviewed representatives of over 40 government and industry organizations. Appendix I provides a detailed discussion of our scope and methodology.

Results in Brief

We identified seven studies of aftermarket crash parts or recycled airbags. Five studies examined issues relating to the safety of aftermarket crash parts, but their results do not conclusively resolve the issue of safety. One of the studies, published by Consumer Reports, concluded that aftermarket crash parts are generally of poorer quality, fit improperly, rust more quickly, and may compromise safety. Another study, conducted by Ford, stated that aftermarket crash parts are inferior to Ford genuine parts and are not of "like kind and quality." The three other studies, sponsored by vehicle insurance companies and related associations, concluded that crash parts, whether original or aftermarket, do not influence motor vehicle safety. Two studies on the safety of recycled airbags concluded that recycled airbags function within their original specifications when undamaged and properly handled and installed. Although these studies are useful, they do not

resolve the debate over the safety of aftermarket crash parts and recycled airbags because they reach different conclusions and are limited in number and scope.

NHTSA has broad authority to set safety standards for aftermarket crash parts.[2] The Motor Vehicle Safety Act provides NHTSA with the authority to prescribe safety standards for new motor vehicles and new motor vehicle equipment sold in interstate commerce—a category that includes aftermarket crash parts. Although NHTSA has the authority to regulate aftermarket crash parts, it has not determined that these parts pose a significant safety concern and therefore has not developed safety standards for them. The act also provides NHTSA with more limited authority to prescribe safety performance standards for used motor vehicles in order to encourage and strengthen state motor vehicle inspection programs. Because NHTSA may set motor vehicle safety standards for vehicle systems (like brakes and lights) as well as for an entire vehicle, the agency could elect to develop safety standards for occupant restraint systems, which could incorporate airbags, under the used vehicle provision. NHTSA has not developed such standards because it has not identified significant problems with occupant restraint systems that could be addressed by state motor vehicle inspection programs.

NHTSA's ability to identify and recall unsafe aftermarket parts is limited. The agency relies heavily on a database of complaints from vehicle owners and other concerned people to identify possibly unsafe automotive products—whether from the original equipment manufacturer or the aftermarket crash parts manufacturer. However, limitations in the database may hamper NHTSA's ability to identify trends in defects. For example, the database may contain only a small fraction of the complaints that customers make to manufacturers. In addition, aftermarket crash parts may not be identified as such in the database because consumers who complain to NHTSA may not know they have aftermarket crash parts or their complaints may not indicate that such parts are involved. Because existing studies of aftermarket crash parts do not conclusively resolve the issue of safety, NHTSA needs to have an effective oversight program that

[2]NHTSA was established in 1970 as a separate operating administration within the Department of Transportation to administer the Department's motor vehicle and highway safety programs. NHTSA carries out safety programs under the National Traffic and Motor Vehicle Safety Act of 1966 and the Highway Safety Act of 1966. The Motor Vehicle Safety Act was subsequently recodified under title 49 of the U.S. Code in chapter 301, Motor Vehicle Safety.

will detect safety-related defects, regardless of the type or source of the unsafe parts. Furthermore, even if NHTSA's database were to identify unsafe aftermarket crash parts, the agency might not be able to require manufacturers to recall them because some of these parts do not identify the product manufacturer and documentation on their purchasers is limited. Recent legislation gives NHTSA an opportunity to look at ways to improve its systems so that it will be in a better position to identify defective automotive parts and require manufacturers to recall them.

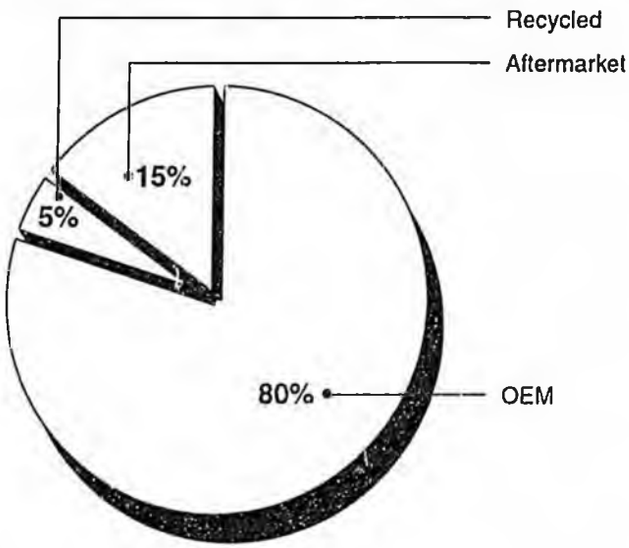
This report contains recommendations to strengthen NHTSA's ability to detect and order the recall of unsafe vehicle parts from the nation's roadways. NHTSA generally agreed with these recommendations. However, in commenting on a draft of this report, NHTSA clarified its regulatory authority over recycled airbags. We modified the report to reflect NHTSA's comments.

Background

Crash parts are generally made of sheet metal or plastic and installed on the exterior of a motor vehicle. These parts include hoods, doors, fenders, and trunk lids. Crash parts exclude mechanical parts such as batteries, filters, shock absorbers, and spark plugs. Body shops often use a mix of parts in collision repairs, but we use the term "crash parts" in this report to refer to parts used on the exterior of a vehicle. Aftermarket crash parts are the replacement automotive crash parts that are not made by the original equipment manufacturer (OEM). Many of these aftermarket crash parts manufacturers are located overseas. Recycled airbags are salvaged nondeployed airbags removed from damaged or old vehicles.

Crash parts are big business. In 1999, drivers had an estimated 6 million automobile crashes in the United States costing over 40,000 lives and about $8 billion in damage—of which $1.2 billion represents the costs of aftermarket crash parts. Overall, about 60 cents out of every dollar of automobile insurance claims is spent on repairing collision damage to vehicles. Insurance companies estimate that using aftermarket instead of OEM parts saves hundreds of millions of dollars each year. Until the mid-1980s, consumers and auto body shops could purchase new replacement crash parts only from the original automobile manufacturer. At that time, independent parts manufacturers began offering aftermarket replacement parts at substantially lower prices. Still, the crash parts industry remains highly concentrated, and OEM parts account for about 80 percent of the market. Figure 1 shows the replacement crash parts market by source.

Figure 1: Replacement Automobile Crash Parts by Source, December 2000



Source: Center for Auto Safety.

Some aftermarket crash parts are certified as to their quality. In 1987, the insurance industry funded the nonprofit Certified Automotive Parts Association (CAPA), whose objective is to ensure the quality of aftermarket crash parts. To determine the quality of these parts, the association examines a manufacturer's plant, equipment, manufacturing processes, and resulting products. If the association finds the aftermarket crash parts to be equivalent in appearance, fit, material composition, and mechanical properties to new OEM parts, it certifies the parts as functionally equivalent to OEM parts. In addition, it periodically purchases parts in the open market and checks them to ensure they meet the association's standards. According to the association, in 1999, about 35 percent of all aftermarket crash parts were certified. This represents about 5 percent of the total aftermarket crash parts market—which would include OEM, aftermarket, and recycled parts combined.

More recently, in 2000, Global Validators, an automotive quality consultant, started a new certification process directed at improving the quality of aftermarket crash parts. The Manufacturers' Qualification and Validation Program, similar to the CAPA program, is a set of guidelines that outline policies and quality management practices designed to ensure that aftermarket crash parts are equal in form, fit, function, performance,

durability and appearance to OEM parts. This program is based on the QS-9000 standard, a production quality standard developed in the automotive industry. Consumers can search an on-line database to determine if a specific part has been reviewed under the program.

At the federal level, NHTSA is responsible for reducing accidents, deaths, and injuries resulting from motor vehicle crashes. NHTSA accomplishes this, in part, by setting and enforcing safety performance standards that apply to new motor vehicles and motor vehicle equipment. Under these standards, manufacturers of motor vehicles and equipment must assure that their products comply with all applicable safety standards and certify such compliance. The federal standards are written in terms of minimum safety performance requirements for motor vehicles and equipment. Examples of standards include hydraulic brake system requirements to ensure safe braking performance, vehicle lamp requirements to provide adequate illumination, and hood latch requirements to ensure that hoods remain fastened securely.

The Motor Vehicle Safety Act requires manufacturers to inform NHTSA when a vehicle or equipment is defective or when a vehicle or equipment does not comply with an applicable motor vehicle safety standard. These requirements also apply to persons who import motor vehicles and equipment into the United States. NHTSA does not approve vehicles or equipment. Instead, federal law establishes a "self-certification" process under which each manufacturer is responsible for certifying that its products meet all applicable safety standards. The law also gives NHTSA the authority to investigate possible safety-related defects, to decide whether a defect exists, and to order a manufacturer to notify consumers and to remedy any defect.

NHTSA's process for identifying a possible defect in motor vehicles and motor vehicle equipment begins with screening the complaints it receives in its Office of Defects Investigation (ODI). Sources of complaints include a toll-free hotline, a Web page, e-mail, telephone calls, and letters. In an average year, ODI receives between 40,000 and 50,000 complaints. These complaints are entered into a complaint database, which ODI analyzes to identify potential defect trends.

When the screening identifies a potential problem, ODI opens an investigation called a preliminary evaluation. This evaluation involves notifying the manufacturer and the public and gathering information on the potential defect. If this process continues to indicate that a defect trend

may exist, the investigation moves to a second stage called an engineering analysis. In this stage, ODI analyzes the character and scope of the potential defect in more detail. This analysis may include inspections, surveys, tests, and efforts to obtain additional information from the manufacturer. If ODI continues to believe that a defect trend may exist, a panel of experts from the agency may be convened to review the data.

If the expert panel concurs with ODI, a recall request letter is sent to the manufacturer. If the manufacturer declines to conduct a recall in response to the letter, NHTSA's Associate Administrator for Safety Assurance may issue an initial decision that a defect exists and convene a public meeting on the issue. After the meeting, the NHTSA Administrator may issue a final decision and order the manufacturer to conduct a recall. If necessary, the agency will then go to court to enforce such an order. In almost all cases, the manufacturer agrees to conduct the recall without NHTSA's forcing it to do so. According to NHTSA officials, the agency opens between 80 and 100 defect investigations each year, of which more than half result in recalls. In addition, manufacturers conduct an average of 200 defect recalls each year that are not influenced by NHTSA's investigations. In 2000, there were over 385 recalls for safety-related defects affecting over 18 million vehicles.

States are also involved in the regulation of aftermarket crash parts and recycled airbags. According to the National Association of Independent Insurers, 40 states have enacted some form of legislation governing the use of aftermarket crash parts in vehicle repairs.[3] Most of this legislation is directed at ensuring that vehicle owners are aware that aftermarket parts are being used in repairs. For example, 33 states require that written repair estimates contain a disclosure statement notifying consumers that aftermarket crash parts will be used in the repair, and 8 states require the consent of the consumer to use aftermarket crash parts. Furthermore, according to the Automotive Occupants Restraints Council, New York was the only state that had enacted a law regulating the sale and installation of recycled airbags as of December 2000. Appendix II provides a summary of state law provisions covering aftermarket crash parts and recycled airbags. In addition, in early 2000, the Massachusetts Auto Damage Appraiser Licensing Board conducted two hearings to discuss the safety of OEM, aftermarket, and recycled parts used in collision repair. In September 2000, the Board voted three to two that aftermarket cosmetic parts are not exact

[3]The National Association of Independent Insurers represents about 675 insurance companies.

duplicates of OEM parts and may jeopardize the safety and value of a vehicle.

The Debate on Aftermarket Crash Parts

The debate on the quality and safety of aftermarket crash parts is highly polarized, reflecting a range of opinions on the safety of aftermarket crash parts:

- Aftermarket crash parts are unsafe. According to this position—held generally by many collision-repair associations and repair shop owners—aftermarket crash parts are inferior to OEM parts in fit and finish and are dangerous. The evidence for this argument is mostly anecdotal, although we saw aftermarket crash parts that were clearly different from their OEM counterparts.
- Aftermarket crash parts may be unsafe. According to this position—held generally by new vehicle manufacturers—the impact of aftermarket crash parts on occupants' safety is unknown. Therefore, the manufacturers recommend that only OEM parts be used to ensure that repaired vehicles perform to their original safety specifications.
- Aftermarket crash parts are safe. According to this position—held generally by insurance companies and aftermarket manufacturers—aftermarket crash parts are cosmetic only and do not affect vehicle safety.

The Debate on Recycled Airbags

The debate on the use of recycled airbags is also divided. General opinions include the following:

- Recycled airbags may be unsafe. Advocates of this position—generally OEMs, some insurance companies, and body shop owners—maintain that deployed airbags should be replaced only with new OEM airbags. Advocates of this position maintain that airbags are a vital safety feature and the potential risks of recycled airbags should preclude replacing a deployed airbag with anything other than a new airbag. Furthermore, they argue that recycled airbags do not undergo the same intensive quality checks as newly manufactured units. They add that many undetectable variables, like water damage to the airbag, could prevent a recycled airbag from deploying properly. Finally, they contend that the existence of a recycled airbag market will further increase airbag theft.
- Recycled airbags are safe. Advocates of this position—generally recycling organizations and some insurance companies—maintain that reusing nondeployed OEM airbags is a viable, economical, and safe

alternative to using new, more costly OEM airbags when the recycled airbags are properly matched, handled, and installed. The advocates add that lower-income drivers may not be able to afford to replace their airbags with new, more expensive OEM airbags. Therefore, recyclers are creating a market in which drivers can purchase replacement airbags that are 50 percent to 70 percent cheaper than new airbags.

Studies of Aftermarket Crash Parts and Recycled Airbags Do Not Conclusively Resolve Safety Issues

We identified seven studies of aftermarket crash parts or recycled airbags, but their results do not conclusively resolve the issue of safety. Five studies—one by consumer advocates, one by an auto manufacturer, and three by the insurance industry—examined the use of aftermarket crash parts. Two studies—one by the recycling industry and the other by an insurance company—focused on the safety of recycled airbags. Although these studies are useful, they do not resolve the debate over the safety of aftermarket crash parts and recycled airbags because they reach different conclusions and are limited in number and scope.

Consumer Reports Test

In February 1999, Consumer Reports published the results of its study and fueled the debate on the quality of aftermarket crash parts.[4] Consumer Reports compared OEM and aftermarket bumpers and CAPA-certified fenders for a 1993 Honda Accord and a 1993 Ford Taurus. It tested fender corrosion resistance, bumper protection, and the overall quality of the parts' fit. Consumer Reports found that CAPA-certified aftermarket fenders rusted more quickly and did not always fit properly. The report also stated that aftermarket bumpers did not fit properly and did not provide sufficient protection in low-speed collisions. The aftermarket bumpers tested, which were not CAPA-certified, shattered in a variety of tests at 5 miles per hour or less. One aftermarket bumper did not prevent damage to the Ford headlight mounting panel, radiator support, and air conditioner condenser. Another bumper allowed damage to the Honda radiator, air conditioner condenser, radiator support, and other parts. The report concluded that (1) aftermarket crash parts are inferior to OEM parts, (2) consumers are ill served by the use of aftermarket crash parts, and (3) aftermarket crash parts may influence vehicle safety. Consumer Reports' study also noted that comprehensively determining the safety of aftermarket crash parts through testing is very difficult, if not impossible. According to Consumer

[4]"Cheap Car Parts Can Cost You a Bundle," Consumer Reports, Feb. 1999.

Reports, crash testing—which would ultimately resolve questions about the safety of these parts—is very complex and expensive to conduct for all combinations of replacement crash parts and original vehicles.

Ford Test

In 1994, Ford compared its replacement crash parts to certified and noncertified aftermarket crash parts. Ford tested the parts for fit, finish, structural integrity, corrosion resistance, material composition, and dent resistance. According to the study, Ford replacement parts outperformed the aftermarket replacement parts for all quality factors. On the basis of this testing, Ford concluded that aftermarket crash parts are inferior to Ford replacement parts and are not of "like kind and quality." The Ford testing, like the Consumer Reports testing, focused on the quality, not the safety, of aftermarket crash parts.

Insurance Industry Tests

The Insurance Institute for Highway Safety (IIHS) conducted two studies of aftermarket crash parts.[5] IIHS sought to determine whether aftermarket crash parts pose a safety risk. In its 1987 study, IIHS crashed a 1987 Ford Escort without its front fenders, door skins, and grill and with an aftermarket hood installed. The Escort complied with all front-into-barrier crash test performance requirements specified in federal standards. IIHS concluded that aftermarket crash parts do not affect occupants' safety during a collision. In February 2000, IIHS released the results of a similar test with a 1997 Toyota Camry and reached the same conclusion. In that test, IIHS compared the results of a crash test of two vehicles—(1) a 1997 Toyota Camry with the front fenders, door skins, and front bumper removed and a CAPA-certified aftermarket hood installed and (2) a factory original 1997 Camry. The study found no significant difference in the performance of the two vehicles, leading IIHS to conclude that crash parts are irrelevant to safety with the possible exception of hoods. IIHS noted two possible safety-related concerns with hoods: (1) a hood latch could fail while driving, allowing the hood to fly up suddenly, obscuring the driver's view, and (2) a hood may not buckle properly during a crash, allowing it to be driven back near or into the windshield in a collision.

[5]The Institute is a nonprofit scientific and educational organization funded by automobile insurers. Its mission is to reduce the losses–deaths, injuries, and property damage—from crashes on the nation's highways.

In 1995, Thatcham—an insurance industry research facility located in England—conducted a test similar to the 1987 IIHS study.[6] Thatcham crash-tested a 1995 Vauxhall Astra with the front fenders, door skins, and front bumper removed and an aftermarket hood installed. It found that the Astra complied with all front-into-barrier crash test performance requirements specified in federal standards—consistent with IIHS' findings. The Thatcham study concluded that aftermarket crash parts do not affect the crashworthiness of a vehicle.

Recycled Airbag Tests

The Automotive Recyclers Association (ARA) funded a study in 1998 at Garwood Laboratories in California to test 196 recycled airbags and 5 new OEM airbags.[7] The study showed that 195 out of 196 recycled airbags deployed within the manufacturer's specifications. An association official stated that the laboratory pre-identified one flood-damaged airbag and was not surprised when the airbag did not deploy within the manufacturer's specifications. Thus, the association concluded that recycled airbags are a viable, economical, and safe alternative to new, more costly OEM airbags when properly handled, shipped, and professionally installed.

In 2000, the Insurance Corporation of British Columbia (ICBC) tested 136 recycled airbags from various automobiles.[8] This study sought to determine if there was any appreciable difference in deployment between factory-new OEM airbags and recycled airbags.[9] An official with ICBC stated that the study showed that there is no appreciable difference between OEM and recycled airbags when the airbags are properly replaced and have not been exposed to flood damage. ICBC expects to begin specifying that repairers use recycled airbags in early 2001. An official from ICBC stated that it expects to use only certified recycled airbags in replacing deployed units.

[6]Thatcham was established in 1969 by the British Insurance Association and undertakes a wide range of automotive research.

[7]The Automotive Recyclers Association represents approximately 2,000 automotive recyclers that provide replacement parts.

[8]The Insurance Corporation of British Columbia is a government-operated corporation and the sole automobile insurance provider in British Columbia.

[9]As of December 2000, ICBC had not issued a paper on the results of its testing.

Recycled Airbag Certification Company Tests

We identified two U.S. companies that are developing testing procedures to certify the safety and reliability of recycled airbags. Both organizations use electrical engineering and other methods to detect flood damage, foreign matter, and electronic problems. One of the companies said that it had tested 58 recycled airbags and found that the recycled airbags it tested deployed within the manufacturer's specifications. These companies said that their approaches could ensure that a recycled airbag performs within the manufacturer's specifications. Both organizations stated that the key to the safety of recycled airbags is the proper matching, handling and installation of the recycled airbags. One company has begun certifying recycled airbags, and the other plans to start certifying airbags in early 2001.

Studies Do Not Definitively Answer the Question of Safety

While the studies and tests conducted on aftermarket crash parts and recycled airbags provide useful information, they do not appear sufficient to resolve the question of whether aftermarket crash parts and recycled airbags are safe. The limited number and scope of the studies make it difficult to draw conclusions about all parts. In the studies of aftermarket crash parts, only three vehicles were crash-tested—a 1987 Ford Escort, a 1997 Toyota Camry, and a 1995 Vauxhall Astra. These vehicle models represent only a small percentage of the hundreds of makes, models, and years of vehicles on the roads today. The primary focus of the Consumer Reports study was on the quality of aftermarket crash parts, although it raised questions about their safety. The study also stated that the large number of vehicles and parts available may make it impossible to answer the safety question through testing. Although the two recycled airbag studies conducted by ARA and ICBC showed that undamaged and properly installed airbags will deploy within the manufacturer's specifications, they did not develop measures to ensure that recycled airbags are undamaged. They highlighted the need to develop testing procedures to ensure that recycled airbags are undamaged and not taken from flood-damaged vehicles.

NHTSA's Authority Over Aftermarket Crash Parts and Recycled Airbags

The Motor Vehicle Safety Act gives the Secretary of Transportation broad authority to prescribe safety standards to reduce traffic accidents, deaths, and injuries on the nation's roads. The act authorizes the Secretary to prescribe safety standards for new motor vehicles and motor vehicle equipment.[10] The Motor Vehicle Safety Act prohibits, in part, the manufacturing, selling, and importing of new vehicles and new vehicle equipment that do not comply with NHTSA's safety standards. These provisions could apply to both new OEM and new aftermarket crash parts since new parts are classified as new motor vehicle equipment. Although NHTSA has the authority to regulate aftermarket crash parts, the agency has not determined that these parts pose a significant safety concern and therefore has not developed safety standards for them. According to agency officials, the agency has not developed safety standards for aftermarket crash parts because

- testing by IIHS concluded that the use of aftermarket crash parts does not affect vehicle safety;
- problems with aftermarket crash parts tend to focus on the fit and finish of the parts, rather than on safety;
- the agency has not identified any trends in the complaints it receives about the safety of aftermarket crash parts and recycled airbags; and
- those who voiced concerns about the use of aftermarket crash parts, including manufacturers of original replacement parts, have not provided conclusive evidence that aftermarket crash parts pose a significant safety concern.

The act's provisions that apply to aftermarket parts do not apply to recycled airbags because they are used rather than new equipment. For used vehicles, the Motor Vehicle Safety Act directs the Secretary to prescribe safety performance standards for used motor vehicles, in order to encourage and strengthen state motor vehicle inspection programs. Under this provision, the agency could elect to develop safety standards for occupant restraint systems, which might incorporate airbags. NHTSA has not developed such standards because it has not identified significant problems with occupant restraint systems that could be addressed by state motor vehicle inspection programs. The agency has, however, determined that water damage can undermine the performance of airbag systems. Through its defect investigation process, NHTSA has identified several

[10]The Secretary has delegated the authority over these matters to NHTSA.

safety defects in motor vehicles that were related to the failure of the airbags to operate properly after being exposed to flood damage or the intrusion of other liquids. The resulting recalls affected over 725,000 vehicles. Several other manufacturers have recalled vehicles to address similar problems without being influenced by NHTSA's investigations. According to NHTSA officials, the agency could conduct a study of recycled airbags and, if appropriate, issue consumer warnings or issue a report to the Congress on its findings.

NHTSA's Ability to Detect and Order the Recall of Unsafe Aftermarket Crash Parts Is Limited

NHTSA has the authority to order manufacturers of replacement parts that contain a safety-related defect to recall the defective items. Manufacturers must notify owners, purchasers, and dealers of the defect and remedy the defect (either through repair or replacement) free of charge. However, NHTSA's ability to detect parts with safety-related defects is limited because the agency's database of complaints from vehicle owners and others contains only a fraction of the complaints that manufacturers receive. Moreover, even if NHTSA were to identify unsafe aftermarket crash parts, it would likely have difficulty having them recalled. Recent legislation creates opportunities for NHTSA to gather additional information needed for identifying possible defects and improve its management and analysis of vehicle safety data.

NHTSA's Complaint Database Has Limitations

An essential component of NHTSA's overall process is the agency's ability to detect safety-related defects. To decide whether to investigate a possible safety-related defect, including any relating to OEM and aftermarket crash parts, NHTSA relies heavily on its complaint database. However, this database contains only a fraction of the complaints that customers report to manufacturers. In addition, aftermarket crash parts may not be identified as such in the database because consumers who complain to NHTSA may not know they have aftermarket crash parts or their complaints may not indicate that such parts are involved.

NHTSA's ODI receives consumer complaints about possible defects in motor vehicles and motor vehicle equipment from a toll-free consumer hotline, an on-line computer Web page, e-mail, telephone calls, surveys, and letters. As of August 2000, the database contained about 400,000 complaints gathered over the last 10 years. In an average year, ODI receives between 40,000 and 50,000 complaints.

The number of complaints in the database may represent only a small percentage of all complaints being made about possible defects. For example, in September 2000, the Administrator of NHTSA testified on the investigation and recall of Firestone tires. The Administrator said that by the end of 1999, NHTSA had received 46 reports of incidents involving these tires. NHTSA did not open a defect investigation at that time because of the large number of tires in use and the variety of possible causes of tire failure. However, after press reports in February 2000 highlighted two fatalities and alluded to a number of other crashes and fatalities, NHTSA opened an investigation. After obtaining additional information from the manufacturers involved and the attendant publicity, the Administrator reported that as of August 31, 2000, NHTSA had received over 1,400 complaints. In addition, according to the former Chief of ODI's Trends and Analysis Division, the complaints NHTSA receives about safety-related defects may represent only 10 percent of all the complaints that manufacturers receive. This estimate was based on the results of past requests for information made to manufacturers after ODI had opened investigations. For example, in February 2000, ODI began an investigation of plastic door garnish moldings on 1998 and 1999 Sebring Coupe vehicles. This investigation responds to 21 consumer complaints of partial and complete detachment, some of which occurred while the consumer was driving.[11] During the preliminary evaluation phase of the investigation, ODI requested information from DaimlerChrysler Corporation and obtained 276 additional complaints that the manufacturer had received. According to NHTSA officials, the agency has made efforts over the past few years to encourage repair shops and others to report safety-related problems with either OEM or aftermarket crash parts; however, the agency has received relatively few complaints about these parts.

Aftermarket crash parts may not be identified as such in NHTSA's database because consumers who complain to NHTSA may not know they have aftermarket crash parts or their complaints may not indicate that such parts are involved. According to data supplied by the National Association of Independent Insurers, 10 states do not have any form of legislation addressing the use of aftermarket crash parts. In these states, it is not necessary to tell an owner specifically about the use of an aftermarket part in a vehicle repair or to receive the owner's consent to use the parts. Furthermore, there are no requirements for informing the purchaser of a

[11]The door garnish molding is the trim panel that attaches to the lower portion of the vehicle. It is composed of a molded thermoplastic and is 50 inches long and 14 inches high.

used vehicle that aftermarket crash parts have been used in an earlier repair. In these instances, the complainant would be unlikely to identify the defective part as an aftermarket part. In addition, in submitting a complaint to NHTSA, a complainant is free to describe the problem in any way he or she chooses. The choice of words in a complaint is important because the process NHTSA follows in identifying potential defect trends begins with a search of key words in the database. For example, we asked NHTSA to search for "aftermarket" and found six complaints that contained that term. However, complainants could have used a variety of other words to describe their complaint or might not have thought to mention the term.

Recalling Unsafe Aftermarket Crash Parts May Be Difficult

Even if NHTSA were to conclude that certain aftermarket crash parts contained a safety-related defect, its ability to recall them would be hampered because the parts do not always indicate the manufacturer and it may be difficult to identify the vehicles on which the parts were used.

According to Consumer Reports, many aftermarket crash parts are essentially invisible to NHTSA's complaint and recall system, mainly because the parts have no manufacturer's name stamped on them. During our review, we also saw several aftermarket crash parts that did not carry the manufacturer's identification. However, the extent to which parts are unlabeled is unknown. Taiwan Auto Body Parts Association officials stated that, since 1994, nearly all of the aftermarket crash parts its members manufacture are stamped with the manufacturer's name and a production lot number.[12] Furthermore, according to a CAPA official, the aftermarket parts certification process requires manufacturers to mark each part with the manufacturer's name and production lot number to facilitate identification and recall if necessary. However, CAPA recognizes that its certified parts represent only a third of all aftermarket crash parts and some noncertified parts do not indicate the manufacturer.

Even if the manufacturers of aftermarket parts were clearly identified, little information exists on the purchasers of those parts, making the recall process difficult. When automotive manufacturers recall vehicles, they rely on information they obtained when the vehicles were purchased and on registration records maintained by state departments of motor vehicles to identify and locate vehicle owners. With aftermarket crash parts, however,

[12]The Taiwan Auto Body Parts Association represents nearly 40 Taiwan-based aftermarket crash parts manufacturers.

this information is typically not available. Vehicle owners may purchase aftermarket crash parts at automotive retail stores and install the parts themselves, or body shops may install aftermarket parts that they obtained through parts distributors. In either instance, it is unlikely that the owners of vehicles with unsafe aftermarket crash parts could be specifically identified because it is unlikely that shops or distributors would maintain the information needed to locate the owners of the unsafe parts. Consequently, it would be necessary to recall unsafe aftermarket crash parts using a broad-based approach similar to a consumer product safety recall. Under this approach, public announcements are made to alert consumers to the product's safety-related defect. NHTSA officials recognize that it would be very difficult to identify and recall aftermarket crash parts using this approach.

Recent Legislation Identifies Weaknesses in NHTSA's Ability to Identify Safety-Related Defects

The Firestone tire recall, together with the subsequent congressional investigations and legislative initiatives, focused attention on weaknesses in NHTSA's regulatory and enforcement program. Likewise, congressional oversight reports expressed concerns about the effectiveness and efficiency of NHTSA's process of gathering and analyzing data on vehicle defects and initiating investigations and recalls. The Transportation Recall Enhancement, Accountability, and Documentation Act was signed into law in November 2000. In addition to requirements specifically addressing tires, the act sought to increase NHTSA's legal authority, improve its regulatory programs and access to safety information, and increase its funding levels by $9.1 million. For example, the act requires manufacturers to report to NHTSA safety recalls of their products (which would include OEM and aftermarket crash parts) in other countries, increases civil penalties, and establishes criminal penalties for persons who knowingly violate the act. The act also requires NHTSA to conduct a comprehensive review of all standards, criteria, procedures, and methods, including the data management and analysis systems it uses to open a defect or noncompliance investigation.

Conclusions

The validity of concerns about the use of aftermarket crash parts and recycled air bags has been debated for many years. As a result, a number of states have enacted legislation to ensure that vehicle owners are aware that aftermarket crash parts are being used in repairs. Existing studies on the safety of aftermarket crash parts and recycled airbags show mixed results, are limited in number and scope, and fail to resolve the debate. Although NHTSA has the authority to regulate aftermarket crash parts, the agency

has not developed safety standards for them because it has not determined that any aftermarket crash parts contain safety-related defects. NHTSA has more limited authority to regulate the use of recycled airbags. NHTSA could elect to develop safety standards for occupant restraint systems under the used vehicle provisions of the Motor Vehicle Safety Act. These standards could apply to systems containing recycled airbags, but the standards would apply to the restraint system as a whole and not to its individual components. NHTSA has not developed such standards because it has not identified significant problems with occupant restraint systems that could be addressed by state motor vehicle inspection programs.

Absent a comprehensive study that resolves the issue of safety, NHTSA is left to rely on its complaint system to identify possible safety-related defects in aftermarket crash parts and recycled airbag systems. However, NHTSA's defect identification and recall system has limitations. The key database used to identify unsafe parts contains only a small fraction of the complaints received by manufacturers. Apparently, many vehicle owners are either unaware of NHTSA's complaint program or choose not to participate in it. In addition, aftermarket crash parts may not be identified as such in the database because consumers who complain to NHTSA may not know they have aftermarket crash parts or their complaints may not indicate that aftermarket parts are involved. These limitations may hamper NHTSA's ability to detect safety-related trends through broad key-word searches of its complaint database and make it unlikely that NHTSA can identify all unsafe parts. In addition, the ability to recall unsafe aftermarket crash parts is limited because some parts are not stamped with the manufacturer's name and there is no trail leading from the manufacturer to the ultimate user of the part. Therefore, even if an aftermarket part were found to contain a safety-related defect, the product might have to be recalled using a broad-based announcement similar to a consumer product safety recall.

The two studies on the safety of recycled airbags that we identified concluded that they can be a potentially safe, economical alternative to new airbags as long as they are undamaged and properly handled and installed. However, the failure of some flood-damaged air bags to deploy correctly also demonstrates the potential for serious safety consequences. Resolving the safety issues associated with using recycled airbags is important because it appears likely that their use will grow, especially if the Insurance Corporation of British Columbia begins specifying their use in early 2001.

The recently enacted Transportation Recall Enhancement, Accountability, and Documentation Act gives NHTSA an opportunity to improve its systems for detecting and recalling defective products. It provides NHTSA with the authority to require additional data from manufacturers and others that it can consider in determining the need to initiate an investigation. In addition, the act's provisions requiring a comprehensive review of all standards, criteria, procedures, and methods used to open a defect or noncompliance investigation give NHTSA an opportunity to improve its processes for identifying potentially unsafe parts.

Recommendations for Executive Action

The Secretary of Transportation should direct the Administrator of the National Highway Traffic Safety Administration, as part of the legislatively required review, to consider taking the following actions:

- Identify additional sources of information to include in the agency's complaint database. This might include obtaining additional data from manufacturers and insurance companies.
- Heighten consumers' awareness of NHTSA's complaint reporting system with the goal of increasing consumers' participation.
- Investigate the safety of using recycled airbag systems, particularly those taken from flood-damaged vehicles, and determine if any action is appropriate concerning their use.

Agency Comments and Our Evaluation

We provided copies of a draft of this report to the Department of Transportation for its review and comment. We discussed the report with NHTSA officials, including the Associate Administrator for Safety Assurance, the acting Chief Counsel, and the Director of the Office of Defects Investigation. They emphasized that NHTSA has statutory authority to issue standards only if they would meet the need for motor vehicle safety and to seek recalls only if there is evidence that particular products made by a specific manufacturer contain a safety-related defect. They added that NHTSA has not taken action to regulate aftermarket crash parts because studies conducted to date and other data and analyses do not demonstrate that there are safety-related problems with the parts. They also maintained that NHTSA does not have statutory authority to regulate recycled airbags. They indicated that their authority over used vehicles is limited to prescribing standards applicable to used motor vehicles for the purpose of encouraging and strengthening state inspections of those vehicles. As a result, NHTSA can issue performance-based standards for

used vehicle inspections, but cannot differentiate between new or used individual parts or the history of those parts. We revised this report to reflect NHTSA's comments on its authority over recycled airbags. NHTSA also provided other technical clarifications and information, which we incorporated in the report as appropriate.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies of this report to the Honorable Norman Y. Mineta, Secretary of Transportation and the Honorable Robert Shelton, Acting Administrator of the National Highway Traffic Safety Administration. We will also make copies available to others on request.

If you have any questions about the report, please contact me at (202) 512-2834. Key contributors to this report were Samer Abbas, Bert Japikse, David Lehrer, John Rose, and Glen Trochelman.

Sincerely yours,

Phyllis F. Scheinberg

Phyllis F. Scheinberg
Director, Physical Infrastructure Issues

Scope and Methodology

To determine whether any studies have been conducted on the safety of aftermarket crash parts and recycled airbags, we conducted a literature search using the Internet, periodicals, trade journals, and Lexis/Nexis. To identify additional studies, we interviewed federal, state, and industry experts. At the federal level, we interviewed officials from the National Highway Traffic Safety Administration's (NHTSA) Office of Defects Investigation, Office of Regulatory Analysis and Evaluation, Office of Vehicle Safety Compliance, and Office of Vehicle Safety Research. At the state level, we interviewed officials from New York and Ohio. To gain an industry perspective, we interviewed representatives from organizations representing manufacturers and distributors of aftermarket and original equipment manufacturers' parts, collision repair shops and collision repair specialists, consumer advocacy groups, insurance providers, and vehicle safety experts. (A complete listing of the organizations we contacted appears at the end of this appendix.) In addition, we met with representatives of eight collision repair shops located in Illinois and Massachusetts to obtain their views on the safety and quality of aftermarket crash parts and recycled airbags. Illinois was selected because it was the site of the State Farm case and Massachusetts because the Massachusetts Auto Damage Appraisers Licensing Board recently conducted two hearings to discuss the safety of original, aftermarket, and recycled parts used in collision repair.

To determine the extent of NHTSA's authority over aftermarket crash parts and recycled airbags, we reviewed applicable legislation, regulations, program guidance, and other documentation on NHTSA's vehicle safety process and procedures. We also interviewed officials in NHTSA's Office of Defects Investigation, Office of Regulatory Analysis and Evaluation, Office of Vehicle Safety Compliance, Office of Vehicle Safety Research, and Office of General Counsel to gain an understanding of NHTSA's rules, regulations, policies, and procedures.

To determine NHTSA's ability to identify and remove unsafe aftermarket crash parts and recycled airbags from the nation's roadways, we reviewed NHTSA's policies and procedures for identifying safety-related defects. We reviewed consumer complaints on aftermarket crash parts contained in NHTSA's complaint database and reviewed the data and reports on the complaints. We also gathered information on the actions NHTSA has taken with respect to the safety of aftermarket crash parts. To identify potential ways to improve the effectiveness of NHTSA's safety program, we interviewed NHTSA officials, industry associations, and consumer advocacy groups.

We did not analyze the accuracy or quality of the over 400,000 complaints contained in NHTSA's database because such an analysis was beyond the scope of our review. We performed our review from June 2000 through January 2001 in accordance with generally accepted government auditing standards.

Organizations Interviewed by GAO

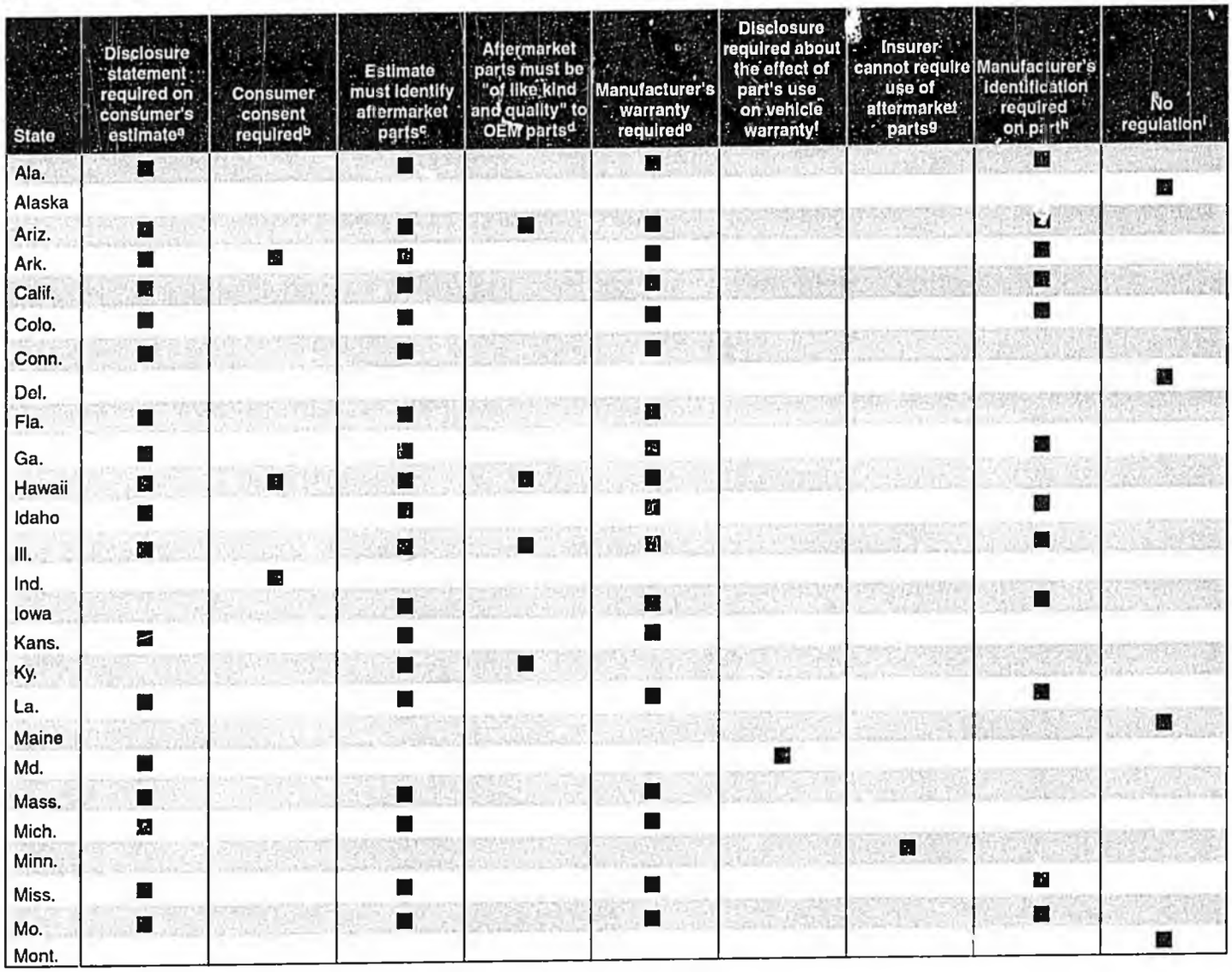
Aeromotive Automotive Electrical Engineering Field Services
Airbag Testing Technology, Inc.
Alliance of American Insurers
Alliance of Automotive Manufacturers
American Insurance Association
Auto Body Parts Association
Automotive Aftermarket Industry Association
Automotive Occupant Restraints Council
Automotive Engine Rebuilders Association
Automotive Parts Rebuilders Association
Automotive Recyclers Association
Automotive Service Association
California Autobody Association
Center for Auto Safety
Certified Automotive Parts Association
Coalition for Auto Repair Equality
Consumer's Union (Consumer Reports)
DaimlerChrysler Corporation
Detroit Testing Laboratories
Eagle Automotive, Inc.
Entela Laboratories
Ford Motor Company
General Motors Corporation
Insurance Corporation of British Columbia
Insurance Institute for Highway Safety
Keystone Automotive Industries, Inc.
Massachusetts Auto Body Association
Massachusetts Auto Damage Appraisers Licensing Board
Mitsubishi Motors America, Inc.
National Association of Independent Insurers
National Association of Mutual Insurance Companies
Nationwide Insurance companies
New York State Department of Motor Vehicles
Nissan North America, Inc.
North Star Automotive Group

Ohio Board of Motor Vehicle Collision Repair Registration
Specialty Equipment Manufacturers Association
Society of Collision Repair Specialists
Taiwan Auto Body Parts Association
Tech-Cor, Inc.
Toyota Motor Sales, U.S.A., Inc.
USAA Property and Casualty Insurance
Volkswagen of America, Inc.

State Legislation Governing Aftermarket Crash Parts and Recycled Airbags

Forty states have enacted some form of legislation governing the use of aftermarket crash parts in vehicle repairs, according to data supplied by National Association of Independent Insurers. According to the association's data, of the 40 states with existing legislation, 90 percent (36 states) require that repair estimates identify each aftermarket crash part used in the repair, and about 83 percent (33 states) require that the repair estimate disclose that aftermarket crash parts are being used in the repair. A manufacturer's warranty is required by 68 percent (27 states), and about 58 percent (23 states) require a manufacturer's identification on any aftermarket crash parts used. The provisions that the states have enacted vary but can be grouped in nine categories. Figure 1 summarizes the states' aftermarket crash parts legislative provisions.

Figure 2: State Aftermarket Crash Parts Legislative Provisions as of November 2000



State	Disclosure statement required on consumer's estimate[a]	Consumer consent required[b]	Estimate must identify aftermarket parts[c]	Aftermarket parts must be "of like kind and quality" to OEM parts[d]	Manufacturer's warranty required[e]	Disclosure required about the effect of part's use on vehicle warranty[f]	Insurer cannot require use of aftermarket parts[g]	Manufacturer's identification required on part[h]	No regulation[i]
Ala.	■		■		■			■	
Alaska									■
Ariz.	■		■	■	■			■	
Ark.	■	■	■		■			■	
Calif.	■		■		■			■	
Colo.	■		■		■			■	
Conn.	■		■		■				
Del.									■
Fla.	■		■		■				
Ga.	■		■		■			■	
Hawaii	■	■	■	■	■				
Idaho	■		■		■			■	
Ill.	■		■	■	■			■	
Ind.		■							
Iowa			■		■			■	
Kans.	■		■		■				
Ky.			■	■					
La.	■		■		■			■	
Maine									■
Md.	■					■			
Mass.	■		■		■				
Mich.	■		■		■				
Minn.							■		
Miss.	■		■		■			■	
Mo.	■		■		■			■	
Mont.									■

State	Disclosure statement required on "consumer's estimate"[a]	Consumer consent required[b]	Estimate must identify aftermarket parts[c]	Aftermarket parts must be "of like kind and quality" to OEM parts[d]	Manufacturer's warranty required[e]	Disclosure required about the effect of part's use on vehicle warranty[f]	Insurer cannot require use of aftermarket parts[g]	Manufacturer's identification required on part[h]	No regulation[i]
Nebr.	■		■	■				■	
Nev.									■
N.H.	■		■	■				■	
N.J.	■		■	■	■			■	
N.Mex.									■
N.Y.			■	■	■				
N.C.	■		■	■					
N.Dak.									■
Ohio	■	■	■		■			■	
Okla.	■		■		■			■	
Oreg.		■	■		■	■		■	
Pa.									■
R.I.	■	■	■						
S.C.									■
S.Dak.	■		■		■			■	
Tenn.	■		■		■			■	
Tex.		■							
Utah	■		■		■			■	
Vt.									■
Va.	■		■			■			
Wash.	■		■			■			
W.Va.	■		■						
Wis.	■		■		■			■	
Wyo.	■	■	■	■				■	
Total	33	8	36	10	27	4	1	23	10

[a]Some states require that written repair estimates contain a disclosure statement notifying consumers that aftermarket crash parts will be used in the repair.

[b]Some states specify that aftermarket crash parts can only be used after the consumer has signed a written consent for their use.

[c]Some states require that written repair estimates contain a detailed listing of any aftermarket crash parts that will be used in the repair.

[d]Some states require that any aftermarket crash parts used must be comparable in kind and quality to original equipment parts.

[e]Some states require that the manufacturers of aftermarket crash parts provide a written warranty covering each part used in the repair.

[f]Some states require that consumers be notified when the use of an aftermarket crash part will change the terms of their vehicle warranty.

[g]Some states require that insurance companies give consumers the option of using either aftermarket or original equipment crash parts in the repair.

[h]Some states require that all aftermarket crash parts used in a repair indicate the manufacturer of those parts.

[i]Some states have no aftermarket crash parts legislation.

Source: National Association of Independent Insurers.

According to an Automotive Occupant Restraints Council official, only New York had laws governing the sale and installation of recycled airbags. New York requires that each recycled airbag be certified according to standards established by an approved, nationally recognized testing, engineering, and research body.[1] On May 2, 2000, the New York Supreme Court for Albany County granted a preliminary injunction concerning the requirement that all recycled airbags be certified before installation. The judge determined that, since there was no existing way to certify recycled airbags, it was impossible to abide by the law. The New York State Department of Motor Vehicles has since begun reviewing one company's recycled airbag certification procedures to determine whether the procedures address the concerns of the court.

[1]New York Consolidated Laws, chapter 71, section 415-c.

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