Additional Questions for the Record

The Honorable Michael C. Burgess, MD

1. If a recycler does not know what part has been recalled, what happens to the vehicle and parts that may be associated with the recall?

   ARA Response
   As with any owner of a vehicle, if the owner/recycler is not notified or is not given adequate information in order to identify which defective automaker part has been recalled, the owner will not be in a position to know if any part associated with a vehicle is recalled. That is the reason recyclers need VIN specific part number data in a recall notice.

2. If legislation prohibited dealers and others from selling cars under recall, including those sold for scrap, what would the effect be on auto parts recyclers?

   ARA Response
   If legislation prohibited dealers from selling used cars with non-remedied recalls to professional automotive recyclers, it would have a significant impact. While the volume of vehicles automotive recyclers receive from dealers is relatively low, there would be a huge impact if motor vehicles at salvage auctions were classified as used vehicles.

   ARA believes that if such used car legislation is considered, it should provide an exemption for motor vehicles sold to professional automotive recyclers similar to the language contained in current Rachel and Jacqueline Houck Safe Rental Car Act legislation (H.R. 2198/S.1173).

3. Do automotive recyclers follow motor vehicle equipment standards that are in place for new motor vehicle equipment?

   ARA Response
   The National Highway Traffic Safety Administration has a legislative mandate under Title 49 of the United States Code, Chapter 301, Motor Vehicle Safety, to issue Federal Motor Vehicle Safety Standards (FMVSS) and Regulations to which manufacturers of motor vehicle and equipment items must conform and certify compliance. These Federal safety standards are regulations written in terms of minimum safety performance requirements for motor vehicles or items of motor vehicle equipment. These requirements are specified in such a manner "that the public is protected against unreasonable risk of crashes occurring as a result of the design, construction, or performance of motor vehicles and is also protected against unreasonable risk of death or injury in the event crashes do occur."

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Professional automotive recyclers sell original equipment manufacturer (OEM) used (recycled) parts and assemblies to its customers. OEM recycled parts have the original factory corrosion protection. They have proper mounting locations and fit properly. They are OEM parts, designed by the OEM, and built to meet the OEM requirements for fit, finish, durability, reliability and safety. Professional automotive recyclers do not alter the recycled OEM parts they sell. They effectively are the same parts, but are simply distributed in different channels — new versus used versions of the same parts.

A. How do automotive recyclers ensure the safety and reliability of a recycled part or component before it is marketed or sold to a consumer?

ARA Response

Professional automotive recycling facilities follow industry established best management practices and methodologies to provide quality OEM recycled parts to consumers. There are at a minimum, three separate evaluations of any OEM recycled part before it is sold.

These facilities maintain multi-step inspection and quality control systems to ensure that the recycled parts and assemblies provided meet appropriate grade and condition requirements. These systems include, among other things, i) pre-purchase inspection of the salvage vehicle; ii) further inspection of the vehicle, damage, and point of impact analysis of the vehicle at the recycling facility before disassembly; iii) further inspection and grading of the condition of the part or assembly after disassembly has occurred at the facility; and iv) further inspection before delivery to customers to meet their specific order requirements.

Professional automotive recyclers acquire motor vehicles from various sources, including salvage auctions, dealers and direct purchases from insurers and vehicle owners. After the vehicles are acquired, professional automotive recyclers make a careful assessment of the vehicle to determine which parts and assemblies will be removed from the vehicle for disassembly and which parts will be scrapped. Established methodologies for vehicle evaluation and inventory analysis can include processes such as:

- Imaging the vehicle and its component parts and track to the vehicle part record
- Reviewing the vehicle's build codes (if available)
- Imaging the build codes and capture build date (if available)
- Decoding vehicle line and drive train configuration
- Identifying assemblies and parts
- Verifying interior colors and maintain conditions and option lines (seats, dashboard, door parts)
- Verifying condition of core support, bumper reinforcement, head light mounting panel and frame rails
- Assigning condition codes, assess extent and type of any damage, and identify the primary damage field

- Starting vehicle and test mechanical and electrical parts *(e.g.,* fuel pump, alternator, transmission, power windows, mirrors, power seats, power antennae, AC compressor system)
- Logging on the individual part record that the part has been tested
- Engine-oil and compression testing to learn if mileage exceeds certain mileage

Data is recorded in respect to both the vehicle and disassembled parts and assemblies, and part tags with bar codes are assigned to each disassembled part/assembly.

In 1997, ARA established its Gold Seal Certification Program that defines standards for recycled parts quality assurance, customer service, parts descriptions and other facets of quality control. This program continues to grow and is recognized by the Automotive Service Association and other industry partners.

4. How are recyclers monitoring counterfeit automotive parts in the marketplace and ensuring that they are not being sold to consumers?

ARA Response

ARA has a long history of speaking out against counterfeit automotive parts and warning the automotive repair industry community and consumers about the dangers such parts pose and their increasing prevalence. ARA urges customers to utilize quality, recycled original equipment manufacturer (OEM) parts supplied by professional automotive recyclers because it is the professional automotive recycling operations that have robust product assurance and quality control procedures in place to help identify parts that do not meet industry accepted standards.

Most professional automotive recycling facilities employ multi-step quality control precautions that help to identify counterfeit parts. The industry employs sophisticated methods to process, inspect, evaluate and analyze OEM parts harvested from vehicles. For example, at a typical professional automotive recycling facility, these processes may include a review of the vehicle's build codes (if available), capturing images of the vehicle and its component parts to track the vehicle part record, verification of interior colors, conditions and option lines (seats, dash board, door parts) and checking the vehicle identification number. As a result of these quality control processes, parts found to be of a substandard condition grade, rusted, non-repairable or otherwise suspect, such as possible counterfeit parts, are not listed as available on estimates or sold to customers.

ARA is working on many fronts to ensure that counterfeit parts are not being sold. At the state level, ARA has supported legislation making it a crime to knowingly manufacture, import, install, reinstall or sell a counterfeit or nonfunctional airbag. In addition to meeting with NHTSA staff about this issue, at the government's request, ARA also met with senior policy staff from the Administration responsible for coordinating the federal government's efforts on intellectual property (IP) enforcement issues to discuss the issue of counterfeit airbags.

Preventing the spread of counterfeit automotive parts and targeting criminals who engage in that type of activity also is a priority for the National Intellectual Property Rights Coordination Center (IPR Center) which is a joint task-force agency led by Homeland Security Investigations, a component of the Immigration and Customs Enforcement (ICE) agency. According to the IPR Director, the use of illegal counterfeit automotive parts is increasing in the U.S and automakers and automotive recyclers both can and need to help with this problem. The Director further stated that "automotive recyclers know their business and can recognize when a part seems out of place, or doesn't seem right." In addition, he suggested that consumers should only "do business with reputable repair shops, the manufacturer's dealership repair network, or legitimate automotive recyclers selling used OEM parts." ARA is working with many different sectors to help reduce the incidence of counterfeit automotive parts in the replacement parts marketplace.

5. Section 202 of the discussion draft requires part suppliers to provide part numbers to NHTSA and automakers in circumstances where a recall involves a defective part. Will this help recyclers determine which parts are subject to a recall, if publicized by NHTSA or the automakers? What efforts have recyclers made in the past to obtain part numbers from part suppliers, automakers, franchised dealers, and NHTSA in the event of a recall?

   ARA Response

   The language in Section 202 of the discussion draft requiring part suppliers to provide part numbers to NHTSA and automakers in circumstances where a recall involves a defective part does not go nearly far enough and is significantly deficient. The key deficiencies center on the fact that the language does not require manufacturers to provide their part numbers in a format that is electronically integratable into inventory management systems.

   For years, professional automotive recyclers through their industry trade association - ARA, have sought access to original equipment part numbers on behalf of the industry. We have appealed to all sectors of government, automakers, related industry sectors and worked with consumer groups to obtain part data from automakers. Our efforts have resulted in a much better educated public about OEM recycled parts and the significant role they play in the replacement parts market; however, the automakers continue to restrict access to their part data and policymakers continue to permit them to act in this manner.

   Regrettably, automakers have a long history of erecting barriers to further monopolize their hold on the vehicle parts replacement market. From withholding essential Vehicle Identification Number (VIN) information tied to part name, description and numbers to the full court negative press campaign on the integrity of recycled OEM parts - components they themselves originally manufactured - the automakers stand as a road block to fair competition in the markets for replacement parts and equipment to ensure efficient repair and maintenance of motor vehicles.

In its comments submitted to NHTSA on the Motor Vehicle and Equipment Safety Recall Rule in November 2012, ARA agreed with the Agency that the automobile manufacturers are critical to the development of a comprehensive, centralized recall database. ARA specifically requested NHTSA to require that manufacturers provide data such as Original Equipment numbers, Part ID numbers, build sheets with textual part descriptions, published service and recall bulletins, remedy/repair procedures, along with all current and superseded numbers on recalled items.

ARA further noted that NHTSA should make sure this data is available via batch access so that the entire recall database is available for download to third parties for integration in their locally installed inventory management systems. ARA stated that under this system, particular users would be able to incorporate this data into their individual inventory management systems so that this information would reach all levels of the automotive supply chain in a streamlined manner.

ARA has repeatedly noted that while very few of the hundreds of millions of recycled OEM parts sold annually could be subject to a recall, OEMs should not be allowed to block information about those items. ARA holds that it is especially troublesome when manufacturers reference the lack of a systematic recall tracking system and use that as a marketing tool against consumers' utilization of recycled OEM parts.

ARA is working beyond our borders to get parts data as well. At the 14th International Automotive Recyclers Congress in Brussels, Belgium in March 2014, ARA urged the automotive manufacturing community to provide professional automotive recyclers with access to crucial original equipment manufacturers (OEM) parts data. ARA was quoted as stating that “the industry must be provided with safety information that can be automatically synchronized with recycled parts inventories so that important recall and service bulletin information is seamlessly integrated into the inventory management systems utilized by the automotive recycling industry."

The Honorable Adam Kinzinger

1. My office has received responses from a few auto manufacturers following previous hearings on this subject. In their responses, they highlighted that the necessary parts number information is available today, via subscription such as Honda's Service Bulletin. Do resources like these provide the information your member companies need? How is the information you're requesting different from what auto manufacturers' claim is already available?

   ARA Response
   Regrettably, automakers have a long history of withholding essential Vehicle Identification Number (VIN) and part number information. The specific parts number information is not available today to the professional automotive recycling industry. If automakers are pressed to answer the question, they tend to point to information that is not available and/or

provided in formats that cannot be efficiently integrated into professional automotive recycling industry inventory management systems (IMS), such as .pdf files of technical service bulletins.

As mentioned in my testimony, automakers are accountable for the safety of all original equipment parts throughout their life-cycle and should be required to share whatever parts information is necessary to identify and locate recalled defective parts within the recycled original equipment parts population. This practice of sharing original equipment parts numbers with professional automotive recyclers should not be an anomaly, rather it should be a standard automotive industry practice, especially in light of the new "safety norm." Consumer demand for a safe and vibrant replacement parts market makes it imperative that Congress include language that would require automakers to remove the barriers they have constructed so that all of the parts data is available to the professional automotive recycling industry.

In addition, ARA strongly believes that U.S. policymakers should follow the lead of the European Commission which has adopted regulations that require automakers to provide independent operators with the VIN, OE parts numbers, OE naming of the parts, and validity attributes. Only with this data can the automotive parts supply sector efficiently identify the automakers defective parts.

This vehicle part information (part name, part description and part number) must be tied to specific Vehicle Identification Numbers (VINs) data for all motor vehicles. It is only with access to specific VIN numbers tied to the parts information (part names, part descriptions, part numbers) that the industry's commercial inventory management system (IMS) providers will have the ability to develop software to automatically and electronically identify the defective recall parts in the automotive supply chain, significantly helping NHTSA reach its 100% recall remedy goal.

It is important to note that six to eight major inventory management system entities handle 95 percent of the parts inventoried by automotive recycling facilities. Only an estimated 5 percent of parts in the marketplace fall outside of the IMS platforms. These percentages support the need for NHTSA to provide the IMS entities with access to this critical parts and VIN data.

ARA also concurs with NHTSA's statement included in the proposed Rule for Map 21 dated September 10, 2012 in which the Agency stated that, "We (NHTSA) believe safety critical information, such as recall information, should be provided to the public without charge."