

Manufacturer Advisory Committee Meeting
Minutes
The Grand Hotel
Taipei, Taiwan
May 23, 1995

Attendees: See attached list.

1. Welcome

Gillis welcomed and thanked all for their participation in CRPA's fourth Manufacturer Advisory Committee (MAC) Meeting.

2. Introductions

The Board and Technical Committee representatives were introduced. Gillis introduced the collision repair industry leaders, emphasizing the important role they play in the future success of CAPA.

All attendees introduced themselves.

3. Antitrust Statement

The antitrust statement was read.

4. Goals of MAC Meeting and CAPA Delegation Trip

Gillis outlined the following goals:

- maintain open lines of communication
- acknowledge the cooperation of manufacturers
- expose new CAPA Board and Technical Committee representatives to the manufacturing environment in Taiwan
- emphasize that body shops are the manufacturers' final customers
- emphasize that CAPA will facilitate inter-industry understanding of marketplace issues involving CAPA, but that manufacturers have major responsibilities in making CAPA a tool for success, in that only they can provide the quality parts
- facilitate smooth transition to new Quality Standards Manual (QSM)
- provide manufacturers with a "big picture" update of the US Market
- solicit comments from manufacturers regarding the program

- notify manufacturers about anticipated future changes in the CAPA program
- foster an atmosphere of partnership

5. Participant Part Projections

Gillis noted the success of meeting manufacturer projections and expressed CAPA's appreciation for all of the work that has been done to enhance the reputation of the CAPA program.

He indicated that, in 1994, 400 new part applications were certified. Of them, 99% were made by Taiwanese manufacturers. Unfortunately, 88 applications were deleted (79 from North America, including 43 because of removal of FoA parts).

1995 projections indicate that manufacturers will submit 382 applications. CAPA expects 328 of them to be certified this year, the remainder will be certified in early 1996.

Gillis explained that these projections are vital to help CAPA develop budget, allocate staff and promote the program. He encouraged early planning for 1996 projections.

CAPA congratulated everyone for their 1994 successes and acknowledged those who both certified 45 applications or more and met 75% or more of their projections with the "1994 Marketplace Responsiveness Awards". Companies honored were:

Tong Yang (91 applications, 86% of projections);
Yung Shine (47 applications, 82% of projections);
Conjoin Key (67 applications; 78% of projections);
Tie Feng (55 applications, 98% of projections).

Gillis explained that CAPA is publicly emphasizing 1995 projections as concrete evidence that the manufacturers are committed to CAPA.

6. 1995 QSM Overview

The following information regarding the 1995 QSM phase-in was provided:

- New companies joining after July, 1995 will be required to comply with the new standards, current companies will phase-in by January 1, 1996;
- Specific provisions of the QSM were introduced by CAPA's Deputy Executive Director, Karen Fierst on May 18 and

by Entela, which has conducted a number of technical seminars to address technical provisions.

Major issues addressed in this QSM involve consistency. Building in consistent quality should ultimately save money. Gillis emphasized the importance of complying with the improved standards:

- random, independent quality tests;
- insurance companies may evaluate CAPA parts using body shop Customer Satisfaction Indices (CSI);
- combat car company attacks;
- prevent further anti-aftermarket part legislation;
- increase market share.

CAPA wants manufacturer comment and input and with Manufacturer Liaison, Ting Nan Lo's assistance, CAPA has solicited their opinions throughout the process. CAPA has made an effort to be fair about implementation dates, phase-in requirements, etc--while strictly adhering to quality. Ultimately, however, Gillis reminded the manufacturers, that CAPA makes the final decision regarding the standards. He explained that were CAPA to weaken this position, it would be of little use to the manufacturers or the American public.

Gillis explained that there have been technical difficulties in getting the draft QSM translated into Chinese and that it is not yet ready. Upon its completion, Entela will conduct another seminar to collect in-depth comments from manufacturers.

7. Marketing Issues

Gillis explained that CAPA is becoming the manufacturers' advocate for certified parts in the marketplace. This goes beyond CAPA's role as a certifier, but he is convinced that CAPA's success is in the best interest of American consumers. As such, it is in CAPA's best interest to pave the way for market success.

Gillis summarized the September and December, 1994 Inter-Industry Meetings, explaining that CAPA has conducted a number of inter-industry discussions to explore marketplace issues involving certified parts. CAPA formalized an advisory committee called the "CAPA Inter-industry Communication Forum", consisting of about 60 leaders in the body shop, insurance, distributor, manufacturing and electronic estimating sectors of the collision repair industries. While manufacturers focus on product

improvement and Entela, on behalf of CAPA, provides technology transfer, CAPA's Washington staff works with policy makers in each of these industries to pave the way for CAPA certified parts to play a more significant role in the marketplace. However without manufacturer cooperation in supplying a steady stream of high quality parts, CAPA's efforts will be fruitless. The key issues from the inter-industry meetings were:

- Channel of Distribution/Availability: This was a significant issue. Quality shops say they can't get certified parts. Although manufacturers have increased size and number of production lots, it apparently is still not enough. It also appears that the distribution of CAPA parts (actually getting a CAPA part when one is ordered) is not working. Distributors and manufacturers must work together to overcome Channel of Distribution and Availability issues.
- Quality Concerns: Consistency continues to be an issue, though body shops admit that quality has dramatically improved. CAPA explained that it has taken a variety of steps (i.e. February Program Update and revised QSM) to address these issues. However, the key to successfully overcoming quality problems is continued manufacturer responsiveness to Corrective Action Requests (CARs), cooperativeness regarding program changes and compliance to the new standards.
- Education: Insurance companies may have CAPA part policies, and distributors and manufacturers may say that they try to promote CAPA parts, but none have successfully conveyed the importance of CAPA or how to differentiate between CAPA and non-CAPA products. In order for CAPA to succeed in the marketplace, people must understand what it is and is not. Insurance companies, distributors and manufacturers should take an active role in educating the public about CAPA parts.
- Estimates: Electronic estimates need to more clearly identify CAPA parts.
- Policies: Insurance company CAPA policies need to be clearer and adjusters need to better understand them.

Gillis explained that Ford released an anti-aftermarket/CAPA part study at NACE. Ford sent its study to CEOs of all major insurance companies. In response to insurance company inquiries, CAPA published a very strong rebuttal. Gillis

explained that the only way CAPA can continue to refute these types of allegations is if the parts are of consistently high quality. The response went a long way to easing the concerns raised by Ford. However, CAPA made it very clear that it cannot speak to the quality of non-certified parts. In that arena, Ford may be correct.

Both Mac Liao of Evergreen and Vincent Chou of Tong Yang commented on Ford's NACE exhibition, which focused on its anti-aftermarket/CAPA part study. Both agreed that the effect was quite damaging. Chou indicated that car companies are attacking aftermarket part competition all over the world and that the only response is to build in quality.

A status report on CAPA part market share and information about the channel of distribution of certified parts were presented. These two illustrations indicate that body shops have not increased their use of non-certified parts. They are, however, increasing CAPA part usage. This illustrates that CAPA manufacturers can expand their market share if they have a quality product.

Remarks by Collision Repair Industry Leaders: Jerry Kottschade, Jerry Dalton and Clark Plucinski outlined the collision repair industry's critical issues associated with aftermarket parts. Each emphasized that the keys to increased sales are quality and availability. If CAPA part manufacturers can provide a supply of high quality parts which will not cause loss of productivity on the body shop level, there is a vast market to be had. They all believe that the collision repair industry is ready to stop fighting aftermarket parts. But it will demand quality service and product and continuous availability.

Bill Hardt of State Farm spoke on behalf of his company. He acknowledged the manufacturers' success in improving quality and certifying an increased number of parts. He emphasized, however, that there is still a long way to go to overcome availability problems and the continued perception of poor quality.

Chairman of AEPMA and CAPA Technical Committee member, Kim Wood of NECO/North Star, expressed that, in spite of the manufacturers' recent successes, more must be done to improve availability. He indicated that the future of distributors rests with their ability to supply CAPA parts. The future of manufacturers lies with their ability to supply the market. With regard to quality, he indicated

that compliance to the revised standards should have a significant pay back in the future.

Gillis encouraged manufacturers to use CAPA and the revised QSM as a tool to success, not an obstacle.

8. Legal Climate

Several large insurance companies have had huge class action lawsuits filed against them in a number of states. These suits generally allege that the insurance company has lowered the amount of coverage on the policy holders' cars because of its aftermarket part policy. Companies which have a CAPA only policy are using CAPA as a defense to show:

- that the parts are as good as car company parts;
- that they have taken a reasonable step in containing insurance premium costs by contributing to CAPA;
- that CAPA is truly an independent, third party certification program, and;
- that policy holders are not being damaged by the use of CAPA certified parts.

CAPA headquarters spends a considerable amount of time dealing with these law suits. CAPA's standards prove that the program is viable. However, if the quality of the parts is not as good as that of the car companies, CAPA, the insurance industry, the consumer, and, ultimately, the manufacturers will suffer.

9. Legislative Overview

State anti-aftermarket part legislation was summarized:

- West Virginia (February, 1995) - only car company parts can be used the first three years a vehicle is on the road unless owners sign a statement saying that they understand that the use of any non-original manufacturer part will void the warranty for the parts used in the repair. This is a compromise, as legislators were considering prohibiting the use of non-car company parts for the first 5 or 6 years a car is on the road.
- Rhode Island (July, 1994) - only car company parts can be used to repair vehicles their first 2.5 years on the road, unless the car owner signs an informed consent.

- Indiana (1991) - no non-car company parts can be used to repair a car during its first 5 years on the road, unless the car owner signs an informed consent.
- Minnesota (1987) - no non-car company parts of any kind, other than glass, can be required by an insurance company for the repair of a vehicle, regardless of the age of the car.
- Massachusetts (being considered in 1995)

Gillis emphasized that only quality and the reputation of CAPA can combat this type of legislation.

10. Future Program Goals

- **Shifting Program Costs to Manufacturers:** Traditionally, voluntary, third party certification program costs are borne by those who obtain the certification. Obviously, CAPA does not yet operate that way. Over the last 7 years, CAPA has spent approximately \$20 million on program development. However, CAPA's goal is ultimately to shift the operating costs to the manufacturers. Some steps CAPA will be taking to achieve this goal include:

- **Seal Price:** CAPA plans to raise the price to \$1 in 1997.
 - **Minimum Purchase:** The new QSM requires a minimum seal purchase of 20,000 per year for Full Participants and payment of an annual fee of \$2,500 for Limited Participants.
 - **Complaint Investigation Costs:** The new QSM requires that the Participant cover the cost for complaint investigation (\$500) if the investigation results in a decertified lot.

Packaging: At some, as yet undetermined date, all CAPA parts will be packaged in CAPA designated boxes.

CTQM Program: CAPA questions the future of this program because it appears of little benefit to the CTQM Manufacturers. However, if the program continues, CAPA will increase the requirements every year.

Expansion: CAPA is looking for new markets. Europe is in a situation similar to that of the U.S. 15 years ago. Introducing CAPA to insurers, collision repairers and legislators at this juncture could help avoid many friction

and quality problems which have plagued the U.S. aftermarket part industry for years.

New manufacturers: CAPA will be investigating and recruiting Participants in Thailand, Portugal, China, Central and South America, South Africa and North America.

Inter-Industry Communication: CAPA will continue to facilitate inter-industry discussion by encouraging:

- insurance companies to evaluate their policies, educate body shops and adjusters and make sure that a CAPA part or OE are put on policy holders' cars, and to avoid non-certified parts when there is a CAPA only or OE policy;
- body shops to differentiate between CAPA and non-certified parts;
- distributors to accept only CAPA certified parts, when they are ordered, and make use of the recall program;
- manufacturers to improve and maintain quality, to make more certified parts and promote the product;
- electronic estimators to create an easily understood method of identifying CAPA parts on estimates.

11. Summary - Partnership Into the 21st Century

Gillis explained that CAPA is on the verge of being recognized throughout the world as the arbiter of after market part quality. He encouraged continued manufacturer cooperation to ensure that they are first in line to reap the marketplace benefits. CAPA expansion around the world will open markets for manufacturers, but the way to open markets is by building quality.

Both sides can foster partnership by continuing to move the program forward and enhancing both manufacturer and CAPA's reputations by cooperation and compliance with the revised QSM.

Manufacturers should view CAPA as a vehicle to achieve a classic "Total Quality Management" (TQM) approach, including:

- Continued Improvement -- a critical element of TQM is continuous improvement. CAPA supplies the vehicle to implement that strategy, but manufacturers have to make the effort to comply in order to succeed in this area;
- Voluntarily Exceed Standards: Had that been done in the past, CAPA would not have had to mandate weld jigs and suffer from the inconsistencies which have resulted in so many decertified lots in the first half of 1995. However, CAPA's CTQM program is an example of some companies which have adopted this policy;
- Customer Satisfaction: Focus on the needs of your ultimate customer -- the body shops. Focus on quality to make the parts work for them.
- Bundle: Many manufacturers already consider a right and left fender as a set. Adding the trunk lid and hood to that equation theoretically allows the body shop to obtain all of the relevant parts for the repair from one source by making one call. This approach would lower body shop administrative costs and enhance the marketability of CAPA parts.
- Availability: Manufacturers must increase production and introduce more parts in order to meet an emerging demand. CAPA monitors the percentage of CAPA certified parts made by each manufacturer. Higher percentages would reflect true support. Gillis urged manufacturers to set internal goals to increase their percentages. He explained that although CAPA allows deletions, deleting parts looks like a lack of support to the program. If a manufacturer continues to make a part, it should remain certified. The only bonafide deletion, if one truly supports the program, should be when the manufacturer stops making the part and no longer sells it at all.
- Promotion of the CAPA Program: CAPA will continue to facilitate inter-industry discussion to promote smoother distribution and use of CAPA certified parts. It will continue to monitor the marketplace and ensure that CAPA standards are doing the job. Most importantly, CAPA wants to continue to improve manufacturer/CAPA communication.
- Promote the Product: Gillis reiterated that it is the responsibility of the manufacturers to promote the product. Manufacturers should consider exhibiting at

NACE to show the body shops that they stand behind their products.

- Upcoming Meetings: Gillis encouraged participation in the following meetings:
 - NACE (New Orleans, LA) December 7, 1995
 - Inter-industry Communication Forum: 8:00 - 12:00
 - MAC Meeting - 12:30 - 4:00
 - ABPA (San Antonio, TX) September 20-24, 1995
 - CAPA will be at the ABPA meeting and would be happy to meet with any manufacturers in attendance.
 - Gillis encouraged manufacturers to let the CAPA office know if they plan to be in the Washington, DC area and would like to set up a meeting.

12. New Business

Gordon Lui of Tie Feng expressed concern that higher sales of CAPA parts have resulted in more complaints. Gillis explained that CAPA views complaints as an opportunity to identify problems and improve the program. Many of the items in CAPA's revised QSM are a result of complaint analysis.

Lui also expressed a concern about body shops resisting CAPA parts because they make less profit. Kottschade responded that this is no longer a significant issue, as car companies have also lowered their prices. He believes that high volume shops doing insurance company paid repairs see the long term cost advantages to using CAPA parts.

13. Close

Gillis expressed thanks to Messrs. John Bardaville, Ting Nan Lo and Bill Pokora of Entela for their efforts in facilitating communication between the manufacturers and CAPA headquarters.

Also, on behalf of the American consumer, Gillis thanked the manufacturers for their dramatic turn around in attitude and the positive cooperation with CAPA. He indicated that CAPA

sincerely trusts that it will only serve to improve and
strengthen their businesses.

ATTENDEE LIST

Aumax	K. J. Kuo	Potential Participant
Auto Power	Kuo Cheng Lee	Potential Participant
Auto Power	Ching Feng Yang	Potential Participant
BCP Auto Body	Clark Plucinski	Advisory Committee
Canedy	Tony Chen	Limited Participant
CAPA	Karen Fierst	Sponsor
CAPA	Jack Gillis	Sponsor
Chang Jung	Jung Fu Chen	Full Participant
Chang Jung	Chong Pau Chen	Full Participant
Chung Fu Ching	Eric Shih	Potential Participant
Craftsman Auto Body	Jerry Dalton	Technical Committee
Dong Yiao	Kang Liang Yang	Limited Participant
Ensure	Wen Ta Lu	Full Participant
Ensure	Jong Jeng Lu	Full Participant
Entela	John Bardaville	Validator
Entela	Melody Huang	Validator
Entela	Ting Nan Lo	Validator
Entela	Kim Phillipi	Validator
Entela	Bill Pokora	Validator
Entela	Lawrence Tsai	Validator
Entela	Simon Wang	Validator
Evergreen	Mac Liao	Full Participant
Evergreen	Wen Yih Yang	Full Participant
Gin Ho Lian	Te Chang Wu	Full Participant
Gordon	Pan Ming-Hsiung	Full Participant
Gordon	Han Chen Lin	Full Participant
Inlly	Chieh Hsiung Huang	Limited Participant
Jerry's Body Shop	Jerry Kottschade	Technical Committee
Jui Li	James Hu	Full Participant
Jui Li	Hsu Pang Huang	Full Participant
Jui Li	John Lu	Full Participant
Kosmos	Chung Ho Chen	Limited Participant
Legion	Fu Hei Esia	Full Participant
Legion	JR. Legion Liao	Full Participant
Legion	Wen His Tseng	Full Participant
Leung Lead	Gary H.C. Lu	Limited Participant
Liberty Mutual	Frank Bradbury	Technical Committee
Nan Jhi	Fu Tsai Chen	Full Participant
North Star/NECO	Kim Wood	Technical Committee
Safeco Insurance Co.	Tim Clark	Board
San Wampun	Chia Kuan Tai	Potential Participant
Sheng Yang	Ho Ching Lin	Potential Participant
State Farm	Bob Cheeseman	Technical Committee
State Farm	Bill Hardt	Board
Summax	Tony Lu	Full Participant
Summax	Simon Chen	Full Participant
Supreme	Min Dar Lee	Full Participant
Tie Feng	Gorden Lin	Full Participant

Tie Feng
Tie Yi
Tie Yi
Tong Yang (Metal)
Tong Yang (Metal)
Tong Yang (Plastic)
Wei Lun
Woei Yih
Woei Yih
Yeou Wei
Yeou Wei
Yow Jann Jenn
Yung Shine
Yung Shine

Chia Kun Wang
Pia Shia Liao
Chia Kun Wang
Te Nan Cheng
Wen Shin Su
Vincent Chou
Chou Shan Chen
Peter Chen
Chiou Fang Liu
Yao Chin Wu
Chin Fong Wu
Chin Shih Chen
Juh Fuei Lin
Wei Yuan Lin

Full Participant
Potential Participant
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