

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1332

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Date

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1332

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1332

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 2-05-03

Tape Number	Side A	Side B	Meter #
2		XX	19.5 -- end
3	XX	XX	0.0 -- end
4	XX		0.0 -- 25.0

Committee Clerk Signature *Judith Hammer*

Minutes: **Chairman Kelsor:** Open hearing on HB1332.

Jack Gillis, Ex. Director, CAPA: I am the author of the Car Book Testified in support of HB1332. (SEE ATTACHED) Please look over the material I am leaving for you. We want to reduce the cost of crash parts to consumers. We want to assure consumers have quality parts. I urge you to vote for competition and quality. I know North Dakotans will want competition and will greatly benefit from passage of this bill.

Rep. Kasper: How does the insurance department determine an independent third party certifier is qualified?

Jack: I believe the bill outlines the specific set of requirements that the insurance department can use to evaluate those certification organizations that present themselves.

Rep. Kasper: What liability potential is there for the ND Insurance Dept and the state of ND if an independent third party certifier is determined in a court of law to have been negligent to have improperly certified parts and there was a terrible accident and law suit?

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Jack: I am not sure what the liability would be. Usually it first goes to the manufacturer. Then it goes to the certifier and they are liable if proven that they did not do their job. I am not a lawyer.

Rep. Kasper : What liability does a company that says it is an independent third party certifier face if found negligent in court of law?

Jack: That entity needs to be held fully accountable and fully liable.

Rep. Ekstrom: What other states have this and what effects?

Jack: This is being introduced around in various states. ND is the first in the USA that specifically has hearings on a bill like it. I don't know what is going to happen. I can say that the insurance departments in Iowa and D.C. are looking at the exact same concept from a regulatory standpoint.

Chairman Keiser: CAPA certifies the parts, so CAPA benefits somehow. How does CAPA separate itself in the certification process? Who does the testing independent from you?

Jack: There are two components to an independent third party certifier. We are required to find an independent validator. Secondly, we ourselves have to comply with certain standards. Last year we were approved by the American National Standards Institute. We have to submit to a rigorous set of standards for certifiers. This process protects consumers so that they are assured quality.

Barbara Ulbrich, State Farm Ins.: testified in support of HB1332.(SEE 5 ATTACHMENTS)

Rep. Kasper: How much do you estimate your rates for ND auto policy owners will go down?

Barbara: I don't think any insurance can guarantee what that number would be. We can guarantee, however, that if this monopoly continues, those rates will keep going up.

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Rep. Thorpe: If this bill passes, when shops go through a parts catalog, can they find enough certified parts to complete a repair job?

Barbara: This bill does not prohibit the use of non-certified parts

Jack Gillis: Excuse me, I think I can answer that question. Insurance companies decide what parts are going to be used. Some use only OE, some will use OE and certified parts, some use the cheapest available. For those insurance companies which use only CAPA certified or certified parts and if there weren't any certified available, the shop's only recourse would be to use the car company parts. If the insurer stipulates to use the cheapest parts, then the insurer wouldn't be getting the benefit of this particular piece of legislation because they wouldn't have the assumption that the parts are of like kind and quality. This forces everybody without requiring it to do the right thing. You are right, there are relatively few certified parts in the marketplace. We trust that will be an incentive to make the parts certifiable. The car company wins, they get the sale.

Barbara: There are some amendments to be introduced that regard notification of certified and non-certified parts.

Chairman Keiser: Yes, they've been handed out. So, in summary, there are three general areas: quality, liability issues and price.

Barbara: We've done lots of tests to determine like kind and quality.

Eileen Sottile, Government Relations Keystone Automotive, appeared in support of HB 1332.

(SEE ATTACHED)

Rep. Thorpe: Keystone's after-market parts, do they meet or exceed the gauge of the metal of manufacturer's parts?

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Sottile: We warranty our parts to be free of defects. They are functionally equivalent of manufacturer's parts.

Rep. Dosch: Is the warranty for just the part or replacement thereof? How about labor costs?

Sottile: Allowances are made for labor. If distributors send a part out and there is a problem, the labor and incidentals like car rentals are covered on a case by case basis. That's negotiated at the local shop.

Chairman Keiser: Reverse engineering, what is the quality of that? Is the resulting part different? And the hood studies? And the blind tests? Do you have that data?

Sottile: We internally track our quality issues and have only a 2.5% return ratio. I have that information you're asking about and I'll get copies for your committee.

As there was no one else present to testify in support of HB 1332, **Chairman Keiser** called for testimony in opposition of HB 1332.

Jim Kylie requested that attendees who had signed in on the roster but not necessarily with the intent to present either oral or written testimony be allowed to introduce themselves. Car dealers, salesmen, mechanics and auto body repair shop owners from round the state were in attendance.

(SEE ATTACHED COPY OF SIGN IN ROSTER SHEET)

Gary Thune, lobbyist for General Motors, introduced Bill Holden and Bob Clark, employees of General Motors.

Jim Kylie, Manager of State Affairs for Alliance of Automobile Manufacturers, testified that his association opposes this legislation and recommends that the committee reject the proposal. Liability of quality currently lies with parts manufacturers, both OEM and after market

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parts. The Alliance believes that the interest of all parties involved in collision repair including consumers, are best protected when those consumers are fully aware of their replacement options.


Scott Sjol, 1st Vice President of North Dakota Auto Body Association, appeared in opposition to HB 1332, (SEE ATTACHED) He stated that the failure rate for OEM parts is 1 out of 1000. Conversely, the failure for the 25% of the after market parts he uses is 1 out of every 4 or 5. This bill ties repair shops' hands for quality and affects their credibility. HB 1332 will rubber-stamp after market parts to OEM's. If this bill passes, consumer/customer choice is eliminated.

Chairman Keiser: Can you adjust labor costs when you have to make adjustments if and when after-market parts cause problems? Is there a significant difference in engineering standards between certified parts?

Sjol: Absolutely not. We can't adjust labor charges. They're all ready set. Some companies don't really care if a part is certified or not. Yes, there are numerous things that can be wrong with after market parts.

Bob Lamp, representing the North Dakota Automobile Dealers Association, testified in opposition to HB 1332. He expressed concerns about the warranty of these parts as mentioned in the bill. He asked for clarification on who handles dissatisfaction. As for generally accepted guidelines and certified crash parts being updated, he inquired about the guidelines and who monitors that activity regarding the weekly update He stated that there are other conflicting statements within the legislation. The notification section does nothing to inform the consumer on which parts were used in the repair. His chief concern refers to the section that deals with

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leased and financed vehicles. Does legislature want the government to be in the business of regulating commerce?

Steve Schwan, Schwan Pontiac Buick, urged a Do Not Pass on HB 1332. "There are few warranties for non-OEM parts manufacturer, if you can locate the manufacturer after you put them on. We face increased liability by being forced to use non OEM parts because they are of poor quality and lack integrity. The ratio of satisfied customers with OEM parts is nearly 100%. With non-OEM parts, satisfaction diminishes greatly. My main concern is for the customer, the taxpayers of North Dakota."

Rep. Kasper: Have you compared entire costs for repairing extensive exterior damage for a vehicle? Using after market parts versus OEM parts?

Schwan: Non OEM's are cheaper, but there are so many other problems that come along with using them. The damaged titles etc.

Rep. Zaiser: Have you done a dissatisfaction survey? Do you have data?

Schwan: My own customers could provide good data for you. My technicians are the experts.

Rep. Boe: Does using after market parts void manufacturers warranties?

Schwan: I'm not the person to ask that. Maybe someone from General Motors can give you the right answer.

Robert Clark, General Motors, We warrant our vehicles when repairs are made with General Motors parts through our dealers. If done outside our dealership, there's no warranty on those parts or repairs.

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Rep. Dosch: Is there a difference between the pure after market part and the certified after market part? Is there a quality difference between the two? Wouldn't it be better to certify them rather than none whatsoever?

Schwan: There aren't a lot of certified parts around. The certification thing is a bureaucratic cover up.

Rep. Severson: Do any of the major auto manufacturers have after market parts?

Schwan: We order directly from General Motors. I don't know if they have after market parts.

Patrick McGuire, testified in opposition to HB 1332 (SEE ATTACHED) I practice law in Chicago, specializing in insurance coverage litigation. This bill doesn't address what happens if someone has to make a claim on their own policy rather than someone else's. Third party claimants are told how something is going to be fixed. There is no recourse for a policy holder. Auto body shops bear the liability of trying to get the parts to fit. Modifying these parts increases that liability. The insurance company gains but the auto body shop dealer bears the liability. I understand there is no sovereign immunity in your state. This bill represents a general watershed shift in insurance law. With the presumption of like "kind and quality", this takes the insurance companies' burden and places it on the consumer to prove the opposite. And the mention of customer notification only addresses the body shop and distributors, not the consumers. There needs to be a provision which clearly defines the warranty issue. This bill is *defective* for its contents and deletions. You can't legislate quality.

Rep. Ekstrom: Who brought you here to testify? It's apparent that you've spent considerable time examining this bill and preparing your testimony.

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McGuire: General Motors offered to pay my expenses out here. This is what I do and also, this is such a deficient law, it's easy to find flaws.

Robert Clark, General Products Manager for General Motors Corporation, offered written testimony in opposition to HB 1332. (SEE ATTACHED)

Rep. Zaiser: Does General Motors recall any cars or parts as defective?

Clark: Oh we recall many vehicles.

Rep. Severson: There's quite a spread of cost variances. Is that a qualifying thing or is it an issue involving mark up? Does General Motors job out any of its manufacturing on a contract basis?

Clark: Our prices reflect the quality of what goes into our parts, the costs of our distribution system, etc. We do both. The majority of our sheet metal is produced in house. Headlights are typically produced by suppliers that follow our guidelines and can demonstrate that they meet our quality standards and specifications. We own the tools for those parts, the only parts that come out of those tools belong to us and we distribute them.

Chairman Keiser called for rebuttal testimony for those in support of HB 1332.

Gillis: We are attempting to get a VCR in here so that the committee can view the videotape that will give you a first hand look at the quality of car company parts. I've been an automobile safety advocate for 25 years. What I've heard today from these car dealers and car companies is beyond belief. Of all the products we buy, the automobile generates the most complaints. I'd be happy to provide a list of the types of recalls these quality conscious companies have been forced acknowledge by virtue of the recall program. In one year, car companies had to recall more cars than they actually sold. And they are coming to you and saying, "Trust us. We are the epitome of

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quality". Go up to your Attorney General's office and take a look at who is complaining about the quality of products sold in this state. And then there is the warranty issue. Guess what? Consumer advocates had to go state by state to get lemon laws because the auto manufacturers wouldn't stand behind their warranties. Consumers couldn't get recourse. And yet they are audacious enough to come here and tell you that there is something special about car company warranties that can't be replicated by other product manufacturers. Look at the Consumer's Union article distributed here today. They ought to check in with GM and Ford who were told, in no uncertain terms, by Consumer's Union not to reproduce it.

However, look at the recommendations.

1. They support the goals of CAPA.
2. CAPA ought to make changes in their program, which we did, the vehicle testing program
3. CAPA ought to certify bumpers

That's hardly a lack of support of the certified program.

And our board? We're proud of our board. If these parts don't work for collision repair, we have failed. We got as many repairers as possible who know the industry to serve on our board. Our chairman is the former president of the largest collision repair association in the U.S. Another member is a past chair of that same group. Their names are Jerry Catchiatti (spelling?) and Bob Anderson. The President of the California Auto Body Association will soon be the chairman of our technical committee. So let's not have any implication that collision repairs are intimately involved in the standards. Every single change in the CAPA program has been instigated by collision repairs. Someone here suggested that insurance companies should decide the quality of

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the parts rather than an independent certifier. As a consumer advocate, I oppose that. They can't test parts. This country has turned to independent certification to protect consumers time and time again. Finally, there's a dynamic that must be understood. The implication is that the insurance company is trying to ramrod poor quality parts down the throats of the American consumer. The fact is, the insurance industry didn't even know this industry existed until collision repairers started buying these parts in record numbers. In 1976, when competitive parts were first introduced, insurance companies were clueless. They realized in the mid-80's that a huge market had been created. It wasn't until the insurer said to collision repairers, "What are these boxes with Chinese writing on them?" "Oh these are the parts we use. We save a lot of money." Under pressure, the insurance companies said, "Let us in on this." Suddenly repairers said, "We can't do that, these parts are no good, they are unsafe, they're shoddy, they rust, they don't fit." Each year, millions of dollars of these parts are purchased. One quarter of the vehicle fleet in this country has an after-market part in them. That's 61,000,000 cars. I'm sensitive to consumer complaints. If one quarter of the cars on the roads had complaints, shouldn't we be outraged? How about the Edsel, the Pinto, the Corvair? I respectfully ask you to keep this marketplace open, foster competition, that will ensure better quality. There's an opportunity here to legitimize this industry, to take a step forward, insist on quality standards. North Dakota consumers will be the winners. Thank you.

Barbara: (rebuttal) There are a few things to address. There is not a safety with these parts. The D.O.T. has not developed safety standards for generic parts. The studies show that these generic parts don't affect equipment safety. What would a liabilities lawsuit the department of insurance be about. This issue is kind of like a red herring to be honest. The Department of Insurance

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regulates insurance solvency. If an insurer becomes insolvent, is the Department of Insurance sued? No. If a building in ND burns down, is the department involving safety sued? No. Another issue is DV (diminished value). There is the allegation out there that the use of after market parts has diminished value. The NEDA book, that is widely used, does not discount for after market parts. Auto auctions don't discount for the use of after market parts. They look at the general condition of the vehicle to determine value.

Eileen: (rebuttal) I want to address warranty. The buck stops here. As distributors, we warranty parts for lifetime or limited lifetime. These are published for consumers and body shops. We could not stay in business if we sold bad parts in the market place. In terms of backing up the parts, it is in our best interest to do exactly that and we do that across the county.

Chairman Keiser: Those opposing this bill have time for rebuttal.

Gary Thune: (Lobbyist and testifying in Opposition) Certified after market body parts should not be given the leverage of this legislature in the market place. They will remain in the market place. They will have to compete. This bill would remove State Farm from the line of fire and would put ND in the line of fire. Legislators can't be sued for legislating, but the state of ND does not have sovereign immunity from torque liability. The warranty people are going to be hard to track down in this bill. Very vague with how "or" is being added. ND Insurance Dept is clearly on the hook here. They are required within 30 days to approve if a third party certifier is found to be appropriate, trained, qualified, and within sufficient facilities to certify these part to give them a distinctive advantage in the market place. I asked the ND Insurance Dept. if they understood the qualifications. They said, no, they are pretty vague. I asked if they had people on board. They did

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not know what I was talking about. I said, like engineers who can figure out the complex things that are involved. They have no engineers. Please leave competitive business to itself.

Jeff Pfau, Pfau Bros. Auto Body-New Rockford, (testifying in opposition) My shop is myself and one employee. I run the tow truck, talk to customers, order the parts, check parts in, and work on the parts. I rarely have to return a part (OM). Generally, we return 20-25% none OEM parts. Another problem is recall. GM does recall parts. Vehicles come in. CAPA decertifies parts. Go to their web site and there is a list where parts are decertified by lot number every month. Somehow, the fenders have been decertified every month. If I put that Honda fender on a car, and it is decertified for what ever reason, and the owner finds out. Who is he going to come after? I am the guy who is in his face. The fender is made in Taiwan, and he is out of reach. Insurance companies have lots of lawyers and can fight forever. I am the little guy and will be in trouble. Vote no.

Jeremy Orth, Fishers Motors-Minot: (Testified in opposition) I am representing the consumer end of this. This bill will hurt the resale value of fixed cars.

Larry Hatzenbuhler, Stan Puklich-Bismarck: opposed. We are talking about these parts being cosmetic. That is false. We are forced to use lots of after market doors. A door is a safety component. I would never consider putting an after market door on my daughter's car. Don't let them fool you.

As there was no one else present to testify, **Chairman Keiser** closed the hearing on HB 1332.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1332

House Industry, Business and Labor Committee

Conference Committee

Hearing Date February 11, 2003

Tape Number	Side A	Side B	Meter #
1		X	2735-end
2	X		0-2660
Committee Clerk Signature <i>Elizabeth R. Fisher</i>			

Minutes: **Chair Keiser:** Opened discussion on HB 1332. Discussed amendments and gave handouts concerning ANSI. The insurance department is comfortable with the language.

Rep. Froseth: Wanted to know if this would control insurance costs. Rep. Keiser said that if the part is certified and warrantied, then insurance premiums would be lowered. If they aren't certified, the customer bears the cost.

Rep. Ekstrom: Remembers "substantial equivalent" on the original amendment. Where is that language. Rep. Keiser said it was a definition issue. "Substantial equivalent" is only used in patent law.

Rep. Thorpe: How is the state going to enforce this? Should there be a big fiscal note for enforcement? Rep. Keiser said the insurance department receives the complaints and they did not feel they would get additional complaints concerning this issue.

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Rep. Kasper: What type of warranty is with these parts? Can we describe minimum standards or the length of time? Can we make the warranty equivalent to the original parts warranty? Rep. Keiser did not know.

Rep. Nottestad: What position are we putting mechanics in if the part is uncertified. Will it be listed as certified? Rep. Keiser said that yes, they will be listed as certified.

Rep. Severson: Do we know how many companies are ANSI certified? Rep. Keiser did not know for sure, but every company can be if they meet the standards.

Rep. Ruby: Is CAPA certified (Certified Auto Parts Assoc.)? Yes. They have a 3rd party certify their parts (Intella).

Rep. Kasper: Do we have a credibility problem then if the parts do not work? Rep. Kasper read the fax from Stephen Oesch concerning replacement parts and safety.

Rep. Ruby: Talked to a mechanic back home and they said their is a 30% failure rate on the fit of AMP. The only time they had problems with OEM parts is when there was shipping damage.

Rep. Thorpe: Why is ND the first state in the nation to look at this bill? Rep. Keiser said there are two other states looking at it as well. Testimony from Mr. Holden of GM said that NCOIL tabled this issue. That is true. But originally it was a DP. FL, MI, OH, and TX then flew their legislators in and caused the table motion.

Rep. Kasper: AMP have never gone through studies or crashes to show their parts are equivalent. Rep. Keiser said that if you are ANSI certified, it shows the parts are comparable.

Rep. Severson: Once you mandate something, it's not cheaper. If you have to ANSI certify, the costs may go up.

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Rep. Thorpe: Fails to see where consumers are going to have a better repair job. Agrees with Rep. Severson that costs may go up.

Froseth moved to pass amendment .0103. Seconded by Rep. Severson.

Vote: 14 Yes 0 No 0 Absent and not voting.

Rep. Boe: Explained amendment .0104. Rep. Klein moved to adopt amendment. Seconded by Rep. Boe.

Rep. Ruliy: Questioned if an AMP part is available 2 years after the car is made. Rep. Boe said that some models do not change body type for years and parts are interchangeable.

Rep. Keiser: Worried because ND has a damage title law. If a car is damaged, the parts go into the claim. This has a huge impact on resale value. You can not even ask for an AMP because of the value going down with the damage title.

Vote: 9 Yes 5 No 0 Absent and not voting.

Rep. Thorpe moved DNP as amended. Seconded by Rep. Severson.

Rep. Kasper: Where do we stand in current law if this does not pass? Rep. Keiser said insurance companies can use any part they want. No customer notification is required, to his knowledge, by current law. Believes this bill will reduce costs. This is a policy issue to create "like kind and quality."

Rep. Klein wanted to friendly amend Boe's amendment. Friendly amendment to Rep. Boe's amendment to read, "Unless the customer consents, in writing, to use after-market parts" at the very end of the amendment.

Vote on bill as amended:

Vote: 9 Yes 5 No 0 Absent and not voting. Carrier: Dosch

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30531.0103
Title.

Prepared by the Legislative Council staff for
Representative Kelser
February 11, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1332

Page 1, line 18, remove "The"

Page 1, remove lines 19 through 22

Page 2, line 1, after "4." insert ""Independent third-party certifier" means a person not affiliated with any car company or noncar company manufacturer of aftermarket crash parts which inspects, tests, and validates aftermarket crash parts as being equivalent to or exceeding original equipment manufacturer parts in terms of fit, finish, quality, and performance.

5."

Page 2, line 4, replace "5." with "6."

Page 2, line 7, replace "6." with "7."

Page 2, line 10, replace "is a certifying" with "shall register with the insurance commissioner. To be eligible to register, an independent third-party certifier must be accredited by the American national standards institute and have accreditation to all international organization for standardization guides for laboratories, products certification, quality system registration, and standards development."

Page 2, remove lines 11 through 31

Page 3, remove lines 1 through 5

Page 3, line 7, after "certified" insert "by a registered independent third-party certifier"

Page 3, line 8, after the boldfaced period insert "An insurer that requires a policyholder to repair a damaged motor vehicle with certified aftermarket crash parts shall warranty the certified aftermarket crash parts."

Page 3, line 15, remove "manufacturer or distributor of the parts and/or an"

Page 3, remove lines 20 through 25

Renumber accordingly

Date: 2/11/03
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1332

House INDUSTRY BUSINESS & LABOR Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Amendment . 0103

Motion Made By Froseth Seconded By Severson

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	✓		Boe	✓	
Vice-Chair Severson	✓		Ekstrom	✓	
Dosch	✓		Thorpe	✓	
Froseth	✓		Zaiser	✓	
Johnson	✓				
Kasper	✓				
Klein	✓				
Nottestad	✓				
Ruby	✓				
Tieman	✓				

Total (Yes) 14 No 0

Absent _____

Floor Assignment Dosch

If the vote is on an amendment, briefly indicate intent:

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Dennis Hallmark
Operator's Signature

10/3/03
Date

30531.0104
Title.

Prepared by the Legislative Council staff for
Representative Keiser
February 11, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1332

Page 3, line 7, after the period insert "However, the sole source of like kind and quality parts for a motor vehicle less than two years old is new original equipment manufactured replacement crash parts."

Renumber accordingly

Page No. 1

30531.0104

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Deanna Hallworth
Operator's Signature

10/3/03
Date

Date: 2/1/03
Roll Call Vote #: 2

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1352

House INDUSTRY BUSINESS & LABOR Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DP. 0104

Motion Made By Klein Seconded By Boe

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser		✓	Boe	✓	
Vice-Chair Severson		✓	Ekstrom	✓	
Dosch	✓		Thorpe		✓
Froseth	✓		Zaiser	✓	
Johnson		✓			
Kasper	✓				
Klein	✓				
Nottestad	✓				
Ruby		✓			
Tieman	✓				

Total (Yes) 9 No 5

Absent 0

Floor Assignment _____

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Dennis Hallmark 10/3/03
Operator's Signature Date

30531.0105
Title.0200

Adopted by the Industry, Business and Labor
Committee

February 12, 2003

VK
2/12/03

HOUSE AMENDMENTS TO HOUSE BILL NO. 1332 IBL 2-13-03

Page 1, line 1, replace "six" with "five"

Page 1, line 4, replace "Six" with "Five"

Page 1, line 18, remove "The"

Page 1, remove lines 19 through 22

HOUSE AMENDMENTS TO HB 1332 IBL 2-13-03

Page 2, line 1, after "4." insert ""Independent third-party certifier" means a person not affiliated with any car company or noncar company manufacturer of aftermarket crash parts which inspects, tests, and validates aftermarket crash parts as being equivalent to or exceeding original equipment manufacturer parts in terms of fit, finish, quality, and performance.

5."

Page 2, line 4, replace "5." with "6."

Page 2, line 7, replace "6." with "7."

Page 2, line 10, replace "is a certifying" with "shall register with the insurance commissioner. To be eligible to register, an independent third-party certifier must be accredited by the American national standards institute and have accreditation to all international organization for standardization guides for laboratories, products certification, quality system registration, and standards development."

Page 2, remove lines 11 through 31

HOUSE AMENDMENTS TO HB 1332 IBL 2-13-03

Page 3, remove lines 1 through 5

Page 3, line 7, after "certified" insert "by a registered independent third-party certifier" and after the period insert "However, the sole source of like kind and quality parts for a motor vehicle less than two years old is new original equipment manufactured replacement crash parts unless the customer consents in writing to use aftermarket parts."

Page 3, line 8, after the boldfaced period insert "An insurer that requires a policyholder to repair a damaged motor vehicle with certified aftermarket crash parts shall warranty the certified aftermarket crash parts."

Page 3, line 15, remove "manufacturer or distributor of the parts and/or an"

Page 3, remove lines 20 through 25

Renumber accordingly

Page No. 1

30531.0105

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Donna Hallworth
Operator's Signature

10/3/03
Date

Date: 2/11/03
Roll Call Vote #: 3

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1332

House INDUSTRY BUSINESS & LABOR Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DNP as a amend

Motion Made By Thorpe Seconded By Severson

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser		✓	Boe		✓
Vice-Chair Severson	✓		Ekstrom		✓
Dosch	✓		Thorpe	✓	
Froseth	✓		Zaiser	✓	
Johnson	✓				
Kasper	✓				
Klein		✓			
Nottestad	✓				
Ruby	✓				
Tieman		✓			

Total (Yes) 9 No 5

Absent 0

Floor Assignment Dasch

If the vote is on an amendment, briefly indicate intent:

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Deanna Hallmark 10/3/03
Operator's Signature Date

REPORT OF STANDING COMMITTEE (410)
February 13, 2003 9:04 a.m.

Module No: HR-28-2534
Carrier: Dosch
Insert LC: 30531.0105 Title: .0200

REPORT OF STANDING COMMITTEE

HB 1332: Industry, Business and Labor Committee (Rep. Kelsner, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (9 YEAS, 5 NAYS, 0 ABSENT AND NOT VOTING). HB 1332 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "six" with "five"

Page 1, line 4, replace "Six" with "Five"

Page 1, line 18, remove "The"

Page 1, remove lines 19 through 22

Page 2, line 1, after "4." insert "'Independent third-party certifier' means a person not affiliated with any car company or noncar company manufacturer of aftermarket crash parts which inspects, tests, and validates aftermarket crash parts as being equivalent to or exceeding original equipment manufacturer parts in terms of fit, finish, quality, and performance.

5."

Page 2, line 4, replace "5." with "6."

Page 2, line 7, replace "6." with "7."

Page 2, line 10, replace "is a certifying" with "shall register with the insurance commissioner. To be eligible to register, an independent third-party certifier must be accredited by the American national standards institute and have accreditation to all international organization for standardization guides for laboratories, products certification, quality system registration, and standards development."

Page 2, remove lines 11 through 31

Page 3, remove lines 1 through 5

Page 3, line 7, after "certified" insert "by a registered independent third-party certifier" and after the period insert "However, the sole source of like kind and quality parts for a motor vehicle less than two years old is new original equipment manufactured replacement crash parts unless the customer consents in writing to use aftermarket parts."

Page 3, line 8, after the boldfaced period insert "An insurer that requires a policyholder to repair a damaged motor vehicle with certified aftermarket crash parts shall warranty the certified aftermarket crash parts."

Page 3, line 15, remove "manufacturer or distributor of the parts and/or an"

Page 3, remove lines 20 through 25

Re-number accordingly

2003 TESTIMONY

HB 1332

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Dorinda Halliwell
Operator's Signature

10/3/03
Date

PROPOSED AMENDMENTS TO HB 1332

Page 1, lines 19-22, remove everything after "shall" and replace with "provide a warranty equivalent to or exceeding the car company warranty"

Page 2, line 12, remove commas, insert "or" between "owned" and "operated," and remove "maintained"

Page 3, line 8, remove "In all instances the written estimate prepared by the insurer or the repair"

Page 3, remove line 9

Page 3, line 10, remove "identified by automated processes or through the manufacturer's warranty."

Page 3, line 13, after "or" insert "on the use of" and after "certified" insert "or noncertified"

Page 3, line 18, after "certified" insert "or noncertified"

Renumber accordingly

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Deanna Hallworth
Operator's Signature

10/3/03
Date

HB 1332

ISSUES:

1. Quality- "Like Kind & Quality"
2. Warranty - Where does the insured go for satisfaction:
 - Auto Body Shop
 - Insurer
 - Insurance Commissioner
3. ND's Liability
 - Not different than approval
 - Process with Insurance Companies
4. Notification - Written
 - Use of after market
 - Warranty
5. Selection of certifiers
 - ANSI approved
 - Any entity which becomes ANSI approved automatically
is eligible (not limited to CAPA)
6. Safety
7. Hard market - premium

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10/3/03
Date

ALL

Testimony of
Jack Gillis, Executive Director
Certified Automotive Parts Association

Presented to the
North Dakota
House Committee on Industry Business and Labor
on
House Bill 1332

February 5, 2003

My name is Jack Gillis; I am the Executive Director of the Certified Automotive Parts Association. I also serve as Director of Public Affairs for the Consumer Federation of America and am author of The Car Book, which is prepared in cooperation with the Center for Auto Safety. I appear today on behalf of the Certified Automotive Parts Association, better known in the industry as CAPA.

CAPA is a non-profit organization, which oversees a testing and inspection program that certifies the quality of parts used for the auto body crash repairs. CAPA's goal is simple and straight forward: **To promote price and quality competition in the crash parts industry, thereby reducing the cost of crash repairs to consumers without sacrificing quality.** CAPA simply establishes standards for competitive parts in order to ensure their equivalency to car company parts and provide consumers, collision repair shops, part distributors and insurance companies with an objective method of evaluating their functional equivalency. CAPA is modeled after the Underwriter Laboratories certification program that has been fundamental to the establishment of local building codes throughout the country. As elected officials you would never consider allowing electrical systems in public buildings that did not meet certification standards. As consumers you depend on the certification of electrical appliances. CAPA provides the same protections for consumers regarding the quality of parts used to repair cars after an accident.

In the past, when CAPA has appeared before North Dakota legislative committees, it has been to oppose bills that would restrict the use of aftermarket crash parts in order to protect the car company crash parts monopoly. The debate over the use of aftermarket crash parts has raged on in the industry and state legislatures for more than 15 years. Now a group of your colleagues has made a thoughtful, consumer oriented decision, to introduce and sponsor House Bill 1332. This bill protects

Page 1 of 5

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Operator's Signature

10/3/03
Date

consumers from both the ravages of a car company parts monopoly and poor quality parts. Rarely are legislators provided opportunities to protect consumers without undo hardship on the market. HR 1332 provides that opportunity.

House Bill 1332 supports natural forces at work in the free market. It mandates nothing and it restricts nothing. It establishes a powerful incentive for insurance companies to direct the use of certified or car company aftermarket parts in collision repair. It establishes a presumption that certified aftermarket parts are of like kind and quality to car company parts. It encourages the natural economic force of price and quality to drive the market. Because certified aftermarket parts are more reasonably priced than car company parts, insurance providers use them to reduce the cost of crash repairs and the resulting insurance premiums that pay for those repairs. Quality is assured because the parts are certified to publicly available standards that have been developed by legitimate, independent and certified third party standard setting organizations—organizations approved by the American National Standards Institute. To insure the quality of certification, this bill requires that certification organizations meet standards themselves for parts to be acceptable in North Dakota.

As a consumer advocate, I have spent nearly 15 years developing the CAPA certification program in order to protect American consumers from a car company parts monopoly. When you and I go shopping we need and want choices, for example:

- In the supermarket, we choose between house brand and the more expensive name brand products—imagine the cost of a pound of sugar if the grocery store did not offer the house brand next to Domino's.
- In the drugstore, we choose between expensive Bayer aspirin and the house brand CVS painkiller—knowing that both have been approved as effective by the FDA.
- Even when we get the battery replaced in our car, who would want the only choice to be a \$200 battery from the Ford dealer instead of the \$79 Sears Diehard version

I am here today to ask you not only to give consumers true choice in the marketplace, but to protect them from one of the biggest secret monopolies in the American marketplace and from poor quality crash repair parts. About 80% of the

Page 2 of 5

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Operator's Signature

10/3/03
Date

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%.

We consumers are paying a hefty price for that monopoly: Consider the hood for a '94 Ford Taurus, which costs about \$400. Compare that to a TV/VCR made by RCA which costs about \$150. Ford charges nearly three times as much for a simple stamped piece of metal as something that requires complex assembly and has hundreds of parts. And on top of that all you have to do is plug it in! You'll have to pay another \$400 for someone to paint and install the hood! Ford can charge whatever it wants for its hood because they are the only one's selling it.

Now let's look at what happens when competition enters the parts market:

- A '99 Ford Taurus left fender costs \$175 from Ford, the certified aftermarket version is \$96.
- A '98 Dodge Neon hood costs \$320 from Chrysler, but only \$164 for a certified version of the part.
- A Ford '95 Escort left fender costs \$158—the certified aftermarket \$54.

The presence of certified replacement parts in the market helps to drive down the price of car company parts and forces them to improve their quality.

By passing House Bill 1332 you have a chance to break up this monopoly and stack the cards in favor of competition, fair prices and good quality. Not passing this bill, which is what the car companies want you to do, essentially establishes them as the benchmark for quality. That, you can be sure, would not be appreciated by North Dakota consumers.

CAPA oversees the type of testing and inspection program called for in the bill that certifies the quality of parts used for auto body repairs. CAPA certified parts may only be manufactured in factories that meet our rigid quality standards. These manufacturers must pass a detailed review and inspection of their factory and manufacturing processes. We evaluate the tooling, assembly, painting and inspection processes to ensure that the manufacturer is capable of producing aftermarket parts

Page 3 of 5

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Deanna K. Bell
Operator's Signature

10/3/03
Date

equal to, or better, than car company parts.

Once the factory has been approved, the company can submit individual parts for certification. Each of these parts are tested for material content, weld strength, finish, paint adhesion, and corrosion resistance, and are examined to ensure that they include markings identifying the manufacturer. Finally, each part is subjected to our unique vehicle test fit program to insure an accurate fit. Only parts that comply with all of CAPA's standards are allowed to apply a CAPA Quality Seal. Each seal has a unique, traceable number and a special tab that can be removed to enable the repair shop to maintain a permanent record of the use of the part.

During CAPA's critical test fit program, CAPA takes precise measurements of the car company service part, originally installed car company part, and CAPA parts. Detailed records are made of these measurements, as well as their fit and appearance quality.

CAPA has conducted over 1900 of these test fits and 50% of the car company brand service parts failed to meet CAPA standards for fit and appearance. Take a look at some of the things we found {present video}.

The bottom line? We all need to beware of using car companies as a benchmark of quality. North Dakota consumers know better.

Those who oppose House Bill 1332 may argue that the state of North Dakota does not need another bureaucracy to manage this program. We agree. In fact, because the bill calls for an independent, third party standard setting organization North Dakota does not need an organization to manage the program. This is the same model states have used hundreds of times in, for example, building codes that require minimum standards for electrical equipment. North Dakota does not have to test or oversee the testing of electrical equipment; instead the state relies on OSHA or UL requirements.

Clearly there are two important issues facing this committee: Protecting consumers from a car company monopoly and protecting them from poor quality parts.

House Bill 1332 provides you with a vehicle to foster competition, encourage fair prices, stimulate quality improvements, protect consumers from shoddy parts, and control crash repair costs and their impact on insurance premiums.

Page 4 of 5

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Deanna Hallworth
Operator's Signature

10/3/03
Date

I urge you to vote for competition and quality. I am confident that North Dakotans will not only welcome competition, but benefit greatly from your efforts.

Page 5 of 5

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10/3/03
Date

Good afternoon, Mr. Chairman, members of the committee. Thank you for allowing me the opportunity to speak to you today. My name is Barbara Ulbrich. I am in-house counsel for State Farm Mutual Automobile Insurance Company.

State Farm supports the Certified Aftermarket Crash Parts Bill, as originally introduced. We believe that this Act is a significant piece of legislation that helps ensure that shops use quality, competitive generic parts. State Farm suspended our practice of specifying the use of generic parts in vehicle repairs in 1999 because we were concerned about the confusion created by the finding in the Avery case, which we're appealing. So why does State Farm support this bill? This bill helps stimulate competition among parts makers and stimulates competitive pricing for quality parts. Quality, certified parts would be considered to be of like kind and quality parts.

You all know that State Farm was sued in Illinois over the use of generic parts in a class action lawsuit called Avery v. State Farm. You probably want to know something about that case. It is now on appeal to the Illinois Supreme Court and we expect a decision some time mid-year.

This suit was filed in a southern Illinois county after the plaintiffs attorneys had shopped the case around to several different trial courts where the judges refused to certify it. In Avery, the plaintiffs alleged breach of contract and violation of the Illinois Consumer Fraud Act. The trial court found in favor of plaintiffs and awarded nearly \$1.2 billion in damages. The appellate court in Illinois reduced the judgment

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Barbara Ulbrich
Operator's Signature

10/3/03
Date

by \$130 million, but left standing the trial court's other finding and the remainder of the judgment.

The Avery case is a class action lawsuit and is out of the mainstream of most generic parts lawsuits filed in other courts. There have been at least 12 other class action suits filed against various insurers involving the use of generic parts in 12 different jurisdictions. In each of these cases, the trial judge refused to certify the class of plaintiffs and the cases were dismissed.

State Farm is appealing Avery for several reasons. The first relates to the issue of class certification which is a very important procedural juncture in class action litigation. To certify a class, a trial judge must make several findings relative to the practicability of bringing the entire class into court, the adequacy of representation by the named plaintiff, and whether there is a common interest among the group in questions of law and fact. In this case, the trial court conditionally certified the class of plaintiffs BEFORE State Farm even was served, preventing State Farm from raising early objections to class certification.

Second, when the plaintiffs' attorneys made their case to the trial judge that he ought to "certify" the class - they told the trial court at they'd prove that "all" generic parts were inferior. However, at the end of the trial, when they submitted the case to the jury, the plaintiffs' attorneys argued that their burden was only to demonstrate that it was "more likely than not" that "some" generic parts were inferior. In fact the

plaintiffs' attorney didn't show the jury a SINGLE generic part that was inferior during the 8 week trial.

State Farm is also appealing because in a breach of contract case, the plaintiff must prove that there was a breach and that he/she was damaged by that breach. Plaintiffs' attorney did not present any evidence that any plaintiffs was harmed - physically or financially - by State Farm's specification of a generic part on an estimate.

State Farm is also appealing because we were not allowed to present important pieces of evidence to the jury, such as savings to our policyholders from the specification of quality generic parts. In 1997 alone, the ability to specify generic parts saved our policyholders \$234 million - almost a quarter of a billion dollars - in premiums. State Farm is a Mutual Company; we're owned by our policyholders so savings are ultimately passed on to our policyholders. Without generic parts on the market, the car company manufacturers have a monopoly on auto parts and are able to set prices.

State Farm has seen that without competition from generic parts, the price of crash parts has risen. Also, the numbers of total losses has increased because when more costly car company parts are specified, it become infeasible economically to repair vehicles. During the month immediately following our decision to suspend the use of quality generic parts, the cost for parts was \$60 million more than expected.

State Farm hopes to be in a position in the future to once again specify quality generic parts on vehicle repair estimates. The Certified Aftermarket Parts Bill before you would help assure consumers – insurance consumers, repair consumers, body shop technicians – that quality generic parts are available. An independent third party certifier – registered by the Insurance Commissioner – would assure consumers that a/m parts placed on their vehicles pass muster in terms of quality.

Monopoly and Competition – Why not table this bill? Some of you may think that this bill doesn't let the forces of competition simply work this problem out. You know that the car companies hold about 80% of the parts market; aftermarket parts manufacturers hold about 15% and salvage parts comprise 5%. Materials from the Alliance of Automobile Manufacturers state that OEM's "do not sell collision parts under other brands. OEM's distribute these parts exclusively through their dealer networks who act as a vital link in meeting consumer needs." In other words, it's OEM brand name power that is at stake. At one point car companies wanted to "copyright" their parts designs. They failed to obtain a copyright.

The type of part that is addressed by this bill is not a complicated piece of equipment such as an engine or the computer system of a vehicle nor are they safety components such as airbags. These are non-mechanical parts made of sheet metal, plastic, fiberglass on the exterior of the motor vehicle including an outer panel, hood, fender, door, trunk lid, bumper cover, and the like. Except arguably for the hood, there is not a safety issue with these parts. In a report to Senator Dorgan, the federal General

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10/3/03
Date

Accounting Office stated in 2001 that the Department of Transportation has not developed safety standards for aftermarket crash parts because testing by Insurance Institute for Highway Safety concluded that the use of aftermarket crash parts does not affect vehicle safety. The agency has not identified any trends in the complaints it receives about the safety of aftermarket crash parts and those who voice concerns about the use of aftermarket crash parts, including the car companies, have not provided conclusive evidence that aftermarket crash parts pose a significant safety concern.

Unlike brand name power, certification by a valid, independent third party certifier is not a 'SHIELD'. It is transparent – standards are available to the public. Independent certification should be transparent and meaningful – it should be a true test of quality. It should involve objective standards, actual testing, and inspection. This bill gives the state the power to review and register an independent third party certifier and have the ultimate power to decide whether the certification by the independent third party meets the standards set forth in the bill.

The bill also provides for Notification to the consumer that generic parts have been specified on his or her repair estimate. This is an important provision because the consumer has the ultimate decision as to what type parts are placed on his vehicle. Some ask if policyholders know that their policy provides for Like Kind Quality parts. When we specified generic parts on estimates, our agents explained the policy language regarding Like Kind Quality at the time of policy purchase. In North

Dakota, the average State Farm policyholder has a claim once every 5-6 years; policyholder may not recall those conversations with their agents that occurred when they bought the policy.

Some ask why not let the consumer have the choice of an OEM ONLY policy? Some insurance companies do write and sell auto policies that provide for vehicle repair with car company parts only. Rob Hovland testified here two years ago that his company, Center Mutual, has such a policy, but that he had sold only about 3 of those policies. At State Farm, we do not have such a policy. At the time of policy purchase, we feel that too many variables prevent a true choice because some makes and models do not have aftermarket parts available. Other may have them available in a different year. But if a consumer truly wants an OEM only policy, if he shops around, he will find one in North Dakota.

You may hear some question whether independent third party certifiers can be independent of relations and ties to insurance companies. It is true that insurance companies supported CAPA – like they supported Underwriters Laboratories – from CAPA's inception to ensure quality. Insurers and a few shop owners support CAPA with technical expertise in the development of standards and financial assistance. However, insurance companies don't test the parts and insurance companies don't place certification seals on the parts. Representatives of auto body associations, distributors, and consumer advocates sit on CAPA's board. If there is a concern whether the third party certifier is independent, then that is within the purview of the

Demetrius Hall
Operator's Signature

10/3/03
Date

Insurance Commissioner to determine. The Insurance Commissioner is not a dupe; he is bright, skeptical, and demanding. In stimulating competition in terms of quality, you also stimulate competition in terms of pricing. The fact is that without the competition of generic parts, as I said earlier, the market responds. During the one month period alone immediately after we suspended using generic parts, the cost for parts was \$60 million more than expected.

Some may criticize this bill saying that it amounts to an unfunded state mandate. It does not amount to an unfunded state mandate because State Farm expects that those making registration as an independent third party certifier would willingly pay a sufficient charge for the appropriate level of review by the Department of Insurance.

Some may accuse insurance companies of specifying or wishing to specify generic parts solely because we want to save money. At State Farm, we are a mutual company which means that we are owned by our policyholders and that cost savings from the use of quality generic parts are passed along, back to our policyholders. In fact mid year 2000 we returned \$3.7 million to North Dakotans in auto dividends. Unlike body shops or car companies, State Farm has a continuing, contractual, and hopefully long term relationship with our policyholders here. In North Dakota, State Farm currently has over 95,000 auto policies in force. Our policyholders do not ask to pay higher auto premiums and so specifying high quality, affordable, generic parts serves our policyholders - your constituents - well. We believe this bill will

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10/3/03
Date

encourage competition, give consumers notice of whether a generic aftermarket part is a quality part, and will help keep repair costs and therefore premiums down.

Again thank you for your time today. We urge you to pass this legislation as originally introduced.

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Deanna Halliwell
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MANDATING A CAR PARTS MONOPOLY

Published: Sunday, October 10, 1999
Section: EDITORIAL
Page: 22

It didn't take long for State Farm to blink after a Downstate jury awarded plaintiffs \$456 million in damages because the insurance company used cheaper "aftermarket" parts to replace the fenders and bumpers of policyholders' cars after accidents.

State Farm says it will appeal the verdict. But in the meantime, it's going to suspend the use of such parts to prevent "customer confusion and concern over its auto repair estimates."

No doubt that is a sound business decision. But make no mistake: This is no victory for consumers. It means the monopoly enjoyed by the car makers over replacement parts will be restored. Insurance rates will go up and car repair costs will go up because, with no competition, there will be nothing to restrain the pricing of these parts.

The whole aftermarket parts industry surged in the last decade, as insurers and consumers sought alternatives to the high cost of fixing damaged cars using only parts supplied by the automakers. They had a monopoly and could charge pretty much whatever they wanted. Aftermarket hoods, bumpers, fenders and the like--all elements of the so-called outer shell of cars--now account for about 15 percent of a "crash parts" market the American Insurance Association estimates to be about \$9 billion a year.

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At issue in the class-action lawsuit heard in Downstate Marion was State Farm's practice of ordering body shops to use these generic parts--on average 40 to 50 percent cheaper than those made by the car manufacturers. Deception was not an issue: The company disclosed that aftermarket parts would be used in repairs and gave its customers the option of paying more to get the car maker parts.

State Farm argued the aftermarket parts are safe and sound, result in few customer complaints and saved policyholders \$234 million in 1997. The plaintiffs said they don't fit, they aren't safe and they hurt cars' resale value.

The plaintiffs argued that it is impossible to restore a car to pre-crash condition unless parts of "like kind and quality" are used, and that the only parts that qualify are those made by the car makers. The jury bought this argument.

If this verdict is upheld, insurance rates at State Farm, the nation's largest auto insurer, will certainly go up. As a mutual insurance company, it is owned by its policyholders and higher costs ultimately are passed along as higher rates. But this lawsuit is only one of half a dozen or so similar suits against other insurance companies, and thus has implications for everyone.

Competition is the lifeblood of the American economy. It acts as a brake on higher prices and a spur to better quality. This verdict eliminates the competition and mandates the monopoly. It is wrong.

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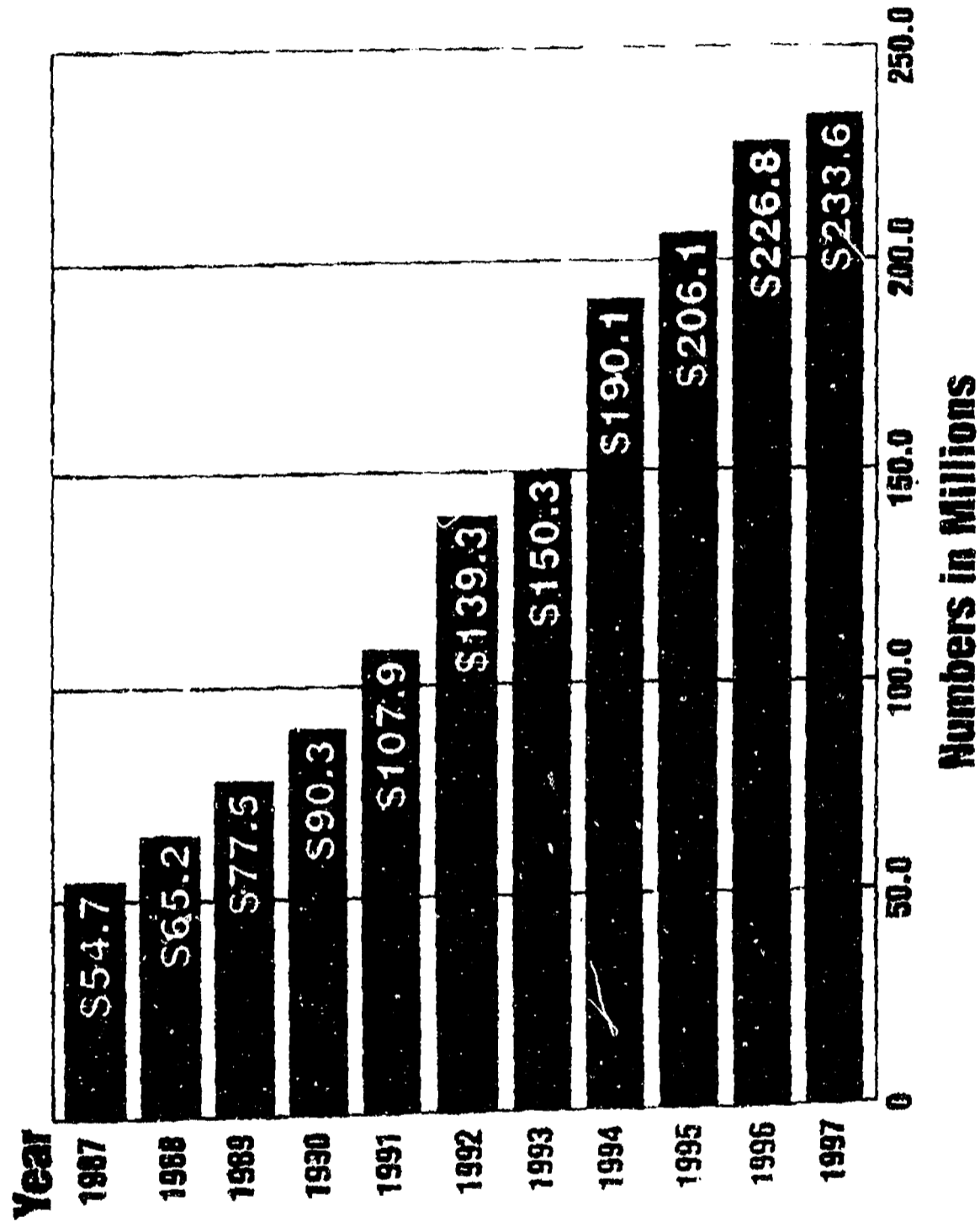
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Operator's Signature

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Premiums Saved by State Farm Mutual Policyholders As a Result of the Introduction of Competitively Priced Auto Crash Parts



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COST COMPARISON OEM vs. Non-OEM (Aftermarket) Parts

One of the arguments supporting the sale of aftermarket parts is the positive impact they have made on original equipment manufacturers (OEM) prices. Before the general availability of aftermarket parts, car companies marked up their replacement parts by as much as 800%.

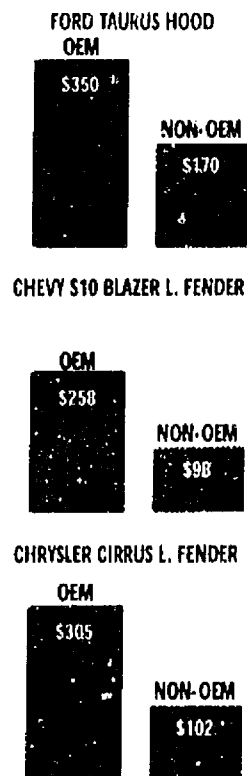
Although OEM prices have come down due to the competition, a new study commissioned by the Alliance of American Insurers clearly shows that OEMs are charging an average of 60% more than distributors selling identical certified aftermarket parts.

The auto manufacturers don't even manufacture replacement parts themselves. They subcontract out their replacement parts to independent manufacturers in the United States and abroad — many of which are the very same manufacturers producing aftermarket parts. Auto manufacturers buy parts from the same sources and stick a "Genuine" part label on them.

The following price information illustrates differences in OEM and aftermarket part prices for hoods and fenders. It was compiled from the North Star Automotive Group and from the most current Mitchell International, Inc., "Collision Estimating Guide," a leading source for automotive part prices.

CURRENT PRICES - OEM VS. CERTIFIED AFTERMARKET

Auto Part (by Model and Year)	OEM	Certified Aftermarket
Ford Taurus L. Fender 96-99	\$ 175.00	\$ 96.00
Ford Taurus Hood 96-99	350.00	170.00
Chevy Cavalier L. Fender 95-99	159.00	93.00
Chevy Cavalier Hood 95-99	338.00	214.00
Chevy Lumina L. Fender 95-99	272.00	189.00
Chevy Lumina Hood 95-99	545.00	392.00
Chevy S10 Blazer L. Fender 95-99	258.00	98.00
Chevy S10 Blazer Hood 95-99	286.00	199.00
Chrysler Cirrus L. Fender 95-99	305.00	102.00
Chrysler Cirrus Hood 95-99	295.00	170.00
Dodge Neon Hood 95-98	320.00	164.00
Dodge Cavalier Hood 96-98	295.00	180.00
Ford Contour L. Fender 95-97	144.59	107.00
Ford Contour Hood 95-97	450.00	266.00
Ford Escort L. Fender 97-00	158.00	54.00
Ford Explorer L. Fender 95-99	195.83	130.00
Ford Explorer Hood 95-99	350.00	236.00
Honda Civic L. Fender 96-98	146.45	100.00
Honda Civic Hood 96-98	290.71	203.00
Toyota Camry L. Fender 97-99	235.72	154.00
Toyota Camry Hood 97-99	282.48	227.00
Toyota Tacoma L. Fender 95-99	122.94	100.00
Toyota Tacoma Hood 95-99	214.98	171.00
Toyota Camry Hood 97-99	282.48	227.00



Alliance
of American Insurers

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Operator's Signature

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STATE FARM INSURANCE

In 1997 alone, the ability to specify generic parts saved our policyholders \$234 Million – almost a quarter of a billion dollars – in premiums.

During the month immediately following our decision to suspend the use of generic parts, the cost for parts was \$60 Million more than expected.

In 2002, State Farm returned \$3.7 Million to North Dakotans in auto dividends.

In North Dakota, State Farm Insurance has over 95,000 auto policies in force.

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D. J. ...
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In Plain English... This act provides that the placing of a competitive replacement part on an automobile does NOT affect the warranty on the remaining parts.

MAGNUSON-MOSS WARRANTY ACT

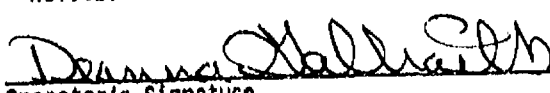
Public Law 93-637
93rd Congress, S. 356
January 4, 1975

700.9 Under section 104(a)(1) of the Act, the remedy under a full warranty must be provided to the consumer without charge. If the warranted product has utility only when installed, a full warranty must provide such installation without charge regardless of whether or not the consumer originally paid for installation by the warrantor or his agent. However, this does not preclude the warrantor from imposing on the consumer a duty to remove, return or reinstall where such duty can be demonstrated by the warrantor to meet the standard of reasonableness under section 104(b)(1).

700.10 Section 102(c)

- (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 provided 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' 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 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.**

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COMMITTEE ON INDUSTRY BUSINESS & LABOR
February 5, 2003

Eileen A. Sottile Testimony on House Bill 1332

Good afternoon. My name is Eileen Sottile. I am the Director of Government Relations for Keystone Automotive Industries, the largest distributor of aftermarket crash parts in the country.

I have appeared in hearing rooms across the country to defend the aftermarket crash parts industries ability to compete and to protect the hundreds of thousands of jobs that would be negatively impacted should restrictive legislation be adopted.

We believe that certification is a good thing. This is clearly demonstrated in the fact that Keystone Automotive Industries buys and sells as many certified parts as are available. Keystone has also created it's own brand name parts, called Platinum Plus, based in part on the CAPA program, with warranties that far exceed anything you would have on a car company aftermarket crash part.

KEYSTONE AUTOMOTIVE INDUSTRIES, INC.:

In business since 1947, Keystone Automotive Industries, Inc, is the nation's leading distributor of aftermarket collision replacement parts produced by parts manufacturers who, in some cases, also supply the car companies with crash parts. Keystone employs over 3,000 people in the U. S. who service more that 25,000 collision repair shops customers across North America.

Keystone has never diverged from its goal of providing our customers with high-quality, lower -cost alternatives to original equipment (OEM) replacement parts. Quality assurance is currently monitored through our participation in the Certified Automotive Parts Association (CAPA) and Keystone has qualified to participate in the Manufacturers' Qualification and Validation Program (MQVP). Keystone became ISO 9001 certified in 2002.

Certification programs assure customers that the parts are equivalent to parts originally installed on the vehicle. Both certified and non-certified parts are available and utilized during the collision repair process. Aftermarket crash parts, hoods, fenders, panels are

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cosmetic in nature and considered to be the skin of the car. They are not considered to be safety related.

In most, if not all cases, Keystone's aftermarket crash parts, along with other distributors, carry better warranties than their corresponding OEM crash parts. Thus, have on the rest of the crash parts on the car. The aftermarket parts come with a limited lifetime warranty.

We provide quality parts at affordable prices. The mere existence of aftermarket or generic parts has kept insurance premiums down and prevented cars from being a total loss. Due to healthy competition, the aftermarket industry has served to help to keep car company prices from sky rocketing and repair centers in business repairing the vehicles as opposed to totaling them. The consumer wins!

SAFETY:

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" (States Report Insurance Institute for Highway Safety Vol 35 No 2 February 19,2000). Repeatedly, the Insurance Institute for Highway Safety has stated that safety is simply not an issue. There is no basis on which to claim safety is at risk.

The Thatcham Institute, in the United Kingdom, has also been conducting crash test of aftermarket hoods and they have found that our hoods perform in the same manner as the car company hoods.

Keystone has never received a report of injury caused by aftermarket parts, nor has it been named in any lawsuit regarding injuries received as the result of an automobile accident in which aftermarket parts were installed.

The National Highway Transportation and Safety Administration has repeatedly mentioned that cosmetic, non-structural auto body parts have no safety ramifications. Crash parts are not safety related.

THE GAO REPORT:

The General Accounting Office was asked to study the safety and availability of aftermarket crash parts. They made no recommendations, nor did they express any concerns regarding the safety of these parts.

In its conclusions, the GAO report also maintained:

"Although NHTSA has 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. (Pages 19-20)

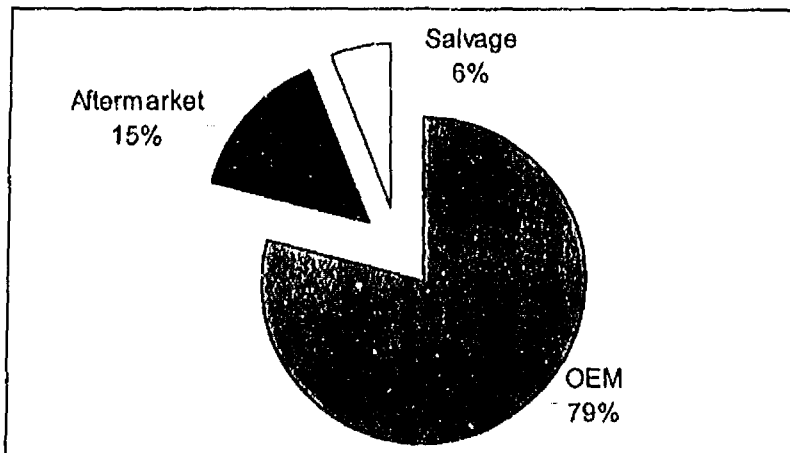
"...NHTSA has not taken action to regulate aftermarket crash parts because studies conducted to date and other data and analyses do not demonstrate that there are safety-related problems with the parts." (Page 21)

COMPETITION:

Prior to the birth of the aftermarket, the car company monopoly could charge whatever they wanted for parts. One could even argue that car companies today still have a monopoly since they hold 79% of the market share in the crash parts industry. (Please refer to below graph.

This graph illustrates:

OEM's hold a 79% share, Aftermarket holds a 15% share, and Salvage holds a 6% share of the collision parts market.



Before the insurance industry was aware of the existence of aftermarket parts, repair shops were gladly using them. The insurance industry was made aware of aftermarket parts after visiting repair shops, and tripping over our boxes, it was only then that insurance companies incorporated them into their insurance programs.

It is necessary to use a combination of aftermarket crash parts during the repair process in order to prevent the vehicle from being totaled. According to a study conducted by the Alliance of American Insurers, a \$22,000, 1999 Toyota Camry rebuilt with car company crash parts would cost in excess of \$101,000.

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Aftermarket crash parts generally cost 20-60% less than corresponding OEM crash parts.

Please refer to the comparison below:



	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%

DISCLOSURE:

The United State currently utilized the National Association of Insurance Commissioners' model legislation for disclosure in 34 of 50 states.

OEM PROPAGANDA FOR MONOPOLY:

Often, the car companies are behind the propaganda regarding aftermarket parts. In such trade publications as *Hammer and Dolly* and *Automotive Body Repair News*, the OEMs advertise that only OEM parts are good enough to repair a vehicle.

The car companies are attempting to maintain a cradle-to-grave monopoly for parts and repair of vehicles. When a car is involved in an accident, if aftermarket parts are not used in the repair, the vehicle can be easily totaled because the cost of repairs exceeds the price of a new car. The vehicle then goes to a salvage yard. The consumer goes to a new car showroom.

The mere existence of aftermarket parts is good for consumers and competition in North Dakota. We are in favor of HB 1332 with the proposed amendments.

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HB 1332

I. INTRODUCTION

- Scott Sjol
- First Vice President of the NDABA

II. NDABA ACKNOWLEDGES

- AM parts do have a place in the industry.
- They are here to stay.

III. HOW DO AM PARTS AFFECT THE CONSUMER?

- First knowledge of their use is left up to the repair facility to explain to consumer.
- Mandates have been implemented in most insurance policies relating to their use.
- Consumer's only choice is to abide by the mandated usage or pay the difference.

IV. HOW DO AM PARTS AFFECT THE COLLISION REPAIR INDUSTRY?

- An average collision repair estimate includes 75% OE parts and 25% AM parts.
- The failure rate of AM parts compared to failure of OE parts is mindbaffling.
-these failures cause duplication of labor, affect our completion date, and cause the consumer to question our ability to produce what we promise.
- Collision industry has invested in training and equipment to produce the best technicians possible to provide quality work to consumer.
- Our ability to obtain the quality work the consumer demands is hampered by mandating that certified AM parts are equal to OE parts.

V. CONCLUSION

- In the past NDABA has testified against AM parts and were told that the only reason Collisin Repair facilities feel this way is because of additional profits made by selling OE parts.

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- There are approximately 750 to 800 I-CAR trained collision technicians in the industry that hold the answer to equality issues.
- The same money is made by these technicians whether they use OE parts or AM parts.
- As long as AM parts are **unequal** in quality to OE parts, passing HB 1332 is ludicrous.

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Fifty-eighth
Legislative Assembly

Patrick McQuire

30531.0100

Fifty-eighth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1332

Introduced by

Representatives Wald, Carlson, Keiser, F. Klein, Skarphol

BILL for an Act to create and enact six new sections to chapter 51-07 of the North Dakota Century Code, relating to certified aftermarket crash parts; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Six new sections to chapter 51-07 of the North Dakota Century Code are created and enacted as follows:

Definitions. As used in section 1 of this Act, unless the context otherwise requires:

1. "Aftermarket crash part" means a motor vehicle replacement part, manufactured by other than the original equipment manufacturer, for any of the nonmechanical parts made of sheet metal, plastic, fiberglass, or of similar material which generally constitute the exterior of a motor vehicle, including an outer panel, hood, fender, door, trunk lid, and any exterior covering of bumpers but not including a window or hubcap. These categories may be expanded as new certification standards are developed by an independent third-party certifier.
2. "Car company" means a motor vehicle manufacturer or distributor that produces or markets, under its own name, crash parts for use in motor vehicles that it manufactures or distributes under its own name.
3. "Certified aftermarket crash part" means an aftermarket crash part for which a certification has been issued by an independent third-party certifier. The manufacturer, distributor, [or] the insurer, [or] any combination, shall warranty a certified aftermarket crash part as being equivalent to or exceeding the part placed on the vehicle during initial assembly in terms of fit, finish, quality, and performance.

(Note: By using the term "or" instead of the word "and" it is unclear as to who, if anyone, could be identified as the party responsible for warranty.)
4. "Insurer" means an insurance company and any person authorized to represent the insurer with respect to a claim and who is acting within the scope of the person's authority.

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5. "Noncar company" or "independent manufacturer" means a manufacturer or distributor that produces or markets, under its own name, crash parts for use in motor vehicles that it does not manufacture or distribute.
6. "Repair facility" means a motor vehicle dealer, garage, body shop, or other commercial entity which undertakes the repair or replacement of those parts that generally constitute the exterior of the motor vehicle.

Independent third-party certifier. An independent third-party certifier is a certifying entity that:

1. Is not owned, operated, or maintained by any car company or noncar company manufacturer of aftermarket crash parts;
2. Conforms to all generally accepted guidelines for independent, third-party certification and standard setting programs;
3. Has adopted written standards containing conditions to be fulfilled by a manufacturer of crash parts;
4. Tests or contracts with an independent testing organization that tests crash parts, using suitable equipment and techniques;
(Note: No percentages or number of parts to be tested.)
5. Administers its certification program in a nondiscriminatory manner regarding any manufacturer or supplier of crash parts;
6. Provides a system to determine that certified parts continue to equal or exceed the parts placed on the vehicle during initial assembly in terms of fit, finish, quality, and performance and, failing to conform, to decertify and advise crash part [users] of withdrawals of certification for any of these parts;
(Question: What about notifying customers?)
7. Provides mechanisms for quickly receiving inquiries and promptly resolving disputes that arise under the program in regard to consumers, insurers, or repair shop;
8. Provides a means of identifying each certified crash part and provides a system of security that guards against misuse of the identification;
9. Provides updated lists of certified crash parts on at least a weekly basis;
10. Provides the insurance department and the public with an annual report underscoring any significant developments, problems, or changes relating to certification procedures or requirements; and
11. Is registered and approved by the insurance commissioner as an independent third-party certifier.

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(Note: This would place the burden of investigating and approving the independent certifiers on the state of North Dakota and shift the liability for any negligent certification.)

Use of certified aftermarket crash parts. A noncar company aftermarket crash part that is used to repair a motor vehicle and is certified is presumed to be of like kind and quality.

(Note: This section is designed to allow insurance companies and the certification companies to avoid liability for the quality of parts specified for repairs. As such, the state could become liable to injured consumers for any problems with aftermarket parts.)

Notification. In all instances the written estimate prepared by the insurer or the repair facility, or both, must identify the manufacturer of each part **[so long as that manufacturer can be identified by automated processes or through the manufacturer's warranty.]** A notification must be attached to, or included in, the estimate and must contain the following information in no smaller than twelve-point type: "This estimate has been prepared based on the use of crash parts supplied by the manufacturer of your vehicle or certified aftermarket crash parts supplied by an independent manufacturer. All aftermarket crash parts used in the preparation of this estimate **[are warranted by the manufacturer or distributor of the parts and/or an insurer for which the estimate was written.]**"

(Note: This paragraph uses circular reasoning because one obviously cannot make a warranty claim against a manufacturer that cannot be identified. Additionally, the use of the term "and/or" creates a problem for consumers who would try to make a warranty claim for any defects in the parts. It would essentially allow the manufacturer, distributor and insurance company to pass the blame onto the other parties.)

Leased and financed vehicles. A person may not impose any penalty upon an individual leasing or financing a motor vehicle that repairs the vehicle using certified aftermarket crash parts.

Registration and approval. Each applicant registering for approval by the insurance commissioner for status as an independent third-party certifier shall file an application with the insurance commissioner. The applicant shall attest to and provide supportive evidence of the qualifications. **[Within thirty days of the filing of the application, the insurance commissioner shall review the application and authorize or deny the application based upon the fulfillment of the qualifications.]**

(Note: Complying with this provision of the statute would place a tremendous burden on the Insurance Department in terms of both manpower and money to properly investigate the certifier's qualifications prior to approving the application. This is particularly true in light of the fact that North Dakota no longer has sovereign immunity for tortious conduct by government officials.)

SECTION 2: EFFECTIVE DATE. This Act becomes effective on January 1, 2004.

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Thank you for the opportunity to address the committee. My name is Robert Clark, and I am the General Product Manager for Collision Parts at General Motors Corporation.

General Motors Service Parts Operations distributes only new original equipment replacement crash parts for General Motors Vehicles. These parts are produced on the original production tools, and to General Motors' original engineering specifications, which are specified through the engineering intensive vehicle development process. We sell these parts exclusively through General Motors Dealerships. We do not source GM collision parts from imitation tooling, nor are GM crash parts derived from a reverse, or imitation, engineering process.

There are many points I would like to make about why we believe this bill is substantially defective. However, in the interest of time, I will limit myself to two key points.

First, the parts are different. GM collision parts are developed from the ground up with shape, material and manufacturing requirements specifically defined for the part to perform as an integral part of a complicated vehicle. Vehicles must meet customer requirements, as well as regulatory requirements, in order to perform in the marketplace. Disciplined engineering assures vehicle parts have both the visible, and non-visible characteristics to perform in concert with the other parts of the vehicle. The vehicle is then subjected to validation processes such as durability and crash tests. A definitive Production Part Approval Process assures that the specific manufacturing processes chosen to produce the part are capable of consistently meeting the engineering requirements at full volume production rates. Documented inspection processes are applied to assure production consistently meets the design requirements.

Aftermarket parts are developed through the reverse engineering process -- which saves a lot of money since true vehicle development engineering is a time consuming and costly process. Essentially, an original OEM part is taken and observed for shape and visible characteristics such as number of welds or presence of adhesives. In other words, there is no inherent knowledge developed in reverse engineering as to why an attribute is present, just that it is. From these initial observations, the reverse engineered part may be modified from the original design to either reduce production costs and/or fit into the existing manufacturing capabilities of the manufacturer.

Here is an excellent example of what I mean. In our comparison tests of CAPA certified parts, we saw many differences in materials and component parts. These two examples are sections taken out of the side edge of a GM hood and the corresponding CAPA certified hood used in our test. The two pieces you see here are the outer skin and the inner hood reinforcement. They are joined together in what is called a hem joint. This hem joint goes around the full perimeter of the hood -- front edge, both sides and the rear edge. Captured in that joint is the edge of the hood inner panel which has neither protective paint nor galvanized coating -- it is exposed raw steel.

The GM specification calls for a two part structural adhesive (epoxy) to be applied inside the hem joint around the full perimeter of the hood. As you can see, you cannot separate the GM parts. The structural adhesive is specified for two engineering reasons, to add strength to the hood in event of an accident, and to protect the joint from moisture. Without the adhesive, that hem joint can hold moisture and promote corrosion of that edge.

The CAPA certified part had no such adhesive -- it did however have a non-adhesive caulk like substance (some people in the trade call it dum-dum sealer) applied externally to the hem joint, and it was applied only on the leading edge of the hood -- no sealer was applied to the sides or back edge. When you separate the CAPA part, you can see the lack of paint and the sharp, exposed steel edge of the hood inner. By the way, no such caulk like substance is used in producing the GM part.

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I can only think of three reasons why the structural adhesive isn't in the CAPA part: since it is hidden the reverse engineering process missed it; the manufacturer did not have the equipment to apply it; or it left off because it would have increased equipment and material costs. Either way, it wasn't there.

Having a standard is just a starting point -- how it is interpreted can be even more important than the standard itself. One can gain some insight into CAPA's broad interpretations applied in this case by reading the CAPA response to the GM tests.

- "...if the car company service part exhibits a sealant or adhesive in crimped areas, the CAPA part must exhibit a comparable sealant or adhesive."

This is a typical CAPA standard and as you can see there is no development engineering behind it, just an observational comparison.

Here is CAPA's statement indicating that their part met the above standard:

- "The caulk like substance on the CAPA part is, in fact, an adhesive in the hem area."

Based on this statement, one would conclude CAPA considers that a non-adhesive caulk, applied to the outside of the hem joint, on only one of four hood edges fully meets their standard of comparability to a two-part, structural adhesive applied to the inside of the hem joint around all four edges.

Clearly, in this case, the CAPA certified part is neither the same as, nor even equivalent to, a genuine GM part. Statements to consumers that they are the same misrepresent the facts and can mislead consumers into making choices they might not otherwise make.

My second point has to do with the independence of existing aftermarket parts certifiers, or lack thereof. CAPA is portrayed as "like Underwriter's Laboratory" or UL. This is an inaccurate comparison. UL was created to manage risk -- CAPA was created to manage cost. As stated on the CAPA website, "CAPA was founded to promote price and quality competition in the collision part industry, thereby reducing the cost of crash repairs."

UL makes no representation that a product can fulfill the reason why it is purchased -- a UL listing on a toaster indicates it has low risk of burning down your house, it makes no representations that it will toast bread to your liking, or that it will look good in your kitchen, or that it is a less expensive alternative to other toasters.

CAPA, on the other hand, does make claims for the merchantability of the products it promotes. Although CAPA states that it is not a marketing organization, it releases public statements making marketing claims of part quality, usefulness and relative cost. As an example, here is a quote from the executive director of CAPA posted on the CAPA website;

"...our CAPA seal represents a major step toward ensuring that whenever a CAPA part is used in a repair, it will have the same or better fit, finish, and functionality as an OEM part." (11-29-01)

CAPA also appears strongly tied to the success of the aftermarket parts industry. CAPA is an association of parties interested in the commercial success of aftermarket parts. Nine (9) of thirteen (13) CAPA board members are either distributors, employees of insurance companies, or members of Insurance Associations. Eleven (11) of sixteen (16) members of CAPA's Technical Board -- those that define the standards and how they are interpreted -- are representatives of insurance companies, distributors or aftermarket parts manufacturers. CAPA's ongoing revenue source is based on the number of seals sold to the manufacturers, the more parts sold, the more CAPA receives. CAPA is also heavily supported by donations from insurance companies and aftermarket parts industry associations.

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Similarly, MQVP, the only other "certifier," is commercially tied to the aftermarket collision business. MQVP receives revenues by requiring the aftermarket parts manufacturers that carry its brand to subscribe to MQVP's proprietary software.

From the consumer perspective, crash parts are different than maintenance parts. How often have you seen an ad for a used car that says "new shocks and brakes," or "recently tuned up." Now think how often you've read a used car ad that says "new hood and fender." Collision parts and repairs affect the appearance of the car, and the appearance has a major influence on a vehicle's emotional and financial value to consumers.

Let's face it, consumers don't research collision repairs like other maintenance purchases. They don't have the information needed to make their best choices, and are vulnerable to misleading statements. In many cases, consumers are unaware that they even have a choice, and end up putting full control of their property, on faith, in the hands of the insurance and collision repair process.

The Property and Casualty Committee of the National Conference of Insurance Legislators debated these industry and consumer points, and many more, for about a year and a half. The subcommittee chair on the bill commented that he was not sure the matter lent itself to a model bill (NCOIL annual meeting minutes). Two-thirds of the Property and Casualty committee voted for a two year deferral of this bill.

In summary, passage of this bill could allow consumers to be misled into believing there is no difference between aftermarket parts and original equipment parts. It would provide legislated credence to the marketing claims of those most financially interested in aftermarket collision parts, namely their manufacturers, distributors, certifiers and insurance companies.

General Motors believes this bill, and its underlying concept of providing a legislatively backed marketing claim to one class of competitors, is defective and is contrary to the interests of consumers. GM believes that consumers are best served by being informed of their various part choices at the time of repair -- which is the time their choice is most meaningful to them, and to consent to the type of parts being installed on their property.

Thank you for allowing me the opportunity to express General Motors's views.

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Consumer Reports

EXCLUSIVE

Shoddy Auto Parts

How to beat car repair rip-offs

✓ **Parts**
that don't fit



✓ **Bumpers**
that shatter



✓ **Fenders**
that rust



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Cheap car parts can cost you a bundle

Auto insurers are pushing shoddy collision-repair parts, and consumers may not know it.

One January morning last year, Daniel Della



Rova was passing another car at about 55 mph on Route 222 near Kutztown, Pa. Suddenly the hood of his 1988 Honda Accord flew up, fractured the windshield, and wrapped itself around the

roof. Unable to see ahead, Della Rova gripped the wheel tightly and managed to steer to the side of the road. "Luckily," he says, "I didn't hit anything." But the insurance company declared the car a total loss.

According to Charlie Barone, a vehicle damage appraiser in Malverne, Pa., who has examined the car, the cause of the mishap was what collision repairers disparagingly call offshore "tin"—a cheap imitation hood made by a Taiwan manufacturer. It's one of many, mostly Asian-made imitations of automakers' OEM (original equipment manufacturer) parts.

Barone, an outspoken critic of imitation parts, says they're cheaper than OEM for a reason: "They're inferior

to original manufacturer parts."

He adds that the previous owner of Della Rova's Honda, who had damaged the original hood in a minor accident, probably paid \$100 less for the imitation hood than the \$225 the Honda OEM part would have cost. But the real cost could have been catastrophic.

An auto-repair problem similar to Della Rova's may be parked in your driveway right now. If your car was ever in an accident, the repair shop may have installed cheap imitation parts, perhaps without your even knowing it.

Crash parts are a big business. Each year, U.S. drivers have an estimated 35 million automobile accidents cost-

Bumpers and

Our test cars

For our bumper-basher tests and our checks of fit, we bought two four-door sedans—a 1993 Ford Taurus and a 1993 Honda Accord. We picked these cars for several reasons: They were top-selling models, and their body panels remained basically unchanged through long production runs—so we were assured of a wide selection of substitute body parts. Also, when new, both models fared very well in our bumper-basher tests, so they provided a tough benchmark for comparisons with imitation bumpers. Both cars were in good condition when we started our tests.



Ford Taurus GL



Honda Accord LX

Fenders: The rust test

Ford Taurus



After a 168-hour cyclic salt-spray test, the scratched Ford OEM fender (above left) showed some white corrosion; an imitation Ford fender (above right), heavy red rust.

Honda Accord



The scratched Honda OEM fender (above left) showed nearly no corrosion; an imitation (above right), heavy red rust.

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fenders put to the test



Bumpers: The basher test

Our hydraulic basher delivered a series of 3-mph angular and 5-mph head-on and offset impacts to simulate the thumps that might occur in a parking lot. Our videotape shows that the Ford OEM (original equipment manufacturer) bumper (near right) survived the test with only minor cosmetic damage. The worst imitation Ford bumper (far right) shattered and allowed the basher to cause an estimated \$1,350 worth of damage to the car's front end. The Honda OEM bumper (below left) also suffered only minor cosmetic damage. The worst imitation Honda bumper (below right) allowed an estimated \$1,797 in damage to the Honda's front end.

Ford OEM



Ford Imitation



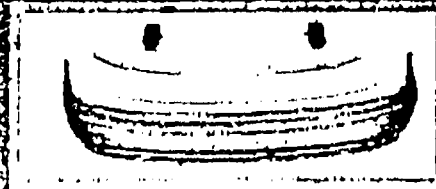
Honda OEM



Honda Imitation



Appearances can be deceiving. The imitation bumper assembly (shown below) looked OK while mounted on our Honda. The plastic outside cover—the only visible part of the three-piece assembly—remained intact after a 5-mph thump from our basher. But when we removed the bumper, we found that the bar that reinforces the bumper assembly had broken into three pieces.



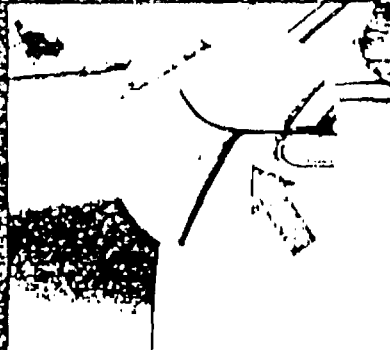
Fender: Factory fit vs. bad fit

These unpainted OEM Ford and Honda fenders (top, near and far right) matched the car's contours nicely and formed a narrow, even gap with the door. They didn't require reshaping, shimming, or drilling for a neat fit. But two unpainted imitation fenders (bottom, near and far right) looked sloppy when bolted on without extensive metal work. The Ford imitation didn't follow the contour of the original door; the top of the fender (near the windshield) bent too far inward. The Honda imitation didn't line up with the top of the door and left a large gap from the windshield pillar.

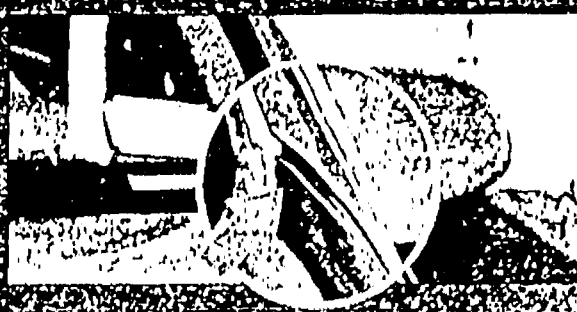
Ford OEM



Honda OEM



Ford Imitation



Honda Imitation



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ing some \$9 billion in crash parts. The most frequently replaced parts are bumpers and fenders.

Not all imitation parts are bad. Various brand-name replacement batteries, filters, spark plugs, and shock absorbers can provide quality along with competitive pricing. Some body-part copies are OK, too, but others are junk.

Several consumer groups have supported imitation crash parts, and for good reason: These parts provide competition, forcing automakers to reduce prices. That's good for consumers—but only if quality doesn't suffer. Unfortunately, the quality of imitation crash parts can vary widely.

Many collision repairers complain that imitation parts generally don't have the same fit and quality as OEM parts. "Approximately 75 percent of the time, you have to make modifications or tweak the sheet metal to

make aftermarket body parts fit," says Phillip Bradshaw, owner of Bradshaw Collision Centers in Madison, Tenn. "And even then, it's often impossible to get the alignment and fit right."

In an effort to assure the quality of imitation body parts, the insurance industry established the nonprofit Certified Automotive Parts Association in 1987. To date, CAPA's certification program covers a small percentage of imitation body parts.

Because of the controversy over the price and quality of collision-repair parts, we decided to conduct our own tests on fenders and bumpers to learn about their quality firsthand. All the non-OEM fenders that CONSUMER REPORTS tested were CAPA-certified. (CAPA doesn't certify bumpers.)

We also investigated the claims and counterclaims about the benefits of aftermarket parts. Our tests and investigation uncovered two key findings:

- Most auto insurers endorse imitation parts because they can be 20 percent to 65 percent less expensive than OEM. But the companies we surveyed provided no evidence that those savings are being passed on to policyholders.

- The imitation bumpers and fenders we tested were inferior to OEM parts. The bumpers fit badly and gave poor low-speed crash protection. Most of the fenders also fit worse than OEM fenders, and they rusted more quickly when scratched to bare metal.

The price vs. quality debate

Some insurers acknowledge there's a quality problem. That's why the Interinsurance Exchange of the Automobile Club of Southern California uses only OEM metal body parts. "We have found significant problems in the quality and specifications of non-OEM sheet metal," says spokeswoman Carol Thorp.

SAFETY

A hole in the safety net?

Are replacement body parts unsafe? That's a question no one has really addressed.

The National Highway Traffic Safety Administration crash-tests new cars. Although NHTSA official Kenneth Weinstein agrees that there's "clearly a potential for diminished safety" with imitation doors in a side impact, his agency's standards don't apply to replacement doors. He adds that NHTSA hasn't been getting complaints about the safety of replacement parts. If it did, and if the complaints seemed "reasonable," NHTSA would investigate. (NHTSA's tollfree safety hotline is 888 327-4236.)

The Insurance Institute for Highway Safety (IIHS) also crash-tests new cars. The only replacement part it tested was one imitation hood 11 years ago. It concluded that "there's no reason to believe . . . that [crash] parts significantly influence car crashworthiness."

Safety testing of replacement parts—both OEM and non-OEM—is a particularly thorny problem. Crash-testing, the ultimate test of safety, is difficult or prohibitively expensive to do for all the many possible combinations of replacement parts and original cars. Yet some controlled safety study of these parts should be done to ensure that a car will be as crashworthy after a repair as it was before.

While there is little data on the safety of replacement parts, there is enough anecdotal evidence to raise concern. Three types of parts warrant special scrutiny:

Bumpers. When a bumper breaks, as some imitations did even in our low-speed tests, the car's safety may be compromised. At the least, headlights and other safety-related equipment may be damaged; at worst, the car may suffer

structural damage. Bumpers may also affect the way the energy of a crash sets off the car's air bags.

The IIHS hasn't studied whether claims are higher in subsequent crashes of cars repaired with imitation bumpers. Police who investigate an accident rarely do a part-by-part investigation of the car, especially if there are no fatalities.

Doors. In a 1991 memo, IIHS President Brian O'Neill notified the institute's sponsoring companies about allegations of knockoff door shells made without the guard beams required by federal regulations for protection during side impacts. Even doors that have the beams could be a safety problem if the welds aren't strong enough or if lighter-gauge steel is used.

Hoods. O'Neill says that when overseas manufacturers copy a hood, they also copy the "crush initiators" that allow the hood to fold up in a crash rather than slice through the windshield. This is an important safety feature. But apparently hardly any hoods have ever been tested. Volvo did crash-test one hood, as shown in a 1992 video, and found that it didn't crumple properly. It intruded into the windshield area, a violation of U.S. safety standards for new cars.

Daniel Della Rova's experience raises other concerns. The latch connection on his car's hood was more susceptible to failure than the factory latch connection, according to damage appraiser Charlie Barone. Repair shops have told us of other hood problems—weak welds, poor seams. However, one shop manager who was worried about liability refused to give us details on a hood whose top skin separated from its frame. Concern about legal liability may be another reason why potential safety problems rarely surface.

Raleigh Floyd, an Allstate spokesman, says that his company uses OEM parts—and imitation parts “whose quality has been certified” by CAPA. But our tests of some CAPA-certified fenders indicate that the CAPA seal of approval is no guarantee of quality comparable with that of an OEM part. (The CAPA seal was affixed to the hood on Della Rova’s Honda.)

Also, some consumers may not know what kind of parts they’re getting. They may simply assume their car will be restored to its precrash condition.

Besides fenders and hoods, CAPA certifies other sheet-metal and plastic parts. In the crash-parts market, CAPA parts account for 3 percent or less of the units sold. OEM parts account for 72 percent; salvage parts, 10 percent. Non-CAPA imitation parts make up the remaining 15 percent. CAPA looms large in the industry because it’s the only organization that sets quality standards for imitation replacement parts. Although its overall market share is small, CAPA is growing.

The debate over quality should heat up this summer as a \$10.4 billion class-action lawsuit, Snider vs. State Farm, goes to trial in Marion, Ill. The suit accuses State Farm of pressing shops and policyholders to use imitation parts that aren’t equal in quality to OEM parts. That’s “a breach of their promise to restore the vehicle to pre-loss condition,” says Thomas Thrash, an attorney for the plaintiffs.

State Farm firmly denies this. “We believe these [non-OEM] parts are of the same quality as the manufacturer parts,” says spokesman Dave Hurst.

Insurers haven’t always looked kindly on non-OEM crash parts. In the early 1980s, State Farm’s periodic repair reinspections revealed that many repair shops were charging for OEM parts but installing cheaper imitations and pocketing the difference.

“The shops were making a very long dollar,” says Stan Rodman, director of the Automotive Body Parts Association, which represents manufacturers and distributors of imitation parts—and which was briefly the predecessor of CAPA. “They were getting a non-OEM fender for 90 bucks that the insurance company was paying them \$400 for.”

By the mid-’80s, however, insurers began recommending imitation parts. Their repair estimates assured policy-

holders that the parts were as good as OEM parts.

The plaintiffs in the State Farm suit allege that the insurer knew better. In June and August 1986, for example, State Farm consultant Franklin Schoonover warned the company’s research department that a sampling of imitation crash parts tested earlier that year by the Detroit Testing Laboratory represented a “major risk for consumer usage when compared to the GM OEM parts.”

The lab found that some of the imitation parts weren’t as strong, were more likely to have problems with cracking and peeling paint, and showed weight differences, indicating a wide variation in quality control.

In 1987, Ford sued Keystone Automotive Industries, the largest distributor of non-OEM body parts in the U.S., for using the phrase “like kind and quality” to compare its imitation parts with OEM parts. In 1992, a U.S. District Court ruling found that Keystone’s claims were “false” and “made with the deliberate intention of misleading the public.” In a \$1.8 million settlement, Keystone agreed to allow Ford to state in its advertising, “Crash parts from Keystone do not meet Ford OEM quality.”

“We should not have made those statements,” says Charles Hogarty, president and CEO of Keystone, which now uses the term “functionally equivalent” to describe its products. Hogarty says that description is “probably loose enough to mean whatever you want it to mean . . . it’s not identical and there may be some minor, we’d say insignificant, differences.”

The consumer connection

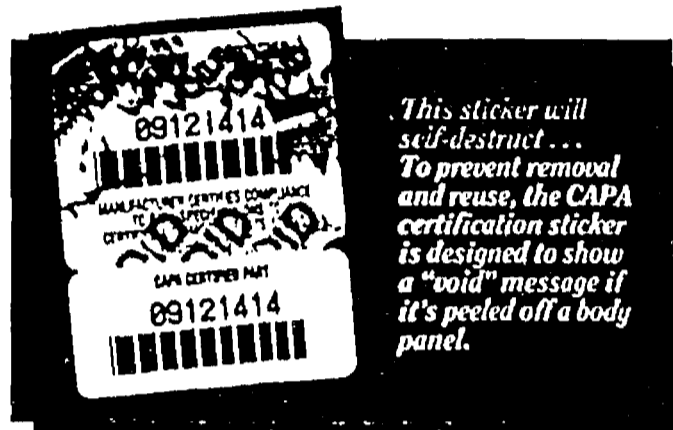
After it was established in 1987, CAPA compiled a manual that spells out quality controls, test procedures, and other steps required for manufacturers to get its seal.

In 1988, CAPA added consumer advocate Clarence M. Ditlow to its nine-member board. Ditlow is executive director of the Center for Auto Safety, a nonprofit watchdog group founded in 1970. (He is also on the board of directors of Con-

sumers Union, publisher of CONSUMER REPORTS. The center received funding from CU during its early years.)

In 1989, CAPA hired Jack Gillis as its executive director. Gillis is also director of public affairs for the Consumer Federation of America and the author of a long list of consumer-oriented books.

Ditlow says that CAPA parts are better quality than non-CAPA imitation parts “by virtue of the fact that you set a standard.” But when asked,



neither he nor Gillis provided compelling evidence to support that claim.

Gillis also says that CAPA parts are of “like kind and quality” to OEM parts. But CAPA’s quality-standards manual requires only “functionally equivalent” parts. Such a careful choice of words is significant: A Saturn may be functionally equivalent to a BMW, but the two are hardly equal.

A twice-a-year survey of 500 repair shops done for the auto industry by Industrial Marketing Research of Clarendon Hills, Ill., does suggest that CAPA parts are better than non-CAPA and that the quality of all imitation parts is improving. But according to the same study, only one-third of repair shops termed CAPA parts an acceptable substitute for OEM parts. Two-thirds judged the quality of CAPA parts “somewhat worse” or “much worse” than OEM parts.

In the IMR study, repairers also indicated that customers came back twice as often with complaints about imitation parts, and that shops often must absorb the cost of extra labor.

Last March, the Automotive Service Association (ASA), representing more than 12,500 repair shops, withdrew its support of CAPA because “CAPA has failed in its mission” and hasn’t assured imitation crash parts

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that are equal in quality and consistency to OEM.

"ASA is no friend of the consumer," says Ditlow. "These are people who have an agenda, and that agenda is higher repair costs." But CAPA board member Clark Plucinski, who oversees a network of 30 repair shops, says that ASA has grown frustrated with the slowness of CAPA's progress, despite the fact that CAPA is improving the quality of all imitation parts.

Gillis says that CAPA has an "aggressive" program to solicit complaints from repair shops, but that last year it received only 1,055 complaint forms on some 2.3 million CAPA parts used. However, Plucinski says that hands-on collision-repair people are more likely to chew out

the parts supplier than to fill out a complaint form.

One size fits none

Collision repairers we talked to almost universally complained that too many imitation parts, whether CAPA-certified or not, leave noticeable gaps and don't always match the car's contours. They "fit like a sock on a rooster's foot," says a Scottsdale, Ariz., collision repairer who fixes almost 200 cars each month.

"Fifty to 70 percent of the time the darn things don't fit," says John Loftus, executive director of the 8,000-member Society of Collision Repair Specialists, a trade association.

Jerry Dalton, owner of the Craftsman Auto Body chain in Virginia,

says, "I like the idea of alternate parts other than OEM to keep pricing in line, and we try to use them as often as we can. But we still have to return a large percentage of them."

In a demonstration in Colorado Springs, Colo., last October by the Collision Industry Conference (CIC), a repair-shop education and training group, a CAPA hood and fender and a non-CAPA imitation headlight assembly didn't fit properly on an undamaged 1994 Toyota Camry, though a non-CAPA parking light and grille did fit. (Gillis, who was at the demonstration, says that the fender had been decertified just days earlier, and that he himself decertified the hood on the spot.) At another CIC demonstration in Dallas last Decem-

The \$77,000 Ford Explorer

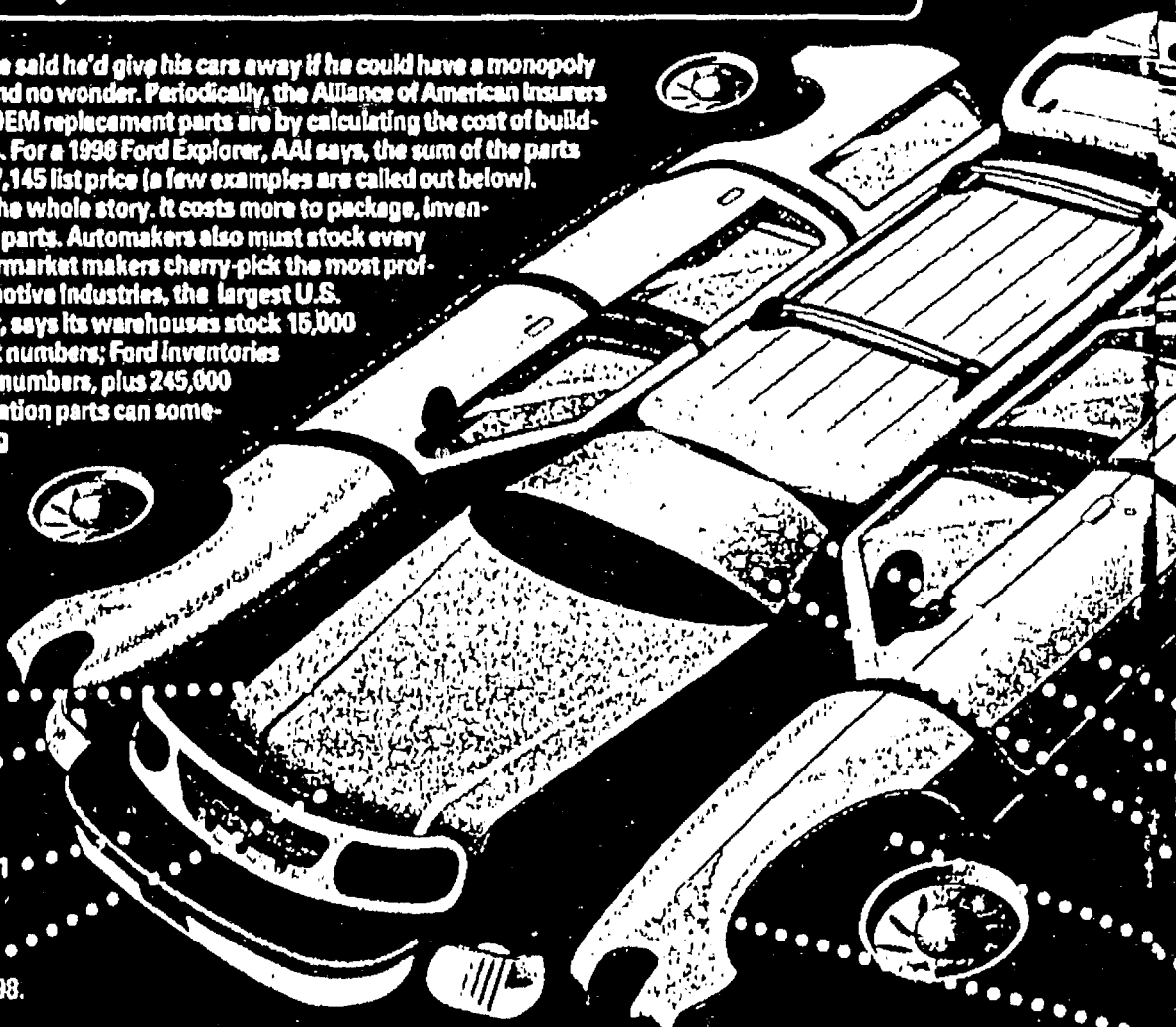
Henry Ford is reputed to have said he'd give his cars away if he could have a monopoly selling replacement parts—and no wonder. Periodically, the Alliance of American Insurers announces just how pricey OEM replacement parts are by calculating the cost of building a vehicle from such parts. For a 1998 Ford Explorer, AAI says, the sum of the parts is more than 2½ times its \$27,145 list price (a few examples are called out below). That's high—but that's not the whole story. It costs more to package, inventory, ship, and sell individual parts. Automakers also must stock every replacement part, while aftermarket makers cherry-pick the most profitable ones. Keystone Automotive Industries, the largest U.S. aftermarket parts distributor, says its warehouses stock 15,000 to 19,000 different crash-part numbers; Ford inventories more than 35,000 crash-part numbers, plus 245,000 other Ford parts. Still, if imitation parts can someday deliver high quality along with their already-lower prices, the consumer can only benefit.

Engine assembly, \$3,740

Headlight assembly, \$179

Front bumper assembly, \$571

Electrical system (battery, starter, alternator, etc.), \$2,298



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ber, all the CAPA and non-CAPA substitute parts fit well.

Of 160 repair shops surveyed last year by Frost & Sullivan, an independent international marketing consulting firm in Mountain View, Calif., 89 percent said that it takes about two hours longer to install an imitation part, costing \$60 to \$90 extra in labor.

How CAPA tests

CAPA uses Entela Laboratories, an independent test lab in Grand Rapids, Mich., to verify adherence to its stan-

"Fifty to 70 percent of the time the darn things don't fit."

**John Loftus,
Society of Collision
Repair Specialists**

dards. Entela has industry-standard equipment and the capability for testing materials.

Reports provided by Entela detail various side-by-side tests of materials in parts being considered for CAPA certification and their OEM counterparts. Entela reports for the Honda and Ford fenders we evaluated in-

clude material thickness, chemical composition, tensile strength, and corrosion resistance. The imitation part must be within certain limits of the OEM part in order to be granted certification.

The other half of the certification process is inspection of fit, done at the factory. The Entela fender reports we read list measurements of gaps, flushness with mating parts, and size and location of holes and slots. Each report gives the range of dimensions that the CAPA part must fall within.

The Ford and Honda fenders like those we evaluated appeared to have fallen within CAPA limits in the reports, and they were certified. We did find inconsistencies in the number of holes and slots among the same CAPA-certified part made by different manufacturers.

There may be two reasons for the poor fit of CAPA parts that repair shops complain about. One is "reverse engineering"—where manufacturers make copies of OEM parts. Although Gillis didn't acknowledge problems of fit with CAPA parts, he blames OEM parts for being inconsistent.

But Greg Marshall, Entela's research and development manager, says the OEM parts variations are perhaps 0.060 inch. Even when magnified by the copying process, that shouldn't account for the fit problems we found in CAPA fenders.

The second problem is that CAPA sheet-metal parts are tested for fit on a jig rather than on a car. Gillis says CAPA is changing its standards to require that each part be designed and fit-tested to its intended vehicle as of April. If implemented, that should improve fit. But Gillis says that the requirement will be only for newly certified parts. Parts already certified aren't affected by this change unless CAPA receives at least five complaints about the part in one year.

Repair-shop owner Dalton, a CAPA adviser and a former member of its technical committee who has visited plants in Asia, raises another issue. He says that CAPA isn't able to exercise sufficient control over quality "because they don't buy or sell the parts, and CAPA is a voluntary program."

To assess the claims and counterclaims of the controversy, we installed a sampling of replacement fenders and bumpers on cars and simulated several real-world challenges.

CR's test results: Fenders

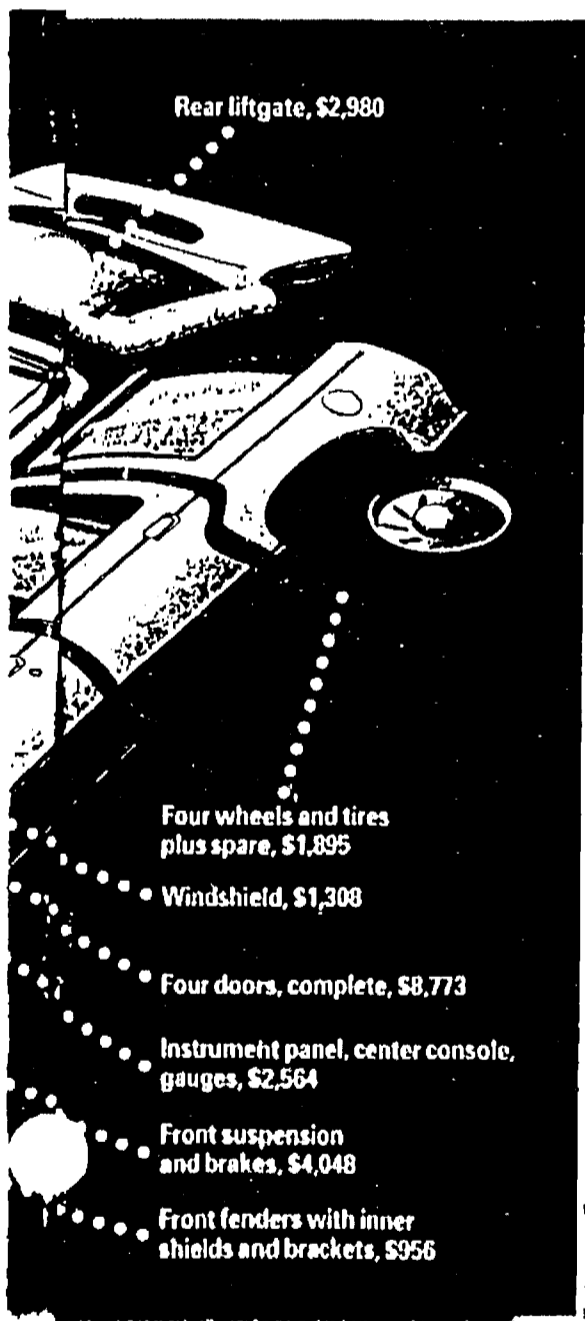
Our engineers mounted three OEM and six CAPA left fenders on each of two popular cars, a 1993 Honda Accord and a 1993 Ford Taurus. (Our shoppers, who bought the fenders in the New York area and in California, couldn't find non-CAPA fenders for these cars.) Without making the extensive modifications a professional shop might have to carry out, we judged their appearance.

Two of the Ford OEM fenders matched up nicely, while the third didn't fit as well. By contrast, we found fit problems with all six CAPA fenders for the Ford. Some would require widening the holes or using shims. The worst didn't match the contour of the car and would require significant reworking.

All three Honda OEM fenders fit well. Three of the CAPA fenders for the Honda also fit well, but the other three had problems similar to those for the Ford.

We then had a repair shop install one OEM fender and two CAPA fenders on each car, allowing the professionals to work the metal as they ordinarily would to make it fit. The shop found problems similar to the ones we found with the CAPA fenders. After working for an extra 30 to 60 minutes, the shop judged the resulting fit acceptable, though not as good as that of the OEM fenders.

Rust resistance. To simulate what rocks, vandals, or a shopping cart might do in the real world, we scratched a grid down to bare metal on four primed but unpainted fenders—two OEM and two CAPA-certified. We then hired a lab to put them through a cyclic 168-hour salt-spray fog test, in accordance with industry test standards. Both CAPA fenders showed heavy red rust by the end of



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the test. The Ford OEM fender showed only moderate white corrosion; the Honda OEM fender, nearly none.

The superior performance of the OEM fenders (and the telltale white corrosion) resulted from galvanization, in which a zinc coating is bonded to the steel. When the paint and primer are scratched, the zinc protects the steel by sacrificing itself, oxidizing into a white residue less damaging than rust. Most OEM parts are galvanized on both sides. The CAPA parts we tested aren't galvanized.

CAPA's corrosion test is different from ours. Entela engineers scratch an "X" in the primer and then expose the fender to a 500-hour salt-spray test. The parts get CAPA approval even when the X-ed area rusts, since the test is designed to evaluate the primer rather than the metal beneath. CAPA regards the results as problematic only if the rust spreads, making the primer blister or flake 3 mm beyond the "X," or if 10 percent of the entire fender shows red rust.

Gillis says galvanization is "not much of a value added because today's automotive paint processes are quite good." But Bruce Craig, a fellow of the National Association of Corrosion Engineers and author of the American Society of Metallurgists' Handbook of Corrosion Data, says, "It's kind of a slam dunk that galvanized is better. I'm perplexed why there would be a controversy."

That's a reason the Interinsurance Exchange of the Automobile Club of Southern California won't use imitation body parts: "You get bubbling, paint flaking off, premature rusting," says Gil Palmer, assistant group manager for physical damage claims.

Gillis told us that CAPA would begin requiring all sheet-metal parts manufactured starting January 1 to be galvanized to earn certification. That should be a major step toward equality with OEM parts. Meanwhile, distributors will continue to sell ungalvanized CAPA parts that are already in the sales pipeline.

Strength. We found the CAPA fenders comparable with OEM in one respect: Our tests for tensile strength uncovered no significant differences between CAPA and OEM fenders.

CR's test results: Bumpers

CAPA doesn't certify bumpers. A repair shop under our engineers' su-

perision installed a total of 4 OEM and 17 imitation bumpers, bought in the New York area and in California, on our Honda Accord and Ford Taurus. We saw startling deficiencies in the imitations.

How they fit. All the OEM bumpers fit nicely. But none of the imitations did, even after we redrilled or widened their holes as needed. All left large gaps or uneven surfaces.

How they protect. Our hydraulic bumper-basher simulated the thumps that might occur, say, in a parking lot—at 5 mph head-on, 5 mph offset, and 3 mph on the right corner. That's our standard test for new cars.

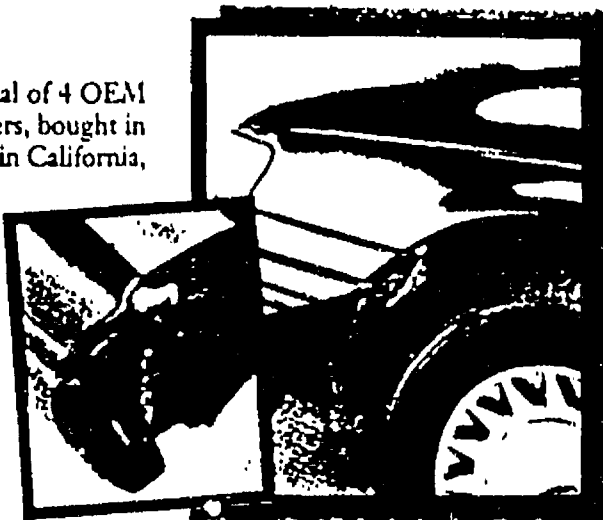
The OEM bumpers suffered only minor damage. Even so, repairing the scuffs and indentation on the Ford bumper would cost \$235, and replacing the Honda's scuffed bumper cover and underlying brackets would cost \$576. Those are pricey scuffs, but at least the OEM bumpers protected the cars themselves from damage.

In our 25 years of bashing hundreds of new-car bumpers, we've seen few perform as miserably as the imitations. Twelve of the 17 sustained so much damage in the first bash that we couldn't test them any further.

One imitation bumper shattered and allowed our basher to damage the Ford's headlight mounting panel, radiator support, and air-conditioner condenser. Repairs, using OEM parts, were estimated at \$1,350. Another imitation bumper allowed our basher to damage the Honda's radiator, air-conditioner condenser, radiator-support tie bar, and center lock support. Repairs, using OEM parts, were estimated at \$1,797.

Limited choices

Most insurance adjusters don't clearly disclose that you're getting imitation parts of potentially lesser quality. ("Like kind and quality" or "LKQ" on the paperwork is a cryptic giveaway.) Some repair shops complain that they must follow the insurer's "recommendation" or risk losing customers from "direct repair programs"—the automotive equivalent of managed health care that most auto insurers use to cut costs.



Sloppy fit All the imitation Ford bumpers fit poorly. This one was typical. Even after adjustment, it was too wide and protruded past the line of the wheel well.

The Automotive Service Association says that 33 states require repair shops to disclose the use of imitation parts to consumers. Six others—Arkansas, Indiana, Oregon, Rhode Island, West Virginia, and Wyoming—also require the consumer's written consent.

But disclosure and consent are meaningless if insurers promise higher quality than they deliver. The lawsuit against State Farm argues that the insurer did not restore damaged vehicles to pre-loss condition as promised.

Don Barrett, an attorney for the plaintiffs, says that cars repaired with "2/55 fenders"—an appraisers' disparaging term for fenders identifiable as imitations "from two miles away at 55 mph"—reduce appraised value by at least 10 percent.

John Donley, president of the Independent Automotive Damage Appraisers Association and a CAPA proponent, says that it's poor fit and poor corrosion resistance, not the mere fact that a part is an imitation, that hurts appraised value. Either way, that could be a problem not only at resale time but possibly at the end of a lease.

Industrial Marketing Research found that insurers call for imitation parts 59 percent of the time. We surveyed 19 of the nation's largest private auto insurers, who wrote 68 percent of the \$115 billion in policies in 1997, and asked if they require or recommend imitation body parts for covered repairs. Nine didn't respond (American Family, California State Auto Assn., CNA, GEICO, GMAC, Metropolitan, Progressive, Prudential, and Safeco). Of the ten that did, Allstate,

Erie, Farmers, State Farm, and USAA said they recommend but don't require imitation parts.

Allstate says that if a customer insists on OEM parts, it will pick up the bill. Erie, State Farm, and Travelers make the customer pay the difference.

The Hartford said it doesn't recommend imitations for safety-related parts but does allow them for noncritical applications. And Travelers Insurance doesn't recommend imitations for cars less than two years old or with less than 20,000 miles.

The Interinsurance Exchange of the Automobile Club of Southern California, which writes policies only in Arizona, California, New Mexico, and Texas, calls for imitation parts only for nonmetal trim items like bumper covers and moldings.

Insurers and consumers

Many of the insurers maintain that imitation parts keep premiums down, but none provided hard data to prove it.

CAPA and auto insurers have spent

the last decade promoting imitation parts as purely pro-consumer. By breaking the automakers' "stranglehold monopoly" over crash parts, says one recent release from the Alliance of American Insurers, auto insurers protect consumers from high parts prices and high insurance premiums.

"There is absolutely no question the insurance industry is on the side of the angels on this issue," says Gillis.

But there is a question.

Buying imitation parts simply diverts money from the pockets of one big industry—automobile manufacturing—to the pockets of another big industry—auto insurance. The insurers won't earn their wings until they demonstrate that a fair share of the money they save ends up in the pockets of consumers.

And CAPA, whose executive director often accuses automakers and repair shops of having a financial interest in promoting OEM parts, has its own financial interests. Half of its \$3.9 million budget comes from in-

surance companies (the other half comes from the sale of CAPA seals to parts manufacturers). And six of the nine CAPA board members are insurance-industry executives.

The Center for Auto Safety—whose executive director, Clarence Ditlow, is a CAPA board member and a staunch advocate of CAPA parts—also receives funding from the insurance industry, though to a much lesser extent. In 1998, State Farm and Allstate contributed some \$50,000 to CAS, according to Ditlow. (He says that amounts to only five percent of annual revenues. He also says that CAS's insurance funding has steadily decreased since the mid-1970s.)

Where's the consumer in all this? For now, stuck in a bind between automakers that charge high prices for factory body parts and auto insurers that push less-expensive parts of questionable quality. Until things change, car owners—including used-car buyers who may inherit the inferior crash parts—are being ill served. Ⓢ

Recommendations

Consumers shouldn't have to worry about fragile, ill-fitting, and possibly dangerous replacement auto parts.

Ideally, Congress should direct the National Highway Traffic Safety Administration to establish safety standards for replacement parts and to require labeling so problem parts can be traced for recalls and liability. Congress should also authorize the Federal Trade Commission to require collision-repair shops to disclose the use of imitation body parts clearly to consumers and secure their consent. State legislatures or insurance commissioners should require auto insurers to disclose how much money they are saving from the use of imitation parts.

So far, CAPA's voluntary program is the only ongoing effort to improve aftermarket parts, and we support its goals. However, the program needs to improve. First, CAPA should make good on its promise to require galvanization for all the sheet-metal parts it certifies. Second, CAPA should test certified parts

for fit on actual cars, not mechanical jigs—another change that Gillis says is already planned. This important change should apply to all newly certified parts and, to the extent possible, to high-volume parts that are already certified. Finally, CAPA should certify imitation bumpers, which our tests showed to be very low in quality, as well as other structural components.

Until those steps are taken, here are three pieces of advice:

Think about parts when buying auto insurance. Whether an insurer gives you the choice of OEM parts could be a deciding factor, especially if the premiums on two companies' policies are similar. We found only one major insurer, the Interinsurance Exchange of the Automobile Club of Southern California, that uniformly uses OEM sheet-metal parts. It operates only in four Western states. The Hartford says it doesn't recommend safety-related imitation parts; Allstate says it will pay for OEM parts if you insist.

Overall, your best protection is to select a company that will make clear to you on a repair order what parts it would recommend being replaced by a non-OEM alternative.

Think twice before using non-OEM body parts. The availability of lower-cost aftermarket parts is clearly in the consumer interest. In fact, in 1990, Consumers Union successfully opposed legislation that would have allowed manufacturers to effectively copyright a wide variety of products, including auto parts, thereby blocking imitations. But until the quality of imitation parts can be demonstrated to be on a par with OEM parts, we cannot make a blanket recommendation to use them.

Don't surrender your haggling rights. Consider an insurer's recommendation of imitation parts to be only an opening gambit, not a done deal. According to an IMR survey of 1,100 consumers, 71 percent of those who requested OEM after the initial recommendation for imitation parts got OEM with little or no hassle. If OEM is your preference, it pays to ask. But if you still get no satisfaction, complain to your state insurance commissioner.



NEW

FOR IMMEDIATE RELEASE
July 8, 2002

Contact: Jack Gillis
(202) 737-2212

**CAPA ACCREDITED BY THE
AMERICAN NATIONAL STANDARDS INSTITUTE (ANSI)
AS A STANDARDS DEVELOPER**

Washington, D.C.— The Certified Automotive Parts Association (CAPA) announces it has been accredited by the American National Standards Institute (ANSI) as a Standards Developer.

Founded in 1918, ANSI is a private, non-profit organization that administers and coordinates the U.S. voluntary standardization and conformity assessment system. Its mission is to enhance both the global competitiveness of U.S. business and the U.S. quality of life by promoting and facilitating voluntary consensus standards and conformity assessment systems, and safeguarding their integrity.

ANSI's approval of CAPA's standards development process confirms CAPA's long-standing efforts to implement an effective and legitimate process. CAPA institutes rigorous and effective controls during standards development through its Technical Committee, comprised of representatives from a cross-section of industries that are relevant to aftermarket parts, including manufacturers, distributors, insurers, collision repairers, consumer groups and consultants. CAPA's Technical Committee performs periodic, in-depth reviews of the standards, refining them as needed to assure the continued quality of CAPA certified parts.

"Acceptance by ANSI as a Standards Developer further enhances CAPA's status as a certifier of aftermarket parts," said Jack Gillis, Executive Director of the non-profit association. "Our ANSI accreditation will lend even more credibility to the CAPA program and will help to ensure the continued high quality of CAPA certified parts."

"ANSI's approval of the CAPA Standards will assure the crash repair industry as well as the public that CAPA's Standards were developed in a manner consistent with ANSI's principles," added Rod Enlow, CAPA Technical Committee Chairman, "The end result will be improved quality and reduced crash repair prices. The economic benefits to consumers will include lower repair costs, lower insurance premiums, larger selection of parts, and better quality."

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In becoming an ANSI accredited Standards Developer, CAPA joins such notable organizations as UL (Underwriters Laboratory), NSC (National Safety Council) and SAE (Society of Automotive Engineers).

"CAPA is proud to join the ranks of ANSI Standards Developers," noted Bob Anderson, Chairman of the CAPA Board of Directors, "With ANSI approval, the public can depend on the CAPA Standards as a legitimate, independent, and effective means of identifying quality parts."

The Certified Automotive Parts Association, founded in 1987, is the nation's only independent, non-profit, third party crash parts quality certification organization. CAPA certification identifies, for both consumers and the industry, those parts that meet our high quality standards for fit, form, finish, material content and corrosion resistance. For more information see www.capacertified.org.

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NEWS

FOR IMMEDIATE RELEASE
July 11, 2002

Contact: Jack Gillis, Executive Director
(202) 737-2212

NEW TEST DATA IDENTIFIES SERIOUS PROBLEMS WITH CAR COMPANY SERVICE PARTS

CAPA Vehicle Test Fit Study of Over 1900 Car Company Parts Shows Half Do Not Meet CAPA Standards

Washington, DC: As part of its comprehensive vehicle test fit process, the Certified Automotive Parts Association 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) do not meet CAPA standards for fit, finish and appearance.

CAPA initiated these test fits to ensure that parts bearing the CAPA Quality Seal were equal to or better than car company service parts. In order to establish a baseline for performance, CAPA has now tested 1,907 parts and today is releasing a detailed report on the results of this extensive testing.

Parts submitted for CAPA certification that exhibit the types of problems encountered in the car company service parts will not be certified. Only after the problems are corrected and the part passes a subsequent vehicle test fit will the part become CAPA certified. This essentially means that CAPA certified parts are of higher quality than the car company service parts randomly selected in the marketplace. There is currently no independent quality certification for car company service parts.

Highest Failure Rates:

Company	Parts Tested	% Not Meeting CAPA Standards
General Motors	467	65%
Ford	440	60%
Chrysler	295	47%
Nissan	141	41%
Toyota	236	39%
Honda	227	27%

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One of the greatest hurdles CAPA has had to overcome is the inconsistency in car company parts. This study of a broad cross section of parts identifies the types of problems that create a very difficult situation in the repair environment. These types of problems, clearly evident in the car company brand parts, are the types of problems CAPA standards will identify so they can be corrected before a part is certified.

"One of the clearest messages CAPA hears from repairers is that they want a part that fits right the first time and they don't want to be the 'testing labs' for part manufacturers. To keep that from happening, CAPA runs each part through an extensive battery of material properties, fit, finish, paint adhesion, coating performance, weld integrity, adhesive performance and corrosion tests before it is approved as CAPA certified," said Jack Gillis, Executive Director. "To simply provide 'blanket approval of parts' would be a disservice to today's already beleaguered technician who is pressed for quick turn-around times and quality repairs," said Gillis.

A complete copy of the report may be obtained from CAPA's website at www.CAPAcertified.org or by calling 202-737-2212.

The Certified Automotive Parts Association, founded in 1987, is the nation's only independent, non-profit, third party crash parts quality certification organization. CAPA certification identifies, for both consumers and the industry, those parts that meet our high quality standards for fit, form, finish, material content and corrosion resistance. For more information see www.capacertified.org.

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TESTIMONY SUPPORTING HB 1332

February 5, 2003

2:30 pm

**HOUSE INDUSTRY, BUSINESS & LABOR COMMITTEE
GEORGE KEISER, CHAIRMAN**

Mr. Chairman and members of the House Industry, Business & Labor Committee:

The North Dakota Association of Insurance and Financial Advisors submit this testimony in support of HB1332.

This bill would be a victory for consumers, as the cost of OEM parts are statistically much higher than qualified after market parts. This bill would allow the use of after market parts which have been approved and deemed to be as good or better than original equipment.

Most major insurance companies have used approved after market parts with great success and cost savings for their customers. They carry the same or better guarantee as OEM parts.

We would urge passage of this bill.

Thank you for your time and consideration

Karl Rakow

Founded in 1949 as the North Dakota Association of Life Underwriters

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Dennis Holmquist
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The Cost of Providing Service: How OE Automotive Service Part Pricing Compares Across Industries

In the automotive industry, first-run production and aftermarket service are two very different aspects of the business. Though the parts are produced by the same tooling and are of equal quality, the costs associated with each vary to a large degree. In production, demand for a particular part is less difficult to predict and companies can take advantage of economies of scale. In service, however, parts are often ordered on a piece-by-piece basis, and delivery is expected the next day. This type of demand is costly to fulfill, yet compared to other industries, the automotive companies are doing a fairly good job of keeping prices down for consumers.

The Alliance of American Insurers (AAI) prepares an annual report detailing the cost of rebuilding an automobile entirely with service parts. As is expected, this cost is generally higher than the retail price. However, compared to the cost of service parts in other industries, the prices of car parts are relatively low. The following table compares the retail selling prices of various products to the cost of rebuilding the products strictly with service parts.

Product	Selling Price	Price of Service Components	Number of Times > than Selling Price
GE Profile™ Super Capacity Washer: WPSR3120WW	\$404.00	\$3,948.71	9.8 Times Selling Price
Zenith TV/VCR Combo: TVBR1942Z	\$219.99	\$2,142.89	9.7 Times Selling Price
Panasonic 4-Head Hi-Fi VCR: PV-V4522	\$78.99	\$557.24	7.1 Times Selling Price
2001 Chevrolet Cavalier LS	\$15,395.00	\$63,240.14	4.1 Times Selling Price
1997 Ford Taurus	\$18,985.00	\$72,251.00	3.8 Times Selling Price

As the table shows, the cost of rebuilding a washing machine or a TV/VCR combo with service parts is more than two times as costly as the price of rebuilding an automobile with service parts. Additionally, shipping and handling charges are often added to the price of appliance service parts while they are included in the cost of automotive parts.

Jack Gillis, Executive Director of the Certified Automotive Parts Association (CAPA), has made numerous claims that automotive manufacturers overprice car parts. In an editorial, he stated that a body shop owner charges, "... the customer \$400 for a stamped metal Ford Taurus hood, whereas the Zenith TV/VCR he bought for an employee training program was only \$259." If Mr. Gillis truly wanted to compare the two products he should have looked at the \$2,100 service part price for the TV/VCR. Simply put, the costs associated with service parts are higher than those in production. Non-OE automotive parts manufacturers may get away with reduced part prices, but not without sacrificing product quality and proper product testing.

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State Imitation Crash Parts Laws (L) and Regulations (R)

State	Date	Disclosure	Consent	Estimate		Language	"LKQ"	Parts		OE
				ID*	ID**			Warranty	Required	
Alabama (L)	1989	Yes	No	Yes		Model	No	Yes	Yes	No
Arizona (L)	1990	Yes	No	Yes		Model	Yes	Yes	Yes	No
Arkansas (L)	1992	Yes	Yes	Yes		Model	No	Yes	Yes	First 36 mos.
California (L)	1989	Yes	No	Yes		Model	No	Yes	Yes	No
Colorado (L)	1989	Yes	No	Yes		Model	No	Yes	Yes	No
Connecticut (L)	1991	Yes	No	Yes		1	No	No	Yes	No
Florida (L)	1997	Yes	No	Yes		Model	No	No	Yes	No
Georgia (L)	1989	Yes	No	Yes		Model	No	Yes	Yes	No
Hawaii (L)	1987	Yes	Yes	Yes		2	Yes	No	Yes	No
Idaho (L)	1990	Yes	No	Yes		Model	No	Yes	Yes	No
Illinois (L/R)	1989/90	Yes	No	Yes		N/A	Yes	Yes	Yes	No
Indiana (L)	1991	No	Yes	No		N/A	No	No	No	First 60 mos.
Iowa (L)	1990	No	No	Yes		Model	No	Yes	Yes	No
Kansas (L)	1989	Yes	No	Yes		Model	No	No	Yes	No
Kentucky (R)	1992	No	No	Yes		N/A	Yes	No	No	No
Louisiana (L)	1991	Yes	No	Yes		Model	No	Yes	Yes	No
Maryland (R)	1988/97	Yes	No	No		N/A	No	No	No	No#
Massachusetts (L)	1990	Yes	No	Yes		Model	No	No	Yes	No
Michigan (L)	1992	Yes	No	Yes		N/A	No	No	Yes	No
Minnesota (L)	1987	No	No	No		N/A	No	No	No	No+
Mississippi (L)	1990	Yes	No	Yes		Model	No	Yes	Yes	No
Missouri (L)	1989	Yes	No	Yes		Model	No	Yes	Yes	No
Nebraska (R)	1988	Yes	No	Yes		1	Yes	Yes	No	No
Nevada (L)	1992	Yes	No	No		3	No	No	No	No
New Hampshire (L)	1988	Yes	No	Yes		1	Yes	Yes	No	First 24 mos.
New Jersey (R)	1988	Yes	No	Yes		Model	Yes	Yes	Yes	No
New York (R)	1993	No	No	Yes		N/A	Yes	No	Yes	No
North Carolina (R)	1989	Yes	No	Yes		4	Yes	No	No	No
Ohio (L)	1990	Yes	Yes	Yes		Model	No	Yes	Yes	No
Oklahoma (L)	1991	Yes	No	Yes		Model	No	Yes	Yes	No
Oregon (L/R)	1987/88	No	Yes	Yes		5	No	Yes	Yes	No#
Rhode Island (L)	1987/93	Yes	Yes	Yes		N/A	No	No	No	First 30 mos.
South Dakota (L)	1990	Yes	No	Yes		Model	No	Yes	Yes	No
Tennessee (R)	1987	Yes	No	Yes		Model	No	Yes	Yes	No
Texas (L)	1997	No	Yes	No		N/A	No	No	No	No
Utah (L)	1995	Yes	No	Yes		Model	No	Yes	Yes	No
Virginia (L)	1988	Yes	No	Yes		1	No	No	No	No#
Washington (L)	1993	Yes	No	Yes		N/A	No	No	No	No
West Virginia (L)	1995	Yes	No	Yes		5	No	No	No	First 36 mos.#
Wisconsin (L)	1992	Yes	No	Yes		Model	No	Yes	Yes	No
Wyoming (R)	1988	Yes	Yes	Yes		1	Yes	Yes	No	No

No Regulations - Alaska, Delaware, Maine, Montana, New Mexico, North Dakota, Pennsylvania, South Carolina, Vermont

Model Disclosure Statement (approximate):

"This estimate has been prepared based on the use of crash parts supplied by a source other than the manufacturer of your motor vehicle. Warranties applicable to these replacement parts are provided by the manufacturer or distributor of these parts rather than the manufacturer of your vehicle."

- 1 - Connecticut/Nebraska/New Hampshire/Virginia/Wyoming - Does not note provider of warranty.
- 2 - Hawaii - "Body shops may include information concerning any non-OEM warranty and the part's compliance with any certified testing program."
- 3 - Nevada - Model language with note to "contact your insurer to determine your rights regarding the use of such body parts."
- 4 - North Carolina - Does not note provider of warranty. Notes use of non-OEM parts maybe required.
- 5 - Oregon/West Virginia - Use of aftermarket crash part may invalidate remaining OEM warranties.

- Disclosure required about the effect of part on vehicle's warranty
 + - Insurer cannot require use of non-OEM parts

Estimate ID - estimate must identify non-OEM parts **Parts 3 - Manufacturer's name or logo ID# required on part

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Deanna H. [Signature]
 Operator's Signature

10/3/03
 Date

Public Citizen

Buyers Up • Congress Watch • Critical Mass • Global Trade Watch • Health Research Group • Litigation Group
Joan Claybrook, President

February 7, 2003

The Honorable George Keiser
Chairman, House Committee on
Industry Business and Labor
North Dakota House of Representatives
600 E. Boulevard Ave.
Bismarck, ND 58505-3615

Dear Mr. Chairman,

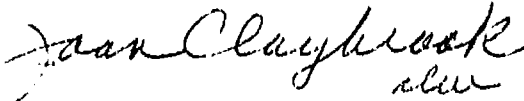
It has come to my attention that the House Committee on Business and Labor is considering legislation that will benefit both the safety and the pocketbook of North Dakota residents. House Bill 1332, relating to certified aftermarket crash parts, would encourage the use of certified aftermarket crash parts in collision repair. Consumer groups have long-supported certification because it is a win for consumers and a win for competition. The result of this legislation will be more reasonably priced and better quality replacement crash parts.

Public Citizen is a national organization representing a hundred and fifty thousand consumers throughout the United States, including North Dakota. We applaud the leadership of the North Dakota Legislature in advancing legislation to ensure consumers receive not only the benefits of lower priced parts but also higher quality. The best way to achieve that objective is by certifying that replacement crash parts meet minimum standards through a third party independent certifier.

Since the early 1980s, the auto manufacturers have lobbied state legislatures to strengthen their monopoly over collision repair parts and curtail the use of aftermarket parts. In many states, they have succeeded in gaining restrictions on the use of competitive parts, thereby, keeping the price of car company parts excessively high at a tremendous cost to consumers. Car companies control at least 80% of this market creating a monopoly situation that is anti-competitive and costly to consumers.

You and your colleagues are to be commended for taking the lead to protect your citizens by reforming this monopolistic market condition. If House Bill 1332 becomes law, North Dakota citizens will benefit and other states will follow your example. I strongly urge enactment of this important legislation.

Sincerely,



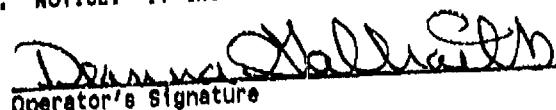
Joan Claybrook
President

Ralph Nader, Founder

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Insurance Institute for Highway Safety
1005 N. Glebe Road
Arlington, VA 22201

Date: February 9, 2003

Fax Machine Number: (701) 222-0757

Send To: Representative George Kelser
Chairman
Committee on Industry Business and Labor

From: Stephen Oesch (703) 247-1520

Total number of pages (including this cover sheet): 8

Chairman Kelser,

As you requested, I am transmitting the Institute's newsletter addressing the safety of cosmetic crash parts. A copy of the article has also been sent to you by email.

Stephen Oesch

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Dennis Hallworth
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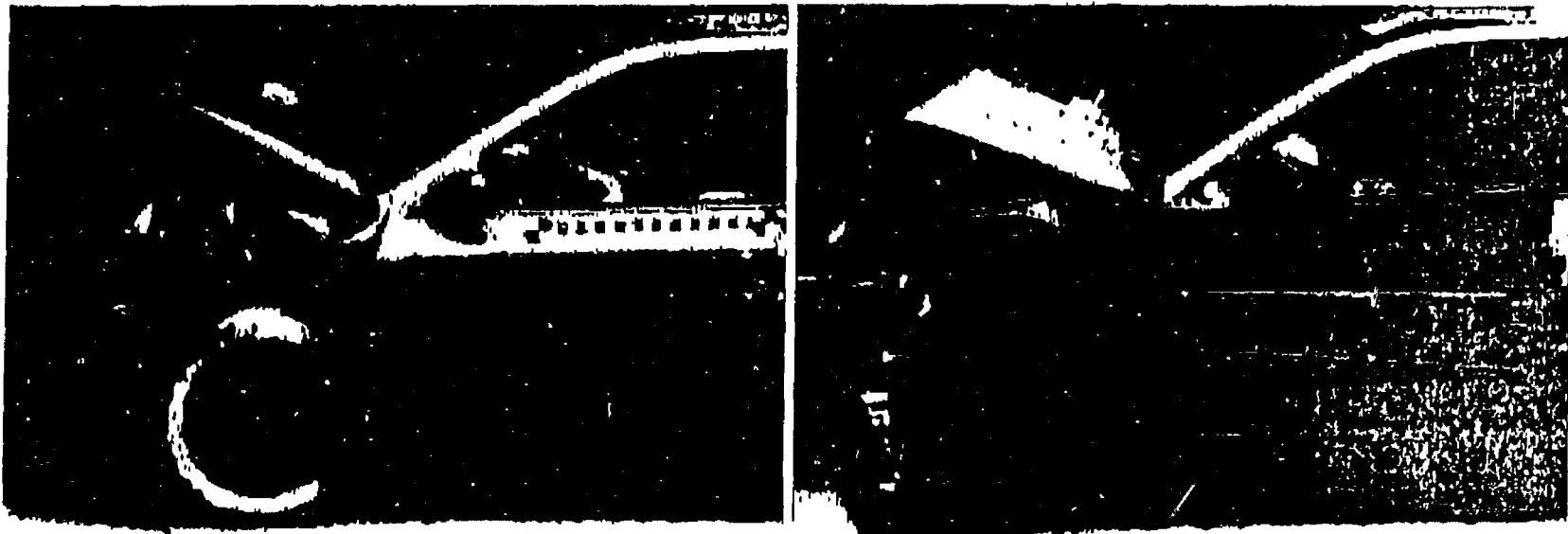
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Special issue: cosmetic repair parts

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

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are as good as cosmetic parts from original-equipment manufacturers, the issue of safety keeps cropping up (see *Status Report*, Nov. 21, 1997). 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.

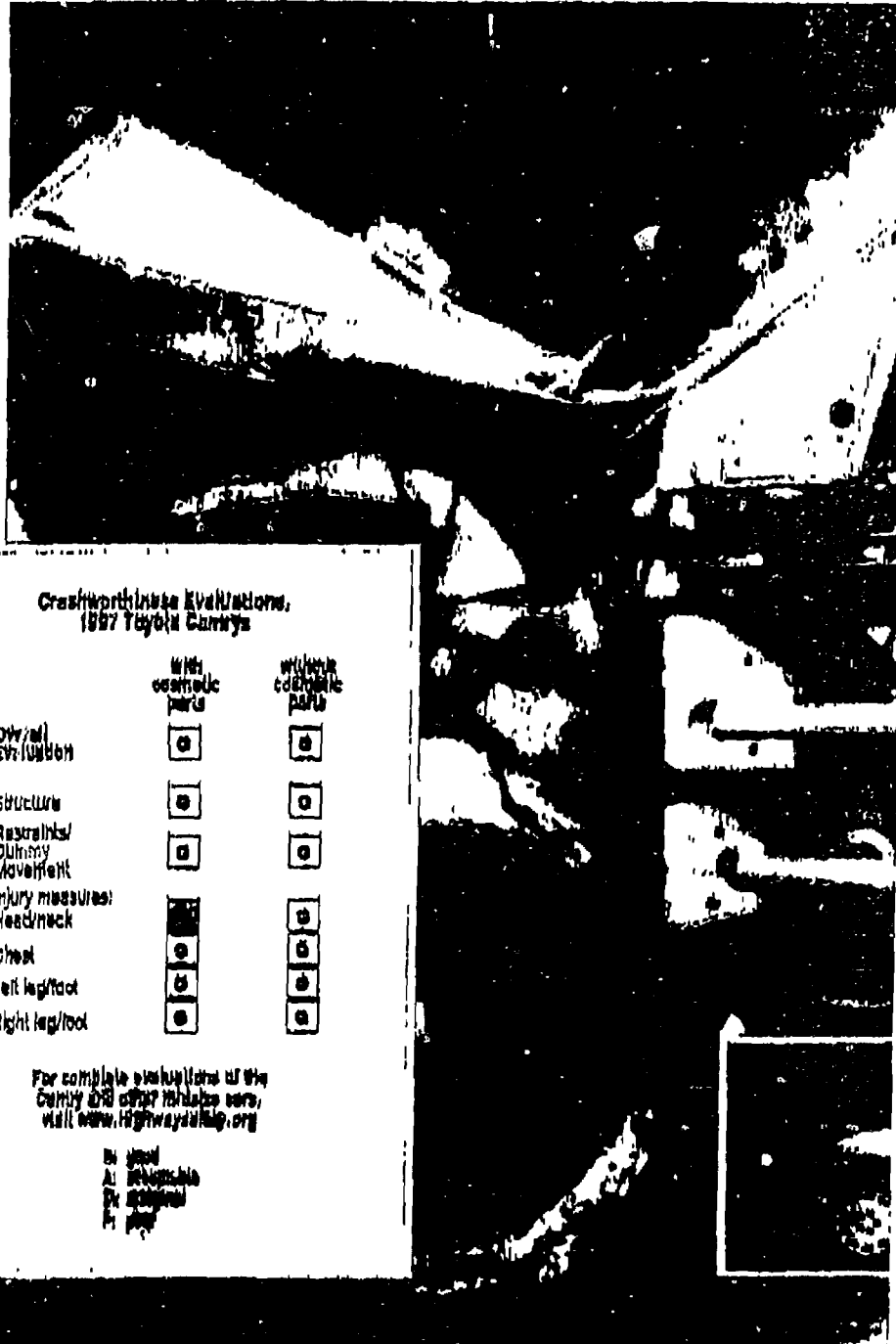
To again demonstrate the irrelevance of safety in the cosmetic crash parts debate — such demonstrations have been conducted before (see p. 4) — the Institute recently tested a 1997 Toyota Camry from which the front fenders, door skins, and front bumper cover were removed. The original-equipment hood 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 EV (0-100)	G	G
Structure	G	G
Restraints/ Dummy Movement	G	G
Injury measures: Head/neck	G	G
Chest	G	G
Left leg/foot	G	G
Right leg/foot	G	G

For complete evaluations of the
Camry and other models, see
www.highwaydata.org

By
A
P
F

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 g's in head cylinder	
1997 Toyota Camry with original-equipment cosmetic crash parts	470	127	38
1997 Toyota Camry without cosmetic crash parts	581	40	37

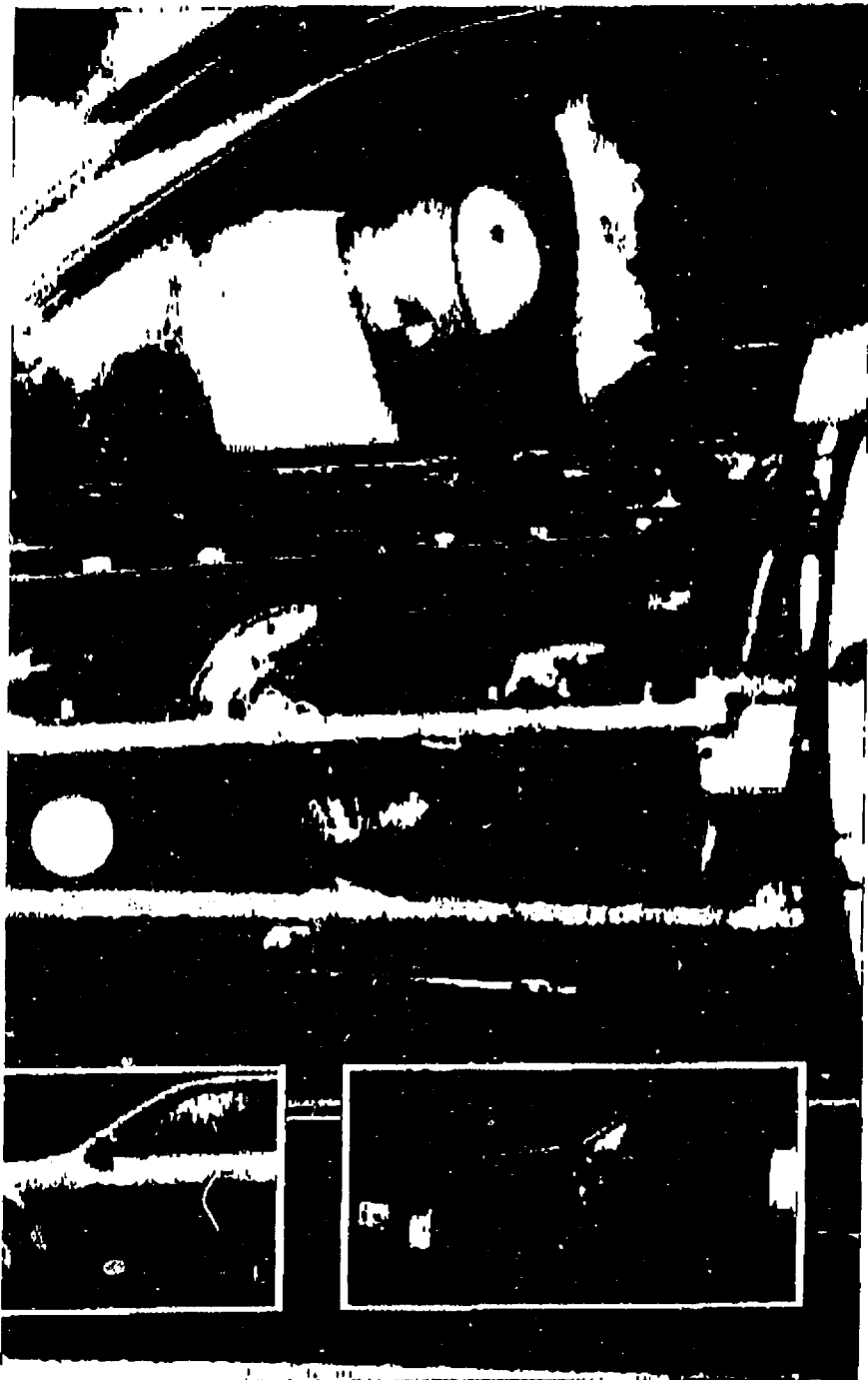
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Injecting safety into the continuing debate about cosmetic crash parts

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.

Peak in, 3 ms clip	Maximum tire index		Steering column movement		Measure of occupant compartment intrusion							
	Left	Right	movable		A-pillar movement	Intrusion level		Frontal intrusion		Rearward	Footwell	
			Upward (cm)	Rearward (cm)		Left (cm)	Right (cm)	Left (cm)	Right (cm)			
39	0.57	0.68	8	2	2	3	3	11	12	11	4	
	0.48	0.50	3	4	2	3	3	16	18	13	9	

P.4 NO. 324

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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.

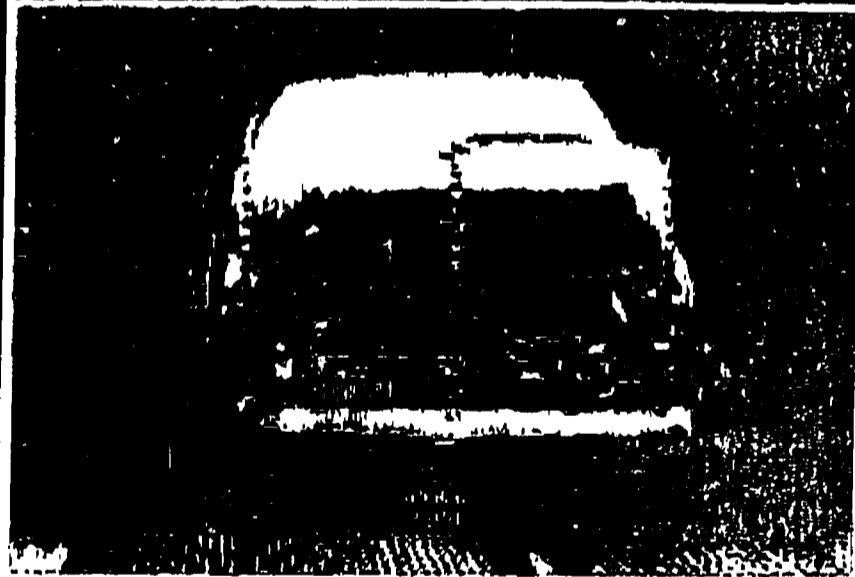
The Institute entered this dialogue in 1987, saying "there's no reason to believe — let alone assume — that cosmetic crash parts significantly influence car crashworthiness." To reinforce this conclusion, Institute researchers demonstrated the point in a crash test.

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

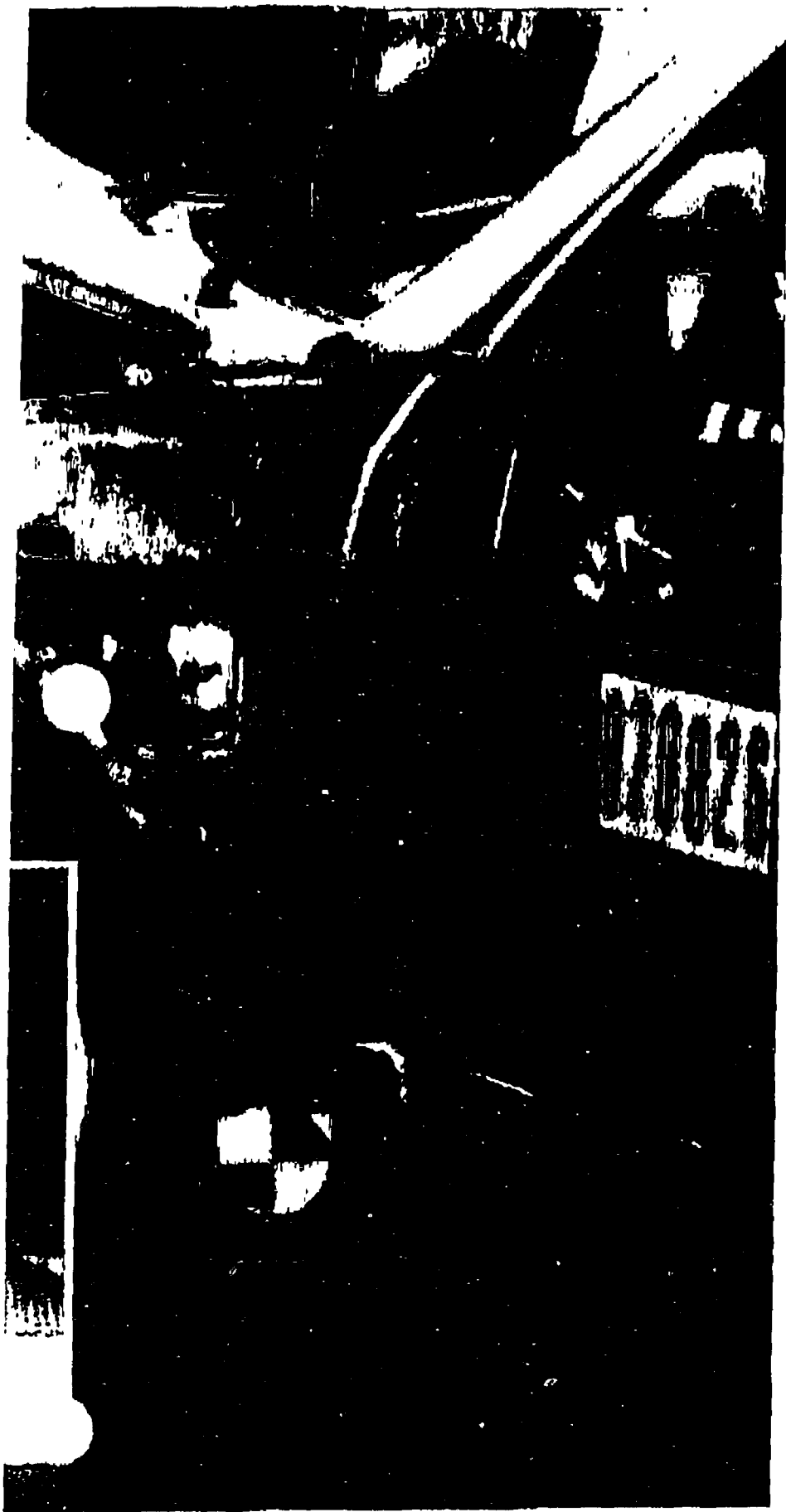
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Unlike other cosmetic crash parts used in auto repairs, the hoods of cars could influence safety

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 acknowledgment 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."

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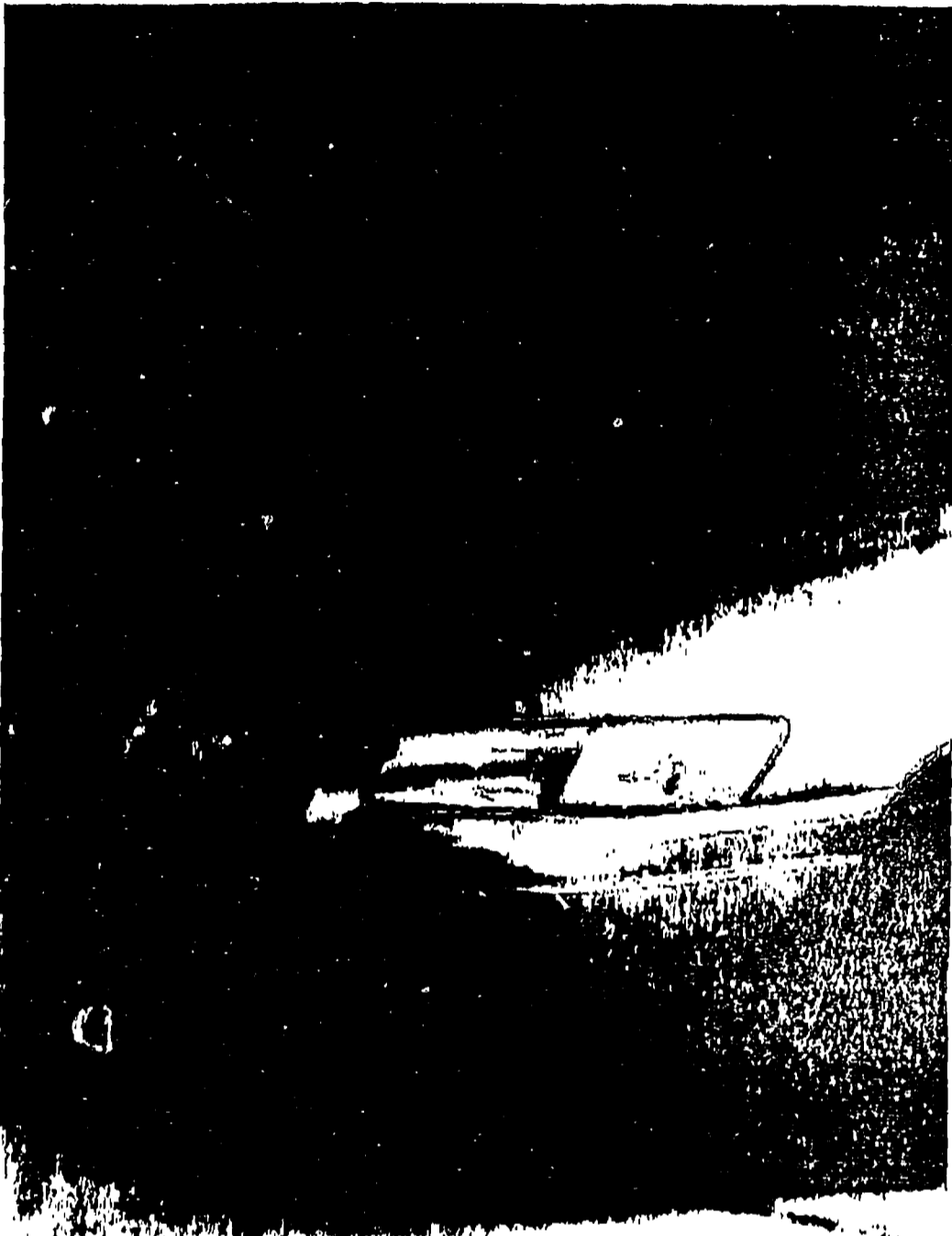
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(continued from p.2) influence the results," O'Neill points out. "Only three other midsize four-door cars we've tested match the Camrys' crashworthiness ratings. In contrast, 10 cars in this class are rated acceptable, 2 are marginal, and 11 are poor. 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 about twice as much as aftermarket parts.

The Alliance of American Insurers recently tested the cost of rebuilding a 1998 Camry with parts supplied by original-equipment manufacturers. The test came to

\$101,356.66, 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."

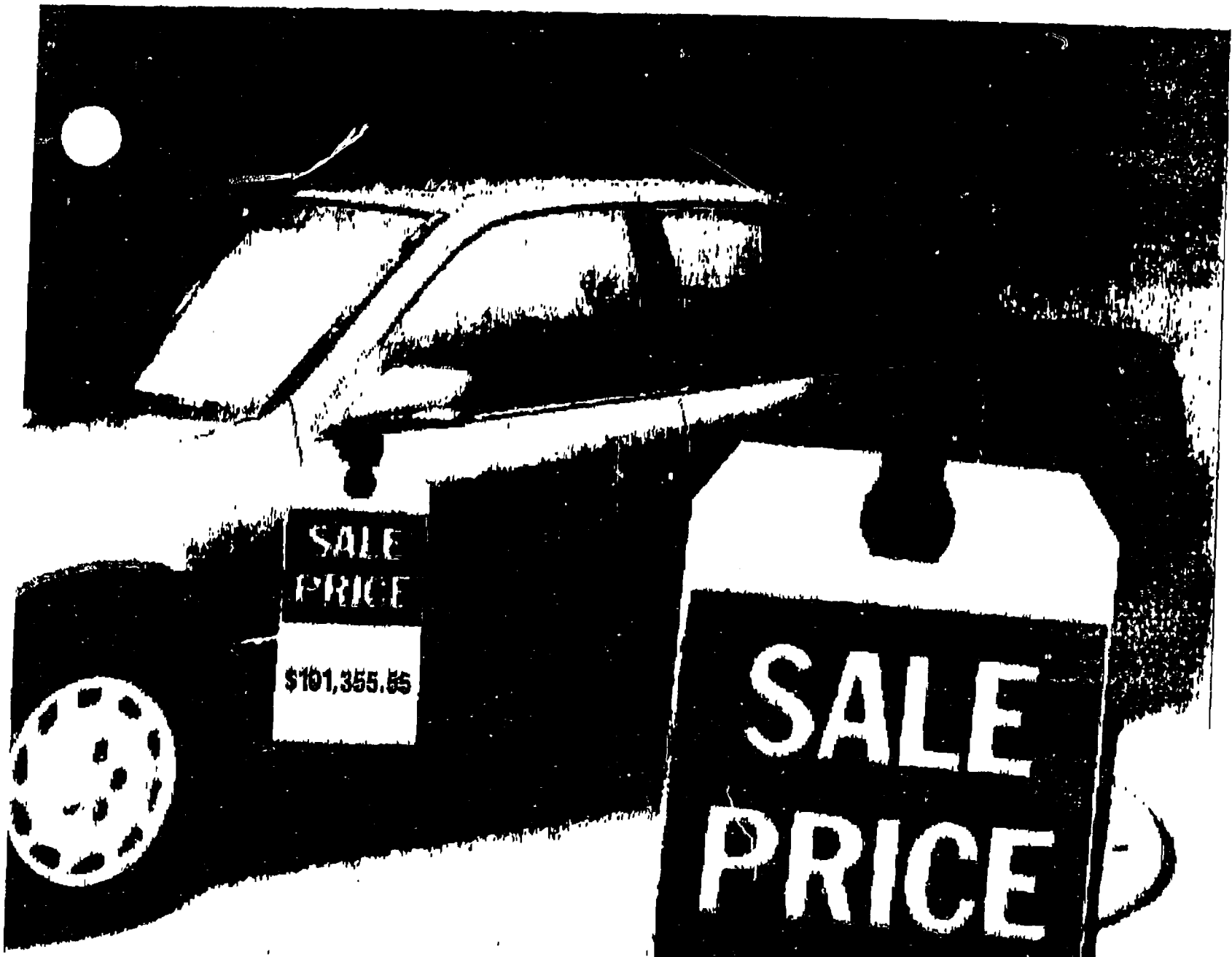
To demonstrate just how the introduction of aftermarket parts influences the

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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	204	\$202
1994	205	200
1995	200	199
1996	148	60
1997	143	63
1998	138	77
1999	135	86

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Special Issue

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

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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)



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Frankenthal
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General Casualty Insurance Companies
Grange Insurance
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Affiliations ANSI is the official U.S. representative to the International Accreditation Forum (IAF), the International Organization for Standardization (ISO) and, via the U.S. National Committee, the International Electrotechnical Commission (IEC). ANSI is also the U.S. member of the Pacific Area Standards Congress (PASC) and the Pan American Standards Commission (COPANT).

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ANSI Accredited Programs

Procedure by which an authoritative body gives formal recognition that a body or person is competent to carry out specific tasks (As defined in ISO/IEC Guide 2:1996)

One of ANSI's important functions is accreditation. ANSI accredits standards developers, certification bodies and technical advisory groups (TAGs) to both the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC).

ACCREDITED STANDARDIZATION ACTIVITIES

- ANSI-Accredited Standard Developers A list of standardization bodies accredited by ANSI to develop, maintain and withdraw American National Standards.
- U.S. Technical Advisory Groups (TAGs) to ISO Technical Committees A list of accredited TAGs that have as their primary responsibility the development of U.S. positions on technical and policy matters coming before the ISO.
- U.S. Technical Advisory Groups (TAGs) to IEC Technical Committees A list of approved TAGs that have as their primary responsibility the development of U.S. positions on technical and policy matters coming before the IEC.

ACCREDITED CONFORMITY ASSESSMENT ACTIVITIES

- ANSI-RAB QMS (Quality Management Systems) Registrars A database of third-party registrars that have been accredited by ANSI and the Registrar Accreditation Board (RAB) to provide an independent verification of conformance to the ISO 9001 quality management system standard.
- ANSI-RAB QMS Auditor Training Courses A database of ANSI-RAB accredited course providers who provide training for auditors of quality management systems.
- ANSI-RAB EMS (Environmental Management Systems) Registrars A database of third-party registrars that have been accredited by ANSI and the Registrar Accreditation Board (RAB) to provide an independent verification of conformance to the ISO 14001 environmental management system standard.
- ANSI-RAB EMS Auditor Training Courses A database of accredited course providers who provide training for auditors of environmental management systems.

Use the links below to see the list of accredited bodies.

Accredited Standards Developing Organizations:

Quality Systems Registrars
Environmental Management Systems Registrars

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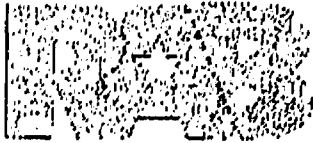
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Quality Management Systems

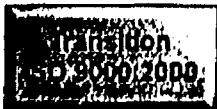
Fostering Confidence in ISO 9001 Activities

The ISO 9000 standards provide guidance in developing and implementing effective quality management systems (QMS), the activities an organization performs to satisfy its customers' quality-related expectations. Customers or regulatory agencies may require an organization to demonstrate that its QMS conforms to ISO 9001. To become registered to ISO 9001, an organization must be audited by an independent third-party registrar to verify that such a QMS is in place to fulfill the requirements of the standards.

The ANSI-RAB National Accreditation Program's QMS program for [registrar accreditation](#) and RAB's programs for [auditor certification](#) and [auditor training course accreditation](#) support ISO 9001 implementation and registration and add value to the process.

NEW Complete information on RAB's new [Aerospace Auditor certification](#) program is now available. **NEW**

You can download an application package for [QMS auditor](#) or [QMS internal auditor certification](#). RAB also offers [tips for selecting a registrar](#) and information on the [benefits of ISO 9001 registration](#). You can search for a [certified QMS auditor](#) or an [accredited training course](#), or find companies that have already achieved ISO 9000 registration through our [links to registered company directories](#).



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- Course Providers
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For more information on quality, see the American Society for Quality Web Site.



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The ANSI-RAB National Accreditation Program (NAP) is jointly operated by RAB and the American National Standards Institute (ANSI). ANSI-RAB NAP programs cover the accreditation of environmental management systems ISO 14001 and quality management systems ISO 9001 registrars. Representatives of industry, government, and environmental and quality organizations, as well as auditing professionals and others with an interest in environmental and quality management systems developed all ANSI-RAB NAP programs through a consensus process.



RAB responsibilities in the ANSI-RAB NAP:

- Direct operation of all ANSI-RAB NAP programs
- Accept and process applications for accreditation
- Form audit teams
- Audit teams conduct evaluations and prepare reports

ANSI responsibilities in the ANSI-RAB NAP:

- Promote the ANSI-RAB NAP
- Provide due process and public review of criteria and procedures
- Offer public notice of applicants for accreditation
- Represent the ANSI-RAB NAP internationally, in consultation with RAB

The QMS Council and EMS Council are the real strength of the ANSI-RAB NAP. The councils are populated by volunteers who help create and maintain a robust and credible accreditation and registration system for U.S. Industry.

Council members represent industry and other business, government, environmental groups, quality organizations, and registrars. Among other responsibilities, the councils review ANSI-RAB NAP audit team reports and vote to grant or deny accreditation to registrars.

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★★ Steps to ANSI-RAB NAP QMS Registrar Accreditation ★★

Obtain an application package by calling RAB at 888-722-2440 or 414-272-3937, extension 7827. The cost of the package is \$50.00 shipped within the United States or \$75.00 shipped outside the United States.

Review thoroughly the procedures in the application package, and the criteria for accreditation. (As of July 1, 2002, the NAP Criteria for Bodies Operating Registration of Quality Management Systems, R1, were withdrawn; the NAP requires that accredited QMS certification/registration bodies conform to ISO Guide 62, IAF Guidance to Guide 62, and NAP Advisories.)

Prepare all manuals and documentation as required.

An information visit by an ANSI-RAB NAP auditor can be arranged prior to submitting all manuals and documentation. This can be helpful in explaining the criteria and the audit process, and to see that your documentation is being developed correctly.

Submit the application fee (\$10,000 for the first NAP accreditation or \$5,000 for an additional NAP accreditation) and all documentation and manuals to RAB, as required by the ANSI-RAB NAP QMS Procedures for Accreditation.

When the application fee and all documentation and manuals are received by RAB, the documentation is examined for completeness. If satisfactory, the application is accepted and the applicant is added to the "in application" portion of the NAP-accredited QMS registrar list and public notice of the application is made.

The application and submitted documents and manual are then reviewed by an RAB audit team leader.

The RAB audit team leader reviews the program documentation for conformance with the QMS criteria for accreditation. This normally requires one or two auditor days.

An RAB audit team conducts an office audit of the applicant's office operations for conformance to program requirements. The office audit is usually involves two RAB auditors for two days.

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An RAB audit team will also witness the applicant registrar's audit team conducting a complete ISO 9001/2 registration audit in a scope classification for which the registrar is seeking approval. Witness audit teams usually consist of two RAB auditors. Normally, the full audit is witnessed. (Audit days may vary depending on the depth of scope and whether it is an NAP audit or a joint audit with another accreditation body).

Nonconformities raised in either or both audits require corrective action responses that provide closure.

The RAB lead auditor prepares a full accreditation report. This normally requires one auditor day.

The ANSI-RAB QMS Council evaluates the assessment information. The QMS Council decides if accreditation is to be granted.

The applicant is notified of the QMS Council's decision.

When the decision is favorable, an ANSI-RAB NAP agreement must be signed by both the applicant and RAB. The agreement includes the requirement that the registrar maintain appropriate general and professional liability insurance.

All fees must be paid in full, including the accreditation fee and invoices for the auditors' fees, along with their travel and living expenses.

The applicant is awarded accreditation in the ANSI-RAB NAP and then is entitled to use the ANSI-RAB NAP accreditation mark. The scope of accreditation is documented in a schedule that accompanies the certificate of accreditation.

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**AUTO MANUFACTURERS WANT A MONOPOLY
ON REPLACEMENT CAR PARTS**

**"HENRY FORD IS REPUTED TO HAVE SAID
HE'D GIVE HIS CARS AWAY IF HE COULD HAVE A MONOPOLY
SELLING REPLACEMENT PARTS!" ***

For years automobile manufacturers enjoyed a monopoly on cosmetic replacement parts for cars that had crash damage. Once the consumer purchased a new car, the manufacturer had a captive market in the event of an accident – the buyer had nowhere else to buy replacement or aftermarket parts. The competition that drives our economy was absent in this particular arena. So while consumers have long been free to select from a number of competitive automotive parts such as oil filters, batteries and spark plugs, they were given no choices on cosmetic replacement parts, such as fenders, grills and door panels. That left manufacturers free to charge whatever they pleased for these parts. And they did.

They did, that is, until a group of independent manufacturers began duplicating parts at a much lower cost beginning in the 1970s. Having the option to purchase products of equal or superior quality at lower cost had the predictable result – more choices were available, prices dropped and consumers benefited.

The car manufacturers' reaction was equally predictable. They couldn't object on the grounds that their monopoly had been broken, so they raised unfounded allegations of safety, quality and warranty cancellation: words that strike fear into the hearts of consumers and legislators alike. Using a campaign of misinformation, the car manufacturers have been trying to convince legislators to pass legislation restricting the use of competitive replacement auto parts.

HERE'S THE REALITY:

QUALITY IS NOT AN ISSUE. Certified replacement parts are of equal or superior quality to the original equipment manufacturers (OEM) parts. Parts manufactured by competitive parts manufacturers have been tested and certified since 1987 through the Certified Automotive Parts Association (CAPA). Since 1992, CAPA has used Entela Labs — the same lab used by car manufacturers to test parts — to develop standards and inspect parts produced by competitive parts manufacturers. These parts are voluntarily submitted to the program, and only the parts that pass the rigorous testing receive the yellow CAPA seal of approval. During 1998, CAPA received complaints on only 0.06% of more than 3.2 million parts it certified.

In addition, the first and only true blind-fit test was conducted in January 1999 by a group of professional auto body technicians and directly contradicted the "poor quality" argument. Certified competitive replacement parts received equal or higher ratings than comparable OEM parts at a meeting of the Collision Industry Conference (CIC), a national association of auto body professionals. The conference attendees were primarily owners of automobile body repair shops.

Conference attendees did not know beforehand which parts were OEMs and which parts were certified competitive replacement parts. The test was designed to eliminate any preconceived notions concerning competitive replacement parts that could factor into the judging.


(continued on back)

 **Alliance**
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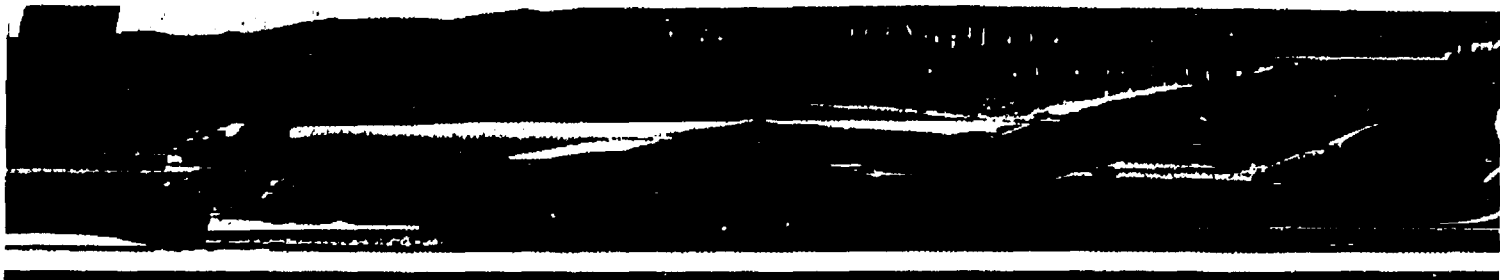
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*"Consumer Reports," February 1999

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Attendees rated the fit, finish and salability of the crash parts. They first examined the vehicle, a Ford minivan, with its original parts. The van's fenders were then replaced. Ninety percent of the auto body experts approved of both the certified and the OEM right front fenders. For the left front fender, the certified part received higher marks than a Ford OEM part. Only 47% of the attendees felt that they could sell the Ford fender to their customers.

CANCELLATION OF WARRANTY IS NOT AN ISSUE. Some opponents of competitive replacement parts say that their use jeopardizes a consumer's car warranty — that it can be cancelled if OEM parts are not used. This is simply not true. As far back as 1975, two forward-thinking federal legislators realized the need to protect the interests of consumers and promote competition. The result was the Magnuson-Moss Warranty Act's language stating that use of non-OEM parts would not void a car warranty.

SAFETY IS NOT AN ISSUE. The Insurance Institute for Highway Safety (IIHS), which has been testing cars for damage and safety for decades, called the safety allegations unfounded. IIHS President Brian O'Neill said, "The source of cosmetic parts used to repair cars has little to do with the possibility of injury in these cars after they've been repaired... there's no reason to believe — let alone assume — that such parts significantly influence car crashworthiness."

No accident or injury has ever been proven to be caused by or related to the use of competitive parts. "Consumer Reports," which recently investigated competitive parts, could only cite one case when a competitive hood failed, and this was a 10-year-old hood. (And there is a serious question whether the malfunction was properly reported or a hoax.) During the same 10-year period, auto manufacturers had to recall 2.7 million hoods. The facts suggest that the debate should shift from ill-founded allegations concerning aftermarket parts to the quality of original parts.

Clearly, safety, quality and warranty are not the real issues in this debate: Competitive replacement parts perform as well and often better than OEM parts in safety and quality tests. Federal law protects consumers from cancellation of warranties for use of competitive replacement parts.

THE REAL ISSUE IS that competitive replacement parts offer quality options and cost savings that would not be available otherwise. It's called free market competition. It's what our economy is built upon.



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Tuesday, January 9, 2001

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

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	81%
OEM RF Fender	44	2.89	3.22	31%

<http://www.collisionweek.com/cw/news/2001-0109-cic.asp>

2/16/01

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Non-OEM RF Fender	31	3.16	3.56	70%
OEM LF Headlamp	41	3.17	3.59	67%
Non-OEM LF Headlamp	30	3.37	3.84	62%
OEM LF Side Lamp	37	3.51	3.85	65%
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	67.97%
Non-OEM Overall	30	3.37	3.63	74.62%

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 best. Reviewers were also asked, yes or no, if the parts were acceptable to sell to customers.

■

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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."

<http://www.collisionweek.com/cw/news/2001-0305-aaia.asp>

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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 on 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 crashworthi-

ness of a car.

In 1995, an independent crash test was conducted in England by Thatcham, the Motor Insurance Repair Research Center. Thatcham 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 effect on vehicle safety."
Helen Petruzzas (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.

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Operator's Signature

Date

10/3/03