

1999 SENATE TRANSPORTATION

SB 2276

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2276

Senate Transportation Committee

Conference Committee

Hearing Date February 11, 1999

Tape Number	Side A	Side B	Meter #
1	x		1-End
1		x	1-1146
February 12, 1999-Tape 1	x		1,363-1865
February 15, 1999	x		758-End
Committee Clerk Signature	<i>Rori A. Schaeffer</i>		

Minutes:

SENATOR B. STENEHJEM opened the hearing on SB 2276. Committee members present included: Sens. Bob Stenehjem, R. Schobinger, D. Cook, D. Mutch, D O'Connell, and V. Thompson. Senator Bercier was absent.

SENATOR SCHOBINGER introduced SB 2276 on behalf of a constituent. This bill says a body shop will put in the original equipment on a vehicle for up to three years. If they don't put in the original equipment, they must get a signed statement from the owner of the car. I think the consumer has the right to have the original equipment on their car unless they choose not to.

LANE QUANTZ, MINOT Currently, ND does not have a law which protects the consumer of use against the use of after-market or imitation parts. That can negatively affect all of us. A front end collision with a 1996 Chevy would be expected by the insurance company to use after

market parts with the hood, fender, grill and front lamps on that vehicle. Those would be parts not made by Chevy. You probably would have to pay the difference if you wanted original parts put on that truck. Consumers of our state deserve SB 2276. There are many problems when it comes to after market parts. The safety of the vehicle and the warranty of the parts are two of those problems (he passed out a handout). Chrysler has stickers that they give to body shops that you can place on the estimate. It says "Chrysler corporation recommends the use of MOPAR parts in the collision repair of your vehicle. Chrysler corporation does not guarantee the reliability and safety of parts other than MOPAR. Replacement parts other than MOPAR are not covered by the remaining new vehicle warranty." (He gave some warranty numbers).

There is one change I would like to see made on the bill: on line 14, page 3, change three to five and on line 23, page 3, change three to five. That would be so it would go with the manufacturer's warranty. The February edition of *Consumer Reports* has a great article "Cheap Car Parts Can Cost You A Bundle" (he passed out copies).

SENATOR O'CONNELL How much cheaper are the other parts as far as percentage?

LANE QUANTZ It varies from vehicle to vehicle. I have a 1995 Ford in my shop right now that needs a hood and two fenders and the price difference the customer will pay himself is \$376.

SENATOR MUTCH Is there any problem with warranty if you buy any other parts? How does that hurt the warranty on the working parts of the car?

LANE QUANTZ It doesn't affect the working parts, it is just the part on the vehicle or any part adjoining to it that is affected by that part. If there isn't a GM replacement part put on then GM can't warranty that part. It doesn't affect the full warranty of the car.

SENATOR O'CONNELL What would be considered parts?

LANE QUANTZ The way the bill reads they are talking mainly about collision parts and there is all the description as far as what recycled are. They are mainly talking about replacement crash parts and I don't believe glass is included.

BOB LAMP, AUTOMOBILE DEALERS ASSOCIATION in support of SB 2276. We think the key to the bill is the disclosure portion. You would still be able to use the after market parts but we think the disclosure is important in this industry. It has been a required standard. It is a good standard in the industry.

SENATOR MUTCH Who would you make the disclosure to so the warranty is kept?

BOB LAMP I believe the repair facility would have to disclose or get a disclosure to the customer that there is going to be something other than the original parts on the vehicle so the customer would know.

LARRY HATZENBUHLER, BODY SHOP MANAGER AT STAN PUKLICH These parts we are asked to put on a vehicle while the vehicle is under manufacturer warranty are not equivalent to OEM. They are not as good; they don't fit, they don't last (he gave examples). I can end up warranting after market parts and not even realizing it. You can't tell it is an after market part once it is finished.

SENATOR COOK If I were to come into your shop for an estimate, your estimate would include all OME parts, correct?

LARRY HATZENBUHLER I would unless you asked me not to.

SENATOR COOK Is your estimate then higher than another body shop's estimate?

LARRY HATZENBUHLER Maybe or maybe not. Most of the shops in the area will figure OEM unless we are instructed by the insurance company to use after market parts which is usually the case.

SENATOR COOK You could give me an estimate using all OEM parts and I take that to my insurance company and they may tell you to lower the estimate.

LARRY HATZENBUHLER They will tell me to use after market parts or they will find another shop that will.

DALE PURKETT, BILL BARTH FORD testified in support of SB 2276. After market parts also include radiators and AC condensers. It not only affects it if you're an insurance company but also if you're a claimant and someone runs into you. Their insurance company will also put after market parts in your vehicle whether it's a year old. It doesn't seem right to me when the accident is not my fault and their insurance company dictates what goes on my vehicle. My technicians waste a lot of time sending parts back to fit correctly. Maybe that is one reason why costs keep going up.

TOM SMITH, DOMESTIC INSURANCE COMPANIES testified in opposition to SB 2276. I'd like to go through some unworkable provisions in the bill. The first section deals with definition. It appears to me the "installer" is the individual that works for the repair facility and that will become apparent later on. The first problem is the definition of replacement crash part. This means a part replaced during the repair of a collision damaged motor vehicle. This could possibly include wind shields. They define this as sheet metal or plastic parts that generally constitute the exterior of a motor vehicle including inner and outer panels. The use of the word collision can create a real problem for us in the insurance industry. Your insurance policy

provides coverage in three different areas for damage to your motor vehicle: (1) property damage liability-third party coverage; (2) collision-first party coverage; (3) comprehensive coverage-provides coverage for everything but collision. Subsection 4, on page 3 talks about a motor vehicle being prepared by a facility during the year it was manufactured or three years following. I calculate that as a four year period. The companies will use OEM parts for two years, after that they will use after market parts. This says you have to use OEM parts for up to four years and you can only use after market parts if you have consent of the owner. Before an insurer requires the use of any type of replacement crash part for the repair of collision damage they shall disclose to the vehicle owner the types of crash parts used. Presently, all insurance companies do make a disclosure in some form. In subsection three, it tells you how to do the disclosure. Another part that concerns us is that we must attach to the copy of collision repair estimate. It says it must be signed by the motor vehicle owner or authorized representative before any replacement can be installed. This says under all circumstances, you have to have a notice signed even beyond the four years. What happens if they don't sign it? We have no problem in making disclosures because we do that now. You also have two different disclosures: one being done by the insurance company and one being done by the repair facility. It would appear to me that the repair facility will also have to make the disclosure and get the authorized signature. We have problems with the workings of this bill and how it will be utilized. After market parts is an issue that has been around for a number of years. Back in the 1970's, the Federal Trade Commission did institute litigation against the auto industry because of the cost of replacement crash parts because the cost of those parts were 700% to 800% higher than what they cost when you put them on a new vehicle before after market parts were available (see

handout). It gives you a timeline to this issue and how it came about. In 1991, Certified Auto Parts Association(CAPA) was started to certify after market parts. They run them through extensive test. In many cases, they have warranties that are better than the manufacturer's warranties. CAPA has certified several thousand parts. After market parts have compelled the auto manufacturer's to be competitive but even though they have become competitive the cost is still higher (see handout). Even *Consumer Reports* support CAPA's testing and feel it has made it competitive. As far as the insurance companies are concerned you are ultimately the consumers, you pay the price for those policies. All the insurance companies I'm aware of do not require after market parts on new vehicles. The first couple of years, they are more than willing to put OEM parts on .

SENATOR SCHOBINGER Your concern is the two to three years?

TOM SMITH We would certainly suggest that you move it back to two years. The norm is two years. Three years is something we could live with but it could mean increased cost. We would hope the committee would rework the bill. I'm not aware of the fact that the insurance company ever mandates to their insurers that they use recycled crash parts. We also take the position that whatever after market parts are used they have to be CAPA certified.

SENATOR SCHOBINGER Are after market parts as good a quality as original?

TOM SMITH The information I reviewed shows they are. On the handout, they felt there was no question on the safety issue. They are just as safe.

SENATOR SCHOBINGER Why the price difference if the quality is the same?

TOM SMITH That is the reason after market parts are used because the manufacturers were marking up the parts to 700% to 800%. It became a business opportunity for people to look at

this and get into competition with the dealers. They could manufacture a part that is just as good but at a lower cost.

SENATOR SCHOBINGER Would you disagree with the article in *Consumer Reports*?

TOM SMITH The auto manufacturers manufacture their parts in the same area the after market parts are manufactured. I have a six page response addressing that article by CAPA saying that it was one sided.

SENATOR COOK How do used parts fit into this?

TOM SMITH The auto insurance companies never dictates to a consumer that they have to use used parts. They will never base an estimate on it. It is always based on OEM parts or after market parts. Now when you take the estimate and the money you've gotten from the insurance company to the repair facility, he may look at that and say I know where there is a used part and put it on and save money.

SENATOR COOK If I had a \$250 deductible, is it possible that I could get my deductible taken care if I use two or three used parts?

TOM SMITH You can do that. Our obligation is to repair your vehicle to the shape it was in before the accident. If you take that money and negotiate some collision shops have done that.

DICK HEDAHL, PRESIDENT OF HEDAHL'S AUTO PARTS testified in opposition to the bill. GM and Ford want to sell parts. This bill gives them an advantage to sell more parts and they will use all the reasons they can to protect that advantage. They say they are protecting the consumer but they are actually protecting their sales. We sell after market parts. I'm surprised the body shops are advocating additional regulation when they are one of the most regulated industries that we serve. The question is "why not glass". Glass isn't made by most of the car

manufacturer's so they don't need to protect themselves. Yes, we do have warranties.

Competition actually works and it protects the consumer. We've been in the rebuilt business as well. A rebuilt starter is dramatically less money but just as good a quality. This bill does not protect the consumer from price but causes the price to go up. We don't have a problem providing quality parts.

SENATOR SCHOBINGER For the first four years, as a consumer shouldn't I have the right to know if that vehicle is the same one I've bought?

DICK HEDAHL The insurance companies already provide that information.

SENATOR COOK Are you aware of a law that says if an OEM says you must you a OEM filter or warranty was void, they would have to give you a filter, are you aware of that?

DICK HEDAHL I don't know of that.

ROB HOVLAND, CENTER MUTUAL INSURANCE COMPANY testified in opposition. We are not necessarily a large company but we are a big player in ND. We are one of the top ten companies in relation to premium volume written or amount of volume business. I am not opposed to a disclosure requirement. The real issue is dealing with after market parts. This has been billed as a consumer advocate bill. The statistics show that during the past five years the auto business in ND has been unprofitable (see handouts). Your premium right now is calculated that there are, at some time, going to be after market parts used other than the originally manufactured parts. If you pass a bill that requires new parts to be used which is what will happen here if it is passed that is going to be reflected in your premium (see statistics provided). You'll see the loss ratio is for every dollar paid for a premium, 90 cents was paid out. There are a number of companies that have discontinued doing business in our state because it isn't

profitable. The consumer will absorb the cost of this bill because the insurance companies cannot when there is no profit. Consumers are not going to sign a release to authorize the body shop to use something other than new parts. That is required the way this bill is written. I don't doubt that there are people who are unhappy with parts that aren't new and also there are people who are unhappy with new parts but I think you'll here that some companies provided longer warranties which is more than the original manufacturers provide and at a fraction of the cost. I don't think the consumers are willing to pay for this. I know this because we did a survey of our policy holders asking them what we could do to return our company to profitability.

Unanimously, they told us we could raise the deductible, limit the amount of coverage, whatever was needed except raise our rates. Here, you're probably asking them to pay 30% more on comprehensive and collision rates. If there were a market for this, we would offer this.

Insurance companies make money through premiums but we can also invest the premiums. I should be encouraging you to pass this but our consumers don't want it.

SENATOR SCHOBINGER If the bill didn't require the disclosure after four years would you support it?

ROB HOVLAND No, I don't have a problem with disclosure notice. But the time period should be kept at the standard of two years. If it is more than that the consumer shouldn't dictate what type of parts should be used.

DWAINE HEINRICH testified in opposition to SB 2276 (see testimony).

RON NORDSTROM testified in a neutral position to SB 2276. We'd like a minor change to this bill. The problem we have is the requirement of new OEM parts, we would like the words new stricken from the bill and replaced with "new and or recycled LKQ replacement parts". If it is

not changed this will have a serious effect on our inventory now and in the future. Our parts now will sit on the shelves for five years until they can be used after the four year period. This will have a serious effect on us. Without the use of LKQ recycled parts, there would be a lot of vehicles leaving the body shops and deemed total losses by the insurance companies resulting in less revenues for the body shops and altering the cost of the insurance companies. There is nothing wrong with a used, quality LKQ part. A lot of the parts we sell are OEM parts, they're used but they are OEM.

We will close the hearing on SB 2276.

February 11, 1999-Discussion was held- Tape 2

SENATOR COOK I motion for a Do Not Pass.

SENATOR O'CONNELL I will second that motion.

SENATOR COOK My biggest point is that if we pass it our insurance rates will go up. There is no market for this because no one would buy it. I understand why one would introduce the bill.

As it sits, I can't support it.

SENATOR SCHOBINGER The bill says for new cars up to four years that the replacement parts have to be original parts. I would like to know if I buy a \$30,000 car and it's a year old and they put another part in there they should at least tell me.

SENATOR COOK I agree with you but this bill does much more than that. To give that guarantee that says they have the right to demand OEM parts.

SENATOR SCHOBINGER We've got a market where the seller knows more then the consumer. Most think parts are original parts and don't know that when they get that car back until later when they take the car back in to get it fixed. This is a consumer bill. If a body shop is planning

on putting parts in, for the first four years they should be original parts. The body shops are giving an estimate and the insurance company is coming in and saying to the consumer that is fine if you want OME parts but you have to pay the difference. One way or another the consumer pays more in the end if they want the original parts.

SENATOR COOK There is enough testimony that shows concerns that it does more than that. There have got to be some things that need to be cleaned up on this bill before I vote on it.

SENATOR SCHOBINGER I wouldn't be opposed to amending this bill.

SENATOR COOK I will withdraw my motion.

February 12, 1999-Tape 1

SENATOR SCHOBINGER (He discussed his proposed amendments.) The sponsors of the bill wanted the bill to require the disclosure for three years instead of four.

SENATOR SCHOBINGER I'll make a motion to adopt the amendments.

SENATOR O'CONNELL I'll second it.

Amendments passed unanimously.

February 15, 1999 - Tape #1

SENATOR COOK Page 1, line 24 besides removing collision I thought we also removed "including exterior" and wrote in "such as".

SENATOR SCHOBINGER Legislative Council said that is not the proper wording.

SENATOR SCHOBINGER I want to reconsider SB 2276.

SENATOR MUTCH I second that.

The motion was unanimously passed by a voice vote.

SENATOR COOK I move to reconsider our actions for which we first amendments.

Page 12

Senate Transportation Committee

Bill/Resolution Number Sb2276

Hearing Date February 11, 1999

SENATOR MUTCH I second that.

The motion passed unanimously by a voice vote.

SENATOR O'CONNELL Do these amendments still allow them to use reused parts?

SENATOR SCHOBINGER They can use the original parts, they don't necessarily need to be new. We brought the time period back down to three years.

SENATOR COOK I motion to remove the first amendments that we previously considered.

SENATOR MUTCH I second that.

The motion passed unanimously by a voice vote.

SENATOR COOK I move we adopt amendments 90246.0201.

SENATOR MUTCH I second that.

Amendment 90246.0201 passed by a voice vote.

SENATOR SCHOBINGER I move a Do Pass as Amended on SB 2276.

SENATOR BERCIER I second that.

A roll call vote was taken (7 Yeas, 0 Nays and 0 Absent and Not Voting).

Senator Schobinger will carry SB 2276.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2276

Page 1, remove lines 8 and 9

Page 1, line 10, replace "b" with "a"

Page 1, line 12, replace "c" with "b"

Page 1, line 14, replace "d" with "c"

Page 1, line 17, replace "e" with "d"

Page 1, line 19, replace "f" with "e"

Page 1, line 21, replace "g" with "f"

Page 1, line 23, replace "h" with "g"

Page 1, line 24, remove "collision"

Page 2, line 3, replace "an insurer requires the use of any" with "a repair facility"

Page 2, remove lines 4 through 6

Page 2, line 7, remove "Before an installer"

Page 2, line 12, replace "twelve-point" with "ten-point"

Page 2, line 15, after "installed" insert "subject to the conditions in subsection 4"

Page 3, line 14, replace "three" with "two"

Page 3, line 15, remove "new"

Page 3, line 20, remove "new"

Page 3, line 21, replace "an" with "a facility"

Page 3, line 22, remove "installer"

Page 3, line 23, replace "three" with "two"

Page 3, line 25, remove "new"

Re-number accordingly

PROPOSED AMENDMENTS TO SENATE BILL NO. 2276

Page 1, remove lines 8 and 9

Page 1, line 10, replace "b" with "a"

Page 1, line 12, replace "c" with "b"

Page 1, line 14, replace "d" with "c"

Page 1, line 17, replace "e" with "d"

Page 1, line 19, replace "f" with "e"

Page 1, line 21, replace "g" with "f"

Page 1, line 23, replace "h" with "g"

Page 1, line 24, ^{replace} ~~remove~~ "collision" ^{-damaged} with "damaged"

Page 2, line 3, replace "an insurer requires the use of any" with "a repair facility"

Page 2, remove lines 4 through 6

Page 2, line 7, remove "Before an installer"

Page 2, line 12, replace "twelve-point" with "ten-point"

Page 2, line 15, after "installed" insert "subject to the conditions in subsection 4"

Page 3, line 14, replace "three" with "two"

Page 3, line 15, remove "new"

Page 3, line 20, remove "new"

Page 3, line 21, replace "an" with "a facility"

Page 3, line 22, remove "installer"

Page 3, line 23, replace "three" with "two"

Page 3, line 25, remove "new"

Renumber accordingly

Date: February 15, 1999

Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2270

Senate Transportation Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as amended

Motion Made By Sen. Schobinger Seconded By Sen. Bercier

Senators	Yes	No	Senators	Yes	No
Sen. B. Stenehjem-Chairman	X				
Sen. R. Schobinger-V. Chair	X				
Sen. Duane Mutch	X				
Sen. Dwight Cook	X				
Sen. David O'Connell	X				
Sen. Vern Thompson	X				
Sen. Dennis Bercier	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Schobinger

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

REPORT OF STANDING COMMITTEE

SB 2276: Transportation Committee (Sen. B. Stenehjem, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2276 was placed on the Sixth order on the calendar.

Page 1, remove lines 8 and 9

Page 1, line 10, replace "b" with "a"

Page 1, line 12, replace "c" with "b"

Page 1, line 14, replace "d" with "c"

Page 1, line 17, replace "e" with "d"

Page 1, line 19, replace "f" with "e"

Page 1, line 21, replace "g" with "f"

Page 1, line 23, replace "h" with "g"

Page 1, line 24, replace "collision-damaged" with "damaged"

Page 2, line 3, replace "an insurer requires the use of any" with "a repair facility"

Page 2, remove lines 4 through 6

Page 2, line 7, remove "Before an installer"

Page 2, line 12, replace "twelve-point" with "ten-point"

Page 2, line 15, after "installed" insert "subject to the conditions in subsection 4"

Page 3, line 14, replace "three" with "two"

Page 3, line 15, remove "new"

Page 3, line 20, remove "new"

Page 3, line 21, replace "an" with "a facility"

Page 3, line 22, remove "installer"

Page 3, line 23, replace "three" with "two"

Page 3, line 25, remove "new"

Renumber accordingly

1999 HOUSE TRANSPORTATION

SB 2276

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2276

House Transportation Committee

Conference Committee

Hearing Date March 11, 1999

Tape Number	Side A	Side B	Meter #
1	x		0-55
1		x	0-22.0
1(3/19/99)	x		0-12
Committee Clerk Signature <i>Jane</i>			

Minutes:

CHAIRMAN KEISER OPENED THE HEARING ON SB 2276; A BILL RELATING TO USE OF REPLACEMENT CRASH PARTS IN MOTOR VEHICLE REPAIRS.

SENATOR RANDY SCHOBINGER, Dist. 3, introduced SB 2276. He said that it is a consumer bill that says for the first three years of a vehicle's life, the mechanic must obtain written information from the owner of the vehicle. The consumer has the right to know what parts are going into their vehicle and this bill is designed to do just that.

LANE QUANDT, North Dakota Auto Body Association, testified in support of SB 2276. (See attached testimony). He also said that it is not fair to the consumers of North Dakota to not know what parts are going into their cars. After market parts are not of equal value to OEM parts and they shouldn't be considered to be. This bill provides for proper disclosure to the consumer.

The major reason to pass this bill is that thorough disclosure will be presumed by the signature,

eliminating many possible problems. Currently, there is nothing that protects the consumers or how the parts affect the safety of the vehicle. He also noted that the price of buying a new car vs buying it piece by piece is significantly different, so building it piece by piece is more expensive than buying the entire car in the store. This is why they use the parts they do.

REP. KEMPENICH asked what the price difference in some aftermarket parts is.

LANE gave an example where the aftermarket parts cost \$468 over and above the cost of repairs. There is a 30% difference in parts value.

REP. LEMIEUX asked how much time it takes to install OEM parts versus aftermarket parts.

LANE said many times, the body shop mechanic will have to quite a bit more work on aftermarket parts. Many times they have to be ground or fitted to work.

ELTON CHRISTOPHERSON, Christopherson's Tow-Lizzy, testified in support of SB 2276.

He said that aftermarket parts do not stand up. They come into his business weekly and he ships them back weekly. He felt strongly that the consumers have a right to know what is being used in their vehicle.

NEIL KRUGER, Valley Ford of Fargo, testified in support of SB 2276. He noted that they have a problem with parts that are not certified that come into their garages. CAPA parts are the only certified ones that they want to use but many forged parts come in as aftermarket parts. This is a consumer bill that will be good. Many times, he said, they are approached by the insurance adjustor and are asked about OEM parts versus aftermarket. They generally want to use the cheaper parts. He noted that on the CAPA Board, six of the ten members are insurance agents, they should be in favor of this bill.

CHAIRMAN KEISER asked what strategies the companies use when ordering parts. Why aren't you making sure that the parts meet the limitations?

NEIL said that they because of the volume of work that comes through, they do have to rely on consumer reports. They check every part that comes in, but on their end they work with CAPA.

REP. LEMIEUX asked if they bill insurance companies for extra time used if parts have to be grinded down to fit if they are requesting use of those parts.

NEIL said no. They will not pay anything over and above what the parts and service initially cost.

REP. LEMIEUX asked if they are absorbing the cost.

NEIL said yes. They try the part the first time and if it doesn't fit, they go with the OEM part.

They will no longer grind the part to fit.

JEREMY MILLER, Valley Ford of Fargo, testified in support of SB 2276. He said that the bill is and should be considered a consumer advocacy bill. He said that if we are going to use these parts as requested by the adjustors, the consumer needs to know the intent. He reiterated that this is a consumer advocacy bill.

SCOTT HEINTZMAN, North Dakota Auto Body Association, testified in support of SB 2276.

He said that the insurance company pays for the parts so they want what is cheapest. Regarding that, what is a savings in the beginning turns out to be losing in the end due to availability. If the customer is aware up front that aftermarket parts are going to be used in their vehicle, then we will do it, but otherwise the consumer loses and we do too. Nobody benefits when the consumer is being fooled.

BOB LAMP, Auto Dealers Association, testified in support of SB 2276. He appeared to say that the disclosure idea is a good idea, not a bad one. It allows people to know what is going into their vehicle.

TERRY WEISS, North Dakota Underwriters Association, testified in support of SB 2276. he said that those people who drive cars deserve what they ask for. This bill, Terry said, will protect vehicles within their first three years of the model year for consumer protection.

CHAIRMAN KEISER asked if there should be consideration to mileage on vehicles. If for example a two and a half year old vehicle has 100,000 miles on it, should it compare?

TERRY said that there is a marked title for that if it crosses a certain dollar amount threshold.

BRENDA BLAZER, National Association of Independent Insurers, testified in opposition to SB 2276. She testified to introduce Jack Gillis, the Executive Director of the National Consumer Agency. Gillis would be speaking for them as well.

JACK GILLIS, Executive Director of the National Consumer Agency. (See attached testimony).

REP. SVEEN asked if they get CAPA approved parts of they are using aftermarket parts.

JACK said yes. He said that most insurance companies ask for CAPA or OEM parts, not the non approved parts.

REP. SVEEN asked what the price difference is to the repair shop between CAPA and OEM parts.

JACK was unsure.

CHAIRMAN KEISER asked how many complaints have been received on aftermarket parts.

JACK said that they don't get many complaints, so they take them very seriously. He noted that if a product receives 5 complaints, it comes off of the market.

ROB HOVLAND, Center Mutual Insurance Company, testified in opposition to SB 2276. He said he was appearing to speak out in strong opposition to the bill. They are not against disclosure since they already do that, rather the specifics of the bill. In paragraphs two and three, no time limit is provided, so right there, it exempts itself from paragraph four. The owner could require OEM parts if so chosen with this. He also noted that there would be a significant loss to the consumer with this. Some insurance premiums would go up as much as \$100 per vehicle per year as a result.

PAUL TRAYNOR, Nodak Mutual Farm Bureau, testified in opposition to SB 2276. (See attached testimony). He specifically noted that the insurance industry does make disclosure.

DWAINE HEINRICH, Independent adjustor, testified in opposition to SB 2276. (See written testimony).

CHAIRMAN KEISER CLOSED THE HEARING ON SB 2276.

March 19, 1999

COMMITTEE ACTION

REP. PRICE introduced amendments to the committee. (See attached amendment).

REP. KEMPENICH moved a DO PASS on SB 2276. REP. BELTER seconded the motion. The motion carried. The amendments were adopted on a unanimous voice vote.

REP. LEMIEUX moved a DO NOT PASS as AMENDED on SB 2276. REP. MEYER seconded the motion. The motion carried.

GENERAL DISCUSSION TOOK PLACE. REPS. KEMPENICH, PRICE, KEISER, MAHONEY, LEMIEUX, AND WEISZ PARTICIPATED.

ROLL CALL - 8 YEA, 5 NAE, 2 ABSENT AND NOT VOTING.

Page 6

House Transportation Committee

Bill/Resolution Number Sb 2276

Hearing Date March 11, 1999

FLOOR ASSINGMENT - REP. LEMIEUX

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2276

Page 1, line 2, replace "use" with "disclosure" and after "parts" insert "used"

Page 1, line 20, after "repairs" insert "private passenger"

Page 1, line 21, replace "a part typically replaced during repair of a" with "the"

Page 1, line 22, remove "damaged motor vehicle, including"

Page 1, line 24, after "component" insert "of a private passenger motor vehicle"

Page 2, line 1, replace "Except as provided under subsection 4, before" with "Before"

Page 2, line 2, after "disclose" insert "to the motor vehicle owner or the owner's authorized representative"

Page 2, line 3, remove "and obtain written authorization from the motor"

Page 2, line 4, remove "vehicle owner or the owner's authorized representative"

Page 2, line 5, remove "and Authorization Form"

Page 2, line 7, replace "signed by" with "provided to"

Page 2, line 9, remove "subject to the conditions in subsection 4"

Page 2, line 11, replace "a part typically replaced during the repair of a" with "the"

Page 2, line 12, remove "damaged motor vehicle, including"

Page 2, line 14, after "components" insert "of a private passenger motor vehicle"

Page 3, remove lines 1 through 17

Renumber accordingly

Date: 3/18
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2276

House Transportation Committee

Subcommittee on _____

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken More Amendments

Motion Made By Rep Kempenich Seconded By Rep Belter

Representatives	Yes	No	Representatives	Yes	No
Representative Keiser, Chair			Representative Thorpe		
Representative Mickelson, V. Ch.					
Representative Belter					
Representative Jensen					
Representative Kelsch					
Representative Kempenich					
Representative Price					
Representative Sveen					
Representative Weisz					
Representative Grumbo					
Representative Lemieux					
Representative Mahoney					
Representative Meyer					
Representative Schmidt					

Total (Yes) 13 No 0

Absent _____

Floor Assignment _____

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

Date: 3/18
 Roll Call Vote #: 2

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2276

House Transportation Committee

- Subcommittee on _____
 or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DNP as amended

Motion Made By Rep Lemieux Seconded By Rep Meyer

Representatives	Yes	No	Representatives	Yes	No
Representative Keiser, Chair		✓	Representative Thorpe		
Representative Mickelson, V. Ch.		✓			
Representative Belter	✓				
Representative Jensen		✓			
Representative Kelsch	✓				
Representative Kempenich	✓				
Representative Price		✓			
Representative Sveen	✓				
Representative Weisz	✓				
Representative Grumbo	✓				
Representative Lemieux	✓				
Representative Mahoney		✓			
Representative Meyer	✓				
Representative Schmidt					

Total (Yes) 8 No 5

Absent 2

Floor Assignment Rep. Lemieux

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

REPORT OF STANDING COMMITTEE

SB 2276, as engrossed: Transportation Committee (Rep. Keiser, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (8 YEAS, 5 NAYS, 2 ABSENT AND NOT VOTING). Engrossed SB 2276 was placed on the Sixth order on the calendar.

Page 1, line 2, replace "use" with "disclosure" and after "parts" insert "used"

Page 1, line 20, after "repairs" insert "private passenger"

Page 1, line 21, replace "a part typically replaced during repair of a" with "the"

Page 1, line 22, remove "damaged motor vehicle, including"

Page 1, line 24, after "component" insert "of a private passenger motor vehicle"

Page 2, line 1, replace "Except as provided under subsection 4, before" with "Before"

Page 2, line 2, after "disclose" insert "to the motor vehicle owner or the owner's authorized representative"

Page 2, line 3, remove "and obtain written authorization from the motor"

Page 2, line 4, remove "vehicle owner or the owner's authorized representative"

Page 2, line 5, remove "and Authorization Form"

Page 2, line 7, replace "signed by" with "provided to"

Page 2, line 9, remove "subject to the conditions in subsection 4"

Page 2, line 11, replace "a part typically replaced during the repair of a" with "the"

Page 2, line 12, remove "damaged motor vehicle, including"

Page 2, line 14, after "components" insert "of a private passenger motor vehicle"

Page 3, remove lines 1 through 17

Renumber accordingly

1999 TESTIMONY

SB 2276

HEINRICH and COMPANY
INSURANCE ADJUSTERS

BISMARCK, ND 58502 • P.O. BOX 517 • (701) 258-7731
 DEVILS LAKE, ND 58302 • P.O. BOX 1183 • (701) 662-8667
 JAMESTOWN, ND 58402 • P.O. BOX 1918 • (701) 251-2250
 MINOT, ND 58702 • P.O. BOX 577 • (701) 852-8350

February 10, 1999

TRANSPORTATION COMMITTEE
ND STATE SENATE

RE: Senate Bill 2276
Certification of Aftermarket
Automotive Parts

Dear Senators:

Aftermarket parts provide competition and reduces the cost of repairing collision damaged motor vehicles. Certainly not every original manufacturer's part is of the very best quality and that of course can be true also of aftermarket parts.

Therefore, the Certified Automotive Parts Association was established back in 1987 to set standards for the manufacture of "competitive" auto body parts. A part does not have to be an original manufacturer's equipment part to be a quality part.

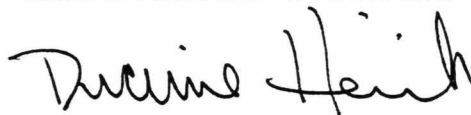
Attached is some information on the CAPA program for your consideration.

A good number of North Dakotans work in the aftermarket auto parts business. Please do not adversely affect their livelihood by passing Senate Bill 2276.

Imagine the reaction by the public if someone were to introduce a bill prohibiting the sale of generic prescription drugs in North Dakota and present it as a pro consumer bill.

Thank you for your consideration.

Yours truly,
HEINRICH AND COMPANY



Dwaine Heinrich, Owner/Manager

DH/vm
enc: CAPA information

CERTIFIED AUTOMOTIVE PARTS ASSOCIATION

The Certified Automotive Parts Association (CAPA) is a non-profit organization established in 1987 to develop and oversee a testing and inspection program for certifying the quality of parts used for auto body repairs. CAPA is not a manufacturing, marketing or sales organization. The program provides consumers, auto body shops and insurance adjusters with an objective method for evaluating the quality of certified parts and their functional equivalency to similar parts made by automobile companies. CAPA was founded to promote price and quality competition in the automotive body parts industry and thereby reduce the cost of crash repairs to consumers without sacrificing quality.

CAPA's objectives are to:

- set quality standards for the manufacture of competitive auto body parts;
- ensure that parts bearing the CAPA Quality Seal are in compliance with CAPA Quality Standards;
- provide independent laboratory participation in the program to ensure integrity and conformity with generally accepted guidelines for third-party certification programs;
- publicize the certification program to users—consumers, auto body shops, insurance companies, government agencies, collision repair estimators and distributors.

CAPA's policies are set by a nine-member Board of Directors representing auto body shops, consumer groups, insurance companies and part distributors. CAPA's independent Validator conducts the testing, inspection and

compliance aspects of the program. Competitive auto body parts that meet or exceed CAPA Quality Standards for fit, materials, and corrosion resistance are allowed to display the CAPA Quality Seal and are listed in a directory, which is widely available to the crash parts industry.

The CAPA Testing and Certification Program: In order for a part to be certified by CAPA, a participating manufacturer (the Participant) must first allow a detailed review and inspection of its factory and manufacturing process. An independent testing laboratory (the Validator) determines whether the factory is able to meet CAPA's Quality Standards. The Validator evaluates purchasing, tooling, painting, manufacturing, quality control and inspection processes to ensure that the Participant is capable of producing aftermarket parts that meet CAPA Quality Standards and are functionally equivalent to the original equipment manufacturer's parts. This evaluation determines whether the factory will be approved by CAPA.

Once the factory has been approved, the Participant may submit individual parts for certification. Samples of each part are tested for material properties, fit, finish, paint adhesion, coating performance, weld integrity, adhesive performance and corrosion, and are examined to confirm that they include markings identifying the Participant and the country and date of manufacture. If the sampled parts comply with all of the CAPA Quality Standards, then and only then, is the Participant allowed to apply a CAPA Quality Seal to that part—the final step in the certification process. *Any part that does not have a CAPA Quality Seal may not be considered certified, regardless of how that part is listed in the CAPA Directory or other information sources.*



Once the manufacturing facility has been approved, and one or more parts have been approved for certification, the factory and parts are subject to regular random checks to verify that CAPA Quality Standards are continuously maintained. CAPA also has a program which encourages users of parts bearing the CAPA Quality Seal to file a complaint if they believe the part may not meet our standards. CAPA's random checks and complaint program may lead to the decertification of parts which are found to no longer comply with CAPA Quality Standards.

CAPA has a Technical Committee made up of experts in the collision repair and auto body part industries. This committee performs periodic, in-depth reviews of the Standards, refining them as required, to assure the continued quality of CAPA certified parts. CAPA does not warrant parts nor does it assume responsibility for the manufacturing or quality assurance process. The warranting of parts is between the buyer and seller.

Participants retain sole responsibility for their products, as well as the responsibility of ensuring that the products to which they affix the CAPA Quality Seal actually conform to the applicable Standards. Through this program, Participants actually certify that their parts comply with CAPA Quality Standards. CAPA's independent laboratory validates the Participants with CAPA Quality Standards in accordance with the American National Standards Institute Procedure for Third Party Certification Programs, Z34.1-1987.

What CAPA Certifies - CAPA Quality Standards apply to various types of parts made from different materials. CAPA is constantly expanding the certification program to include more parts and new materials. Currently, two specifications are in place which set quality requirements for parts made of metal (CAPA 101), and plastic (CAPA 201). Each specification provides detailed testing and inspection procedures to ensure the quality of

the parts covered by that specification. Where possible, all test procedures refer to nationally recognized tests such as those of ASTM and SAE.

CAPA 101 covers stamped metal automobile parts, such as fenders, hoods, door panels, quarter panels, deck lids, pick up truck beds and box sides. The specification includes requirements for dimensional checks (form and fit), metallurgical analysis (composition, mechanical properties and thickness), corrosion protection, appearance, adhesive and weld integrity, production and assembly requirements, fasteners/hardware, and quality control procedures. Form and fit measurements covered by this specification must be made using a CAPA approved checking fixture specially fabricated for each part, or a coordinate measuring machine in conjunction with a CAPA approved part staging device, and a master part from the original equipment manufacturer.

CAPA 201 covers parts made from plastic materials, such as front and rear fascias, bumper covers, side moldings, header panels, grilles, and headlight bezels. The specification includes requirements for dimensional checks (form and fit), material analysis (composition and material properties), appearance, adhesive integrity, coating performance, fasteners/hardware, production and assembly requirements, and quality control procedures. Form and fit measurements covered by this specification must be made using a vehicle, a CAPA approved checking fixture specially fabricated for each part, or a coordinate measuring machine in conjunction with a CAPA approved part staging device, and a master part from the original equipment manufacturer.

For more information, contact: Executive Director, Certified Automotive Parts Association, Suite 302, 1518 K Street, NW, Washington, DC 20005, (202) 737-2212 or (202) 737-2214 (facsimile).



Look for the CAPA Seal

These illustrations represent the recommended location of the CAPA Quality Seal, lot number, and manufacturer's identification on parts approved for Certification by CAPA. This information should be put on all complaints regarding CAPA parts. Please look for the CAPA Quality Seal — only parts which have a CAPA Quality Seal should be considered CAPA Certified.

Plastic Bumper Covers and Valance Panels



Metal Door Shells



Metal Radiator Supports



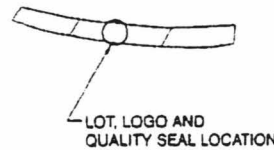
Metal Fenders



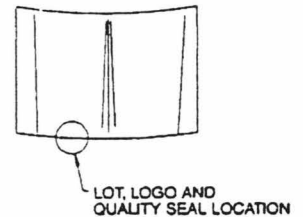
Plastic Header Panels, Reinforcement Panels and Nose Panels



Plastic Front Air Deflector



Metal Hoods



The following items have certification standards but no manufacturer has certified the parts. No independent party has checked their quality. If body shops demand CAPA quality, manufacturers are likely to present these parts for certification.

Plastic Head Light Bezels (painted)



Plastic Grilles (painted, non-decorative finish)



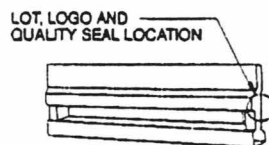
Metal Lamp Covers



Metal Pick Up Truck Beds



Metal Tailgates



LOOK FOR THE CAPA SEAL



Bottom tab separates enabling you to demonstrate the actual use of a CAPA Quality Part to the consumer or insurance company.

WARNING: TAMPERING WITH SEALS IS ILLEGAL

The CAPA Quality Seal is a key element of the CAPA program and as such is owned by CAPA and protected by federal and state law. Only participating manufacturers are licensed to apply this mark after undergoing a stringent examination of their quality control procedures, thorough testing of a representative sample of the aftermarket parts which they produce and a rigorous, on-going inspection program. Possession of CAPA Quality Seals by anyone other than the Participant to whom CAPA sold them or illicitly placing seals on parts is a legal offense. Discovery of parties engaged in either action will result in public notice of the offense and possible legal action.

There Is a Difference in Aftermarket Parts – If You Know What to Look For



The Certified Automotive Parts Association provides consumers, collision repairers and insurers with a means of confirming the quality of crash parts. The steps below tell you what to ask for, what to do if you can't get it, and what to do if it doesn't work. Each seal has a tear-off tab with a unique number that can be used to verify the use of a CAPA certified part to your customer or insurance company.

Simple Steps to Quality Aftermarket Parts

1. Check the estimate for CAPA parts (most states require designation of kind of parts listed on estimate).
2. Specify CAPA parts when ordering. Indicate that parts without CAPA seals will be returned.
3. Look for the CAPA seal upon delivery. Remove bottom tab and place it on the repair order.
4. Reject parts without CAPA Seals - return them to the Distributor immediately for full credit.
5. Report quality problems directly to your Distributor. Encourage the Distributor to use CAPA's Recall Program when appropriate.
6. Use CAPA's Quality Complaint Form to report quality problems with CAPA parts.



Look for the CAPA Seal!



QUALITY COMPLAINT REPORT
 For CAPA Certified Parts ONLY - Parts Must Have Yellow CAPA Seal
 FAX to 202-737-2214

FOR CAPA USE ONLY
 Complaint # _____
 Date Received _____

Date _____ Can we release your name to the manufacturer? yes no

Car Make _____ Car Model _____ Year of Car _____

- Part: bmpr cover (F or R) fender (R or L) headlight bezel quarter panel tail gate
 box side grille hood radiator support truck bed
 door shell (R or L) header panel lamp cover side molding trunk lid

CAPA Manufacturer _____
 CAPA Part No. _____
 Lot Number (stamped on part) _____
 CAPA Seal Number _____
 OEM # _____

You are a: Collision Repairer
 Distributor
 Insurance Adjuster
 Other: _____

Please PRINT your name & address:

Your Name _____ Company Name _____
 Address _____
 City _____ State _____ Zip _____
 Phone _____ Fax _____

Please PRINT name & address of Distributor:

Company Name _____
 Street _____
 City _____ State _____ Zip _____
 Phone _____ Fax _____

What was wrong with the part? (Give detail below.)

- Adhesive - too little or too much (circle)
- Appearance - ripples, dings, mold overflow (circle)
- Attachments - needed, but not included
- Attachments - included, but did not work
- Body line - poor
- Contour - poor, corners & edges poorly formed
- Cut - poor, light or grill cut out location
- Gap - inconsistent or too wide (circle)
- Fit - poor
- Not flush with adjacent parts
- Grind marks evident
- Holes/brackets, poorly placed or wrong size (circle)
- Installation significantly exceeded "book time"
- Length - too long or too short (circle)
- Latch problems
- Packing inadequate
- Paint - inconsistent or doesn't adhere well (circle)
- Seal missing
- Shipping damage evident
- Studs - inappropriate location
- Surface - wavy
- Width - too wide or not wide enough (circle)
- Welds - missing or weak (circle)
- Welded fastener - inappropriate location

Location of Problem/Comments/Other: _____

Is the part available for inspection, if necessary? yes no
 Are photos available? yes no

Did you:

1. Return the part to the distributor? yes no
2. End up using an OE to complete this job? yes no

Complete all information and send by facsimile to: CAPA Complaint Program, 202-737-2214
 or mail to: Suite 306, 1518 K Street, NW, Washington, DC 20005.

Complaint Program Overview December 1998

Year	Seals Applied	Complaints	Not CAPA	Open	Missing Info	No Problem /Invalid	Dup	Valid	Percent of All Valid
1994	1,357,976	238	13		3	24		198	0.014581
1995	1,772,455	551	38		29	54		430	0.02426
1996	2,278,776	980	72		196	2		705	0.030938
1997	2,508,092	1256	44		136	80	13	983	0.039193
1998	3,256,607	1966	30		407	100	8	1421	0.043634

HEINRICH and COMPANY
INSURANCE ADJUSTERS

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 JAMESTOWN, ND 58402 • P.O. BOX 1918 • (701) 251-2250
 MINOT, ND 58702 • P.O. BOX 577 • (701) 852-8350

February 10, 1999

TRANSPORTATION COMMITTEE
ND STATE SENATE

RE: Senate Bill 2276 and Salvage Auto Parts

Dear Senators:

The use of salvaged or recycled parts in claims for automobile physical damage is the pro consumer approach not an anti consumer as some would have you believe.

Attached you will find a brochure from the Saskatchewan Government Insurance office regarding their salvage auto parts program. Certainly I am not in favor of the State of North Dakota taking over private automobile insurance. The fact is however if the State of North Dakota were providing all of the auto insurance in North Dakota, you would be looking for ways to keep those costs down and provide quality repair the same as the Saskatchewan Government is doing today.

As stated in this Saskatchewan Government brochure "Remember - - your vehicle operates on used parts." Please, do not eliminate competition in North Dakota in either the insurance or automotive parts industries.

Thank you for your consideration.

Yours truly,
HEINRICH AND COMPANY



Dwaine Heinrich, Owner/Manager

DH/vm

enc: brochure-Saskatchewan Government Insurance Office

Salvage: Your Auto Parts Supplier

The next time you're in the market for car parts — think of *SaskAuto Salvage*.

Since 1947, the Salvage operation of SaskAuto has provided both the public and automotive repair industry with *high-quality recycled auto parts at affordable prices*.

Salvage Means Savings

At Salvage, you can buy *used* auto parts at approximately 50 per cent of new price or less. Ask your repair shop to first check with Salvage for recycled alternators, engines, transmissions, mag wheels, tires, fenders, steering wheels, door handles . . . any part your car needs.

After all, high-quality used parts are *good*. Remember — your vehicle operates on *used* parts.

Saskatchewan drivers save in other ways too. Profits earned by SaskAuto Salvage are kept in SaskAuto to help minimize the cost of your SaskAuto premiums.

Salvage Means Service

We aim to please — from the clean, sealed packages on our showroom shelves to our competitive pricing. And we back our automotive parts — guaranteed.

Whether you stop by to see us in North Battleford, Yorkton, Saskatoon, Regina or Moose Jaw, or phone a Salvage "dial-a-part" toll free number, you can expect the same excellent service.

Our staff is friendly and professional. We *know* about cars and auto parts. If you have a question, just ask us — sound advice is one of our trademarks.



Salvage Is . . .

● HIGH QUALITY RECYCLED PARTS

From more than 13,000 "total loss" vehicles processed through SaskAuto each year, we select and dismantle more than 2,000 autos. The process yields over 100,000 cleaned, inspected and ready-to-use parts for most cars and light duty trucks.

A computerized province-wide parts inventory system tracks our stock quickly and efficiently, enabling us to serve you better.

● COMPETITIVE PRICES

You save approximately 50 per cent or more when you purchase a high-quality recycled part instead of buying new.

Trade discounts on sheet metal products and mechanical auto parts are available to qualifying customers in the automotive repair industry.

● 101 DAY LIMITED GUARANTEE

You get your money refunded on major auto parts that fail within the first 101 days. And on selected power train components — we'll pay the labour to have the part removed and replaced if necessary within the first 30 days. Now that's what we call a guarantee!

● CUSTOMER CONVENIENCE

- * Five branches in Saskatchewan
- * Five toll free "dial-a-part" numbers
- * 24-hour parts delivery to more than 200 locations
- * Two hour parts delivery within cities with branch locations
- * Back order service for major automotive parts
- * VISA is accepted
- * Credit terms available on approved trade accounts

● MORE THAN AUTOMOTIVE

We also stock other items recovered from the claims process. Anything that's insurable has likely found its way into one of our branches at one time or another.

Supply of these items varies greatly, but our prices make it more than worth your while to check!

Salvage Offers:

- Professional service
- High-quality recycled auto parts
- Competitive prices
- Sound advice
- Trade discounts
- 101 day auto parts guarantee
- General Salvage items

SaskAuto Salvage is your reliable choice for high-quality recycled auto parts.

Salvage Branches

- **Moose Jaw Salvage Division**
833 Ominica Street West
Moose Jaw, Saskatchewan
S6H 1Y6
Parts Counter Number: 692-0659
Toll Free Number: 1-800-667-5133
- **North Battleford Salvage Division**
792 - 107th Street
North Battleford, Saskatchewan
S9A 1Y5
Parts Counter Number: 445-3574
Toll Free Number: 1-800-667-1322
- **Regina Salvage Division**
500 McLeod Street
Regina, Saskatchewan
S4N 4Y1
Parts Counter Number: 566-6025
Toll Free Number: 1-800-667-3664
- **Saskatoon Salvage Division**
705 - 43rd Street East
Saskatoon, Saskatchewan
S7K 0V7
Parts Counter Number: 652-1107
Toll Free Number: 1-800-667-3973
- **Yorkton Salvage Division**
263 Myrtle Avenue
Yorkton, Saskatchewan
S3N 1R5
Parts Counter Number: 783-9469
Toll Free Number: 1-800-667-1482

Open Monday to Friday from 8:00 a.m. to 5:00 p.m.

SLB166
20M 03 89 MC

SaskAuto

SALVAGE AUTO PARTS

COMPETITIVE PRICE/SOUND ADVICE



Auto

Loss Ratios and Combined Ratios by Line and by State 1997

	P.P. Auto Liability (including No-Fault)			P.P. Auto Physical Damage		
	L/R	C/R	Rank	L/R	C/R	Rank
Alabama	65.4%	101.0%	22	67.5%	99.8%	20
Alaska	58.1	93.7	47	54.4	86.7	48
Arizona	60.1	95.7	39	67.2	99.5	23
Arkansas	68.9	104.5	11	69.4	101.7	15
California	50.1	85.7	51	64.3	96.6	34
Colorado	60.1	95.7	41	71.2	103.5	11
Connecticut	59.8	95.4	42	55.9	88.2	47
Delaware	78.4	114.0	4	62.4	94.7	40
Dist of Col.	64.6	100.2	26	59.8	92.1	44
Florida	60.6	96.2	38	64.5	96.8	32
Georgia	68.9	104.5	10	57.0	89.3	45
Hawaii	39.1	74.7	52	52.0	84.3	50
Idaho	60.1	95.7	40	64.5	96.8	33
Illinois	59.6	95.2	44	63.4	95.7	37
Indiana	63.6	99.2	32	66.1	98.4	26
Iowa	62.1	97.7	36	71.5	103.8	10
Kansas	63.9	99.5	30	66.0	98.3	27
Kentucky	73.9	109.5	6	68.5	100.8	16
Louisiana	65.0	100.6	24	69.5	101.8	14
Maine	64.0	99.6	29	70.6	102.9	12
Maryland	65.9	101.5	20	63.2	95.5	38
Massachusetts	63.1	98.7	34	77.5	109.8	4
Michigan	69.8	105.4	8	74.3	106.6	6
Minnesota	59.3	94.9	45	78.9	111.2	3
Mississippi	64.5	100.1	27	66.2	98.5	25
Missouri	61.3	96.9	37	64.7	97.0	31
Montana	71.5	107.1	7	68.1	100.4	19
Nebraska	66.5	102.1	19	63.7	96.0	35
Nevada	68.5	104.1	12	67.4	99.7	22
New Hampshire	63.7	99.3	31	62.4	94.7	39
New Jersey	88.5	124.1	1	42.4	74.7	52
New Mexico	58.2	93.8	46	62.0	94.3	41
New York	64.1	99.7	28	53.8	86.1	49
North Carolina	69.6	105.2	9	65.8	98.1	28
North Dakota	63.4	99.0	33	100.2	132.5	1
Ohio	66.7	102.3	18	65.7	98.0	29
Oklahoma	66.7	102.3	17	56.6	88.9	46
Oregon	64.7	100.3	25	65.3	97.6	30
Pennsylvania	68.4	104.0	13	63.4	95.7	36
Puerto Rico	78.6	114.2	3	89.8	122.1	2
Rhode Island	68.3	103.9	14	50.7	83.0	51
South Carolina	86.2	121.8	2	72.3	104.6	9
South Dakota	53.4	89.0	50	76.0	108.3	5
Tennessee	65.0	100.6	23	68.3	100.6	18
Texas	54.5	90.1	49	72.5	104.8	7
Utah	56.9	92.5	48	68.4	100.7	17
Vermont	75.0	110.6	5	67.1	99.4	24
Virginia	62.9	98.5	35	69.6	101.9	13
Washington	65.6	101.2	21	72.3	104.6	8
West Virginia	67.2	102.8	16	60.7	93.0	42
Wisconsin	59.8	95.4	43	67.4	99.7	21
Wyoming	68.3	103.9	15	59.9	92.2	43
Countrywide	63.3%	98.9%		65.2%	97.5%	

Note: Loss ratios exclude loss adjustment expenses. They are adjusted by dividends to policyholders. Combined ratios are calculated as the sum of the loss ratios, countrywide loss adjustment expense ratios and countrywide underwriting expense ratios. Loss and loss adjustment expense ratios are based on direct premiums earned, while underwriting expense ratios are based on direct premiums written.

Source: National Association of Independent Insurers, using data compiled by OneSource (NAIC) and A.M. Best Company

Loss Ratios and Combined Ratios by Line and by State 1996

	P.P. Auto Liability (including No-Fault)			P.P. Auto Physical Damage		
	L/R	C/R	Rank	L/R	C/R	Rank
Alabama	68.7%	102.8%	13	69.7%	100.6%	28
Alaska	58.9	93.0	47	54.7	85.6	48
Arizona	67.6	101.7	19	70.8	101.7	25
Arkansas	65.8	99.9	29	86.1	117.0	4
California	55.5	89.6	50	65.2	96.1	39
Colorado	65.2	99.3	32	67.1	98.0	35
Connecticut	62.8	96.9	41	60.3	91.2	45
Delaware	73.3	107.4	7	66.4	97.3	37
Dist. of Col.	69.5	103.6	10	72.9	103.8	19
Florida	63.0	98.0	40	67.8	98.7	33
Georgia	75.6	109.7	6	56.9	87.8	46
Hawaii	45.8	79.9	51	49.2	80.1	50
Idaho	62.3	96.4	43	64.1	95.0	42
Illinois	66.4	100.5	24	71.6	102.5	22
Indiana	67.0	101.1	21	81.4	112.3	7
Iowa	64.4	98.5	37	75.6	106.5	14
Kansas	64.6	98.7	36	67.8	98.7	32
Kentucky	76.5	110.6	3	76.5	107.4	13
Louisiana	68.6	102.7	15	72.5	103.4	20
Maine	63.4	97.5	39	66.9	97.8	36
Maryland	65.4	99.5	30	69.8	100.7	26
Massachusetts	61.4	95.5	46	79.3	110.2	10
Michigan	66.4	100.5	23	82.6	113.5	6
Minnesota	62.2	96.36	44	80.2	111.1	8
Mississippi	68.1	102.2	17	75.0	105.9	15
Missouri	61.9	96.0	45	69.4	100.3	30
Montana	69.4	103.5	11	66.2	97.1	38
Nebraska	75.7	109.8	5	93.0	123.9	2
Nevada	70.8	104.9	8	64.7	95.6	41
New Hampshire	66.2	100.3	26	64.9	95.8	40
New Jersey	89.2	123.3	1	45.5	76.4	51
New Mexico	64.3	98.4	38	63.7	94.6	43
New York	62.6	96.7	42	56.7	87.6	47
North Carolina	68.3	102.4	16	101.9	132.8	1
North Dakota	69.2	103.3	12	90.0	120.9	3
Ohio	65.0	99.1	34	67.4	98.3	34
Oklahoma	66.6	100.7	22	71.2	102.1	23
Oregon	67.4	101.5	20	73.5	104.4	17
Pennsylvania	68.6	102.7	14	71.7	102.6	21
Rhode Island	58.6	92.7	48	52.2	83.1	49
South Carolina	83.0	117.1	2	83.1	114.0	5
South Dakota	65.9	100.0	28	79.5	110.4	9
Tennessee	70.0	104.1	9	73.4	1043.3	18
Texas	57.4	91.5	49	76.5	107.4	12
Utah	66.3	100.4	25	69.7	100.6	29
Vermont	65.2	99.3	31	63.4	94.4	44
Virginia	65.1	99.2	33	77.4	108.3	11
Washington	67.8	101.9	18	73.5	104.4	16
West Virginia	64.6	98.7	35	68.7	99.6	31
Wisconsin	66.2	100.3	27	71.1	102.0	24
Wyoming	75.9	110.2	4	69.8	100.7	27
Countrywide	65.4%	99.47%		70.1%	101.0%	

Note: Loss ratios exclude loss adjustment expenses. They are adjusted by dividends to policyholders. Combined ratios are calculated as the sum of the loss ratios, countrywide loss adjustment expense ratios and countrywide underwriting expense ratios. Loss and loss adjustment expense ratios are based on direct premiums earned, while underwriting expense ratios are based on direct premiums written.

Source: National Association of Independent Insurers, using data compiled by OneSource (NAIC) and A.M. Best Company

Thursday, February 11, 1999

My name is Dwaine Heinrich. I am here today to speak in opposition to Senate Bill 2276. I am an independent insurance adjuster and the owner of Heinrich and Company Insurance Adjusters. We have offices in Bismarck, Minot, Devils Lake, and Jamestown, and to the best of my knowledge we are the largest privately owned adjustment company in North Dakota.

With some there is a false impression that insurance adjusters and those employed in auto body repair are enemies engaged in constant battle. This simply is not true. There is good and bad in any occupation or profession. I have worked as an insurance adjuster for the past 26 years. I am extremely proud of the ethics and professionalism demonstrated by the vast majority of claims adjusters. These are men and women who have the most demanding of all jobs in the insurance industry. I have also over the years had many friends who work in auto repair or related industries.

At each of our offices, we have at least one adjuster who has a two year auto body degree and on the job experience as an auto body repairman or manager. **One of our adjusters was the charter president of the North Dakota Auto Body Association.** It is not unheard of for a body shop to say that if our adjuster is going to write an estimate they simply will use ours rather than to waste the time of writing their own.

We have over the years on a number of occasions used body shop owners or managers as paid independent contractors to assist with auto damage appraisal — most often in hail storm situations and in towns other than where they have their own shops.

Why then if insurance adjusters and auto body owners and managers are able to work together is there the necessity for this bill. The point is that **there is no necessity for this bill.** Each year we look at thousands of damaged vehicles. **I can assure you that with the vast majority of vehicle owners the use of recycled or aftermarket parts is not a problem or concern.**

One must ask himself why this bill. It is not a major problem for vehicle owners. The way it is written it cannot be a safety issue, so what is this all about. **My evaluation of this bill leaves me with no alternative except to conclude that this bill is about elimination of competition, this bill is about money.**

If this is about money who is to profit. **The bill appears to have been prepared by a lobbyist for the manufacturers of new original equipment and/or owners of auto body repair facilities and they would likely be the only ones to benefit from this bill.**

This to me is a tax bill with the sole purpose to add a tax on the auto insurance premium to directly benefit the manufacturers of new original equipment and everyone else in their food chain who will profit from this attempt to eliminate their competition.

This bill was presented as an insurance bill therefore one would assume that we are using insurance terminology. Therefore one must ask **what is a collision repair claim.** The answer is, that it is a claim filed under the collision coverage afforded on an auto policy. So what does that mean? **It means things such as collision with a fixed object, upsetting of a vehicle, or collision with another vehicle.** What does it not mean? **It does not mean things such as striking a deer or other animal on the roadway, hail damage, flood damage, or fire damage. It does not mean damage to a third party vehicle such as in a liability claim.**

Subsection one **defines replacement crash part and it says means a part typically replaced during repair of a collision damaged motor vehicle,** including exterior sheet metal and any plastic component such as a fender, hood, door, bumper system, or related structural component. Let's ask ourselves what the first part of that sentence means when it says "means a part typically replaced during the repair of a collision damage motor vehicle ..." **Quite simply, a part typically replaced during the repair of a collision damage motor vehicle, is any part damaged in a collision, so it means every part.**

This bill states under subsection two, "Except as provided under subsection four, **before an insurer requires the use of any type of replacement crash part** for the repair of a collision-damaged motor vehicle, **the insurer shall disclose to the motor vehicle owner** or the motor vehicle owner's authorized representative, **the type of replacement crash part** that will be used. Before an installer installs any type of replacement crash part, **the repair facility shall disclose each type of replacement crash**

part that will be installed and **obtain written authorization from the motor vehicle owner** or the owners authorized representative.”

I ask you why was this written so as to have the insurer have the responsibility for disclosing to the motor vehicle owner the type of parts to be used and the repair facility the responsibility to obtain written authorization from the vehicle owner or the owner’s authorized representative. **What happens when the insurance company discloses and the vehicle owner refuses to sign the authorization.** One must remember that **an auto insurance policy is a contract between the insured and the insurer. The repair facility is not a party to that contract. What incentive does the repair shop have to get the vehicle owner to sign an authorization to use competitive parts when it will cost him money.** Obviously the commission on a higher priced part is more than on a lower priced part.

Subsection three contains the **“replacement crash parts notice and authorization form.”** The bill is unclear as to who is suppose to attach this to the estimate but this appears to be the responsibility of the body shop. **The question here is this notice to consumer “to be used only when an insurance company is paying the bill, if so why.”**

Lets take a closer look at some of the definitions here.

- A. New original equipment manufacturer - **A part that is made by the motor vehicle manufacturer or the manufacturer’s licensee and distributed through the manufacturer’s normal channels.**
- B. New aftermarket - A part that is made by **a person** other than the motor vehicle manufacturer or the manufacturer’s licensee.

Your answer may be that all the insurance company has to do is to get permission in writing from the vehicle owner. We all know the answer to that question, **when insurance is involved, it is easy to lose sight of the fact that dollars paid by insurance companies are real dollars, but they are real, and they come from the insurance paying vehicle owners of North Dakota. Real People.**

Under the definition of new original equipment manufacture it states **“a part that is made by the motor vehicle manufacturer or the manufacturer’s licensee and distributed through the manufacturer’s normal channels.”** Again we want to make sure that everyone in that food chain from the manufacturer through the distributors and down to the auto body repair shop get a piece of that insurance dollar. What should it matter if the part is new where the body shop acquired it unless it is stolen. The matter is someone might discount and upset the food chain.

There is also some confusing language in subsection four when it indicates that the motor vehicle owner consents in writing at the time of repair to the use of parts other than new.

Typically, what an auto damage appraiser or adjuster does is go out inspect the damaged vehicle, write his own estimate, provide the insured with a copy, and also the body shop of the insured’s choice. This is often done well in advance of the vehicle being repaired. I would assume that that line should read at the time of loss but again what does it mean. **Subsection four tells us what this bill is all about when it states “an**

Thank you very much for your time. I hope what I have done here today will give you some idea of the quagmire that we will all be in should this bill pass. Our battle cry should be remember the branded title law. I also have a suggestion for a very simple and easy solution to this issue. **All that needs to be done is for the state of North Dakota through the legislature or the insurance department to require that any insurance company writing auto insurance in the state of North Dakota offer an endorsement to any auto policy whereby the policy will pay for OEM parts on any damaged vehicle less than three years old if the expense is incurred. It should also be spelled out that this would be the measure of damage on any third party claim involving a vehicle less than three years old for those individuals purchasing such endorsement. This would permit their own insurer to recover the full amount from a third party. This would also allow for those individuals who see this as an issue to pay for the increased insurance costs without raising the cost to the vast majority of the insurance buying public for which this is a nonissue.**



Racing fans will see the Monte Carlo pace car at several NASCAR events this year.

THE BIG UNVEILING

Chevrolet introduced three new vehicles at this year's Chicago Auto Show — the 1999 Chevy TrailBlazer, the 1999 Chevy Tahoe Z71 and the 1998 Monte Carlo Z34 NASCAR® pace car.

In the next model year, you'll have a chance to see two of those vehicles from the Chicago Auto Show at General Motors dealerships:

- The sporty, yet stylish TrailBlazer can hold its own off-road or in the city. An upscale version of the popular Chevy Blazer, the four-door compact sport utility is targeted to the image-conscious buyer who also likes the performance of a truck.

- Some of the TrailBlazer's features include two-toned leather-trimmed seats with embroidered logos on the headrest; special aluminum wheels with bronze accents; and Z85 touring suspension with deCarbon™ gas shocks, P235/75R15 on/off-road tires, and firmer spring rates.

- The Tahoe Z71, created to thrill the real truck aficionado, debuts in 1999. The full-size sport utility is a four-door, four-wheel-drive, specially equipped version of

the current Chevy Tahoe.

Besides the traditional off-road performance expected of a Chevy truck, it has the distinctive look and strong features attractive to off-road enthusiasts.

The Z71's special touches include color-keyed grilles and bumpers for a distinctive look; chrome 16-inch wheels with color-keyed wheel flares; and an off-road package that features Bilstein® gas-charged shocks, skid plates, engine and transmission coolers, and larger all-terrain tires.

- The Monte Carlo pace car, specially designed to pace 11 NASCAR races this season, is a tribute to Monte Carlo's past success in the Winston Cup® series.

A limited number of Monte Carlo Z34s have been modified to adjust to track temperatures of more than 135 degrees F and other unusual handling and environmental conditions.

The sport coupes feature the GM 3800 Series II V6 engine, additional oil coolers for the engine, transmission and power steering, larger racing-style tires and adjustments to the suspension and brakes.

The pace car will not be available for sale to the public.

STRUCTURAL INTEGRITY

How well a vehicle operates, performs in crash tests, or protects occupants after a collision depends on the quality of replacement parts used in its repair. General Motors recently released a formal statement to the collision repair industry detailing its position on the issue.

It is critical, says the manufacturer, to use new genuine GM parts when repairing a GM vehicle after a collision. Using new original equipment manufacturer (OEM) parts rather than non-OEM parts is important in maintaining the balance between the vehicle's safety systems.

"GM released its formal position on this key issue because of requests from collision repair associations in several states to comment on statements made in public hearings about consumer automotive safety legislation," says Nancy J. McLean, general product manager for collision parts at GM Service Parts Operations (SPO), parent company of GM Parts.



More specifically, the statement details the importance of using quality OEM sheet metal and glass in a vehicle's repair to ensure its future structural integrity. Sheet metal and glass are load-bearing elements in the design of specific crush zones in a vehicle and are tested to meet various safety standards. Non-OEM parts may not measure up to these standards, and, when used, might reduce the effectiveness of the vehicle's safety systems.

The position also states that imitation parts are not covered by GM's vehicle transferable factory warranties and may void those warranties on any GM adjoining parts or systems that fail as a result of using them.

OUR OPINION

Crack-up car repair

Choice is best when picking repair parts

The darkest of any dark day is the day you wreck your car. It's your baby, your security blanket. Annoyances seem less, well, annoying, once you slide behind the wheel. When your baby needs new parts, it gets the best — unless.

Unless your insurance company, or the other guy's insurance company, negotiates with the doctor, er, mechanic to use other than original equipment to repair your car.

That's what Senate Bill 2276 is all about. Introduced by Sen. Randy Schobinger, R-Minot, this comforting little bill would mandate that the replacement parts a repair facility uses to heal your car be new original equipment manufacturer parts unless you sign off on a form allowing the use of other parts.

Schobinger's bill moved through the Senate Transportation Committee with a 7-0 "do pass" recommendation and won Senate approval Tuesday by a 48-0 vote.

The bill is aimed directly at our worst fears following a wreck. Will the repair be done right? Will my little darling ever be as good as new?

Schobinger's bill is a good one. If the House has even a sliver of compassion for suffering souls, it will endorse this idea and send it to Gov. Ed Schafer to sign.

The bill covers cars up to three years

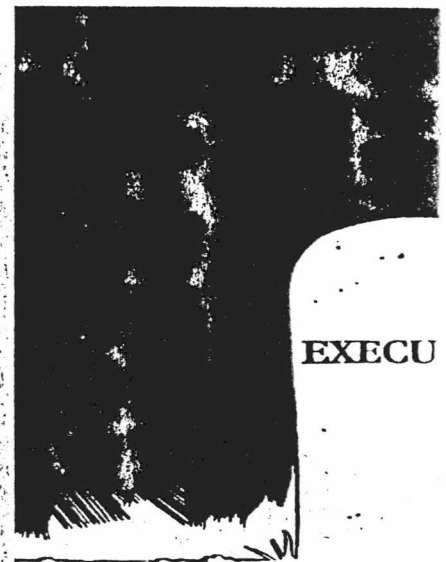
old. Open up your car door and look at the side. You should find a sticker listing the date the vehicle was manufactured. This proposal would ensure that original parts are used to repair your car for that year and for the next two years.

As things stand now, if you want original parts used to repair your cracked-up car and the insurance company wants to pay only for a less expensive part made by an after-market manufacturer, you have to pay the difference.

One of the best parts about this bill is that it does not automatically assume that a non-original part or a used part is always the wrong choice. It allows the customer a choice. If the mechanic or autobody expert believe that the repair can be done with a used part or after-market part and the customer is OK with the recommendation and signs off on an agreement, the part can be substituted for an original. This bill has most of the teeth a customer needs to make sure the part he or she wants is chosen.

It's a good bill, but it could be better. Why not include cars that are older than three years?

After all, your car may be just a car to everybody else, but to you, it's your baby.



EXECU

The strongest

Position of Minot Daily News unclear

Once again, I find myself reading editorial by the News, and scratching my head, trying to figure out what your position is.

The Minot Daily seems to be pushing for a socialistic "nationalizing" of the North Dakota electric industry, on one hand, and then arguing for free market economics on the other hand is an argument that is difficult to understand, because of its absurdness. It is not clear what side of this issue you are on.

— David B. A
Min

Crop insurance rug pulled out from under

I am a 25-year-old farmer from southwest of Jamestown. I farm with my dad. Five years ago I dropped out of college so I could come home and work on the farm. Considering the state of the farm economy and what's happened with the CRC, I don't know if that was such a bright idea. Nineteen ninety-nine will be the fifth season that my wife and

Judges like to be listened to

Defying an order from the courts can be trouble

A valuable lesson in how a society that believes in the rule of law should operate was taught over the weekend — not on the floor of the U.S. Senate, but in a federal courtroom in Dallas.

It was there that U.S. District Judge Joe



BOB

90246.0300

FIRST ENGROSSMENT

Fifty-sixth
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2276

Introduced by

Senators Schobinger, Fischer, B. Stenehjem

Representatives Berg, Keiser, Price

1 A BILL for an Act to create and enact a new section to chapter 51-07 of the North Dakota
2 Century Code, relating to use of replacement crash parts in motor vehicle repairs.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1.** A new section to chapter 51-07 of the North Dakota Century Code is
5 created and enacted as follows:

6 **Motor vehicle replacement crash parts - Insurance requirements.**

7 1. In this section, unless the context otherwise requires:

8 a. "Insurer" means an insurance company or any person authorized to represent
9 the insurance company with respect to a motor vehicle collision repair claim.

10 b. "New aftermarket replacement crash part" means a part made by a person
11 other than the motor vehicle manufacturer or the manufacturer's licensee.

12 c. "New original equipment manufacturer replacement crash part" means a ^{Structural} part
13 manufactured by an original motor vehicle manufacturer or the manufacturer's
14 licensee.

15 d. "Recycled replacement crash part" means a recyclable ^{Structural} part or assembly from
16 a salvaged motor vehicle.

17 e. "Remanufactured replacement crash part" means a ^{Structural} part returned to like-new
18 condition by repairing, remachining, or rebuilding.

19 f. "Repair facility" means a collision repair center, a repair shop, a vehicle
20 dealer, or any entity that repairs motor vehicle collision damage.

21 g. "Replacement crash part" means a ^{Structural} part typically replaced during repair of a
22 damaged motor vehicle, including exterior sheet metal and any plastic
23 component such as a fender, hood, door, bumper system, or related
24 structural component.

h. A motor vehicle collision repair claim is any first party physical
damage insurance claim.

Fifty-sixth
Legislative Assembly

1 I understand that my motor vehicle will be repaired using the parts notated above.
2 I authorize the repair facility to install these parts.

3 _____
4 Customer Signature Date

"NEW" removed in two of
Three definitions

5 4. If a motor vehicle requires repair by a repair facility during the ^{model} year of the motor
6 vehicle's manufacture ^{and one} or ^{model} in the two years following the year of manufacture, a
7 repair facility shall use original equipment manufacturer replacement crash parts
8 sufficient to maintain the manufacturer's warranty for fit, finish, structural integrity,
9 corrosion resistance, dent resistance, and crash performance unless the motor
10 vehicle owner consents in writing at the time of the repair to the use of parts other
11 than new original equipment manufacturer replacement crash parts. An insurance
12 company may not require the use of parts other than original equipment
13 manufacturer replacement crash parts when negotiating with a facility for the repair
14 of a motor vehicle during the ^{model} year ~~the motor vehicle was manufactured~~ and ^{one} ~~the two~~
15 ^{model} years following the year of manufacture, unless the motor vehicle owner consents
16 in writing at the time of the repair to the use of parts other than original equipment
17 manufacturer replacement crash parts.

HEINRICH and COMPANY
INSURANCE ADJUSTERS

BISMARCK, ND 58502 • P.O. BOX 517 • (701) 258-7731
 DEVILS LAKE, ND 58302 • P.O. BOX 1183 • (701) 662-8667
 JAMESTOWN, ND 58402 • P.O. BOX 1918 • (701) 251-2250
 MINOT, ND 58702 • P.O. BOX 577 • (701) 852-8350

March 11, 1999

TRANSPORTATION COMMITTEE
ND STATE HOUSE OF REPRESENTATIVES

RE: Senate Bill 2276 and Salvage Auto Parts

Dear Representatives:

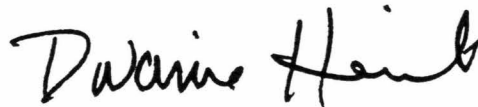
The use of salvaged or recycled parts in claims for automobile physical damage is the pro consumer approach not an anti consumer as some would have you believe.

Attached you will find a brochure from the Saskatchewan Government Insurance office regarding their salvage auto parts program. Certainly I am not in favor of the State of North Dakota taking over private automobile insurance. The fact is however if the State of North Dakota were providing all of the auto insurance in North Dakota, you would be looking for ways to keep those costs down and provide quality repair the same as the Saskatchewan Government is doing today.

As stated in this Saskatchewan Government brochure "Remember - - your vehicle operates on used parts." Please, do not eliminate competition in North Dakota in either the insurance or automotive parts industries.

Thank you for your consideration.

Yours truly,
HEINRICH AND COMPANY



Dwaine Heinrich, Owner/Manager

DH/vm

enc: brochure-Saskatchewan Government Insurance Office

HEINRICH and COMPANY
INSURANCE ADJUSTERS

BISMARCK, ND 58502 • P.O. BOX 517 • (701) 258-7731
 DEVILS LAKE, ND 58302 • P.O. BOX 1183 • (701) 662-8667
 JAMESTOWN, ND 58402 • P.O. BOX 1918 • (701) 251-2250
 MINOT, ND 58702 • P.O. BOX 577 • (701) 852-8350

March 11, 1999

TRANSPORTATION COMMITTEE
ND STATE HOUSE OF REPRESENTATIVES

RE: Senate Bill 2276
Certification of Aftermarket
Automotive Parts

Dear Representatives:

Aftermarket parts provide competition and reduces the cost of repairing collision damaged motor vehicles. Certainly not every original manufacturer's part is of the very best quality and that of course can be true also of aftermarket parts.

Therefore, the Certified Automotive Parts Association was established back in 1987 to set standards for the manufacture of "competitive" auto body parts. A part does not have to be an original manufacturer's equipment part to be a quality part.

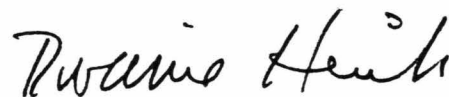
Attached is some information on the CAPA program for your consideration.

A good number of North Dakotans work in the aftermarket auto parts business. Please do not adversely affect their livelihood by passing Senate Bill 2276.

Imagine the reaction by the public if someone were to introduce a bill prohibiting the sale of generic prescription drugs in North Dakota and present it as a pro consumer bill.

Thank you for your consideration.

Yours truly,
HEINRICH AND COMPANY



Dwaine Heinrich, Owner/Manager

DH/vm
enc: CAPA information

Why you
should vote
NO on
Senate Bill
2276

Example 1

Address: Thompson, ND

Vehicle Type: 1994 Cadillac

Age Category: 66-74

Annual Premium: \$612.00

SB 2276 Increase of 15%: \$91.80

Total Annual Auto
Insurance With SB 2276: \$703.80

Example 2

Address: Jamestown, ND

Vehicle Type: 1999 Toyota Pickup

Age Category: 30-49

Annual Premium: \$972.00

SB 2276 Increase of 15%: \$145.80

Total Annual Auto
Insurance With SB 2276: \$1,117.80

Example 3

Address: Bismarck, ND

Vehicle Type: 1998 Chevrolet
Sport Utility

Age Category: 66-74

Annual Premium: \$750.00

SB 2276 Increase of 15%: \$112.50

Total Annual Auto
Insurance With SB 2276: \$862.50

Example 4

Address: Chaffee, ND

Vehicle Type: 1992 Buick

Age Category: 25-29

Annual Premium: \$448.00

SB 2276 Increase of 15%: \$67.20

Total Annual Auto
Insurance With SB 2276: \$515.20

Example 5

Address: Williston, ND

Vehicle Type: 1986 Ford Pickup

Age Category: 30-49

Annual Premium: \$420.00

SB 2276 Increase of 15%: \$63.00

Total Annual Auto
Insurance With SB 2276: \$483.00

NODAK MUTUAL INSURANCE

Damage Assessed By: MARK KLUNDT

Appraised For: PAUL TRAYNOR

Deductible: 0.00
 Claim Number: SAMPLE

Insured: SAMPLE ESTIMATE

Mitchell Service: 915489

Description: 1994 Chevrolet Pickup C1500 W/T
 Body Style: 2D Pkup 8' Bed 131" WB
 OEM/ALT: A

Drive Train: 5.7L Inj 8 Cyl 2WD
 Search Code: NODAK

Line Item	Entry Number	Labor Type	Operation	Line Item Description	Part Type/ Part Number	Dollar Amount	Labor Units
1	500820	BDY	REMOVE/REPLACE	FRT BUMPER FACE BAR	Remanufactured	132.00	1.4 #
2	500940	BDY	REMOVE/REPLACE	FRT BUMPER IMPACT STRIP	** QUAL REPL PART	30.00	INC #
3	501010	BDY	REMOVE/REPLACE	FRT BUMPER LICENSE BRACKET	** QUAL REPL PART	14.00	INC
4	500031	BDY	REMOVE/REPLACE	GRILLE	** QUAL REPL PART	124.17	0.4 #
5	502650	BDY	REMOVE/REPLACE	R H/LAMP CAPSULE ASSY	** QUAL REPL PART	120.00	0.3 #
6	AUTO	BDY	CHECK/ADJUST	HEADLAMPS			0.4
7	500370	BDY	REMOVE/REPLACE	R PARK/SIGNAL LAMP ASSEMBLY	** QUAL REPL PART	43.24	INC
	503170	BDY	REMOVE/REPLACE	R MARKER LAMP ASSEMBLY	** QUAL REPL PART	4.96	INC #
	500312	BDY	REMOVE/REPLACE	HOOD PANEL	** QRP CAPA	117.64	0.8
	AUTO	REF	REFINISH	HOOD OUTSIDE			3.2
11	AUTO	REF	REFINISH	HOOD UNDERSIDE			1.6
12	512370	BDY	REMOVE/REPLACE	R FENDER PANEL	** QRP CAPA	70.00	1.7 #
13	AUTO	REF	REFINISH	R FENDER OUTSIDE			2.2
14	AUTO	REF	REFINISH	R FENDER EDGE & INSIDE			1.0
15	512400	BDY	REMOVE/REPLACE	L FENDER PANEL	** QRP CAPA	70.00	1.2 #
16	AUTO	REF	REFINISH	L FENDER OUTSIDE			2.2
17	AUTO	REF	REFINISH	L FENDER EDGE & INSIDE			1.0
18	512460	BDY	REMOVE/REPLACE	L FENDER WHEELHOUSE PANEL	** QUAL REPL PART	38.39	0.4
19	AUTO	REF	REFINISH	L FRT FENDER WHEELHOUSE			1.2
20	512800	BDY	REMOVE/REPLACE	L FENDER WHEEL OPENING MLDG	** QUAL REPL PART	8.81	0.2
21	514730	BDY	REMOVE/REPLACE	WHEEL	12351803 GM PART	339.00	0.3
22	524380	GLS	REMOVE/REPLACE	W/SHIELD GLASS	DW01159GBY	508.50	1.9 #
23				LINE DISCOUNT %25.00		127.13-	
24	501789	BDY	REMOVE/REPLACE	R FRT DOOR SHELL	12387770 GM PART	358.00	4.7 #
25	AUTO	REF	REFINISH	R FRT DOOR OUTSIDE			2.3
26	AUTO	REF	REFINISH	R FRT ADD FOR JAMBS & INSIDE			1.0
27	540050	BDY	REMOVE/REPLACE	R PICKUP BOX SIDE PANEL ASSY	15678730 GM PART	574.00	14.0 #
28	AUTO	REF	REFINISH	R BED OUTER PANEL			3.5
29	AUTO	REF	REFINISH	R BED SIDE PANEL INSIDE			1.8
30	544310	BDY	REMOVE/REPLACE	R COMBINATION LAMP ASSEMBLY	** QUAL REPL PART	58.00	0.1 #
31	545060	BDY	REMOVE/REPLACE	REAR BUMPER FACE BAR	Remanufactured	208.00	1.1
32	AUTO	BDY	REMOVE/REPLACE	REAR ADD W/IMPACT STRIPS			0.3
33	AUTO		ADD'L COST	PAINT/MATERIALS		441.00 *	

ESTIMATE RECALL NUMBER: 3/09/99 10:54:24 SAMPLE

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* - Judgement Item
 # - Labor Note Applies
 ** QRP CAPA - Quality Replacement Parts CAPA Certified
 ** QUAL REPL PART - Quality Replacement Parts

I. Labor Subtotals	Units	Rate	Add'l Labor Amount	Sublet Amount	Totals	II. Part Replacement Summary	Amount
Body	27.3	36.00	0.00	0.00	982.80 T	Taxable Parts	2,818.71
Refinish	21.0	36.00	0.00	0.00	756.00 T	Parts Adjustments	127.13
Glass	1.9	36.00	0.00	0.00	68.40 T	Sales Tax @ 6.000%	161.49
					Taxable Labor	Total Replacement Parts Amount	2,853.07
					1,807.20		
Labor Summary	50.2				1,807.20		
III. Additional Costs					Amount	IV. Adjustments	Amount
Taxable Costs					441.00	Insurance Deductible	0.00
Sales Tax		@ 6.000%			26.46	Customer Responsibility	0.00
Total Additional Costs					467.46		
						I. Total Labor:	1,807.20
						II. Total Replacement Parts:	2,853.07
						III. Total Additional Costs:	467.46
						Gross Total:	5,127.73
						IV. Total Adjustments:	0.00
						Net Total:	5,127.73

This is a preliminary estimate.

Additional changes to the estimate may be required for the actual repair.

Cost of Replacement Parts for a 1997 Ford Taurus GL Exceeds \$72,000*

**Manufacturers Suggested
Retail Price: \$18,985.00**

**Cost to Rebuild with OEM
Replacement Parts: \$72,251.60**

**Instrument panel and
dash board components: \$3,446.68**

**Roof panel, reinforcements
and dome light: \$475.89**

**Steering wheel and
column assembly: \$937.45**

**Seats, including frames, pads,
covers and tracks: \$5,132.08**

**Electronic fuel injection
system: \$1,810.00**

**Rear (tinted) heated glass
and moldings: \$1,809.89**

**Engine assembly:
\$3,425.00**

**Rear bumper
assembly: \$622.30**

**Front bumper
assembly: \$687.60**

**Rear suspension
and brakes: \$1,921.12**

**Aluminum wheels and caps
(4 tires and a spare): \$1,433.17**

Exhaust system: \$1,141.32

Fuel tank and pump: \$1,025.37

**Front power doors, including glass,
mirrors and trim: \$3,842.83**

*Limited space allows for only some of the prices to be shown in this diagram.
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Testimony of
Jack Gillis
Executive Director
Certified Automotive Parts Association

Before the
North Dakota
House Transportation Committee
on
Senate Bill 2276

March 11, 1999

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

CAPA is a non-profit organization, which oversees a testing and inspection program that certifies the quality of parts used for auto body repairs. CAPA's goal is to promote price and quality competition in the crash parts industry and thereby reduce the costs of crash repairs to consumers without sacrificing quality. We are not a manufacturing, marketing, or sales organization. We simply establish standards for competitive parts in order to ensure their functional equivalency to car company parts. The program provides consumers, auto body shops, and insurance adjusters with an objective method of evaluating the functional equivalency of certified parts to similar parts made by automobile companies.

As a consumer advocate, I have spent nearly 10 working on this important program in order to protect American consumers from the ravages that a car company monopoly of aftermarket parts would inflict on them.

Car companies are spending millions of dollars to discredit aftermarket parts, scare consumers, co-opt body shops and intimidate state legislatures into protecting their

monopoly with thinly veiled legislation like this bill. This state by state approach has been adopted by car companies because they were unsuccessful achieving the same results on the national level when they tried to alter federal design patent laws in 1993.

In the process of putting forth this bill, its proponents have posed a number of underlying questions to which I would like to respond:

Should consumers have the right to have their vehicles repaired to pre-accident condition? YES.

Should consumers have the right to be informed that non-car company parts have been specified for repairs? YES - but if this is important for simple cosmetic crash parts then it should be even more important for complicated and safety related mechanical parts. Interestingly, we believe auto repair shops are against this type of required disclosure.

Should consumers have the right to know that the vehicle warranty will not cover non-car company parts? YES. However, I would like to remind this committee that tying the use of an aftermarket part to the voiding of a new car warranty is against Federal law.

No one argues the importance of disclosure--what is at stake is the consumer protection inherent in a truly free and responsible marketplace. What the car companies and body shops are asking this committee to do is legislate out of business an industry which is forcing them to offer competitive prices. For example, from the time of their introduction in 1983 to 1989, prices for fenders for the Chevrolet Chevette and Honda Accord, which were subject to competition, dropped 44 and 38 percent, respectively, once competition was introduced. During the same period, front-door prices, not subject to competition, rose 30 and 45 percent for the same two models.

An example of just how over priced car company parts can be is best exemplified by comparing a Ford hood with a combination TV/VCR. A hood for a 1994 Ford Taurus costs about \$400, and that doesn't include painting and installation. Comparably, a combination TV/VCR made by RCA costs around \$200. As you can see, it is not uncommon for a car company to charge more for a simple stamped piece of metal than something that requires complex assembly, has thousands of parts, and multiple

operations including various buttons and controls, movement of tape into place, electronic programming and a fragile, sophisticated, cathode ray tube. This type of pricing is what happens when the product is controlled by a monopoly. RCA has many competitors forcing it to provide high quality at a low price, Ford does not.

With this bill, the body shops are asking this committee to use the car companies as the benchmark for quality. Before you use car companies as the epitome of quality, beware. As a consumer advocate who has spent considerable time studying automobiles, may I respectfully offer a serious warning: Using car companies as your benchmark for quality is inviting disaster for this legislative body and North Dakota consumers.

Let us look at your potential benchmark for quality. For years, domestic car companies lost millions of dollars in sales to high priced Japanese competition for one reason, lack of quality. Each year, automakers recall millions of vehicles for safety related problems. In fact, in 1995, a record 17.8 million cars and trucks were recalled for safety-related defects -- more cars were recalled than sold. Furthermore, each year autos are the most complained about product sold in the United States. A simple check with your state Attorney General's office will show you what citizens think of car company quality. Yet, this legislation puts you in the position of telling the car owner, "Insist on quality--use only General Motors parts. Insist on quality--use only Ford parts." In fact, in the last ten years, the U.S. DOT has recalled 2.7 million car company hoods for serious safety problems. By their own estimates 800,000 are still on the road. The bottom line? The North Dakota Legislature needs to beware of using car companies as your benchmark of quality and safety. American consumers know better and so do North Dakotans.

Consumer groups are concerned any time a monopoly is protected, and this legislation will go a long way to protect car company monopolies. Americans are not afraid of competition. Nor, I assume, are North Dakota consumers. Yet, the spirit, intent and result of this legislation is to kill competition.

I know this committee has some concerns about a recent article in Consumer Reports on crash parts. Let me assure you I had the same concerns as a longtime fan of that publication. However, when I looked at the facts behind article, this is what I found:

- Consumers Union found only one non car company hood that failed in the last 10 years. On the other hand, there were 2.7 million car company hoods investigated and recalled by the U.S. DOT.
- CU has not able to document wide spread problems with non-car company parts. They relied solely on claims of problems by collision repairers.
- CU found no evidence of safety problems with any of the parts.
- CU failed to mention that insurance companies provide full warranties for repairs and rarely, if ever, do consumers need these warranties.
- CU failed to mention that if there were problems with bumpers, it would be at the expense of insurance companies.
- CU sent the best car company parts they found to the repair shop and did not send the best CAPA parts. Nevertheless, the second best CAPA parts did well.

I am submitting a detailed response to the Consumer Reports article to the committee for its review.

If this legislative body is truly concerned about quality, it is ironic to note that auto crash parts are the only part category in which there is a true benchmark for quality. Shops and consumers using aftermarket parts can be assured of quality parts by looking for the CAPA Quality Seal. This legislation would essentially take away that ability.

I would like to take a moment and explain CAPA and how it benefits collision repair shops and consumers.

THE CAPA CERTIFICATION PROGRAM

The Certified Automotive Parts Association (CAPA) has a nine-member board, which includes representatives from auto body shops, consumer groups, insurance companies, and part distributors. CAPA currently contracts with Entela Labs., Inc., a well respected, independent testing facility, to conduct the testing, inspection, and

compliance aspects of the program.

Replacement body parts that meet or exceed CAPA quality standards for fit, materials and corrosion resistance are allowed to display the CAPA seal and are listed in a directory, which is widely available to the crash parts industry.

In order for an aftermarket part to be certified by CAPA, a participating manufacturer must first allow a detailed review and inspection of its factory and manufacturing processes by our independent testing laboratory, which determines compliance with CAPA requirements. We evaluate the tooling, assembly, painting, and inspection processes to ensure that the manufacturer is capable of producing aftermarket parts equal to, or better than, car company parts. In addition, the manufacturer's quality control system and manual are reviewed for compliance with our quality control standards.

Once the factory has been approved, the company can submit individual parts for certification. These parts are tested for material content, fit, finish, paint adhesion, and corrosion, and are examined to ensure that they include markings identifying the manufacturer and the country and date of manufacture. Finally, sample parts are placed on vehicles to insure an accurate fit. If the part complies with all of the CAPA standards, then the manufacturer is allowed to apply a CAPA Quality Seal to that part-the final step in the certification process. In addition, CAPA has a recall program designed to remove non-conforming parts from the marketplace-a mechanism which car companies do not have in place.

Once the part has been certified, the factory is subject to regular random checks to ensure that the standards are maintained. In addition, there are random checks of parts leaving the factory and in warehouses. CAPA also encourages the users of parts bearing the CAPA seal to file a complaint if they believe the part may not meet our standards. CAPA's random checks and complaint program have led to the decertification of parts which originally met our standards.

The CAPA Technical Committee is made up of experts from a cross section of the industry. This committee performs periodic, in-depth reviews of the standards, refining

them as required, to assure the continued quality of aftermarket replacement parts receiving CAPA certification.

Our standards cover metal and plastic automobile parts, such as fenders, hoods, doors, quarter panels, deck lids, bumper fascias and covers, header panels, and grille opening panels.

All test procedures, where possible, refer to nationally recognized standards, such as those of ASTM and SAE. Each of our standards provides for testing and inspection procedures, with detailed specifications for establishing the quality of the parts covered by that standard. The standards include dimensional checks (form and fit), metallurgical and material analysis (composition, mechanical properties and thickness), corrosion protection (salt spray tests), and construction requirements, as well as identification and certification markings. Form and fit measurements are made using a master checking fixture (specially fabricated for each part) and a part from the original manufacturer.

About 4% of crash parts meet our standards.

Now that you have an overview of the CAPA program, I'd like to respond to some of the issues that are often raised regarding CAPA parts:

Is there reason to prohibit aftermarket parts because some are bad? No manufacturing process I know of is perfect -- certainly not that of a car company. However, in the CAPA program, when bad parts show up and we find out about them--from body shops--we'll decertify the part and issue a recall notice. The car companies do not do this. Nevertheless, as in all industries--would it make sense to force the industry out of business because of mistakes? If that were the case, what would this Assembly's position be on Ford, GM, and Chrysler who last year recalled millions of cars for serious safety defects? CAPA's standards requiring functional equivalency and quality already address the concerns which inspired the concept of a ban of aftermarket parts. CAPA is the solution to insuring both fair prices and high quality.

The car companies claim that the CAPA standards do not cover rust protection or safety. CAPA manufacturers use a sophisticated electro deposition primer (EDP) process which is comparable to the primer processing used on many car company parts. EDP

priming is a widely used technology to achieve corrosion resistance. Although car companies have publicly promoted their recent use of galvanized sheet steel, the vast majority of cars on the road today were not made using galvanized sheet steel outer body panels. Furthermore, using the EDP process CAPA has certified over 10,000,000 parts and we have been able to uncover only one case of premature corrosion.

Comments that there is something wrong with the safety of these parts are irresponsible. CAPA certified parts do not have significant safety ramifications. And I should be concerned--I've spent over 20 years of my life fighting for safer cars. Crash tests conducted on the one part that could potentially have safety ramifications (the hood) show that it performs no differently in crash tests than those hoods originally made by the car companies. In addition, since the federal government has no federal safety standards for aftermarket parts, whether they are made by a car company or an independent manufacturer, why consider legislating compliance to these non-existent standards? In fact, I would like to point out that CAPA does not certify any parts which have specific safety or energy absorbing functions. Ironically, in a recent attempt to discredit CAPA parts before body shops at an ASA east coast meeting, an organization named Wreck Check conducted an unscientific crash test on a vehicle with a certified fender and hood. While the test was designed to find fault with CAPA certified parts, the sponsors had to publicly acknowledge that the CAPA certified hood and fender performed in the same manner one would expect a car company part to perform. A copy of a video which addresses the safety of crash parts can be provided to the committee chairman.

How can CAPA be effective if it is funded by the insurance industry? There is no question that initial funding and start up costs associated with this multimillion dollar certification program have been provided by the insurance companies, and for good reason--it is in their best interest to ensure that the parts they pay for to repair automobiles (whether from the car companies or independent suppliers) be of the highest quality possible.

The car companies, and some body shops, would like you to believe that there is something wrong with the fact that CAPA is funded by the insurance industry. This

allegation flies in the face of logic--if the insurance industry was, in fact, interested in foisting poor quality parts on the American consumer, the last thing in the world that they would do is establish a non-profit, independent, certification organization that fully complies with generally accepted guidelines for third party certification programs--and hire consumer advocates to manage it.

I would also like to point out that some of the most outspoken critics of the insurance industry, including the Consumer Federation of America, Ralph Nader's Public Citizen, and Consumer's Union, have gone on record in support of CAPA and aftermarket parts--quite an unlikely event if there were something inherently wrong with the insurance industry's initially funding such an organization.

I would also like to add a personal note regarding the independence of the Certified Automotive Parts Association. When I took over as Executive Director, I did so with one simple condition: I would be given complete freedom to run the program as a straightforward, legitimate means to ensure that consumers and body shops have a way to identify high quality aftermarket parts. To date, I can assure you that my integrity and the integrity with which this program has been managed have in no way been compromised due to its association with the insurance industry. The simple, bottom line is that when it comes to crash parts, the interests of the insurance industry and the interests of the American consumer are parallel.

It is clear, ladies and gentlemen, that this legislative effort is a thinly veiled attempt to provide the car companies with a monopoly on aftermarket parts. Supporting this legislation will, in effect, promote a monopoly--thereby destroying the free market that North Dakota consumers have traditionally embraced.

CAPA's presence in the marketplace assures the consumer that quality will not be sacrificed in the name of competition.

Thank you for your time.

**CAPA Response to Consumer Reports Article
on Competitive Crash Replacement Parts**

**Errors, Unsubstantiated Claims and Missing Facts
Provide an Inaccurate Review of an Important Issue**

Washington, DC January 28,1999: When it comes to consumers and competitive crash parts, there is a very important story that needs to be told. Consumer Reports, in their February cover story, has neglected to adequately report on the most significant aspect of this problem – the monopoly that car companies have on replacement parts which results in unfair prices for consumers, and the role that CAPA has already played in creating competition.

CR also failed to fairly present the issues that it did report on. In fact, they castigated an entire product class based on: 1) unsubstantiated statements by collision repairers; 2) unsupported claims by a California insurance company; 3) one allegedly defective hood; and, 4) a limited evaluation of only 18 of the estimated 610,000,000 certifiable parts used in the last 10 years. In addition, CR did not mention documented safety problems in car company parts and ignored blind tests where repairers rated CAPA parts as better than car company parts.

In spite of the blazing cover rhetoric and the sensational lead in, CR supports CAPA, supports the existence of competitive parts, concurs with CAPA on the latest improvements in our program, and even suggests that CAPA expand its efforts to cover the certification of bumpers. (“CAPA’s voluntary program is the only ongoing effort to improve aftermarket parts, and we support its goals.” CR, February, 1999)

The case for competition:

For years the car companies have had a monopoly on the millions of parts used by consumers in accident repairs each year. That monopoly has resulted in a simple stamped metal fender costing more than a combination TV/VCR, a car door shell costing more than a refrigerator, and a headlight costing more than a CD/stereo system. The consumer is being taken advantage of by car companies who are free to charge whatever they want for a product that continues to drive up the cost of crash repair.

For 10 years CAPA has been the lone voice in improving the quality of car company and non-car company parts and thus fostering competition. We have been remarkably successful in spite of our tiny size and limited budget. As an independent, third party standard setting organization, we don’t buy, sell, or profit from the use of certified parts. CAPA opens up the doors of competition, stimulating improvements in the quality of both car company and non-car company parts and allowing the market to

clearly identify quality alternatives to expensive car company parts. For consumers this means lower repair costs, fewer cars sent to the junkyard, and the containment of insurance premiums. The use of competitive crash parts is one reason why insurance premiums have stabilized, or in some cases, gone down in recent years.

For its part, CAPA fully cooperated with CR in the development of its story, including providing complete access to all requested CAPA files, test labs, statistics, historical information and documents. In addition to supplying CR with all requested data, CAPA supplied additional pertinent information. We regret that CR chose to ignore evidence provided by CAPA to substantiate the quality of CAPA parts.

The CR article on aftermarket crash parts contains a number of errors and some serious unsubstantiated conclusions, including the following:

CR did not find significant safety hazards with CAPA parts:

1. *CR stated “an auto-repair problem similar to Della Rova’s [supposedly faulty hood] may be parked in your driveway right now.”* CR opened the story by implying that there is a serious safety problem with the use of non-car company hoods. Here are the facts which refute CR’s implication and did not appear in the story:
 - CR’s investigation could only find one non-car company hood that supposedly was defective;
 - The hood was installed 10 years before the accident and the actual failure could have been due to a defect in the car company latching mechanism, not a hood failure (CR either did not investigate or was not able to determine the cause of the accident);
 - During that same period of time nearly 2.7 million car company hoods were recalled for safety hazards by the U.S. DOT. Based on average recall response rates, an estimated 1 million of these potentially defective hoods are still on the road. (Non-car company hoods have never been recalled.)
 - CR apparently ignored the U.S. DOT complaint statistics, which show 165 complaints about car company hood problems, many of which resulted in accidents and injury.

2. *CR reported that there is little data on the safety of replacement crash parts.* This is not true. After analyzing the complaint database, engineering data, and recall system of the U.S. Department of Transportation, DOT officials told CR that there is no indication of safety problems with non-car company parts. The information provided to CR from the Insurance Institute for Highway Safety showed no safety problems with non-car company parts. IIHS’s British counterpart, Thatcham, has conducted crash tests, with similar results (which CAPA offered), that CR chose

to ignore. Finally, none of the car companies, who clearly have a strong financial incentive to prove otherwise, have been able to supply CR with any evidence of safety problems supposedly associated with CAPA certified parts.

CR relied on biased information sources, failed to substantiate their claims and discounted or discredited CAPA's proponents.

3. *CR repeatedly cited unsubstantiated claims by collision repair shop representatives as the basis for their conclusion that there is a significant quality problem.* CR provided no documentation for the various claims made by the collision repairers who, for years, have stated their opposition to competitive parts. CR presented repairers' claims as fact and yet did not explain why these same repairers have dramatically increased their use of CAPA certified parts over the past 3 years – a contradiction that begs investigation. While CR presented as fact the negative statements of the repairers who use the parts, they never contacted the part distributors who are experiencing increased demand from these repairers for more non-car company parts.
4. *CR reported that the Interinsurance Exchange of the Automobile Club of Southern California will not use non-car company parts because of “bubbling, paint flaking off, premature rusting” and “significant problems in the quality and specifications of non-OEM sheet metal.”* CR cited no evidence from this insurance company to support this claim. Nor have we been able to obtain this evidence from them. Furthermore, we know of no state consumer agency, attorney general's office or federal government agency, including the FTC or the US DOT, which has any evidence of significant problems with non-car company parts. Nor did CR report that they found any evidence of such problems in their extensive research on the subject or from their own member database. Finally, as CR knows from the information provided by CAPA, over 15,000,000 CAPA certified parts have been placed on vehicles and we know of only one incidence of premature corrosion.
5. *In stark contrast to CR's unquestioning acceptance of unsubstantiated claims made against CAPA parts, CR challenged statements made by CAPA proponents.* For example, CR dismissed Mr. Ditlow's statement that CAPA parts are better quality than non-CAPA “by virtue of the fact that you set a standard” by saying he had no “compelling” evidence to support his claim. In fact, as described below (Item 10) CAPA did provide “compelling” supporting evidence to CR. CR also dismissed the extraordinarily low number of complaints about CAPA parts, especially in light of CAPA's aggressive solicitation of complaints, with a quote from a repairer who said repairers just don't like to fill out forms.

6. *In a preposterous attempt to discredit CAPA proponents, CR clearly implied that the Center for Auto Safety's (CAS) position on crash parts was biased by the insurance companies, but failed to disclose that Consumers Union (CU) helped found the CAS. CU selected the executive director and paid his salary for the first 6 years of its history, CU also approved the funding of CAS by the insurance industry during those 6 years. CR did not disclose that insurance company funding of CAS has dropped dramatically since CAS became independent of CU in 1976. CR also failed to mention that CAS has taken on the insurance industry in many areas including CAS' successful opposition of weak laws on salvaged vehicles that were supported by the insurance companies.*

CR failed to disclose key facts in its possession that counter its claims.

7. *CR failed to disclose the results of a study by Ford Motor Company. Recently, while under oath in a court case, the Ford manager in charge of a competitive crash parts study, indicated that CAPA certified parts often exceeded the performance of the Ford parts. This included corrosion protection. A complete analysis of this study was provided to CR and access to the deposition taken under oath was offered.*
8. *CR cited an industry sponsored "test-fit" demonstration as evidence of serious problems across the industry. What they failed to indicate was that this "test" was done by a mechanic, using limited tools, in the parking lot of a hotel. Experienced industry professionals were not allowed to observe the fit, nor were car company parts installed to fairly compare the fit! The next time this group conducted the test, it was in a repair shop with proper tools and supervision by all parties. In this second test the CAPA parts were judged acceptable. CR failed to report that the only serious defects discovered in the second test were in the original and replacement car company hoods. CR also failed to report that the Toyota hood latch mechanism exhibited problems so serious that the car company hood had dent marks from being repeatedly slammed down by the owner.*
9. *CR ignored the best evidence that CAPA's parts were totally acceptable to collision repairers – a blind test in which the identities of the parts were unknown to the repairers. In the third of these collision repairer sponsored demonstrations, when asked to select which parts fit best, the repairers chose the non-car company parts. The test was done in a blind fashion where neither the mechanics nor the judges knew the identities of the parts. CR traditionally relies on such blind tests in its testing to eliminate the bias among testers that a branded product is better than a non-branded product.*

10. *CR indicated that “Neither he (Ditlow) or Gillis provided compelling evidence to support that claim” (that CAPA parts are better quality than non-CAPA). This ignores CR’s own findings that non-CAPA bumpers are substantially inferior in quality. In fact, CR states that “CAPA should certify bumpers,” hardly a logical suggestion from CR if there truly was no difference in CAPA certified vs. uncertified products. In addition, CAPA provided CR with a detailed, 232 page manual that outlines a wide variety of requirements for CAPA parts that are simply not required of non-CAPA parts. CAPA also disclosed, on a confidential basis, detailed tests that showed a number of parts that failed to achieve CAPA requirements and are now in the market as non-CAPA. Finally, CAPA provided CR with its list of decertified parts that no longer meet CAPA standards but are regularly used by collision repairers as non-CAPA parts.*
11. *CR in its “Recommendations” failed to offer the most important consumer advice: Make sure your insurance company is willing to guarantee the repair, regardless of whose parts are used. CR failed to disclose that most major insurance companies guarantee the repair for as long as you own the car. In this way the consumer gets the benefits of lower priced parts and a guarantee that should anything go wrong, repairs will be made. CR failed to note that while companies have been offering this guarantee for years, consumers rarely need to use it. If CR’s claim of widespread quality problems were true, this would be a very expensive proposition for insurance companies.*
12. *CR failed to indicate whether the time to replace the CAPA fenders by the repairer exceeded the time allowed by the repair manual. CR reported that the four CAPA fenders used in the test took between 30 and 60 minutes longer to install than the car company parts. (CR does not make it clear if this was the total time or the time for each fender.) The repair manuals used by all collision repairers allow for fitting time regardless of who makes the part. We suggested to CR that they needed to compare actual repair times with the repair manual times. As CR knows, consumers pay for the full repair time regardless of how long it takes the repairer to complete the job. CR failed to report on whether the fenders were installed within the suggested time.*

Errors of fact

13. *CR reported that CAPA’s corrosion test standard was a 500-hour salt spray test. Our salt spray test standard is 1000 hours.*
14. *CR claimed that “Last March the Automotive Service Association withdrew its support of CAPA.” In documents provided to CR, CAPA provided evidence that ASA has never supported CAPA; has been the most outspoken opponent of*

competitive crash parts (along with the car companies); and has refused CAPA's numerous requests for a public statement expressing support of CAPA. In fact, ASA hosted the largest anti-competitive part demonstration ever held (sponsored by Ford) and they have worked vigorously on the state level to prevent the use of non-car company parts. All of this information was provided to CR in advance of the article.

15. *CR reported that an engineer at CAPA's test lab, Entela, said that OEM parts variations are "perhaps 0.060 inches".* At no time did anyone at Entela or CAPA make this statement. CAPA standards do not include "inch" measurements and three witnesses at the meeting confirm that this statement was never made. What did transpire at the meeting, which included representatives of Entela, CAPA and two CR employees, was a detailed discussion of the inconsistent nature of car company parts. When one CR representative asked what 1.5-mm would be in inches, he was told "about .060 inches". This 1.5mm, however, is CAPA's maximum level of tolerance, not the car company's – a fact that has been clearly explained to CR on a number of occasions and which appears prominently in our standards manual. Furthermore, CR knows from reviewing our standards, that we possess a significant number of data points on car company parts. On numerous occasions we told CR that we have discovered variations among the same car company parts that far exceed our +/- 1.5-mm tolerance.
16. *CR reported that CAPA's vehicle test fit program would only be for newly certified parts.* That is incorrect. On two occasions, the vehicle test fit program was explained in detail to CR and each time we indicated that the vehicle test fit program will be used on any part. CR was also incorrect in stating that current certified parts are not affected by this change unless CAPA receives at least five complaints about the part. As we explained to CR, if a part receives five complaints, it will be removed from the program, not checked on a car! Prior to that time there are numerous occasions when a vehicle fit will be conducted. That, too, was explained in detail to CR.
17. *CR reported that half of CAPA's funding comes from the insurance industry.* This is incorrect. Last year only 38% of CAPA's funding came from the insurance industry. The decline in CAPA funding was reported not only to CR but also to CR's fact checker and the offer of the correct percentage was made to CR's fact checker. As was explained to CR, CAPA is modeled after Underwriters Lab, which also was founded by the insurance industry, but is now totally independent.

NOTE: CAPA's executive Director, Jack Gillis, serves as part time Director of Public Affairs for the Consumer Federation of America, on a consulting basis. While CFA, like Consumer Reports, supports the goals of CAPA, it does not participate formally in the organization or endorse all of its activities.

Insist on Genuine CAPA Certified Parts --



Look for the CAPA Seal!

WARNING

A small percentage of aftermarket parts are built to meet the demanding quality requirements of the Certified Automotive Parts Association (CAPA). Because of demand for CAPA certified parts from insurance companies, a few distributors are reportedly using stickers designed to imply that the parts meet CAPA standards. Unless you see the seal above, that part is not certified to CAPA's standards.

Each seal has a unique number and several anti-theft measures. Only manufacturers can place seals on a part. In fact, parts leave the manufacturer's facility with the seals on them. Seals removed from parts will destruct to prevent them from being placed on non-certified parts. If you suspect fraudulent use of CAPA seals or deceptive practices implying that a non-certified part is CAPA certified, call 202-737-2212.

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Consumer Reports

SB 2276

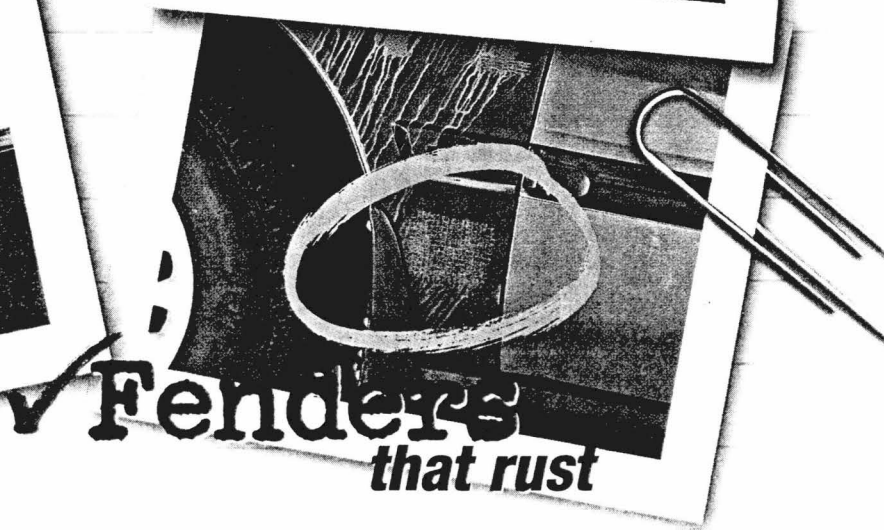
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National Association of Independent Insurers

Auto Repair Parts B.C. (Before Competition)

Automobile repair is one of those unpleasant realities that almost everyone will encounter at least once during the course of vehicle ownership. There are an estimated 15 million vehicle accidents in the United States every year, with a retail cost of replacement crash parts as high as \$3 billion per year. Each year consumers and insurance companies pay for 61.5 million sheet metal and plastic body parts to fix those vehicles.

Since the invention of the automobile and its subsequent mass production, car manufacturers enjoyed a virtual monopoly on the production and sale of replacement parts, unencumbered by competition. Profitability for the auto manufacturers of collision parts was as high as 700% to 800%. Consumers had no choice other than to pay the high prices established by the manufacturers. Gradually, however, independent manufacturers began offering generic batteries, mufflers, brake shoes, windshield wipers, and other common replacement parts. These parts comply with marketplace standards and are routinely purchased by consumers, who appreciate their high quality and competitive pricing. However, such an alternative was not available when it came to collision replacement parts.

The Response to Competition

During the late 1970s and early 1980s, consumers were finally given an option when independent manufacturers began making and selling cosmetic sheet metal auto replacement parts. These competitors priced their parts at a substantially lower cost than those charged by automobile manufacturers for original equipment manufactured (OEM) parts – in some cases, from 20% to 50% less. The auto manufacturing industry, which had controlled the collision replacement parts market since the days of the Model T, began waging a massive legal and public relations campaign to discourage the use of these "aftermarket parts." Contrary to the competitive American marketplace, the auto manufacturers went on the attack by proclaiming all competitive parts inferior and unsafe, and predicting that they would ultimately reduce the value of any vehicle they were used on. Meanwhile, the cost of a hood, a simple piece of sheet metal, remained much higher than that of a complex piece of electronics such as a VCR.

Today, in spite of increased public acceptance of competitive parts, the auto manufacturers continue to oppose their use. They spend millions of dollars each year on media campaigns in an attempt to

1980 – 1985

The following is a brief chronological history of a market dominated by original equipment manufacturers and the introduction of competition by independent parts manufacturers.

January 1980

The Aftermarket Body Parts Association (ABPA) is chartered as a nonprofit organization in California.

1985

ASBA formulates a five-year limited warranty program.

shore up their shrinking control of the market by convincing the public that competitive replacement parts are inferior.

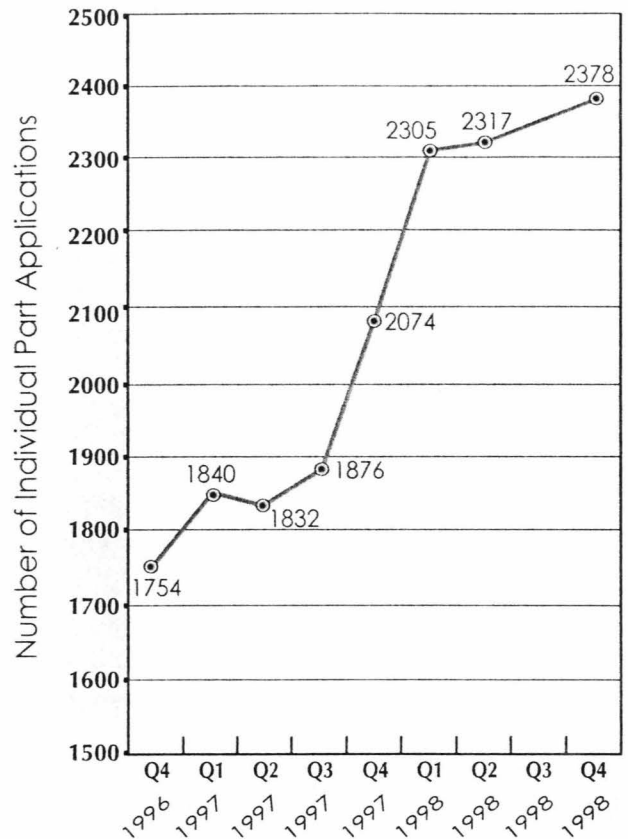
The truth, however, is evidenced in the statistics showing substantial increases in the number of certified competitive parts, their usage in auto repair, and the subsequent reduction in price of OEM parts in response to the presence of healthy competition. For example, an OEM fender for a Toyota Camry cost \$253 in 1992, before a comparable competitive part was in production. By 1996, when the aftermarket fender was available for \$60, the price for an OEM Camry fender had dropped to \$143.88 - primarily to keep pace with the competition. Overall, the cost of OEM bumpers for Ford vehicles decreased 7% from November 1997 to July 1998.

Auto owners have seen price reductions as much as 40% or more, depending on the part and repair involved. In comparison, if a repair shop completely rebuilt a car entirely from OEM parts, the cost would be nearly three times its original retail price. For example, an average Ford or GM car selling for \$14,000 on the showroom floor would cost more than \$40,000 if purchased piece by piece using OEM parts.

But in spite of increasing public acceptance of competitive parts, the auto manufacturers are contin-

CAPA Part Applications

The number of part types that have achieved certification



Source: Certified Automotive Parts Assn., 1998

1986

December 1986

Oregon becomes the first state to enact a regulation governing the use of competitive replacement parts.

1986

The automotive industry launches a massive legal and public relations campaign designed to eliminate and/or severely curtail the availability of aftermarket parts.

1987

November 1987

An Insurance Institute for Highway Safety advisory finds that a recent crash test "demonstrate(s) convincingly that, with the exception of hoods, the cosmetic parts used to repair cars are irrelevant to safety."

December 12, 1987

More than two-thirds of vehicle owners responding to a Roper survey say repair shops should be allowed to purchase fenders and other replacement parts from manufacturers other than the OEMs.

December 22, 1987

CAPA is established, with 20 parts achieving full or partial certification status. In the intervening months, CAPA representatives will visit aftermarket manufacturing plants in Taiwan and Korea to assess quality, capabilities and certification compliance status. By June 1988, CAPA has support from 40 insurers and 27 collision repair shop members.

Cost Comparison History:

OEM vs. Non-OEM (aftermarket) Parts

One of the arguments supporting the sale of aftermarket parts is the positive impact they have made on OEM prices. As you can see from the prices below, the majority of OEM parts have come down in price when faced with aftermarket competition.

	1994	1995	1996
Chevrolet Caprice			
OEM Fender	267.00	226.00	238.00
Non-OEM Fender	186.00	148.00	153.00
Buick Century			
OEM Fender	122.67	129.00	136.00
Non-OEM Fender	108.00	108.00	108.00
Pontiac Grand Prix Coupe			
OEM Fender	309.00	324.00	354.00
Non-OEM Fender	171.00	171.00	131.00
Toyota Camry			
OEM Fender	265.79	259.96	143.88
Non-OEM Fender	209.00	104.00	60.00
Ford Thunderbird			
OEM Fender	205.00	211.15	211.00
Non-OEM Fender	166.00	166.00	166.00
Ford Escort			
OEM Fender	171.45	180.02	180.02
Non-OEM Fender	79.00	79.00	65.00

Source: The Mitchell International, Inc., Collision Estimating Guide; Motor Publication's Crash Estimating Guide and Keystone Automotive Industries, Inc.

using their battle against relinquishing any of their market share to the manufacturers of high-quality, inexpensive competitive replacement parts – and when they can't persuade the public, they frequently resort to legislative attempts.

Monopoly Through Legislation

In the early 1990s, the auto manufacturers tried to persuade the U.S. Congress to create a new design protection for sheet metal parts, a move which would have effectively prevented competitors from producing collision repair parts. Congress rejected the plan in favor of competition and denied the OEMs what would have amounted to a federally enforced monopoly.

Failing in Congress, the auto manufacturers turned to state legislation to bolster their stranglehold on the market. In the last two decades, virtually all 50 states have debated legislation that sought to restrict or modify the use of competitive parts. Currently, 38 states have some form of legislative restriction on the use of aftermarket parts. The basis for most of these laws is a requirement for insurers to inform consumers when an aftermarket part is being used in crash repair.

1988

March 1988

Competition from the aftermarket industry severely erodes the replacement part markets of the auto manufacturers. In retaliation, the OEMs wage a multi-million-dollar public relations, legal and lobbying campaign designed to drive competition out of the marketplace.

May 1988

CAPA visits Taiwan and Korea to assess the quality of manufacturers.

1989

April 1989

Consumer Reports on CAPA: "Where competition is keen, original equipment makers have cut their prices. But where no competing replacement part exists, prices on original equipment have soared. Car owners who want to save money by using cheap replacement parts should make sure they are stamped with a yellow oval sticker bearing the word CAPA. The sticker indicates that a particular part has passed the auto insurers' certification tests."

August 1989

CAPA-certified parts increase to almost 700. More than 60 insurer members contribute to CAPA's financial base.

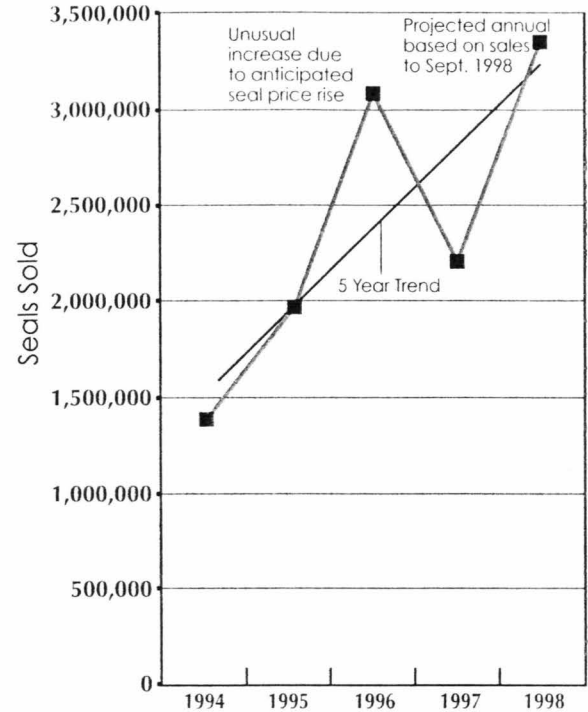
Quality Competition

In response to the continuing attacks by OEMs on alleged inferior quality, the Certified Automotive Parts Association (CAPA) was established in 1987. Like Underwriters' Laboratories, CAPA's primary goal is to develop and oversee an objective testing and inspection program to certify the quality of parts used for auto body repair.

In the intervening years, the use of competitive parts has become increasingly prevalent in auto repairs. Since its inception, more than 7 million CAPA certified parts have been sold. Today, they are a high-quality, cost-effective alternative to OEM parts. CAPA's 141 members include collision repair shops, parts distributors, and insurers. Its mission is to promote price and quality competition in the collision parts industry, thereby reducing the cost of crash repairs to consumers without sacrificing quality. CAPA enjoys the support of many consumer groups, including the Consumer Federation of America, Ralph Nader's Public Citizen, and Consumer's Union. The income for CAPA seals, which are used to register and certify approved replacement parts, topped \$1.5 million at year-end 1997, with more than 2,000 certified parts. Recent estimates indicate that CAPA-certified parts account for roughly 3.2% of all competitive parts used in auto repairs.

Annual Number of Seals Sold

Approximate Number of Parts in the Marketplace



Source: Certified Automotive Parts Assn., 1998

Still, auto manufacturers continue to propagate the misconception that all competitive parts are inferior, in spite of years of testing, side-by-side performance

1990

1991

May 1990

Three Congressional bills - H.R. 902, H.R. 3017, and H.R. 3499 - attempt to give auto manufacturers an exclusive right to the design of individual replacement parts. These bills fail.

February 1991

CAPA suspends one Taiwanese crash parts manufacturer and places three others on probation for failing to meet the association's standards.

December 1991

Ford Motor Co. comes out in support of H.R. 1790, design patent legislation that would virtually eliminate competitive parts. At the same time, General Motors announces a price reduction on 672 selected collision parts.

and cost comparisons that prove otherwise. Using their considerable influence, they've persuaded a handful of legislators and consumers this fallacy is fact. And they're trying to get their way again at the federal level by promoting legislation to establish broadly cast industrial design protection for boat hulls – a move that would open the door for similar restrictions in the auto parts industry. Such proposals are strenuously opposed by a broad coalition of retail, consumer, and insurance associations.

Although most states simply require notice to the consumer about the use of non-OEM parts, a few have adopted laws that severely restrict the use of aftermarket parts.

Increasingly, the aftermarket parts war is moving to the battlefield of the courts. Recently, plaintiffs in Illinois filed a lawsuit claiming their insurer's mandated use of aftermarket parts violates state law. The case has recently been expanded into a nationwide class-action lawsuit. Such class-action suits represent a serious turn of events for insurers, which could be liable for billions of dollars if they lose. This in turn could lead to increases in auto premiums at a time when rates are actually declining nationwide. These types of suits have been dismissed in other states.

More importantly, however, such trends compromise the consumer's ability to select a product for price and quality. At a time when informed consumers insist on choice in their purchases - from generic prescription drugs to the selection of caregivers in their HMO medical plans – competitive auto repair parts are simply another way to provide that choice, and to promote healthy competition among parts manufacturers.

What Lies Ahead?

It is no exaggeration to state that the increasingly wide availability of aftermarket parts has revolutionized the auto repair industry. Current estimates indicate that 4.1 of the 12 auto body parts replaced after an accident are made of sheet metal or plastic - and each year, more of these replacement parts are quality-approved by CAPA. Today, almost 2,500 part types have achieved CAPA certification, including bumper covers, fenders, door shells, hoods, tailgates, truck beds, and trunk lids. Competitive repair parts are now so good that more than 90% of the firms manufacturing or distributing them provide five-year warranties - and some insurers even guarantee the parts for the life of the car. In turn, the availability of

1992

February 1992

A study conducted by State Farm estimates that the continued presence of aftermarket parts forced price reductions that saved the insurance industry and its policyholders \$123 million in 1991.

June 1992

CAPA certifies 745 parts.

August 1992

Ford, General Motors and Chrysler spend over \$1 million lobbying Congress to pass H.R. 1790. The bill fails.

1993

June 1993

The New York Insurance Department requires the use of CAPA-certified crash parts.

Cost Comparison:

Year Make/Model	Bumper		Hood		Fender	
	OEM	Non-OEM	OEM	Non-OEM	OEM	Non-OEM
97 Buick Century	112.00	93.00	238.00	174.00	136.00	108.00
94 Chevy Corsica	320.00	127.00	192.00	138.00	99.00	65.00
94 Ranger Pickup	261.18	206.00	247.78	176.00	168.37	120.00
95 Ford Taurus	385.00	294.00	400.12	202.60	214.53	89.00
95 Honda Accord	181.13	148.00	305.34	170.00	145.00	66.00
96 Mazda 626	446.35	370.00	286.75	198.00	248.55	122.00
95 Nissan Altima	143.25	80.00	336.89	186.00	180.04	124.00
95 Pont. Grand Am	322.00	238.00	307.00	154.00	216.00	59.00
95 Toyota Corolla	114.84	88.00	250.00	136.00	110.26	55.00
95 Plym. Acclaim	225.00	168.00	250.00	195.00	245.00	65.00
94 Jeep Cherokee	140.00	103.00	310.00	141.00	187.00	72.00
96 Dodge Intrepid	460.00	288.00	315.00	220.00	174.00	146.00
96 Toyota Camry	234.70	180.00	383.51	149.00	143.88	60.00
95 Chevy S10 Blazer	304.00	128.00	337.00	132.00	296.00	141.00
Ford Explorer	370.07	278.00	214.58	180.00	110.02	86.00

Source: *The Mitchell International, Inc., Collision Estimating Guide; Motor Publication's Crash Estimating Guide and Keystone Automotive Industries, Inc.*

quality competitive parts has driven down the cost of comparable OEM parts.

The use of these approved repair parts has promoted considerable savings for both insurers and their policyholders. One national insurance company reports the cost difference between OEM and aftermarket part usage topped \$4 million for the first nine months of 1998. Since the introduction of competitive parts, insurers conservatively estimate that they – and their policyholders – have saved more than \$800 million per year. This cost saving is inevitably passed along to the consumer, a national trend that is in part attributable to the use of less expensive repair parts.

But the fact remains that, due to influence and the dissemination of inaccuracies, the auto manufacturers still control the lion's share of the market. U.S. collision repairers use almost 80% OEM parts in their repair, with 5% salvage and 12.3% non-certified aftermarket.

The tide of opinion is showing signs of turning. In a recent public attitude monitor survey conducted by the Insurance Research Council, the majority of respondents (55%) are willing to approve the use of competitive parts for the repair of their vehicles, if savings were substantial and quality was assured. Six out of ten respondents are confident in the quality

1994

1994

Ford Motor Co. conducts a crash test study comparing genuine Ford replacements and aftermarket parts, both CAPA and non-CAPA approved. Ford claims the findings indicate that aftermarket parts compare poorly with OEMs in regard to fit, finish, structural integrity, corrosion resistance, and material composition. CAPA questions Ford's interpretation of the findings, and a subsequent deposition of a Ford crash parts product manager indicates the study actually showed the CAPA parts performed as well or better than Ford parts in a number of the tests.

March 1994

National Association of Independent Insurers estimates that CAPA and aftermarket competition saves the insurance industry and its consumers more than \$800 million per year.

1995

April 1995

CAPA sells an estimated 1.6 million seals in 1995, or more than 13,000 per month.

October 1995

The European Parliament votes overwhelmingly to allow competitive manufacturers to use OEM designs to produce repair parts.

of competitive parts that have been certified by CAPA; in other words, they believe the quality of non-CAPA parts is the same as original equipment manufactured parts.

Continuing efforts by auto manufacturers could have a detrimental effect on the use of independent competitive parts. These lobbies continue their attempts to influence both state and federal legislators by promoting laws to limit, or even prohibit, the use of aftermarket parts. Legislators who are concerned with the best interests of their constituents are taking a stand for healthy competition by refusing to help create an auto manufacturers' monopoly for collision repair parts.

However, the real key to nurturing a competitive climate is through education. People who are continually bombarded with negative messages will eventually absorb them as fact, even if those messages are completely based on self-serving fabrications.

That's why it's important to set the record straight about competitive repair parts. Here are some fictions that need to be dissolved by the facts:

FICTION: Aftermarket parts are inferior in quality to OEM.

FACT

CAPA sets stringent standards for aftermarket parts. CAPA's testing process includes an industry-recognized 500-hour salt spray test to indicate rust resistance. CAPA also tests metal composition, welds, screws, resistance to chipping and scratching, and administers other tests recognized by the Society of Automotive Engineers and the American Society of Testing Materials

FICTION: Aftermarket parts are unsafe.

FACT

Whether they are aftermarket or OEM, crash parts do not affect the safety of a vehicle. That is why there are no federal safety standards for any crash parts, except headlamps and the hinges on hoods (to prevent the hood from going through the windshield in a crash).

Over the years, crash tests performed by the critics of aftermarket parts have shown that these parts perform no differently than OEM parts. CAPA-certified fenders and hoods have been proven safe under the most stringent tests conducted by the Insurance Institute for Highway Safety, which used procedures established by the National Highway Transportation Safety Administration, and Allstate's Tech-Cor in Wheeling, Ill. Body shop owners, insurance company representatives, and members of the media witnessed one of the most recent and controversial, conducted in 1997. Experts determined that the aftermarket parts performed as well or better than the OEM parts, particularly the hood, which is the only aftermarket part related to safety concerns (all others are cosmetic).

1996

1997

December 1996

CAPA seal sales income for 1996 is \$1,506,097, with 1,754 certified parts in the system.

March 1997

A crash study using OEM, CAPA, and non-CAPA parts is conducted in New York. Expert eyewitnesses state that CAPA hoods and other parts perform as well as OEM parts.

June 1997

At a summit meeting of the Automotive Service Association (ASA), the organization indicates that "all parties are best served when the voice of the customer is heard and allowed an opinion and choice of parts...CAPA has helped improve the quality with all the aftermarket manufacturers by upgrading the parts and tools."

October 1997

The European Parliament overwhelmingly rejects a proposal limiting competition in the aftermarket repair parts market.

December 1997

CAPA seal sales income for 1997 is \$1,542,222, with 2,074 certified parts in the system.

FICTION: Competitive collision repair parts can invalidate OEM warranties on other parts or on the vehicle itself.

When a crash part has to be replaced, any original warranty on that part lapses. The warranty on the rest of the vehicle is unaffected. After the replacement part is installed, the new warranty takes over. Warranties on aftermarket parts are as good as OEM warranties. Furthermore, federal law prohibits manufacturer from basing warranties upon the exclusive use of OEM parts.

FICTION: Competitive collision repair parts diminish the value of a car.

Cars that are competently repaired to pre-accident condition should have no diminution of value. However, because the state of the car before the accident is subject to interpretation, repairs should restore it to pre-accident, not "like new" condition.

FICTION: CAPA parts are made overseas and cause Americans to lose jobs.

Although both aftermarket and OEM parts are manufactured overseas, many of CAPA's certified parts are made in North America. Ironically, auto manufacturers outsource the production of OEM parts - in some cases to the same companies that produce competitive parts. Collision products made domestically include steel and aluminum bumpers, urethane bumpers, reinforcement bars, radiators, condensers, lights, grilles and fenders. The aftermarket parts industry currently represents nearly 30,000 U.S. jobs, including importers, distributors, manufacturers, recyclers, and shippers.