

STATEMENT

OF

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INTERNET

U.S. HOUSE COMMITTEE ON THE JUDICIARY

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Good Afternoon Mr. Chairman and Members of the Subcommittee. My name is Dan Risley. I am President of the Automotive Service Association (ASA) and I am here today representing our association. ASA is the largest not-for-profit trade association of its kind dedicated to and governed by independent automotive service and repair professionals. ASA serves an international membership base that includes numerous affiliate, state and chapter groups from both the collision and mechanical repair segments of the automotive service industry. Prior to ASA, I was involved in a family-owned collision repair facility, served as the executive director of another automotive association and spent a number of years at Allstate Insurance Company.

ASA has a long history of working with insurance companies in ensuring our customers the best possible repair experience following an accident. ASA is supportive of insurer direct repair programs (DRP) that are open and fair to both vehicle owners and collision repairers. Many of our leaders serve on DRP advisory boards of state and national insurance companies.

Although we work closely with insurers as part of direct repair programs, we are mindful that our customer's vehicles are our first priority and that these vehicles must be safe and satisfactory to the consumer when they leave our repair shops. We do have concerns when some insurers insist on repairs that are simply "cheaper and quicker" without regard to quality and safety. This is why my Board of Directors, made up of repair shop owners from across the U.S., wanted me to testify before this Subcommittee today.

The automobile is the second most expensive purchase made by most Americans. Although the automobile is a major part of most Americans' daily lives, few vehicle owners

have much knowledge about automotive repair. This is particularly true relative to collision repair. After an accident, other than contacting law enforcement or other emergency personnel, the vehicle owner contacts their insurance company. Depending on state laws, consumers are advised about repair facilities by insurers or they may have some familiarity with repair shops or they search the Internet. It's at this point that vehicle owners lose control. Very few consumers have any knowledge about the types of crash parts used to repair their vehicles as there are numerous crash parts choices in the marketplace such as Original Equipment Manufacturer parts (OEM), aftermarket crash parts and recycled crash parts.

The fundamental language used in this bill would systemically validate any and all aftermarket parts to be equal to an OEM part. In Section 2 of the bill it states, "so as to restore such vehicle to its appearance as originally manufactured." This is impossible unless there is a standard to which all of the aftermarket parts are required to meet. We have a standard recognized by many in the industry, the Certified Aftermarket Parts Association (CAPA). CAPA was created because there was no standard, no requirements, no monitoring of aftermarket crash parts manufacturers.

Having worked in a family owned collision repair facility, I can assure you that we ordered many aftermarket crash parts that at times appeared like an OEM equivalent but these same parts were later determined to be inferior in terms of fit and function. Although an aftermarket crash part looks the same as an OEM part, it certainly does not always mean that the part is equal in quality to an OEM part. Even if the part looks similar and fits properly, that does not mean it will perform in a similar manner if involved in a collision. It does not mean that the part has the same corrosion resistance or metallurgical properties as an OEM part.

Although the CAPA system is not perfect, it does positively impact the quality of certified aftermarket parts. I spent several years chairing an industry committee that worked with the Taiwanese aftermarket parts manufacturers and their government. One of the biggest challenges that the Taiwanese manufacturers faced was the U.S. marketplace for certified versus non-certified parts. These Taiwanese manufacturers provide both certified and non-certified parts to U.S. collision repair distributors and shops. Because certified parts cost more to produce, they have to be closely monitored to ensure that quality is not compromised to reduce price. Certification is very important to this debate. Unfortunately, only a small percentage of aftermarket crash parts are CAPA certified despite CAPA being established in 1987. There are additional unregulated, self-certification and other programs in the marketplace, but this has not solved the parts quality concern for collision repairers who are on the front line and know far more about the part being placed on the consumer's vehicle than most consumers.

In the past, ASA has attempted to get the National Highway Transportation Safety Administration (NHTSA) interested in aftermarket crash parts. This effort has not been successful. Despite the problems with airbags, brakes, etc., collision repair and the parts used in those repairs remains largely unregulated. In most cases, it really is up to the insurance company as to the type parts used in the repair and what quality of repair is acceptable. This is not always the case but certainly applies in the majority of collision repairs. A number of years ago, ASA invited NHTSA professional staff to review OEM and aftermarket crash parts at a collision repair facility in the Washington, D.C. area. After noting the obvious physical differences in these OEM and aftermarket crash parts, NHTSA explained that they were only

interested in aftermarket crash parts if there was a proven history of safety concerns. NHTSA does not inspect or certify aftermarket crash parts or regulate aftermarket crash parts certification programs.

According to a Government Accountability Office (GAO) report requested by Congress entitled “Motor Vehicle Safety: NHTSA’s Ability to Detect and Recall Defective Replacement Crash Parts Is Limited,” the report noted:

NHTSA has broad authority to set safety standards for aftermarket crash parts. The Motor Vehicle Safety Act provides NHTSA with the authority to prescribe safety standards for new motor vehicles and new motor vehicle equipment sold in interstate commerce—a category that includes aftermarket crash parts. Although NHTSA has the authority to regulate aftermarket crash parts, it has not determined that these parts pose a significant safety concern and therefore has not developed safety standards for them.

Under the current language in H.R. 1057, providing a faster, less expensive path for aftermarket crash parts manufacturers to put non-certified parts in the marketplace will harm both consumers and small businesses. It has been proven through many years of collision repairers’ trial and error, that the majority of the non-certified parts are inferior in many aspects. The aftermarket crash parts manufacturers will manufacture parts to achieve the lowest cost basis in an effort to sell parts inexpensively to unknowing consumers. I’ve personally witnessed non-certified parts that were missing holes to fasten the part to the vehicle, holes to fasten the part to the vehicle where there wasn’t supposed to be a hole, parts that were made of metals and thicknesses that made the aftermarket part significantly lighter and prone to dent, brackets missing, the headlamp was the wrong color, didn’t have the proper

reflective properties, etc. When parts don't fit or there are other issues, collision shops have to return the parts to the distributor. These returns add costs to the repair process as well as delay the repair.

Whether it's this legislation being discussed today or mandates that insurers place on collision repair facilities such as where to buy parts, etc., insurers will argue that these initiatives lower premium costs. We don't see where these parts savings are passed on to consumers. It's a good sound bite but the consumer will continue to be the loser if this legislation becomes law. This legislation is not about consumers or small businesses. It is about an auto industry debate between aftermarket crash parts manufacturers, supported and encouraged by insurers, who want cheaper parts, risking quality and safety, in the marketplace and OEM's that want to protect their intellectual property. If this bill becomes law, costs will go down for aftermarket crash parts manufacturers because they will not be required to make the necessary investments in engineering, tooling and materials. Many aftermarket parts manufacturers are capable of reverse engineering an OEM part and creating a quality part but without management and oversight, the consumer will likely continue to receive a poor quality, inferior part.

We ask the Committee to consider the implications this legislation will have on the consumer and small businesses. We ask the Subcommittee to oppose the PARTS Act. I appreciate the opportunity to testify before the Committee today. Thank you.

