

DRAFT OF RESPONSE LETTER TO TABPA/POLICY LETTER

Mr. Juh-Fuel Lin, Chairman  
TABPA Auto Body Parts Association  
9th FT., 390 Fu Shing S. Rd. Sec. 1  
Taipei, 10640 Taiwan - R.O.C

Dear Sir:

We appreciated receiving your letter of June 21, 1988. However, it was addressed to Stanley Rodman of ABPA in Houston, Texas, rather than Certified Automotive Parts Association (CAPA) - F. C. Schoonover, in Southfield, Michigan.

The purpose of this letter is to respond to questions raised in your letter. Because of the complex policy issues involved in answering these questions this letter was presented to the CAPA Board of Directors, who reviewed and concurred in its contents. Therefore, we are answering each of your four specific questions as follows:

1. The labeling of CAPA parts by the manufacturer vs. the demand for the certified parts by the distributors is a very important issue. Yes, we are aware that some distributors are telling you that they do not want to pay extra for the certified sticker. This is their practice, inasmuch, as most of them are well aware that because of the efforts of ABPA and CAPA, many certified parts without seals, perform equivalent to OEM, and therefore they are reluctant to pay for the certification stickers. On the other hand, we have been told by Parts Importers that many of the TABPA manufacturers elect not to use the certified sticker, even when asked for it. Given, that the insurance industry has invested over \$2 million dollars in this program in an effort to assure availability of high quality aftermarket parts that are equivalent to

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OEM, and they are having somewhat of a problem obtaining these certified parts in the system, it was unanimously decided by the Board of Directors that all parts listed in the ABPA/CAPA directory, are to have the ABPA/CAPA sticker on them, if they are to be manufactured for sale in North America (USA and Canada). All of these parts, being sold in North America must have ABPA/CAPA labels on them, or the parts will be decertified and removed from the Parts Directory.

This, we recognize, may be distressing to some of your members. But, because of the high cost of maintaining this program vs. the low volume of Taiwan seal sales since October, 1986 amounting to U.S. \$ \_\_\_\_\_, we feel the expenditures of time and money by ABPA and CAPA are not being adequately returned. Many times the importers and the manufacturers use CAPA as a mechanism to improve their quality image, without contributing to the support of this program. Therefore, at the August 8, 1988, Board of Director's meeting, it was determined that all certified Taiwan parts exported to the USA and Canada, shall bear certification seals or they will be promptly decertified and removed from the directory.

Because of existing and pending legislation in the U.S., requiring the application of seals to aftermarket parts, all manufacturers must begin to comply now. We have had numerous phone calls from distributors who are both telling us and showing us manufacturers identical parts, as being - certified with seals and uncertified without seals. These practices result in the CAPA certification program providing

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credibility to certified parts without seals while confusing the general public.

The CAPA program is being financially and ethically damaged. The total North American aftermarket parts program loses its effectiveness by this practice.

It was, therefore, the decision of the Board to stop allowing the listing of certified parts in the directory if these parts are not properly identified with seals. We will encourage suppliers that are willing to adhere to their writers agreements and comply with the program by affixing seals to 100% of all parts listed in the directory. We will not continue to have the same part sold in North America both on an optional certified, or uncertified basis.

2. It is widely recognized that the designs of the majority of aftermarket parts sold in North America are unique and different from those sold elsewhere in the world.

Therefore, stickers must be applied to all certified parts listed in our directory and imported and sold in North America. Parts manufactured for sale in other countries where the concerns and requirements are not the same as North America may be handled by the Taiwan manufacturers in their own way.

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3. We have established a target date of January 31, 1989 after which all parts manufactured under the CAPA Certification Program will not be able to use the CAF stickers. Given the input from various U.S. State legislatures, and our concerns for maintaining a position that CAPA parts are equivalent to OEM, we have implemented a program to phase-out and eliminate CAF stickers. The January date is somewhat contingent upon the successful installation and operation of a number of EDP painting lines in Taiwan. Because of the quality demands of the American marketplace and the legislative preference, CAF parts must be replaced by fully certified parts as soon as possible. When CAF is eliminated, DTL will exchange all CAF stickers for the full Certification 101 stickers for all manufactures wishing to do so.
  
4. The Board of Directors, after review of the United States Department of Transportation (DOT) requirements, determined that CAPA, working with ABPA, will make the DOT information available to you and incorporate the anti-theft requirements into the certification program. This has already been accomplished. Thus, any part that is certified will also have the DOT anti-theft requirement as part of the CAPA Program specifications and standards. Initially, CAPA will absorb the additional program costs related to implementing the R DOT program activities into the certification program. Hopefully, these additional costs will be off-set by the manufacturers purchasing and affixing

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certification seals in accordance with the terms of their license agreements.

As stated, this letter and its contents had been reviewed and approved by the Board of Directors and represents the CAPA position on your specific questions asked. We are looking forward to hearing of your concurrence with the decisions. We will be looking for increased participation by the TABPA members toward developing positive responses to the application of stickers on aftermarket parts coming into North America.

We plan to come to Taiwan during the latter part of November, 1988, and are looking forward to an executive session with you and other TABPA representatives, to discuss this letter and CAPA corporate policies in greater detail.

Please inform us how TABPA members will abide by the decisions of the CAPA Board of Directors as described in this letter.

Again, thank you for your interest in the program.

Sincerely,

F. C. Schoonover,  
Executive Director

FCS/bk