



INFORMATION
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December 8, 1994

Mr. Jack Gillis
Executive Director
Certified Automotive Parts Association
1518 K Street, N.W.
Washington, DC 20005

Dear Jack:

Enclosed find a copy of my notes from your meeting at NACE, as promised. While I don't think you'll find any new revelations, the feedback from collision repair representatives at this session was consistent in addressing two issues:

I Insurers ...

1. do a poor job of educating/advising their policyholders
 - a. of their policy regarding the usage of CAPA parts
 - b. of the quality comparability of CAPA versus OEM parts
 - c. of providing policyholders with printed material explaining the posture on both of these matters.
2. fail to acknowledge that they must drive the use of CAPA parts because, ~~since they're the actual purchaser,~~ they're the only party in the equation who gains financially.

I Manufacturers ...

1. fail to ensure that there is adequate inventory available.
2. provide no advertising or promotion of their products to educate the consumer.
3. offer no incentives to encourage shops to use their products instead of those of the OEM's.

Based on my experience in the industry generally, and exposure to the still sensitive issue of after market parts, I have to admit that the shop owners' assessment above is pretty darned accurate. The insurance industry, with a few exceptions, has, at best, given only lip service to its support of CAPA and has been abysmal in conveying its message to its sales force, employees and customers. Similarly, to my knowledge, the manufacturers are guilty on all counts noted.

It's an interesting situation because, with a little bit of attention, insurers can fairly easily accomplish what they want by: 1) inserting appropriate language in their policies, educating their agents, claims staff and policyholders, and expending a few dollars on collateral handout material; and 2) exerting pressure on the manufacturers and

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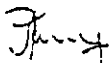
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distributors to maintain inventory levels that minimize out-of-stock, back order scenarios. Furthermore, with the continuing proliferation of direct repair programs and the resulting ability of insurers to accurately monitor parts usage (and virtually everything else) through automated management reports, shops have little alternative to the use of CAPA parts when the estimate so requires.

In the short term, it would be inexpensive and politically astute for the CAPA/manufacturers/insurers consortia to develop for perusal at your next meeting a consumer oriented pamphlet draft containing a brief explanation of CAPA, the parts manufacturing process, and the quality control measures that are practiced. Assuming that it is approved there, it could then be printed and distributed to body shops and insurers, either in a few test markets or countrywide as determined by your committee. This would be an excellent gesture of good faith to the collision repair industry that the "CAPA three" is responsive to reasonable requests, and would buy you and your partners (the insurers and manufacturers) some additional time to develop a coordinated, national approach to the issues contained in paragraph three above and the many others that you undoubtedly have to address.

It's certainly not my intention to tell you how to run your business, Jack, so consider my remarks as well meaning suggestions from a friend. You've made significant progress in the harshest possible environment in the last four years - an impressive accomplishment! The objective, clearly, is to continue to build on that momentum going forward. If there is anything that CCC can do to assist, please don't hesitate to contact Sam Barash, Cindy Schmier or me.

Best regards,


J. Laurence Costin
Vice Chairman

JLC/vr

enclosure

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