



## Recycling

By David Gold

# R E C Y C L I N G

## Salvage dilemma

*The lifeblood that sustains us is drying up*

**The collision repair business** and the auto recycling business start from the damaged vehicle. These damaged vehicles have become so sought after as salvage pieces by so many groups other than auto recyclers that the result has been to diminish the value of all legitimate stakeholders.

The spin-off from this has contributed to the current situation in the collision repair business and salvage procurement for auto recyclers.

Ken Gold is the Owner of Standard Auto Wreckers. In a letter to the ARA (Automotive Recycling Association) dated April 26, 2004, Ken said "For various reasons the existing situation favours the thief, money launderers, the underground economy and now exporters of salvage overseas."

Let's start from the beginning. A vehicle is damaged in an accident. The claims adjuster then does the analysis of the damage and the cost to repair, etc. Then the claims adjuster has another function to perform. The anticipated return of the salvage vehicle through an auction house.

### High tech

The technologies that the auction houses have developed are so advanced that they can predict the average selling price for any particular vehicle. Copart Auto Auctions is a large auction corporation with facilities in 45 states and has now expanded into Canada.

Copart is the cream of the crop in terms of technology and they are breaking new ground for their primary customers (insurance companies) with their Pro-Quote Program. This program allows adjusters to type in the year, make, model, actual cash value and repair cost estimate. The software will query itself and give out an average selling price for a specific car, damaged a specific way in a designated geographic region.

Companies like Copart have simplified the way insurance companies can obtain estimated salvage returns and have thereby paved the way to help maximize returns. Will high salvage returns promote write-offs? In my opinion, yes.

### Blind eye

Auctioneers don't care who purchases their vehicles. Why should they? It's not their problem. They are following the law and conducting business in a legal fashion. The problem is some insurance companies (not all of them) turn a blind eye to who is purchasing their salvage because of the high returns they realize. Why is this happening?

As stated earlier, thieves, money launderers and the underground economy have a detrimental effect on our community in that parts are bought and sold for cash, depriving the government of much needed tax revenue. Legitimate auto recyclers do not compete in an even playing field with these other participants.

Also, the auction buying public is not licensed. There is no license to purchase salvage and no regulatory body watching over this area. As a result, cars are bought for illegal purposes including VIN switching schemes.

To add insult to injury North Americans and specifically Canadians have a disadvantage in purchasing salvage in our own back yard. Branded Irreparable vehicles are being gobbled up and shipped overseas.

Legitimate homegrown businesses can only shake their heads at the current situation because we are unable to compete, especially with those competitors who ship their vehicles to countries where government regulations and impediments are non-existent. The result of this is a loss to available parts for insurance companies to purchase for repairs and loss of revenue for all stakeholders.

Backyard mechanics that are in both the collision repair and the auto dismantling business tarnish not only our reputations but also impede our advancement as they continue to get away with sub par business practices.

These operations are ill equipped to comply with necessary regulations that are routine for the professional auto recycler such as fluid evacuation, mercury switches and tire controls to name a few.

### The solution

For collision repairs, they operate with lowered hourly rates that not only make it impossible for them to properly function, but also for legitimate collision repairers to compete.

As Ken Gold stated in his letter to the ARA, the solution lies in education. "We need to educate the government at all levels on what is occurring today in our industry and how it prospers the underground economy," he says. "They not only need to know this, they want to know. So let's tell them. The government is not really aware to the extent of what is actually taking place."

This is evident by the lack of policies and regulatory bodies involved. I believe it is our duty to unify as a group, get involved, and send this message to governments on a local and provincial level in order to stem the tide of what is taking place. **CR**

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