

# State Farm Mutual Automobile Insurance Company

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June 22, 1990

Mr. Peter Happ  
Assistant General Manager  
(Assessing)  
NRMA Insurance Limited  
151 Clarence Street  
Sydney, NSW 2000 AUSTRALIA

*Pet*

*FYI*

*JF 6/27/90*

*cc Owen*

Dear Peter:

This is in reply to your April 30, 1990 letter to Jack Gillis and particularly how CAPA could work in Australia. First of all, I think a separate "CAPA of Australia" should be organized with its own board of directors. This organization would apply to CAPA for rights to use the CAPA name and logo and utilize CAPA standards. We would charge you a fee for such use.

I would see you running your own organization, setting your own dues, and having your own complaint system. We would be interested in making sure you followed our standards and have a workable complaint system in order to achieve uniform quality but other than that you would be free to control your own destiny.

Again, for a fee we in the United States could test parts you get that we don't. If there are substantial numbers it may be necessary for you to do your own testing. For those parts made only for Australia we may have to give you seals to sell.

Your problems, and perhaps even manufacturers, would be different from ours and you could better handle them. For example, legislation and politics caused CAPA's birth but it may not be a problem in Australia.

We have the same chicken and egg situation you spoke of. We are beginning to break this circle now. Actually we found the problem to be the bodyshops. They control the demand. If they feel they have to order CAPA because the insurers might check they tend

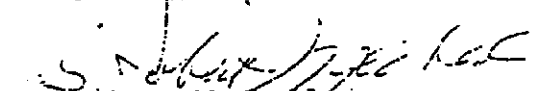
to do it. That is why we are going to a double numbered seal (with the second number being affixed to the final bill presented by the shop) so the insurers have some proof the shops are putting on the CAPA part that was estimated.

This type of organization is what we have done with the Inter-Industry Conference on Auto Collision Repair (ICAR) which has "branches" in Canada and New Zealand.

We appreciate your engineer's comments and would encourage you to keep them coming. We have some bad parts in the pipeline now and it is because of a manufacturer breakdown in quality control. We will be beefing up inspections of certain manufacturers and eventually hope to have a point or demerit that would lead to automatic decertification of a manufacturer who chronically has quality control problems.

I hope this helps you. I know setting up your own corporation will be a lot of work but it assures you will not get lost in our organization which has different problems. I am sure ICAR would help us with the organization and legalities since they have been through it (I was a founding member and ten-year board member of ICAR so I could help).

Very truly yours,

  
G. Robert Mecherle  
President  
CERTIFIED AUTOMOTIVE PARTS ASSOCIATION

GRM/jm

cc: Jack Gillis  
Roger Amorosi  
Ed Schrenk