

# AUTOMOTIVE BODY PARTS ASSOCIATION

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*Office of the President*

February 3, 1993

Mr. Jack Gillis, Executive Director,  
and Members of the Board of Directors  
Certified Automotive Parts Association  
1518 K Street, N.W.  
Washington, D.C. 20005

Gentlemen:

This letter expresses my viewpoint on CAPA's current direction, its need to bring forth a strong but more equitable system in the field and the part that the distributors must play in the entire scenario. My statements also reflect the feeling of Association's Executive Committee and the majority of the members of the ABPA Board of Directors.

As to CAPA's direction: We are not at all pleased at the turn of events which reportedly places CAPA in the forefront of a movement to bring about legislation which would exclude any but CAPA parts in the marketplace as substitutes for original equipment. We grant that in an ideal situation, this certainly might seem like an ideal solution, but in the real world, more than 90 percent of the products which we sell in the collision repair market do not have the CAPA seal. There are reasons for this, including (1) Lack of a CAPA application for the necessary repair; (2) Repair is not under the auspices of an insurance claim because of the age of the vehicle; (3) Repair calls for parts which CAPA does not certify. If legislation were enacted which mandates CAPA parts, it would serve only to block our way to the marketplace. CAPA, in essence, would be doing for the OEMs what the OEMs cannot do for themselves--namely, to put us out of business. The specter of an organization which we, in essence, founded working against our best interest is reprehensible and calls into question our support. Please be advised that we will not sit idly by while you, as a representative of CAPA, advance an agenda with which we cannot agree and which will vitally affect all of our interests.

As to CAPA's enforcement procedures and set-up in the field--both domestically and abroad--we believe the current system is too unwieldy, time-consuming, is filled with inconsistencies and, for many of the foreign manufacturers, smacks of political favoritism (as reported to us by them). We made a suggestion at the November Advisory meeting which we felt had great merit but in your minutes of that meeting, it was simply glossed over.

You, in effect, Jack, missed the entire essence of the suggestion of a dramatic change in the program which if implemented, would go a long way in solving the problem of supply. We suggested that CAPA dispense with the seals as they are too costly, must be printed, inventoried, accounted for, shipped, applied to product and then must be re-applied at the job by the body shop repairman. This all results in costly administrative steps which we believe are unnecessary.

If CAPA introduces the concept of a certified factory (which all must be in any event under current licensing agreements), then every factory so certified must produce parts which meet the CAPA certified standards from that point forward. This new requirement would not cover existing non-CAPA certified parts nor would there be any requirement for the certified factory to bring those older parts into compliance. However, on the new parts being produced once a factory is re-certified

under this new agreement, nothing else will do. Failure to comply means not a loss of certification on a set lot of product, all of which in effect must be pulled in the field, but loss of the entire certification status by the offending factory.

There may be exceptions to this rule, however, especially when a CAPA certified factory begins production of a part which is materially different from the OEM part it is intended to replace. Should this occur, it would be incumbent upon the factory to notify CAPA of such an exception and, because of only the material difference, petition for a CAPA-Approved rating if warranted (reference point below).

Under this system, CAPA would no longer have to dispense seals. The factory would, under agreement, have the right to stamp the *CAPA Certified Part* logo in its product, much as it presently stamps its own company logo. Each company would also be assigned a specific number which would be a part of the stamped logo.

For this right as exercised by the manufacturer, CAPA would receive a set amount, by contract, which would approximate a certain percentage of the total gross dollar volume of the CAPA parts sold by the licensed manufacturer.

This system has many advantages over the current one: (1) Seals would no longer be a necessity; (2) CAPA would bring more money into its system as the licensed manufacturer would be obligated to pay on all parts now produced even if they were destined for other parts of the world in which CAPA is not a factor; (3) Cheating would no longer be a factor as there are no fraudulent or misplaced seals with which to deal and manufacturers would no longer find it worthwhile to play games with the ordering distributors of, "Do you want the seal or don't you?" on parts which qualify for certification.

In essence, we're saying that it's time for CAPA to get tough, but to be fair. A manufacturer is either in the program or he's out. If he is in and will produce only parts which are CAPA certified, regardless of where he intends to eventually market the product, you will have a stronger base of manufacturing support and more money. We, on the other hand, will have more product. Those manufacturers which will play by the rules will be more than amply rewarded by our distributors through the resultant orders. Those CAPA-certified and licensed manufacturers will also, in time, enjoy a tremendous competitive edge over their counterparts who chose to spurn the new program. Because, those who can achieve compliance but choose not to adhere to the new groundrules will be relegated to dealing with a second level of distributors. And in time, those distributors may even cease to exist because they cannot continue to market inferior products, no matter what the price differences may be.

There are still two other subjects which we feel need addressing: (1) CAPA's approach to standards and (2) The part the distributors play in CAPA.

We are being told that CAPA is taking too provincial an approach to its standard setting, especially as it pertains to plastic products. We are told that if the OEM is of such configuration, then the aftermarket part must also be of this configuration. This is especially the case as reported in the manufacturer of aftermarket fascias, some of which are now being produced to exceed the modulus of the OEMs', meaning the aftermarket product is, in fact, a better product.

When ABPA first addressed the subject of certification in 1986, we did so with the purpose of bringing forth parts which would be comparable to the OEM parts they would be replacing. We never felt compelled to write standards which were so stringent that our industry would, in essence, be producing parts exactly equivalent to the OEM products.

Frank Schoonover, the first CAPA exec--even before he was hired for that position--advised that the industry could produce parts which were functionally equivalent to the OEMs without being exactly alike. Somewhere, that concept has also become skewed. Now, our industry's manufacturers are being held to account for parts which, under CAPA current standards, are every bit the equivalent to the OEMs. While we can understand, from a public relations standpoint, why CAPA would desire to perpetuate such standards, from a practical standpoint, we believe this is overkill. Let's assume that a good CAPA part which is well made and adheres to all tolerances, constitutes 92-95 percent of the total overall value of the OEM part with which it must compete for sales. It will cost the manufacturer a ton of money to factor in that 5-8 percent differential in production quality in order to bring the CAPA part to considered equivalency of the OEM part.

That extra infusion of capital will make the part unprofitable for the manufacturer to produce and thus it is self-defeating. It is also self-defeating because the aftermarket part need only be as good as the part it is replacing and not the OEM part with which it competes. While this may seem a fine distinction, it is the very basis of the contract which the insurance companies hold with their policyholders. Insurance companies do not agree to restore a collisioned-vehicle to "original condition," only to "pre-accident condition."

At times, the aftermarket may choose to produce a part which exceeds OEM standards. This, too, should be allowable under the program's standards. Again, we recognize the PR-value in producing parts which are exactly equivalent to the OEMs, but this still remains an impracticality from the standpoint of investment and, because we do not know OEM specs., will continue to remain an uncertainty in the minds of the general public. The OEMs will see to that, regardless of what standards are met.

We have heard that CAPA wants to expand its threshold on certified products. That's understandable. What CAPA needs to consider is the implementation of a second program in which products are CAPA-Approved. A CAPA-approved product would be differentiated from a CAPA Certified product in one primary respect; it would be incumbent upon the manufacturer to affirm that his products met performance standards.

There would only be one requirement and that is, "The manufacturer of the CAPA Approved product affirms that his product will meet or exceed generally accepted standards of performance for the product involved and for which it is intended to replace." In other words, Jack, a radiator manufacturer would have to attest that his unit meets the heat dissipation standards for the job for which it was intended. The same would hold true for a manufacturer of condensers or any other type of mechanical part which might be involved in a collision and in which the insurance companies and/or body shops have great interest.

Obviously, CAPA could not be expected to bring forth more than 2500 specs for aftermarket radiator applications. Under a new program, it would not have to. It would simply transfer the burden of proof to the manufacturer producing the replacement part and the company would bear the responsibility for meeting performance guidelines.

In effect, Jack, one guideline can be written to encompass a full range of performance products and this type of approach is inherently more practical than attempting to write standards for all of these different kinds of products.

CAPA would enter an agreement with manufacturers desiring to have products CAPA-Approved and would receive a commensurate fee (to be decided after careful review and evaluation of the marketplace) for this type of consideration.

Finally, as for our distributors, we are receiving complaints in our main office that CAPA, in its

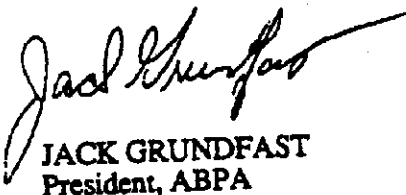
letters to our members, takes an imperial view of its own value and worth. In other words, we receive complaints that you are talking down to our members and that your demands are none-too-subtle.

Jack, take this for what it is worth, but you are dealing with independent businessmen, many of whom made a good living before CAPA even existed. If you desire to enlist their continued support, you should talk to them as you would talk to a member of your board--courteously, judiciously and with as much tact as you can muster. Some of our members tell us they are within a whisper of telling you to where to take CAPA. You need the support of these distributors and I would strongly suggest that all correspondence to their places of business be written with that thought in mind.

We also receive complaints about the distributors listing in the *CAPA Directory*. For instance, the last quarterly Directory (January, 1993) carried the names of distributors which are no longer in business. There was also unnecessary duplication of distributor names under state headings. Wrote one of my major members, "*Perhaps CAPA should investigate its approved suppliers with the same enthusiasm as it does the manufacturers?*"

Now, Gentlemen, I know that we have given you a lot upon which to chew, but this does represent the current feelings of our Board members toward the CAPA program. I trust you will understand our concern because as an organization, we have always supported the concept of product certification and the one primary program which has grown to greatly impact our industry from the efforts of all so many people. Now, however, we feel it is time to step back and take a critical look at those areas of the CAPA program which we think need to be improved--fixed, as it were. Therefore, we are asking that you address the above points as soon as practical. We thank you.

FOR THE MEMBERSHIP:



JACK GRUNDFAST  
President, ABPA

jg/tbh