



**Certified Automotive Parts Association**  
Washington, D.C.

July 28, 2010

Mr. Charlie Hogarty  
Chairman, Board of Directors  
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**An Open Letter to ABPA Members on Their Decision to Endorse and Fund a Part Certification Program Which Promises to Increase Market Share and Profits for Distributors and Manufacturers but Makes No Mention of Standards or Requirements**

Dear Mr. Hogarty and Ms. Richardson:

The news release (April 20, 2010 “NSF Certification”) posted on the website of one of your members and published in the May-June Issue of Body Language, reports that the Auto Body Parts Association has endorsed and agreed to fund a part “certification” program. Key aspects of the program, according to the release, include:

- Dramatic reduction of certification costs for manufacturers;
- Warranting the certification process;
- Allowing parts to be stamped “NSF” at no cost;
- Collaboration with insurers on how much the program will cost; and,
- Assurance of greater market share and profits for manufacturers and distributors.

In commenting on the release, ABPA executive director confirmed their “interest [in the program] to NSF” and further stated that ABPA is considering all options pertaining to product certification, product affirmation and “any and all other programs which might lead to a greater level of acceptance of our products and services.” While the executive director said that the release was incorrect in saying that ABPA would fund the entire program, he did not disclose who else was funding the program or how much ABPA was contributing to the program.

There was no clarification by the ABPA in the Body Language which published the release, nor in the subsequent issue. The release, published in Body Language<sup>1</sup>, raises

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<sup>1</sup> To the best of our knowledge, Body Language, a publication of the ABPA, is the only publication who has chosen to publish this release announcing ABPA’s endorsement of the program.

some very serious concerns for anyone interested in legitimate quality certification standards.

While announcing ABPA endorsement of the program, the release only mentions one ABPA member, namely LKQ. Inexplicably, the release states that the National Sanitation Foundation has the “trust of LKQ,” (ABPA’s largest member) due to “[NSF] having managed the AQR<sup>2</sup>P program” and “[NSF] supporting the sale of Taiwanese products for LKQ.” It is unclear how the National Sanitation Foundation is supporting the sale of Taiwanese products for LKQ.

Over the years, ABPA members have chosen not to insist that their suppliers provide parts that meet CAPA’s comprehensive part quality requirements even though these manufacturers have proven time and again that they can meet the standards. Now, as the safety and quality of the parts they sell comes under intense scrutiny, the ABPA has chosen to endorse a set of standards that are unknown to the public, unknown to the manufacturers, unknown to collision repairers, and apparently, unknown even to members of the ABPA. Nevertheless, they are recommending that these unknown standards be applied to sheet metal, lighting, plastic bumpers and grilles, and high strength steel products. In fact, the release states that “the program plans to include any and all parts delivered to the automobile industry in the U.S.” Two of the product categories that they are endorsing unknown standards for have serious safety implications: lights and structural bumpers.

Fully endorsing unknown standards as a way to increase market share is a potentially dangerous position to take in this era of heightened sensitivity to part safety and quality concerns. The market is filled with examples of what can happen when sales and profits out rank quality and safety concerns—flying hoods, unsafe bumpers, and lights failing FMVSS requirements.

### **ABPA Endorsed Program is said to Increase Profits and Reduce Cost of Certification**

Called a “seminal moment for our industry,” the release states that this ABPA endorsed program will “assuredly begin a constant rise of market share and greater profits,” even though the largest part distributor in the U.S., has already been reporting record profits and sales during its last series of quarterly earnings reports.

In addition to increasing sales and profits, the second theme of the release is reducing the cost of certification for manufacturers. Certification costs are based on two

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<sup>2</sup> LKQ was an active participant in the now defunct MQVP program which was the precursor to their AQR<sup>2</sup>P program. AQR<sup>2</sup>P is a proprietary program controlled solely by one ABPA member.

components: the cost of developing and enforcing the certification standards and the cost of manufacturing parts to comply with the standards.

### **Implications of “Low Cost” Quality Certification Programs**

While this program “allows for parts to be stamped ‘NSF’ at no cost,” manufacturers throughout the world pay for the certification of their products. By making such an investment, manufacturers are demonstrating belief in the tenants of the program and see value in being recognized for meeting the standards. History has shown that if there is no financial investment by a manufacturer, there is little reason to comply with the requirements of the program.

Another way to reduce the cost of certification is to reduce the requirements and make it easier to comply. Each year CAPA spends millions of dollars testing, retesting, inspecting, and monitoring certified parts. While CAPA could easily make it “cheaper” for manufacturers to meet the standards, that would be failing our public duty as an independent, third party standard setting and certification organization. In light of the increasing scrutiny on parts, does the ABPA believe that consumers, collision repairers and insurers need a low-cost program that hasn’t determined (or disclosed) how it will address quality and safety issues, but promises increased profits for manufacturers and distributors?

### **How Have Insurers “Collaborated” on “Cost Effective Standards”?**

A key question raised in the release is exactly how have insurers “collaborated” with the program on the “cost effective” nature of the standards? What have insurers and the sponsor collaborated on to insure that the standards don't cost too much? Are the standards based on their ability to identify high quality parts or their cost to implement? In today’s environment it would seem that both the ABPA and “collaborating” insurers are taking a big risk with standards based on their cost to implement. And who are these “collaborating” insurers?

At CAPA, the quality of the program has always taken precedence. CAPA’s insistence on detailed material testing, precise, repeatable vehicle test fit procedures, testing to insure compliance with FMVSS, extensive in-factory inspections, specific requirements for checking fixtures and many other unique features of CAPA’s publically available standards have required significant investments by CAPA and the manufacturers choosing to meet the standards. On the other hand, ABPA members have direct experience in the outcome where these investments are not made. Non-galvanized parts, bumpers so weak they can easily be cut, energy absorbers that literally explode in low-speed collisions, hoods with weak latching mechanisms, lights that don’t meet FMVSS requirements, and parts that simply don’t fit. The tragedy is that all of these problems exist in today’s market because manufacturers and distributors were looking for “cost effective” products. While the ABPA, “collaborating insurers” and the National

Sanitation Foundation may believe that “cost effective” standards will sell parts, “cost effective” standards don’t protect consumers.

### **How Do Certification Entities Warrant Certification?**

Another issue raised by the announcement of the ABPA support of this program relates to the warranting of the certification program. Warranties are typically between buyers and sellers, who is the buyer and who is the seller? What consideration will be given when the warranty is invoked? What, exactly, is being warranted? Are the parts being warranted by the certifier?

### **Important Questions about Program Funding**

The press release in ABPA’s Body Language indicates that ABPA plans to “fund (or partially fund as was later stated) the development of all standards for the crash part market, including sheet metal, lighting, plastic bumpers and grilles, and high strength steel products.” The funding of such a program is of significant concern, especially considering that ABPA is now saying that it will only “partially” fund the program while allowing manufacturers to stamp their products “NSF” for free.

Legitimate, independent effective standards require a considerable investment to develop, implement, and enforce. CAPA has invested tens of millions of dollars in the testing, experimentation, research and compliance requirements necessary to develop and effectively implement a truly legitimate and independent set of standards. In fact, CAPA stepped in to make this investment when the ABPA acknowledged that funding a legitimate program was beyond its means. Over the years the ABPA has cut back its meetings, publications and activities due to funding challenges.

In light of the promise of “no cost” certification to manufacturers, either ABPA members have access to significant undisclosed funding, or they plan to apply their “cost effective” mantra to whatever standard it is that they’ve endorsed. The bottom line: While “cheap” standards may produce cheap (albeit profitable for distributor) parts, they don’t insure confidence or quality. These are two factors that have historically been missing from the non-CAPA Certified products of ABPA members.

### **Is This a Good Time to Be Promoting “Cost Effective” Standards?**

It is apparent that this is not a good time for an industry that has historically struggled with its quality image to focus on “cost effective” standards. In fact, just recently the California Department of Insurance reminded insurers of their obligation to provide parts of like, kind and quality. As the U.S. Congress takes a serious look at whether or not car companies should have the right to patent their parts, the car companies and body shops are raising the issue of aftermarket part quality. ABPA’s

endorsement and financial support for an unknown and “cost effective” set of “standards” could go a long way to reinforce those concerns among members of Congress.

Recently, Ford has gained national attention for its release of studies showing substandard aftermarket parts and other car companies are expected to follow suit. CAPA, itself provided ABPA with evidence of a seriously defective bumper absorber with dramatic comparative crash test footage<sup>3</sup>. Shortly, CAPA will be releasing other information on non-certified part quality and safety. All of this points to the growing concern in the market about quality and safety and the need for legitimate, independent standards for true product comparability.

As ABPA members know, CAPA is an independent, third-party standard setting and certification program that has survived intense scrutiny because its standards are well founded, legitimate and effective. Furthermore, manufacturers who participate in the program have clearly demonstrated that they can fully comply with these legitimate standards. Instead of simply recommending that its members insist on high quality CAPA Certified parts, ABPA’s decision to endorse unknown, “cost effective” “standards” is not likely to instill confidence in a category of products already reeling from quality and safety concerns.

### **Will the Promise of “Greater Profits” Address Marketplace Quality Concerns?**

CAPA’s founding principles, standards and goals have resulted in an unparalleled record of quality and safety for its certified parts. In contrast, the program being endorsed and funded by the ABPA has as its underlying motive a substantial expansion of market share for aftermarket crash parts and “greater profits for all manufacturers and distributors.” Apparently, these are the outcomes that will result from “acceptable cost-effective standards” developed through “collaboration” between NSF and certain unnamed U.S. insurance companies.

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<sup>3</sup> In comparative testing done during the development of CAPA 501: Bumper Parts Standard, we tested the bumper energy absorber for a Ford Fusion 06-09. Both the car company brand and independent parts were marked PC-PBT plastic and looked remarkably similar. In CAPA’s dynamic testing process (6.1 mph crash test into a fixed barrier) the AM part literally exploded on impact. The car company brand part absorbed the force of the impact and returned to its original shape. In subsequent material tests required by CAPA, we determined that material used in the AM part was totally different than the car company brand part material even though the manufacturer marked it as the same type of plastic. There were no manufacturer markings on the part, but the distributor selling the part was notified of the problem on June 7, 2010. In addition, the dramatic comparative video was shown at the April 30, 2010 meeting of the Auto Body Parts Association which included most major part distributors. Neither the selling distributor, nor the part distributors viewing the video, have contacted CAPA for more information or taken any known action regarding the part.

This APBA endorsed program appears to be an attempt to provide manufacturers and their distributors with a low-cost alternative to legitimate certification that could amount to no more than window dressing for substandard and unsafe body parts. While this may be acceptable to ABPA members, I, and the members of CAPA's Board of Directors, find this development to be deeply troubling.

### **ABPA Principals Who Know CAPA Appear to Be Recommending Bottom Line Benefits over Legitimate Quality Certification**

CAPA is the nation's only independent, non-profit, third-party crash parts quality certification organization whose sole purpose is to insure that both consumers and the industry can identify high quality parts. Over the past two decades, this legitimate and effective certification program has gained a prominent role in the aftermarket parts market and is frequently cited by insurers, legislators, leading collision repairers, and others for the rigorous impartiality with which our program is conducted. As a member of CAPA's Technical Committee, the ABPA's President, Charlie Hogarty, is certainly aware of the comprehensive standards that CAPA imposes upon manufacturers as a requirement of certification. Ironically, ABPA's largest member, LKQ, had this to say about CAPA in its December 2009 Form 10-K submission to the SEC:

“Many major insurance companies have adopted policies recommending or requiring the use when available of the approximately 3,000 parts certified by CAPA. A number of CAPA certified parts are also marketed under the Platinum Plus [LKQ aftermarket product line] brand . . . We distribute parts certified by CAPA and actively participate with CAPA, insurance companies and consumer groups in encouraging independent manufacturers of collision replacement products to seek CAPA certification.”

While LKQ tells its stockholders that CAPA quality is important, the release for the ABPA/LKQ endorsed program asserts that *“Past certifications have failed to move AM market share beyond current levels for the past two decades.”* Evidently, then, the new National Sanitation Foundation program is being driven by a desire for greater use of aftermarket parts that have not achieved CAPA Certification and the resulting profits to be made by distributors. Based upon our many years of legitimate quality certification experience, sacrificing quality and safety, in a rush to bottom line profits, is a recipe for disaster.

Over 23 years ago the ABPA saw the need for true, part quality certification. Since that time tens of millions of dollars have been dedicated to developing an unparalleled program. It is clear that if the ABPA was truly interested in providing the market with high quality parts, they would simply take advantage of the independent, legitimate, standards embodied in the CAPA program and suggest that their members accept nothing less. There are 39 manufacturers worldwide that can easily meet this level of quality, if asked.

Given the increasing scrutiny that is expected over the next few years on alternative parts, endorsing and funding an unknown set of “standards” designed to be “cost effective” and “increase market share” is an incredibly risky proposition. Rather than lead the industry to profitability and success through higher quality, the ABPA is endorsing a dilution of quality under the guise of “cost effective” standards. Given the expected increase in the public, regulatory, and legal scrutiny of crash part quality and safety, this seems to be a giant step backward that will only further tarnish the industry’s already challenged reputation.

What is particularly tragic about ABPA’s endorsement of unknown and “cost effective standards” is that the ABPA has access to a truly legitimate, time tested, accepted, and functional set of quality standards that could easily take their industry to great heights. Instead, they are lowering their standards in an effort to increase profits and market share. Unfortunately, history books are filled with examples of what happens when an industry takes a “blind-eye” to quality in the search for increased profits.

Sincerely,

Jack Gillis  
Executive Director

cc: CAPA Board of Directors  
CAPA Distributor Members  
CAPA Distributor Mailing List  
Stan Rodman, ABPA Executive Director  
Debbie Klouser, CAPA Director of Operations