

# **CAPA REPORT**

## **California's Bureau of Auto Repair's Crash Parts Certification Study: BAR Builds Case for Crash Part Certification**

August 2003

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Prepared By



Certified Automotive Parts Association  
1518 K Street NW, Suite 306  
Washington, DC 20005

Phone (202) 737-2212  
Fax (202) 737-2214

[www.CAPAcertified.org](http://www.CAPAcertified.org)



## **California BAR Builds Case for Crash Parts Certification**

The recently released report<sup>1</sup> on aftermarket parts issued by California's Bureau of Auto Repair (BAR), makes a strong case for the fact that the market has not resolved the concerns about the quality of aftermarket crash parts and that independent certification, if used by the various parties in the industry, would protect consumers from poor quality.

In its report, the BAR released a number of "Study Findings" and "Recommendations". The following provides CAPA's perspective on the BAR findings and recommendations.

### **CAPA Response to California BAR Aftermarket Report Findings:**

In their report, the California BAR issued a number of "Findings". Following are CAPA's responses to those findings.

#### **BAR Finding: Elimination of non-certified aftermarket crash parts is not a viable option.**

With the exception of a minority of collision repair shops, CAPA knows of no effort to eliminate non-certified aftermarket crash parts. In fact, the largest percentage of parts used is the non-certified aftermarket crash parts sold by the car companies.

#### **BAR Finding: Certification does not protect consumers from poor quality parts.**

Certification in a vacuum does not go far enough to protect consumers from poor quality. However, certification does protect consumers if the market participants use products that meet certification standards. For example:

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<sup>1</sup> California Bureau of Auto Repair: Crash Parts Certification Study; January 1, 2003, Public Release Date: July 2003

- An insurance company could protect its policyholders from poor quality by only specifying products that meet certain standards and then ensuring that only those products are placed on its policyholders' vehicles.
- A part distributor could protect its customers from poor quality by insisting that its vendors meet quality certification standards before accepting products for distribution.
- A collision repair shop could insist on only using parts that meet certification standards in order to protect its customers from poor quality.
- A state insurance department could protect policyholders from poor quality by insisting that repairers and insurers use parts that meet certification standards for insurance-based repairs.

So while certification alone will never fully protect consumers from poor quality, it is without question the most effective and efficient mechanism that can be used, in a variety of situations, to protect consumers from poor quality. Furthermore, simply requiring that ALL parts meet certification standards DOES protect consumers against poor quality. Clearly, the California BAR missed the point that to be effective, certification must be used or required.

**BAR Finding: Some auto body shops have told the BAR that insurance companies “control the purse strings” and it is difficult, or impossible, to get paid for making the necessary modifications to aftermarket crash parts.**

CAPA has no knowledge regarding this claim. However, parts that meet the standards of a legitimate, independent, third party quality certification program should need no more modification than a car company part to properly fit a car. At the very least, they should fit in the same way as the aftermarket parts made by the car companies. By its nature, the repair of a car after a crash, as opposed to mechanical repairs, requires a



special expertise to fit exterior cosmetic parts in an acceptable fashion. Cars are imprecise products and each part, regardless of who makes it, must be adjusted to fit properly. A viable certification program will ensure the parts made by independent companies will fit in the same manner as the car company brand aftermarket parts.

**BAR Finding: There is an overall lack of insurance industry support and auto body repair industry support for aftermarket parts certification.**

Some insurance companies use the least expensive parts available, few repairers insist on certified parts over non-tested parts, and part distributors advertise that there is no difference between certified and non-certified parts or make such claims when they deliver non-certified parts to collision repair shops. Therefore, it is understandable that the BAR misinterpreted this situation as an “overall” lack of industry support. What the BAR fails to point out is that the leaders in the industry have chosen not only to support aftermarket parts certification, but to invest the time, money and energy to build a viable certification program. The nation’s leading insurers including State Farm, Allstate, USAA, Liberty Mutual, and others, have chosen to fund the development of effective, legitimate and independent quality standards through CAPA. National and state leaders in the collision repair community have chosen to assist CAPA in ensuring that certification standards are the best that they can be. So, while some in the industry have chosen not to support and enable a quality certification program, leaders from both collision repair and insurance sectors have provided enormous and effective support. Unquestionably, that support has dramatically improved the quality of certified parts available in the market.

**BAR Finding: There exists a lack of certified parts availability.**

Clearly the market has spoken. The only entities that actually purchase parts are collision repairers. Insurance companies don't purchase parts and few consumers purchase parts. The distribution channels that supply collision repairers with these products, in spite of the recently difficult economy, have seen an increase in sales of aftermarket parts. Clearly, the collision repairers who purchase aftermarket parts are increasing their use of, and demand for, aftermarket parts. In doing so, and in spite of often professed concerns about quality, these repairers do not require that parts be certified in order to purchase them. The apparent lack of certified part availability is merely a function of market demand. If the manufacturers of these parts do not perceive a need to build parts that meet quality certification standards in order to sell them, it is unlikely, as a business decision, that they will do so. On the other hand, those manufacturers who have participated in quality certification programs have clearly demonstrated the ability to meet any demand for certified parts; the demand simply has not exhibited itself. In fact, while many in the channel of distribution express the desire for more quality certified parts, they and their customers are, by virtue of recently demonstrated increased sales, accepting of non-certified levels of quality.

**BAR Comment: There is a lack of control, by CAPA, over distributors of their certified aftermarket parts.**

This is correct. One reason is that these are not specifically CAPA's certified parts, just as electrical outlets are not UL's certified outlets. The products are those of the manufacturers. Certifying organizations like CAPA and UL simply certify that the parts bearing their quality seals meet their quality standards.

This distinction is important because a critical element in the integrity of any quality certification organization is avoiding participation in the marketing, sales or



distribution of the certified products. Doing so would introduce a bias by encouraging the certifier to approve as many products as possible, regardless of compliance with the standard.

CAPA, however, is very sensitive to the concern that the BAR has regarding the role distributors may play in the quality of the products that they sell. As such, over the years CAPA has proposed a variety of methods to help ensure that, if ordered, a certified part is actually delivered. Ironically, while CAPA has been asked to develop “distributor delivery certification” programs by distributors themselves, there has been no interest by distributors to fund such programs.

Distributors excel at distributing products needed and accepted by their customers. While shops regularly complain that they order CAPA certified parts but don’t get them, they generally choose to accept the non-certified parts. That sends a strong signal that non-certified parts are adequate. In order to protect policyholders from parts that don’t meet quality certification standards, some insurance companies are now requiring that the repairer use a certified part when requested. The rejection of non-certified parts, when certified parts are ordered, will begin to serve as a control over the channel of distribution that the BAR says is lacking. Requiring the use of a certified part in insurance-based repairs is another effective mechanism that can be used to control the quality of parts in the distribution channel.

**BAR Finding: ‘Pricing’ practices of some certified non-OEM aftermarket parts are suspect.**

CAPA plays no role in the pricing, marketing, or distribution of the products it certifies. However we have observed no apparent differences in pricing of certified vs. non-certified parts.



## **CAPA Response to California BAR Aftermarket Report Recommendations:**

Following are CAPA's responses to the recommendations contained in the California BAR report.

### **BAR Recommendation: Allow the market to drive the acceptability of aftermarket crash parts, similar to the way mechanical aftermarket parts have evolved.**

The market has been essentially unfettered since the 1970's when competitive parts were introduced. After 30 years, aftermarket crash parts continue to be among the most controversial and problematic product categories on the market. Not only is the quality of the parts extraordinarily variable, but users of the parts simply do not have the ability to make an informed decision on the acceptability of the product. Users cannot look at a part and determine the weld strength, material content, corrosion resistance, or even the fit of the part. For the market to be depended on to drive the acceptability of the part, as the BAR suggests, users have to be able to readily identify which parts are good and which are not. Legitimate, independent certification programs not only allow that, but also establish a baseline of performance from which market differentiated improvements can be made and demonstrated.

This market has not developed in the same way that the mechanical repair part market has for a variety of reasons, including the inability to visually differentiate products, economic motivations that have understandably biased the channel of distribution and, the long-standing fractious relationship between insurers and repairers. Because of these and other factors, outside intervention is necessary to facilitate a healthy market. Intervention can serve to both expand the market with more product choices, as well as protect consumers and users of the parts from poor quality.



**BAR Recommendation: Aftermarket crash part certifiers should establish warranties for the parts they certify, and stand behind those warranties when an auto body repair shop demonstrates that the parts are defective or don't fit correctly.**

A warranty is between a buyer and seller; a truly independent certifier should be neither. It would be inappropriate and impractical for a third party to warrant the quality of a product. UL does not warrant products, nor does OSHA, nor does any other independent third party standard setting organization. A warranty assures the buyer that the seller will “make good” on any lack of performance associated with the product. A seller warranting a product is an appropriate and legally supported relationship. The seller profits from the sale of the part and, as such, should take responsibility for any lack of performance. For example, if a car does not meet government crash test criteria, and a person gets injured, it is not the fault of the government that the car did not meet the criteria. Likewise, it is the manufacturer or distributor of a toaster who is responsible to build and sell toasters that comply with certification standards and their responsibility if they don't. The BAR's citing of the Good Housekeeping warranty completely ignores the fact that this is an advertising scheme, successfully developed by Good Housekeeping and funded and supported by the companies that sell their products in Good Housekeeping magazine!

**BAR Recommendation: The methodology by which the price of parts has been determined needs to be reviewed further by the Attorney General.**

CAPA has no comment on this issue. CAPA currently plays no role, nor should it, in the pricing, distribution or sale of the products for which it develops certification standards.

**BAR Recommendation: There is no need for any state agency to oversee the certification of non-OEM crash parts. There are safeguards in statute and regulation that require a customer to be informed on a written estimate if non-OEM crash parts are to be used, and repair dealers are required to obtain the customer's authorization prior to the work being started. Additionally, if an insurer requires the use of non-OEM crash parts, they must warrant that such parts are of like kind, quality, safety, fit and performance as OEM parts.**

None of these recommendations actually relate to the benefits of certification to the consumer. First of all, there is no need for a state agency to oversee the certification of crash parts. However, the state regulatory bodies can play a critical role in determining what criteria are necessary for a voluntary certification organization to be acceptable. Through such criteria, the state is able to protect consumers from fraudulent certification organizations while not having to certify the parts themselves. It is a relatively common practice for regulatory agencies to “approve” certifying agencies and standards.

As to any safeguards inherent in simply informing the consumer that a non-car company brand part is being used, there are none. Informing a consumer that a non-car company brand part is being used has absolutely no correlation to the quality of that part. That would be akin to an assertion that telling consumers that a particular type of aspirin “is not made by Bayer” is all the protection they need—as opposed to insisting that that all aspirin be manufactured in compliance with FDA standards. Simply disclosing that an “original” manufacturer does not make a product is absolutely no protection from poor quality. This is true whether it is a baby rattle, a light bulb, a painkiller or a fender.

Legitimate quality standards protect consumers, not brand names. Requiring such standards is the first step in true consumer protection.