

Approved 2/24/88 Date

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

The meeting was called to order by Sen. Bill Morris at
Chairperson

9:00 a.m./~~noon~~ February 16, 1988 in room 254-E of the Capitol.

All members were present ~~except~~.

Committee staff present:

Hank Avila, Legislative Research Department
Ben Barrett, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Louise Cunningham, Committee Secretary

Conferees appearing before the committee:

Bob Meinen, Secretary, Department of Wildlife and Parks
Ed DeSoignie, Department of Transportation
Sen. Gus Bogina
Dale Lehning, Chairman of Legislative Committee, Automotive Dismantlers
and Recyclers Association.
Evan Pingleton, Custom Coachwork, Topeka
Ted Hite, Hadl Collison Repair, Lawrence
Pat Barnes, Kansas Motor Car Dealers Association
Bob Zeman, Counsel, National Association of Independent Insurers, Des Plaines,
Ill.
Bob Shelinbarger, Kansas Bumper & Body Parts, Inc., Topeka
Dick Scott, State Farm Insurance
Bud Cornish, Kansas Association of Property and Casualty Co.
Glenn Cogswell, Alliance of American Insurers
Lee Wright, Farmers Insurance Group

Hearing on S.B. 579 -Concerning roads and highways; maintenance
of highways to property managed by department of wildlife
and parks.

Bob Meinen, Secretary, Department of Wildlife and Parks,
said this bill was consistent with the Governor's recommendation
to develop good maintenance management practices.

Ed DeSoignie, Department of Transportation, said this
bill was necessary for the changeover to provide for broader
authority in dealing with properties that had previously
been restricted to lakes and parks.

Sen. Gus Bogina, said this bill is needed for compliance
with the Governor's recommendations.

Hearing on S.B. 523 - Repairing motor vehicles with crash
parts.

Dale Lehning, Chairman of Legislative Committee, Kansas
Automotive Dismantlers and Recyclers Association, spoke
in favor of the bill. He submitted a statement from Pat
Wiechman, Executive Secretary of K.A.D.R.A. in support of
the bill. A copy of her statement is attached. (Attachment
1). Mr. Lehning also submitted balloon amendments to the
bill for proposed changes. He said some of the replacement
parts that were not manufactured by original equipment manufacturers
were inferior and would not withstand impacts.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

room 254-E, Statehouse, at 9:00 a.m./~~p.m.~~ on February 16, 19 88

Evan Pingleton, Custom Coachwork, Topeka, said he has been in body shop work most of his life. His business employs very qualified people and they have good results with their work. They also work with car dealers doing conversion work. He said some parts such as bumpers and batteries have been available for years and are not OE. He said many of the parts they use are not OE parts but have been manufactured overseas. While they are usually good, they are not sure of the quality control of these products. If they do not use OE material there can be a loss of value in the car. There is no guarantee for the fit, finish or corrosion of the parts. Welds could come lose on these parts. Cars that have been totaled would not justify using OE parts. They would not be justified on old automobiles for a person who is just looking for transportation. However, they should not be required by the insurance industry to put on something just to bring the price down. These aftermarket parts should not be used on a late model car.

Ted Hite, Hadl Collison Repair, Lawrence, is in the body repair business and said the use of imitation parts should be the decision of the owner. They do not want to be forced to buy things that are not correct. He said these parts usually cause gaps and if they do not fit right the owner has a depreciated car. These parts have a place if the owner wants to use them but they should not be forced by insurance companies to use them. The insurance companies are not the customers, the car owners are.

Pat Barnes, Kansas Motor Car Dealers Association, said many of their members have body shop operations and most of their customers want a good repair job at the most economical price available. They do not object to the concept of using other than OE parts but are concerned about the penalties for failure to disclose the use of these parts. A copy of his statement is attached. (Attachment 2).

Bob Zeman, Counsel, National Association of Independent Insurers, Des Plaines, Illinois, said they oppose any restrictions that would infringe upon the competition in the parts market that has proved beneficial to consumers. He spoke of how competition has driven the price of replacement parts down and this bill would be a detriment to consumers. He said it was an attempt to drive the competition out of business because the automobile manufacturers want a monopoly. There has been no problem with parts. They are made by reputable manufacturers and carry strong warranties. Some have a lifetime guarantee. He said they favor disclosure. The body shops make more commission on OE parts than they do on after market parts. A copy of his statement is attached. (Attachment 3).

Bob Shelinbarger, Kansas Bumper & Body Parts, Inc., Topeka, said he is a supplier of aftermarket parts and has been in the recycled bumper business for twenty years. There have always been replacement parts other than OE. As more parts are being manufactured, competition has dropped prices dramatically and this is an attempt to drive them out of business. He said the real issue here is price and competition. These parts have been overpriced for years and today the consumer has a choice. A copy of his statement is attached. (Attachment 4). He also submitted a testimonial from Kansas Bumper and Body Part, Inc. expressing their opposition to this legislation and their opposition to a

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES,
room 254-F, Statehouse, at 9:00 a.m./~~p.m.~~ on February 16, 1988.

OEM monopoly. A copy of this testimonial is attached.
(Attachment 5).

Bud Cornish, Kansas Association of Property and Casualty Co., said they oppose this bill and support the comments of the National Association of Independent Insurers (NAII).

Dick Scott, State Farm Insurance, said his organization also supports NAII position. He also said the Insurance Institute for Highway Safety has stated that cosmetic body parts such as fenders, door panels and grills do not significantly affect car crashworthiness. A copy of this Advisory is attached. (Attachment 6). He said they also favor disclosure and submitted a disclosure form. A copy of this form is attached. (Attachment 7).

Glenn Cogswell, Alliance of American Insurers, said they support the position of NAII.

Lee Wright, Farmers Insurance Group, said they support the NAII position and submitted a statement in opposition to this bill. A copy of his statement is attached. (Attachment 8).

On a motion from Sen. Hayden and a second from Sen. Francisco the Minutes of February 10 and 11 were approved. Motion carried.

Meeting was adjourned at 10:00 a.m.

DATE: 2-16-88

ROOM: 254-E

GUEST REGISTER
SENATE
TRANSPORTATION AND UTILITIES COMMITTEE

NAME	ORGANIZATION	ADDRESS
Christy Young	Topeka Chasen	Topeka
Dick Scott	State Farm Ins	O.P. Ks
Bobmin	DW & P ^{Key} _{meiner}	Top. Ks.
Linda Sheknbarger	Ks. Bumper & Body Parts	Topeka
Bob Sheknbarger	Kansas Bumper	Topeka
PAT BARNES	Ks. Motor Car Dealers Ass'n	Topeka
Wayne Lamb	Ks Auto Dismantler & Recyclers	Wichita
Ed Spinning	Kans Auto Dismantler & Rec	Wichita
L.M. CORWIST	Ks Assoc P/C Ins Co	Topeka
Robert Zeman	National Ass'n of Indep. Insurers	Chicago
M. Hawver	Topeka	Ks
Ed DeSorgnie	Topeka Ks Dept. of Transp.	Topeka
Dennis ALVAREZ		MULVANE Ks.
Steven Lau	Society of Collision Repair Specialists	9116 Marshall Dr Lenexa
Teo Hite	Hadl Collision Repair	Lawrence KS.
Ronny a Ray	MIO-States Equip Co	Wichita KS
Bill Lewis	Farmer Ins. Group	Overland Park, Ks.
Lee Wight	Farmer Ins. Group	Overland Park, Ks.
Jay Perry	Collision Specialists	Wichita, Ks
Connie Turner	Auto-Craft Collision Repair	Wichita, Ks.
Harold B. Swindon	Division of Vehicles	Topeka, Ks
Tom Whitaker	Ks Motor Carriers Assn	Topeka
Ray Reynolds		Bonau Spier Ks
LARRY MAGILL	INDEP. INS. AGENTS	TOPEKA

DATE: _____

ROOM: _____

GUEST REGISTER
SENATE

TRANSPORTATION AND UTILITIES COMMITTEE

NAME

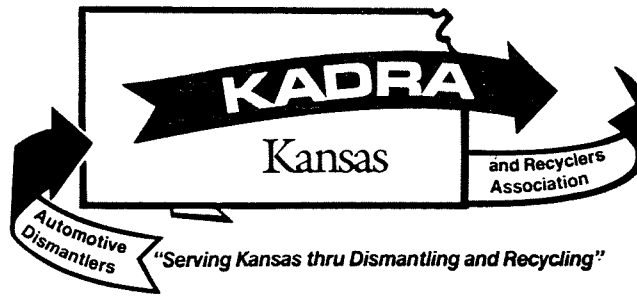
ORGANIZATION

ADDRESS

Jim Long

KARERS auto dispatcher

Banner St.



SENATE COMMITTEE ON TRANSPORTATION & UTILITIES

February 16, 1988

SENATE BILL NO. 523

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

I am Pat Wiechman, executive secretary for the Kansas Automotive Dismantlers and Recyclers Association.

SB 523 was originally introduced by Senator Winter and assigned to the Judiciary Committee. While K.A.D.R.A. was not involved in requesting this bill, we believe that it does address concerns of the salvage vehicle industry and would support the concept with a few clean up language changes and definitions.

The K.A.D.R.A. Board of Directors met at length going over this bill. The balloon copy which you have is our proposal for changes in language that would be more understandable, not only for the industry but for the public in general.

As an example, in Section 1 at Line 19, the term "crash parts" comes from the use of a book called the "Crash Book" and has become something of a generic term, somewhat as the term "Kleenex" has come to mean tissue or "Skillsaw" has come to mean circular saw. However, in each case the item named is more correctly called by other than the trade name.

Executive Office
1101 W. 10 Topeka, Kansas 66604
913 - 233-1666

ATT. 1
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2/16/88

K.A.D.R.A. urges the Committee's recommendation for favorable passage of SB 523 with the changes we have suggested. Here, today for questions from the Committee, is Dale Lehning, A-One Auto Salvage, Inc., Wichita, Kansas, Chairman of the K.A.D.R.A. Legislative Committee. Please address any questions or concerns you may have to Mr. Lehning.

Respectfully submitted,

PAT WIECHMAN
Executive Secretary
Kansas Automotive Dismantlers &
Recyclers Association

SENATE BILL No. 523

By Senator Winter

1-26

"collision repair parts" means

0016 AN ACT relating to motor vehicles; concerning the repair
0017 thereof; providing for certain penalties.

0018 *Be it enacted by the Legislature of the State of Kansas:*

0019 Section 1. (a) As used in this section, "~~crash parts~~" means
0020 motor vehicle replacement parts, sheet metal or plastic, which
0021 constitute the viable exterior of the motor vehicle, including
0022 inner and outer panels and are generally repaired or replaced as
0023 the result of a collision.

0024 ~~(b)~~ If an insurer or body shop prepares an estimate of the cost
0025 of motor vehicle repairs, the estimate shall be in the amount for
0026 which the damage may reasonably be expected to be satisfacto-
0027 rily repaired. If ~~crash parts manufactured by anyone other than~~
0028 ~~the original manufacturer or any used parts~~ are to be supplied or
0029 installed, the estimate shall clearly identify such ~~crash part~~

0030 ~~(c)~~ In all instances where ~~crash parts~~ are intended for use, a
0031 disclosure document, containing only the following information,
0032 shall be attached to the copy of the estimate prepared for the
0033 person whose motor vehicle is to be repaired:

0034 "The use of ~~crash parts~~ may invalidate any remaining warran-
0035 ties of the original equipment manufacturer (OEM) of that part of
0036 the motor vehicle being repaired by the ~~crash part~~ and may
0037 render your vehicle in noncompliance with applicable federal
0038 motor vehicle safety standards in effect at the time your motor
0039 vehicle was manufactured."

0040 ~~(d)~~ An insurer may not directly or indirectly require the use
0041 of ~~crash parts~~ in the repair of a damaged motor vehicle, nor may a
0042 body shop use ~~crash parts~~ in such repair, unless:

0043 (1) The ~~new~~-replacement parts are deemed by the insurer
0044 and the body shop to be of original equipment manufacturer

(b) "OEM" means manufactured by the original equipment manufacturer.

(c) "After market part," means an automobile part which is not made by the original equipment manufacturer and which is a sheet metal or plastic part generally constituting the exterior of a motor vehicle, including inner and outer panels.

after market collision repair parts

collision repair parts

after market parts

after market parts

after market part

after market parts

after market parts

0045 (OEM) quality; or

0046 (2) there has been certification by an independent testing _____ after market parts

0047 laboratory that the quality of the ~~crash parts~~ is equal to or better

0048 than the quality of the original equipment manufacturer (OEM)

0049 part. _____ The results of the tests conducted by the independent testing
0050 ~~(e)~~ Any person found guilty of violating any provisions of this laboratory shall be made available upon the request of any
0051 section is guilty of a misdemeanor punishable by a fine of \$2,000 person for whom such parts are tested.

0052 for each violation.

0053 Sec. 2. This act shall take effect and be in force from and

0054 after its publication in the statute book.

SENATE BILL No. 523

By Senator Winter

1-26

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0017 thereof; providing for certain penalties.

0018 *Be it enacted by the Legislature of the State of Kansas:*

0019 Section 1. (a) As used in this section, "collision repair parts" means
0020 motor vehicle replacement parts, sheet metal or plastic, which
0021 constitute the viable exterior of the motor vehicle, including
0022 inner and outer panels and are generally repaired or replaced as
0023 the result of a collision.

0024 (b) "OEM" means manufactured by the original equipment
manufacturer.

(c) "After market part," means an automobile part which
is not made by the original equipment manufacturer and
which is a sheet metal or plastic part generally constitu-
ting the exterior of a motor vehicle, including inner and
outer panels.

(d) If an insurer or body shop prepares an estimate of the cost
0025 of motor vehicle repairs, the estimate shall be in the amount for
0026 which the damage may reasonably be expected to be satisfacto-
0027 rily repaired. If after market collision repair parts are to be supplied or
0029 installed, the estimate shall clearly identify such collision repair parts.

(e) In all instances where after market parts are intended for use, a
0031 disclosure document, containing only the following information,
0032 shall be attached to the copy of the estimate prepared for the
0033 person whose motor vehicle is to be repaired:

0034 "The use of after market parts may invalidate any remaining warran-
0035 ties of the original equipment manufacturer (OEM) of that part of
0036 the motor vehicle being repaired by the after market part and may
0037 render your vehicle in noncompliance with applicable federal
0038 motor vehicle safety standards in effect at the time your motor
0039 vehicle was manufactured."

(f) An insurer may not directly or indirectly require the use
0041 of after market parts in the repair of a damaged motor vehicle, nor may a
0042 body shop use after market parts in such repair, unless:

0043 (1) The replacement parts are deemed by the insurer
0044 and the body shop to be of original equipment manufacturer

0045 (OEM) quality; or

0046 (2) there has been certification by an independent testing
0047 laboratory that the quality of the after market parts is equal to or better

0048 than the quality of the original equipment manufacturer (OEM)

0049 part. The results of the tests conducted by the independent
testing laboratory shall be made available upon the request of
any person for whom such parts are tested.

0050 (g) Any person found guilty of violating any provisions of this
0051 section is guilty of a misdemeanor punishable by a fine of \$2,000
0052 for each violation.

0053 Sec. 2. This act shall take effect and be in force from and
0054 after its publication in the statute book.

Statement Before The
SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

By The
KANSAS MOTOR CAR DEALERS ASSOCIATION

Tuesday, February 16, 1988

Re: SB558 Concerning Motor Vehicle
Repairs With Parts Manufactured By
The Original Equipment Manufacturer

Mr. Chairman and Members of the Committee, I am Pat Barnes, legislative counsel for the Kansas Motor Car Dealers Association, representing our member franchised new car and truck dealers.

Many of our members have body shop operations operated as part of their full sales and service facilities. As such, they would necessarily have to comply with SB558 if it becomes law.

Quite frankly we were not aware that there was a repair part misrepresentation problem in this state which needed to be addressed by legislation. However, we have heard of situations where there have been problems with repair and replacement parts being misrepresented. We have also heard that some of these parts originate overseas and can be of substandard quality and harder to work with. Nevertheless, some of these parts can be useful in keeping the cost of repairs down and may serve a useful purpose in that regard. Our dealers generally prefer to do the

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2/16/88

best repair job they can provide. Most consumers want a good repair job at the most economical price available.

One may wonder why we would object to a bill which actually promotes and endorses the use of parts which would appear to be more profitable for us to sell, not to mention easier to work with. The fact is we really don't object to this concept, but we fear the penalty for failure to disclose the use of these parts may be disproportionate to the actual damage to the consumer, as well as the benefit.

For example, this bill makes failure to attach the warning statement set forth in the bill a crime defined as a misdemeanor punishable by a \$2,000.00 fine. The customer and body shop drawing up the estimate might very well agree on the parts to be used and the fact they are not made by the original equipment manufacturer. Knowing all that, the person drawing up the estimate may not include the required disclosures. He has committed a crime at that point. The same observation can probably be made about identifying the parts in the estimate as required by Section 1(b).

How do used parts fit into the statutory scheme created by this bill? Are they intended to be covered? What if one of our body shops takes an exterior panel off of a salvage vehicle for use in repairing a wrecked vehicle and it then turns out to have originally been an after market part? It would appear in

that case that this law has been violated.

Another part of the bill, Section 1(d) prohibits the use of "crash parts" (or "after market parts") for motor vehicle repairs unless they are "deemed by the insurer and the body shop" to be of original equipment manufacturer (OEM) quality, or independent testing shows them to be of such quality. What guidelines are to be applied in reaching this determination? Our body shops have expertise, but we generally do not employ specialists like scientists and engineers. If the insurer and body shop agree or believe the parts are of OEM quality, is this enough to meet the requirements of the law? Is data on after market repair parts readily available? We cannot say such information is or is not readily available sufficient to meet the requirements of the law, nor can we answer the questions above as a court might.

Finally, this is a criminal statute which contains no finding of intent to violate the law as a requirement. This is a general departure from the usual standard of criminal culpability, except in areas such as traffic infractions. For some reason this crime is defined to be more serious in terms of monetary penalty than many other more serious criminal offenses involving traffic infractions, persons or property. We fear laws which define one to be a criminal and provide strict penalties when the mistake or violation may be completely inadvertent.

We do need severe penalties for those who knowingly and intentionally abuse consumer trust by foisting substandard repairs upon them. However, the average body shop repairman needs to be able to operate in the stream of traditional free enterprise. Disclosure requirements do not come without a cost to both consumers and the affected business. Even if no actual cost is generated by such requirements, sometimes the perceived cost and the frustration generated by such laws can have the effect of choking off free enterprise.

Thank you for your time. I would be happy to respond to your questions.

Statement of
National Association of Independent Insurers
Before The
Kansas Senate
Regarding the Use of Aftermarket Parts

Topeka, Kansas
February 16, 1988

Robert L. Zeman
Counsel

ATT. 3
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2/16/88

On behalf of the National Association of Independent Insurers, I would like to commend this committee for exploring the issue of aftermarket parts. I am Robert Zeman, Counsel for the NAII, a trade association representing over 560 property/casualty insurance companies. Over 120 NAII member companies sell insurance in the state of Kansas.

NAII supports portions of the proposed legislation, but we strongly suggest several modifications for the good of Kansas insurance consumers. We oppose any restrictions that would unduly infringe upon the competition in the parts market that has proved beneficial to consumers in this state.

NAII was founded upon principles of open competition in the insurance business. The history of the aftermarket part industry, including its recent technological and self-regulatory advances, reveals that competition is still the best regulator of quality, safety and pricing in the automobile repair market as it is in so many American industries.

For many years the market for cosmetic exterior automobile replacement parts was completely dominated and monopolized by the major automobile manufacturers. They enjoyed total control over that market and dictated the often exorbitant price that consumers would have to pay for replacement parts. They used that monopoly to their advantage.

Growing consistency of automobile design coupled with the tremendous markups the automobile manufacturers attached to replacement parts led to genesis of the aftermarket part industry. During the mid-1980s, companies began selling cosmetic sheet metal replacement parts at substantially lower costs than those

charged by the automobile manufacturers. The initial impact of this market was twofold. Aftermarket parts themselves provided a lower priced replacement option, while the price of OEM parts was driven downward. For example, the OEM list price for a 1983 Mustang fender was \$148 in 1983, before the arrival of the aftermarket part industry. By 1986, the OEM price fell to \$82 while a major aftermarket part supplier (Keystone) charged \$73. Other examples are included in Exhibit 1, appended to my statement. Consider, for the same time period, the effect of lack of competition surrounding particular parts not available from aftermarket companies. A front door shield for a Caprice rose steadily from \$593 in 1983 to \$725 in 1986 in the absence of aftermarket competition. (See Exhibit 2).

The examples outlined above and further detailed in the exhibits clearly reveal that with respect to parts for which an aftermarket source exists, OEM prices have declined steadily. Conversely, for parts unavailable from aftermarket companies, the automobile manufacturers have continued to raise prices. Competition has had a significant impact in this market to the benefit of consumers. The automakers have explicitly admitted they have dropped their prices in direct response to aftermarket competition. The savings insurers incur through the use of aftermarket parts are passed on through the competitive forces of the insurance industry.

Competition from the aftermarket industry has severely eroded the replacement part markets of the automobile manufacturers. They currently are waging a multimillion dollar public relations and lobbying campaign to outlaw the use of aftermarket parts, asserting they are not as safe as or good as OEM components. These claims, however, have not been supported by any significant

evidence that aftermarket parts as a rule are inferior. Aftermarket parts made by reputable manufacturers in state-of-the-art factories in Taiwan and other countries are generally of comparable quality to OEM parts. Aftermarket products also carry strong warranties, as many manufacturers offer at least a limited 5 year guarantee on all parts. Many offer a lifetime guarantee on all parts, and no automobile manufacturer makes such a guarantee.

In light of the above concerns, NAII suggests several changes in the proposed legislation. We agree with the disclosure concept contained in the proposal which requires that consumers be notified of the use of aftermarket parts. We firmly believe that claimants should be apprised of the use of aftermarket parts in the repair of their automobiles. Several NAII companies already disclose such use as a matter of practice and have done so for some time.

Several of the remaining provisions, however, would destroy aftermarket competition to the detriment of insurance consumers. Section 1 further requires disclosure that use of aftermarket parts may invalidate any remaining warranties of the original equipment manufacturer. That language is essentially red herring. As noted above, most aftermarket part warranties are far superior to the automakers'. More importantly, the only way remaining warranties of the original equipment manufacturer could be affected would be if use of the aftermarket fender rather than the automaker fender actually resulted in provable damage to the other parts, a remote proposition at best.

Section 1 further requires disclosure that use of aftermarket parts may render the vehicle in noncompliance with applicable federal motor vehicle safety standards. This language is inflammatory and misleading, for it implies that

there are federal motor vehicle safety standards for repair parts and that aftermarket parts do not comply with them. In reality, there are no federal motor vehicle safety standards for repair parts, only for new automobiles. No auto manufacturer has to or does comply with federal standards for their repair parts.

Section 1D would impose various conditions precedent to use of aftermarket parts. Section D1 would require that in addition to the insurer the body shop would have to "deem" the aftermarket part to be of automaker quality. It should be noted that while various auto body shops across the country have supported these proposals, the shop owners are far from disinterested in the issue. That is, body shops do not like aftermarket parts simply because since they are cheaper they make less commission on them; this is why the body shops oppose use of aftermarket parts. Thus the chances are remote at best that a body shop, which makes more money on a GM part, would deem an aftermarket part to be of equal quality. Essentially the fox would be guarding the chicken coop.

Given the unlikelihood of body shop approval, the only way an aftermarket part could be used under the proposed legislation would be if the part was certified by an "independent testing laboratory" to be of equal quality. This requirement is perhaps most dangerous to aftermarket competition in Kansas. There are particular problems with this proposal, including lack of clear definition of an "independent testing lab". In addition, no guidance is given as to who would enforce the provisions of such a technical requirement. More importantly, NAAI believes it is simply un-American to attempt to legislate quality. Absent safety problems, quality standards should be left to the

competitive forces of the marketplace. If there has to be any reference in this legislation to certification, which we strongly oppose, equity dictates that following adequate lead time to implement the program all replacement parts, including the automakers' components, be certified by an independent testing lab. Simply placing certification requirements on aftermarket parts without requiring the same of automaker components would place the aftermarket manufacturers at a severe and unjustified competitive disadvantage, and the automakers know this. It should be noted that automaker parts vary significantly in quality, and many aftermarket companies actually produce parts for automobile manufacturers as well as the independent aftermarket.

NAII agrees with the essential heart of this legislation, simple disclosure to consumers regarding the use of aftermarket parts. The portions, however, that exceed simple disclosure amount to marketing devices of the auto manufacturers which they would like to have this committee promote through this proposal. NAII suggests that this committee adopt the simple disclosure approach embodied in the National Association of Insurance Commissioners model rather than the current provisions of S-523. Connecticut, New York, Nebraska and Missouri have already approved this concept. No attempts should be made to further restrict the use of aftermarket parts. There is no question regarding the safety of such components. The Insurance Institute for Highway Safety, a well respected independent lab, crash tested aftermarket parts and found no safety problems associated with their use. The aftermarket industry has taken many steps to further ensure aftermarket quality and durability. The competitive influence of the aftermarket industry has resulted in lower prices

for parts manufactured by the automobile makers. When loss payments are reduced through use of aftermarket parts, premium costs are more effectively contained for all policyholders. NAII is dedicated to keeping such premiums as low as possible, and therefore opposes the proposed legislation. Any attempt to regulate the use of aftermarket parts beyond the simple disclosure approach would ultimately work to the detriment rather than the benefit of consumers.

EFFECTS OF PRICE COMPETITION
 CRASH PART PRICES COMPARISON*
 OEM VS. AFTERMARKET

		<u>KEYSTONE</u>	<u>HILLARD</u>	<u>OEM LIST</u>			
		<u>LIST</u>	<u>LIST</u>	<u>1986</u>	<u>1985</u>	<u>1984</u>	<u>1983</u>
MUSTANG ('79-'85)	FENDER	\$73.00	\$70.52	\$82.00	\$82.00	\$82.90	\$148.15
ARIES (1981)	FENDER	\$77.00	\$65.09	\$86.50	\$86.50	\$180.16	\$221.08
OMNI (1983)	FENDER	\$67.00	\$64.93	\$75.50	\$75.50	\$75.50	\$140.20
SENTRA ('82-'85)	FENDER	\$106.00	\$56.32	\$67.50	\$125.62	\$136.30	\$112.22
COROLLA (1981)	FENDER	\$71.00	\$58.96	\$61.38	\$79.27	\$116.89	\$116.89

*SOURCE = THE MOTOR CRASH ESTIMATING GUIDE

EFFECT OF LACK OF COMPETITION
 CRASH PART PRICES COMPARISON*
 OEM VS. AFTERMARKET

		<u>KEYSTONE</u>		<u>HILLARD</u>		<u>OEM LIST</u>			
		<u>LIST</u>	<u>BODYSHOP</u>	<u>LIST</u>	<u>BODYSHOP</u>	<u>1986</u>	<u>1985</u>	<u>1984</u>	<u>1983</u>
CAPRICE ('80-'85)	FRONT DOOR SHELL	\$--	\$--	\$--	\$--	\$725.00	\$637.00	\$608.00	\$593.00
CITATION ('80-'85)	FRONT DOOR SHELL	\$--	\$--	\$--	\$--	\$576.00	\$506.00	\$483.00	\$471.00
MONTE CARLO ('81-'85)	FRONT DOOR SHELL	\$--	\$--	\$--	\$--	\$581.00	\$511.00	\$488.00	\$476.00
DEVILLE ('80-'84)	FRONT DOOR SHELL	\$--	\$--	\$--	\$--	\$725.00	\$637.00	\$608.00	\$593.00

*SOURCE = THE MOTOR CRASH ESTIMATING GUIDE

AFTER MARKET PARTS MODEL REGULATION

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Section 9.	Effective Date

Section 1. Authority

This regulation is adopted pursuant to [the state Unfair Trade Practices Act,] Section _____.

Section 2. Purpose

The purpose of the proposed regulation is to set forth standards for the prompt, fair and equitable settlements applicable to automobile insurance with regard to the use of after market parts. It is intended to regulate the use of after market parts in automobile damage repairs which insurers pay for on their insured's vehicle. The regulation requires disclosure when any use is proposed of a non-original manufacturer part. It also requires that all after market parts, as defined in the regulation, be identified and be of the same quality as the original part.

Section 3. Definitions

- A. "Insurer" includes any person authorized to represent the insurer with respect to a claim who is acting within the scope of the person's authority.
- B. "Non-Original Manufacturer" means any manufacturer other than the original manufacturer of the part.
- C. "After market part" for purposes of this regulation, means sheet metal or plastic parts which generally constitute the exterior of a motor vehicle, including inner and outer panels.

Section 4. Identification

All after market parts, which are subject to this regulation and manufactured after the effective date of this regulation, shall carry sufficient permanent identification so as to identify its manufacturer. Such identification shall be accessible to the extent possible after installation.

Section 5. Like Kind and Quality

No insurer shall require the use of after market parts in the repair of an automobile unless the after market part is at least equal in like kind and quality to the original part in terms of fit, quality and performance. Insurers specifying the use of after market parts shall consider the cost of any modifications which may become necessary when making the repair.



New York
Regular Session
1987 New Laws Page 257

NEW YORK
Regular Session

Chapter 77, Laws 1987

Senate Int. No. 1854-B

AN ACT to amend the vehicle and traffic law, in relation to requiring motor vehicle repair shops to disclose when body parts used in a repair are manufactured as original equipment parts

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Subdivision one of section three hundred ninety-eight-d of
2 the vehicle and traffic law, as amended by chapter eight hundred five of
3 the laws of nineteen hundred eighty-four, is amended to read as follows:
4 1. All work done by a motor vehicle repair shop shall be recorded on
5 an invoice and shall describe all service work done and parts supplied.
6 If any used parts are supplied, the invoice shall clearly state that
7 fact. If any component system installed is composed of new and used
8 parts, such invoice shall clearly state that fact. If any body parts are
9 supplied, the invoice shall clearly state whether such parts were manu-
10 factured as original equipment parts for the vehicle, or were manufac-
11 tured as non-original replacement parts or are used parts. One copy of
12 the invoice shall be given to the customer and one copy shall be
13 retained by the motor vehicle repair shop. For the purposes of insuring
14 that the repairs described on the work invoice have been performed, ev-
15 ery customer and his representative or a representative of an insurance
16 company where such company has paid or is liable to pay a claim for

EXPLANATION--Matter in italics (underscored) is new; matter in brackets
[] is old law to be omitted.

1 damage to such customer's motor vehicle shall have a right to inspect
2 the repaired motor vehicle. Such right of inspection shall also include
3 the right to inspect all replaced parts and components thereof, except
4 warranty or exchange parts. Any such inspection by an insurer shall be
5 made in a manner consistent with the requirements of sections two
6 thousand six hundred one and three thousand four hundred eleven of the
7 insurance law. The motor vehicle repair shop shall make available to
8 the customer, upon timely written demand, or for such work authorized
9 over the telephone, shall keep until the customer's motor vehicle is
10 retrieved, all replaced parts, components or equipment excepting any
11 parts, components or equipment normally sold on an exchange basis or
12 subject to a warranty.

13 § 2. Subdivision two of section three hundred ninety-eight-d of such
14 law, as added by chapter nine hundred forty-six of the laws of nineteen
15 hundred seventy-four, is amended to read as follows:

16 2. Upon the request of any customer, a motor vehicle repair shop
17 shall make an estimate in writing of the parts and labor necessary for a
18 specific job and shall not charge for work done or parts supplied in ex-
19 cess of the estimate without the consent of such customer. The motor
20 vehicle repair shop may charge a reasonable fee for making an estimate.
21 If any body parts are included in the estimate, the estimate shall
22 clearly state whether such parts were manufactured as original equipment
23 parts for the vehicle, or were manufactured as non-original replacement
24 parts or are used parts.

25 § 3. This act shall take effect on the first day of September next
26 succeeding the date on which it shall have become a law.

Approved, May 22, 1987



CONNECTICUT
Regular Session

Public Act 87-334, Laws 1987

House Bill No. 5622

**AN ACT CONCERNING PARTS USED TO REPAIR DAMAGED
AUTOMOBILES.**

Be it enacted by the Senate and House of
Representatives in General Assembly convened:

(NEW) (a) (1) Whenever repairs are necessary
to the visible exterior sheet metal or plastic
parts of a damaged private passenger motor
vehicle, as defined in section 38-319 of the
general statutes, any insurer or repairer, as
defined in section 14-51 of the general statutes,
preparing a written estimate of the cost of such
repairs shall clearly identify in such estimate
each major replacement part to be used which is
not manufactured by the original manufacturer of
the damaged part in such motor vehicle. For the
purposes of this section, "parts" means motor
vehicle replacement parts of sheet metal or
plastic, which constitute the visible exterior of
the vehicle, including inner and outer panels, and
which are generally repaired or replaced as the
result of a collision.

(2) Attached to any such estimate shall be
the following notice, printed in no less than ten-
point type:

NOTICE

This repair estimate is based in part on the use
of replacement parts which are not made by the
original manufacturer of the damaged parts in your
motor vehicle.

(j) The insurer or repairer, as the case may be, shall give a copy of such estimate and notice to the person requesting such estimate.

(b) Any violation of the provisions of this section by an insurer shall be deemed an unfair or deceptive insurance practice under section 38-61 of the general statutes. Any violation of the provisions of this section by a repairer shall be deemed an unfair or deceptive trade practice under subsection (a) of section 42-110b of the general statutes.

Approved, June 10, 1987

BILL NO. 523

SENATE - TRANSPORTATION & UTILITY COMMITTEE

TUESDAY, FEBRUARY 16, 1988

My name is Bob Shelinbarger, owner and president of Kansas Bumper & Body Parts, Inc., Topeka, Kansas. As a member of the (ABPA) Aftermarket Body Parts Association, of which there are more than two hundred distributors, manufacturers and suppliers of body parts for the collision repair industry, I feel I need to present to you facts about this growing and improving industry. I have been in the recycled bumper business for twenty years and the "crash parts" business for eight years. I have been active in the evolution and growth of our industry from its infant beginnings as a distributor.

We have been answering the false allegations by the O.E.M. from the beginning, while at the same time providing the consumer and the insurance company an alternative to the previous monopoly the O.E.M. had on the "crash parts" industry. The word "aftermarket" is not new. There have been replacement parts for automobiles other than O.E.M. since the beginning of the automobile. What are Middas mufflers, Die-Hard batteries, Monroe shocks, and Eglin ignition parts? These are all parts manufactured as competitive replacement parts, most often at a lower price than O.E.M.

At first O.E.M. tried to call our parts "counterfeit", but this became a non-issue because we did not attempt to sell our product disguised as O.E.M., nor package as such. ABPA initiated an identification program of which fifty-seven Taiwanese, American, Canadian and Italian manufacturers now participate by moulding into their respective part a permanent identification stamp that can be easily identified.

As more parts became available O.E.M.'s started to drop prices on parts which had competition and began to raise prices of related parts not made

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aftermarket in an attempt to drive out the competition resulting in unfair trade practices. The aftermarket responded by staying competitive in price and by producing additional parts in the area that O.E.M. sought to increase. General Motors dropped the price of the 73-80 Chevy Pickup fender from a high of \$258.00 to \$85.00. At that time an aftermarket was priced at \$125.00. Today an O.E.M. fender for a 73-80 Chevy pickup fender is \$110.20 and I sell them for \$69.00 or a 35% savings to the consumer. By 1985 competitive crash parts accounted for 10% of the replacement parts business. It is estimated that we will only provide 25% of the market share and the O.E.M.'s recognize this. (See attached sheet - Pricing Analysis)

When pricing did not drive the aftermarket out of business, the O.E.M.'s began to attack the quality. The emphasis then shifted to inferior quality and claiming that the parts do not fit well. The fact of the matter is that competitive auto parts are made in state of the art factories by reputable manufacturers and are comparable in quality to the carmakers parts. In 1985 and early 1986 the manufacturers of competitive auto parts voluntarily contracted with the Independent Testing Laboratory (Detroit Testing Lab in Michigan) to test all parts for thickness, fit, material, primer and overall quality to assure the consumer, body shop and insurance company that they are getting a high quality part. The Taiwan Auto Body Parts Association has joined in with ABPA to provide only tested and "certified" parts.

Reputable suppliers of competitive auto parts offer warranties on their parts which match and often exceed those offered by the carmakers. For example, Kansas Bumper & Body Parts offers a guarantee for its competitive parts for as long as you own your car. Keystone, a major U.S. crash part supplier, and others throughout the U.S. also offer the same warranty.

Only until aftermarket body parts originated warranties on anti-corrosion did the O.E.M.'s begin offering anti-corrosion (rust through) warranties in response to the growing challenge of competitive auto parts manufacturers. Therefore, it seems clear that the aftermarket industry has forced the O.E.M.'s to improve their own quality and warranties, thus benefiting the consumer.

All cosmetic auto body parts, those manufactured by carmakers and those manufactured by competitive auto parts companies, must be fitted and adjusted by the body shop that installs them. The skill of the body shop worker plays a vital role in the end repair result. A skilled body shop person can fit competitive auto parts and carmakers parts with equal precision.

Last year the O.E.M.'s started a propaganda campaign to discredit aftermarket body parts by claiming that using their parts may well violate federal safety standards. This is NOT true. And for the simple reason that no federal safety standard exists, except for the hood, for individual sheet metal parts. Brian O'Neill, president of IIHS, testified before the Oregon Department of Insurance in November 1986: "There are no Federal standards for cosmetic body parts because there is no reason to believe, let alone assume, that such parts significantly influence car crashworthiness." Federal standards do require that the entire vehicle meet certain safety criteria when new. The Federal standards that apply to the hoods on new cars state that the hoods must not intrude into the passenger compartment in a head-on collision. This is not referring to the cosmetic crash parts, but the hinges and attachment systems. These attachments are not among the cosmetic parts at issue.

Since this time the (N.H.T.S.A.) National Highway Traffic and Safety Administration in Washington, D.C. tested aftermarket and O.E.M.'s crash parts in actual front end collision and found that they performed identically.

O.E.M.'s have since discontinued their futile attack on aftermarket parts from a safety standpoint.

Currently, there are over 2,000 competitive crash parts available, and of these approximately 200 are certified. At this time, however, many of the certification stickers are not attached to the individual part. Detroit Laboratories (the independent testing lab) has been researching and setting up over the past year and a half. The actual certifying of individual parts has only taken place this past summer. The second edition of the certification "directory" was issued in November 1987.

I attended a meeting of the Taiwan Auto Body Manufacturers Association in November. It was clarified that all parts must have a certification sticker issued by Detroit Testing Laboratory as soon as all parts could be properly tested and certified. Although the D.T.L. is in full swing, the certification of all parts is going to take time if the program is going to have integrity and credibility. They are doing on-site inspections, laboratory testing, as well as providing current listings of certified parts to suppliers, body shops and insurance companies.

How does this pertain directly to Senate Bill No. 523? As it first appears, this bill pertains to the identification, safety and quality of replacement "crash parts". But the real issue here is price and competition. This bill is directed toward returning the O.E.M. manufacturer to the monopoly of the crash parts business it once enjoyed by driving out the competition. I believe this is the last area the O.E.M.'s have to discredit the use of competitive parts by the motoring public.

O.E.M.'s invited competition by overpricing parts that were replacing poor quality rusted parts that had no warranty. TODAY THERE IS A CHOICE.

First, I would like to look at Section 1 (b) which the ABPA has always agreed that all estimates and body shops should identify the crash parts that are to be used. This choice most often is O.E.M., "aftermarket" or used. We have not sold our parts as counterfeit.

Section (c) deals with the warranty of crash parts. The disclosure document is worded very carefully to include the word may invalidate and may render your vehicle in noncompliance with federal safety standards which, in fact, there are no standards. We would like to have added that the use of aftermarket crash parts may extend and carry a longer warranty than O.E.M. parts. Why would replacing the right fender of the car invalidate the warranty of the left fender by O.E.M.'s.

Section (d) deals with the real issue of price and profit. The insurer is trying to repair an insured vehicle to before-accident condition at the most reasonable price. The body shop and the insurance companies do not always agree on how the car should be repaired and many times this has to do with the profitability of the repair, not the quality. By using aftermarket parts and the lowering of O.E.M. prices, the insurance companies have saved money, but this has also cut into the profit of the body shop owner. On the other hand, many body shop owners realize that aftermarket parts have helped reduce the number of automobiles that are totaled (when the repair costs exceed the value of the car) and sent to the salvage yard.

Section d (2) deals with certification which the Aftermarket Body Parts Association in the United States, Taiwan Auto Body Parts in Taiwan, manufacturers in Italy and Canada have been trying to implement in the past year and a half. This program has not been completed and it would be crippling to the aftermarket industry without giving proper time to fully implement the certification program by the Detroit Testing Laboratories.

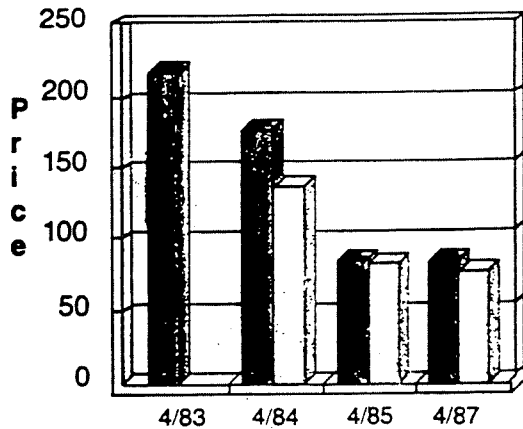
Michigan. Reputable suppliers of aftermarket body parts have been able to identify the manufacturers that have continually produced high quality parts and purchasing only those items. Competition between aftermarket manufacturers have produced a higher quality part because the market has demanded equal to or better than O.E.M. quality.

I have tried to give you a condensed version of what has happened in the collision crash parts industry the past ten years. Currently there are no other parts in the auto industry (mechanical and hard parts) that are required by law to be certified as to O.E.M. quality. These parts include glass, ball joints, tires, batteries, brakes, etc.

I am asking you to let the American free enterprise system of quality and price by competition do its job. I think I have shown how it has been working for the past ten years. Don't stop it now just as we are at the finish line of bringing a superior product at a lower price to the consumer.

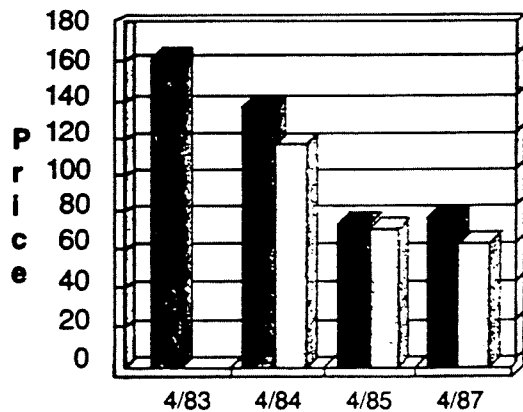
Competition Drives Down Carmaker Prices

1983 Dodge Aries Fender



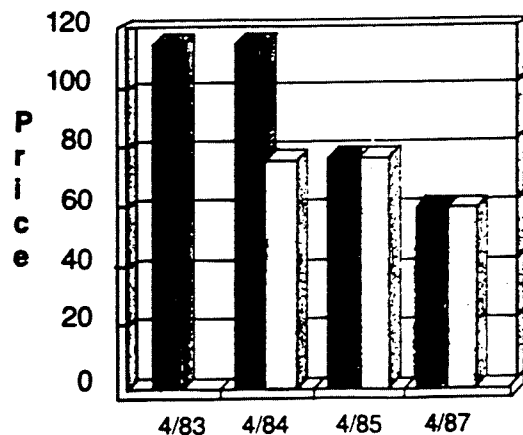
Competitive parts initially cost considerably less than carmaker parts and, thus, offer a less costly alternative when insurers write auto repair estimates. Additionally, as a result of competition, the price of carmaker parts generally goes down, which then also means a saving for those who use them.

1981 Dodge Omni Fender



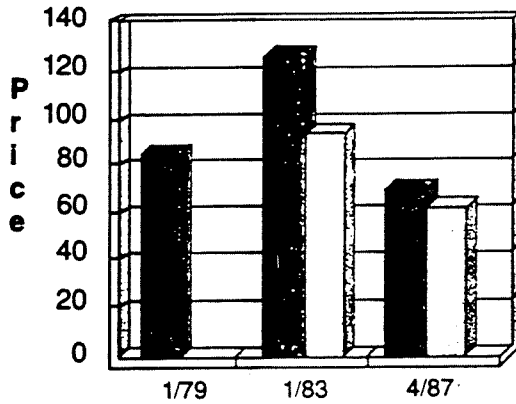
For example, a 1983 Dodge Aires replacement fender cost \$221 in 1983, but after competitive fenders were introduced, the Aires fender price had, by 1986, dropped to \$87. Other significant savings resulted from competition involving Dodge Omni and Toyota Corolla fenders.

1983 Toyota Corolla Fender



Prices For One Car Tell The Story

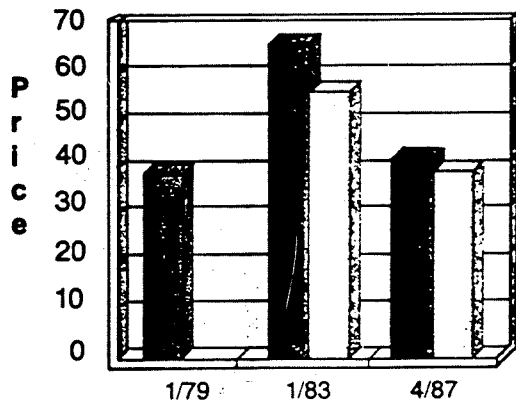
1979 Chevette Fender Prices



The price history for 1979 Chevette parts shows not only how much manufacturer prices have dropped since the advent of competition, but it also shows how much they rose before competitive auto parts became available. The carmaker fender price, for example, has dropped 45 per cent since competition, after going up 50 per cent.

■ Manufacturer
 ▨ Competitor

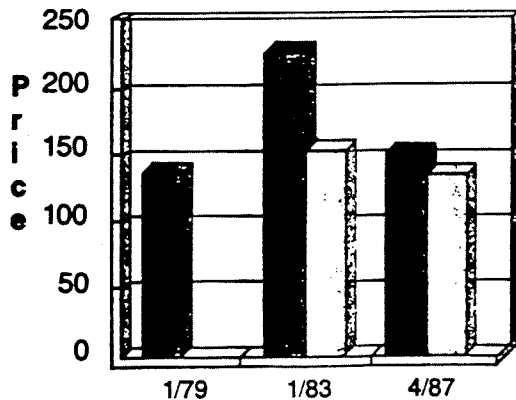
1979 Chevette Grille Prices



The grille and hood prices peaked later because competition for those parts was longer in coming. Note that competitive parts prices also have gone down.

■ Manufacturer
 ▨ Competitor

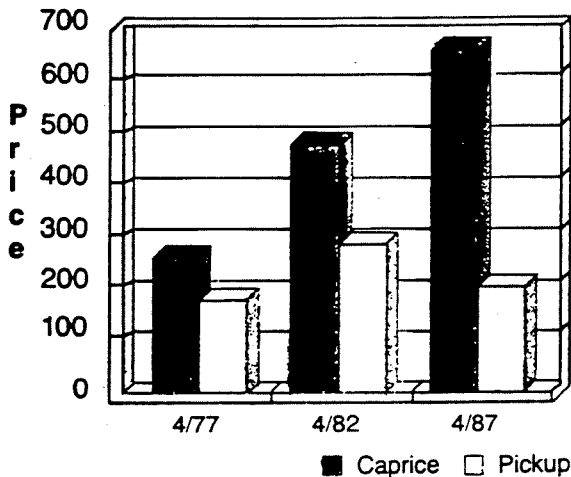
1979 Chevette Hood Prices



■ Manufacturer
 ▨ Competitor

Lack of Competition Allows Carmaker Parts Costs To Soar

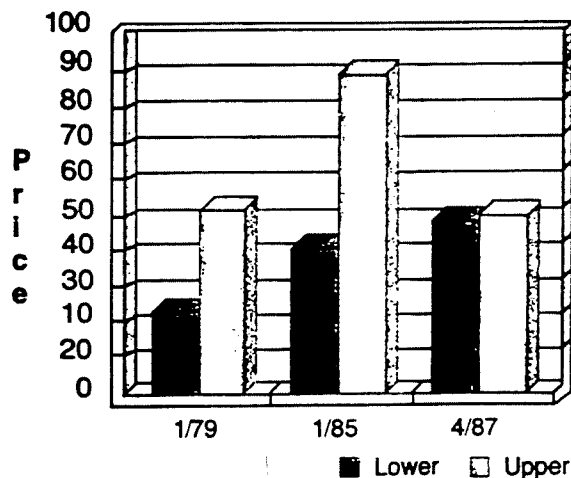
1977 Chevrolet Pickup and Caprice Front Doors



Potential savings won't be realized fully as long as there is no competition for many other kinds of crash parts. Where there is no competition, parts typically have gone up in price—many significantly.

For example, the price of a 1977 Chevrolet Caprice front door, for which there was no competition, more than doubled—rising from \$267 in 1977 to \$671 in 1987. However, the price of a Chevrolet pickup door declined, from a peak price of \$295 in 1982 to \$209 in 1987, when competition was introduced.

1979 Camaro Upper & Lower Grilles



Prices of the two-part 1977 Camaro grille demonstrate what happens when there is and is not competition. The lower part can be replaced only with a monopoly part, while competition exists for the upper part.

The lower grille price has more than doubled in price since 1979—increasing from \$24.50 to \$51.00. The upper grille manufacturer part price plunged from \$90.75 to \$51.75 after a competitive part was introduced at \$46.00.

KANSAS BUMPER & BODY PARTS, INC.
ABPA TESTIMONIAL

In conjunction with the Aftermarket Body Parts Association (ABPA), we wish to make the following statement.

WE ARE IN FAVOR OF--

- 1) Kansas Bumper & Body Parts favors any forms of DISCLOSURE to the motoring public; we believe the motorist has the right to know what parts are being used in the repair of his or her vehicle after a collision.
- 2) Kansas Bumper & Body Parts is in favor of a FREE MARKETPLACE which would ultimately determine which products are worthy of the public's support and patronage.
- 3) Kansas Bumper & Body Parts is in favor of extending to the motoring public the WIDEST CHOICE of quality body parts available at competitive prices. We stand behind these products with a minimum five year written warranty which exceeds the warranty offered by the OEMs on comparable parts.
- 4) Kansas Bumper & Body Parts is in favor of parts which are IDENTIFIED as to manufacturer and country of origin.
- 5) Kansas Bumper & Body Parts is in favor of all aftermarket and OEM body parts being CERTIFIED to meet accepted industry standards.

WE ARE AGAINST--

- 1) Kansas Bumper & Body Parts is against the continuation of the OEM MONOPOLY on collision body parts which for more than six decades allowed a handful of major companies to charge artificially high prices to the repair trade and to the detriment of the motoring public.
- 2) Kansas Bumper & Body Parts is against REGULATIONS & LEGISLATION which, under the disguise of consumer protection, thwarts competition and will again place the control of replacement body parts into the exclusive hands of OEM producers.
- 3) Kansas Bumper & Body Parts is against the PARADE OF DISTORTIONS & CAMPAIGNS OF MIS-INFORMATION by opponents who have a habit of characterising all aftermarket body parts as being inferior regardless of where the parts originate and regardless of which company manufactures them.
- 4) Kansas Bumper & Body Parts is against PROVISIONS ON SPECIFICATIONS which are written into laws mandating that our products must compete against OEM standards when these standards are not known or published by the OEM manufacturers.
- 5) Kansas Bumper & Body Parts is against any type of INFLAMMATORY LANGUAGE written in proposed regulation and legislation which would suggest that the use of non-OEM body parts may endanger the safety of the motoring public when there are no applicable Federal Motor Vehicle Safety Standards relative to cosmetic sheet metal.
- 7) Kansas Bumper & Body Parts is against any inference of WARRANTY INVALIDATION if the motorist, the insurance carrier and/or the body repairman opts to use non-OEM body parts in the collision repair.

advisory

advisory

advisory

COSMETIC REPAIR PARTS REMOVED — NO EFFECT ON COMPLIANCE, CRASH TEST SHOWS

Number 2
November 1987

INSURANCE
INSTITUTE
FOR
HIGHWAY
SAFETY
HIGHWAY
LOSS
DATA
INSTITUTE

Watergate 600
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Car fenders, door panels, and other cosmetic repair parts used to be available only from automakers. Now they're being sold by other suppliers, too, and in this competitive market there's heated debate about the relative quality of parts from various sources. An important point of the debate involves safety — specifically, will using parts from suppliers other than original-equipment manufacturers affect compliance with federal motor vehicle safety standards?

It was on this question that the Insurance Institute for Highway Safety initially entered the debate, pointing out in an earlier *Advisory* (No. 1, January 1987) that there's no reason to believe — let alone assume — that cosmetic body parts significantly affect car crashworthiness. Parts like fenders, door panels, and grills serve no structural or safety function. They simply cover the car like a skin.

Still, the debate continues with a few auto manufacturers insisting that using competitive body parts may affect a car's compliance with federal crash test safety standards. With the possible exception of hoods, General Motors doesn't subscribe to this viewpoint. But other automakers including Nissan and Toyota do.

Crash Test Makes Case — Again

One way to address this issue, besides carefully explaining why cosmetic parts aren't safety-related, is to demonstrate the point. On August 26, 1987, the Insurance Institute for Highway Safety conducted a 30 mph front-into-barrier crash test of a 1987 Ford Escort to measure compliance with the federal motor vehicle safety standards (FMVSSs) that specify crash test requirements. The key to the test was this: The Escort was crashed *without* its front fenders, door panels, or grill. If compliance could be achieved *without* such parts, we reasoned, it would convincingly demonstrate that cosmetic parts — whether original-equipment or competitive — are irrelevant to meeting federal safety requirements.

The Escort's original-equipment hood was replaced with a competitive part to measure compliance with FMVSS 219, according to which the hood must not intrude into the windshield or a defined zone around it in a 30 mph crash test.

Standard-by-Standard Results

The Institute's demonstration was conducted in accordance with federal procedures for compliance testing. And the result? The Escort complied with the front-into-barrier crash test performance requirements of the relevant safety standards. It met these requirements with room to spare, even without its cosmetic body parts:

The Insurance Institute for Highway Safety and the Highway Loss Data Institute are independent, nonprofit public service organizations that identify, develop, and evaluate ways to reduce the losses — deaths, injuries and property damage — resulting from crashes on the nation's highways. Their work is wholly supported by the American Insurance Highway Safety Association, the American Insurers Highway Safety Alliance, the National Association of Independent Insurers Safety Association, and several individual insurance companies.

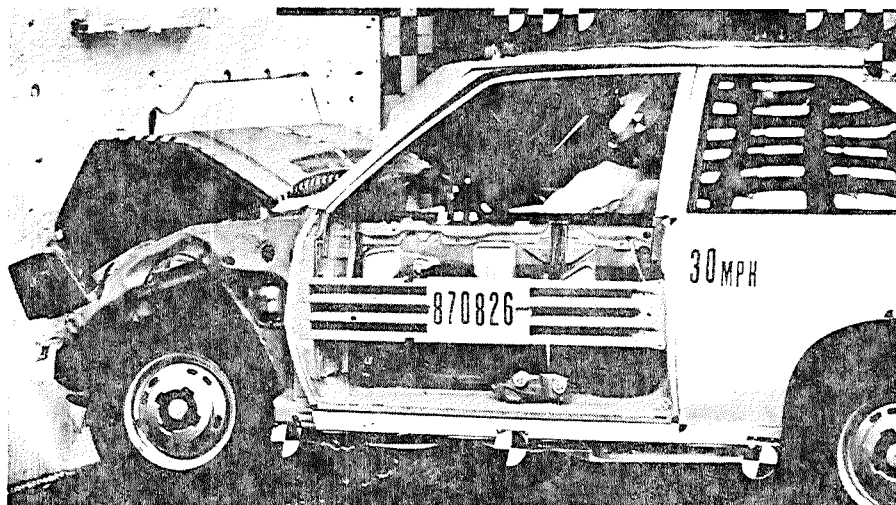
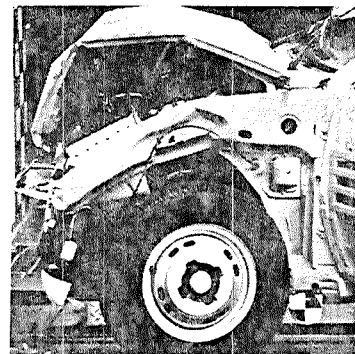
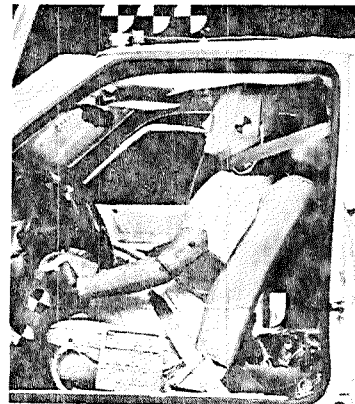
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FMVSS 204 limits the amount of rearward movement of the steering column into the passenger compartment to reduce the likelihood of chest, neck, and head injury. In the Institute's test, there was no appreciable movement of the steering column. Measurements in relation to reference points were essentially the same before and after the crash test.

FMVSS 208 specifies requirements for both active and passive occupant protection systems. The Escort used in the Institute's test was equipped with two-point automatic shoulder belts plus fastened manual lap belts in the front seat. Measurements from the two anthropomorphic test dummies were impressive — the driver's Head Injury Criterion was 296 and the passenger's was 339, both far below the federal maximum of 1,000 for cars with automatic restraints. Femur loads and chest forces were also well within allowable limits.

FMVSS 212 requires that the windshield mounting remain anchored in place and retain at least 75 percent of its periphery. (For cars with automatic restraints, this requirement is reduced to 50 percent.) In the Institute's crash test, windshield retention was 100 percent.

FMVSS 219 regulates the intrusion of vehicle parts (usually the hood) from outside the occupant compartment into the windshield or a protected zone in front of it. As the Institute pointed out in a previous *Advisory*, this is the only standard where compliance could possibly be affected by cosmetic parts. The key question is whether competitive hoods will buckle, as new-car hoods are designed to do. Are the sections of competitive hoods welded together strongly enough to prevent separation while buckling? Or might a competitive hood be pushed back through a car's windshield and endanger front-seat occupants in crashes? In the Institute's test, the hood buckled and did not intrude into the protected zone. It easily met the requirements of FMVSS 219. Other competitive hoods examined by Institute engineers have built-in buckle points, too, indicating they will buckle in frontal crashes, just as they are supposed to.



FMVSS 301 limits fuel spillage in front, side, and rear crash tests, which include rolling the car over after the test to check for leakage. In the Institute's 30 mph crash test, fuel spillage was zero.

Findings from the August 1987 crash test thus demonstrate convincingly that, with the exception of hoods, the cosmetic parts used to repair cars are irrelevant to safety. In fact, cars without any of these parts at all easily comply with the front-into-barrier crash test requirements set by the federal government.

NON-ORIGINAL EQUIPMENT REPLACEMENT PARTS INFORMATION

*Whenever ** appears next to the description of a part which is to be replaced, this means:*

THIS ESTIMATE HAS BEEN PREPARED BASED ON THE USE OF AUTOMOBILE PARTS NOT MADE BY THE ORIGINAL MANUFACTURER. PARTS USED IN THE REPAIR OF YOUR VEHICLE BY OTHER THAN THE ORIGINAL MANUFACTURER ARE REQUIRED TO BE AT LEAST EQUAL IN LIKE KIND AND QUALITY IN TERMS OF FIT, QUALITY AND PERFORMANCE TO THE ORIGINAL MANUFACTURER PARTS THEY ARE REPLACING.

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**REFER TO THE ATTACHED INFORMATION
REGARDING REPLACEMENT PARTS NOT MADE
BY THE ORIGINAL EQUIPMENT MANUFACTURER**

TESTIMONY ON SENATE BILL 523

Senate Transportation Committee

by Lee Wright

Legislative Representative for Farmers Insurance Group

Mr. Chairman, Member of the Committee, my name is Lee Wright. I am representing Farmers Insurance Group of Companies. We appreciate this opportunity to appear in opposition to Senate Bill 523.

Farmers Insurance Group does oppose this legislation as it would reduce or eliminate competition in the market place. The bill requires each non-original equipment manufactured part, usually referred to as aftermarket parts, to be clearly identified on the estimate. We agree and currently provide this.

However, the bill also proposes the estimate of repair have a notice that use of non-OEM parts may invalidate warranties of the manufacturer. We do not agree with this statement in that it suggests these parts are not safe. This is not true. We know of no reliable evidence that the quality of aftermarket parts are deficient in any way. The alleged structural and safety standard issues by original manufacturers have never been proven.

This is merely a screen to alarm the consumers, do away with parts competition and place the original manufacturers back into their prior monopoly position.

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The need for a warranty on a "crash part" is very remote and we would advise you that the major aftermarket parts producers do have warranties on their product.

The use of quality replacement parts produced by companies other than the original manufacturer has not only helped contain increases in insurance premiums, but also has forced auto manufacturers to lower prices on their crash parts to meet the competition. We feel this is the main issue here and none other.

No legitimate insurer would ever permit, much less insist, on repair or replacement of damaged auto parts with unsafe, inferior parts. There is no benefit to insurers if the part somehow causes or generates additional claims and additional costs.

We also must remember that not all damaged vehicles are covered by physical damage insurance. When there is no insurance the consumer must pay out of his own pocket and by restricting use of aftermarket crash parts, the original manufacturers' prices will be free to go up.

For several years now Farmers Insurance has encouraged the use of quality aftermarket parts. Use of these parts has helped contain insurance premiums for our policyholders.

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The advent of the aftermarket parts is not welcomed by the original manufacturer because it is fair competition and they don't like it.

The passage of this measure would, in our opinion, restrict open competition in the crash parts market and increase the cost of vehicle repair which, in the end, will be passed on to the policyholders in higher premiums.

I have attached an exhibit used by the National Association of Independent Insurers before the Oregon Insurance Department on November 24, 1986, which indicates the effects of price competition on crash parts from 1983 through 1986.

Thank you Mr. Chairman, that concludes my remarks.

EXHIBIT I

EFFECTS OF PRICE COMPETITION
 CRASH PART PRICES COMPARISON*
 OEM VS. AFTERMARKET

		<u>KEYSTONE</u>	<u>HILLARD</u>	<u>OEM LIST</u>			
				<u>LIST</u>	<u>LIST</u>	<u>1986</u>	<u>1985</u>
MUSTANG ('79-'85)	FENDER	\$73.00	\$70.52	\$82.00	\$82.00	\$82.90	\$148.15
ARIES (1981)	FENDER	\$77.00	\$65.09	\$86.50	\$86.50	\$180.16	\$221.08
OMNI (1983)	FENDER	\$67.00	\$64.93	\$75.50	\$75.50	\$75.50	\$140.20
SENTRA ('82-'85)	FENDER	\$106.00	\$56.32	\$67.50	\$125.62	\$136.30	\$112.22
COROLLA (1981)	FENDER	\$71.00	\$58.96	\$61.38	\$79.27	\$116.89	\$116.89

*SOURCE = THE MOTOR CRASH ESTIMATING GUIDE

Agenda - February 16

Hearing on:

S.B. 579 - Concerning roads and highways; maintenance of property managed by department of wildlife and parks.

Sen. Bogina

S.B. 523 - Repairing motor vehicles with crash parts

Pro - Dale Lehning, Chairman of Legislative Committee,
Ks. Automotive Dismantlers and Recyclers Assn.

for

Pat Wiechman - Handout

Evan Pingleton, Custom Coachwork, Topeka

Ted Hite, Hadd Collision Repair, Lawrence

Opponents

Pat Barnes, Ks. Motor Car Dealers Assn.

Bob Zeman, VP of National Assn. of Independent Insurors,
Des Plaines, Ill.

Bob Shelingbarger, Ks. Bumpers, Topeka (Supplier of Parts)

Bud Cornish, Ks. Assn. of Property and Casualty Co.

Dick Scott, State Farm Insurance

Lee Wright, Farmers Insurance Group

Glenn Cogswell, Alliance of American Insurors

Approval of Minutes, February 10 and 11