

RECYCLING

PartsChallenge

A repairer offers us his perspective on using recycled parts.



by *David Gold*

I recently invited Jeff Labanovich from Durham CARSTAR to my office to discuss how our industries can better work together. Jeff Labanovich was a natural candidate for me to discuss why there would be any resistance by repairers to use recycled OEM parts, as Jeff himself was an auto recycler, and has experience in the insurance salvage business where he gained insight as to why vehicles are written off and where salvage winds up.

Jeff and I concluded that although the benefits of using recycled OEM auto parts are substantial there are still

also outlined on the official Auto Recyclers Association (ARA) web site, a-r-a.org. The information found on this site will astound you. Ensure your recycler adheres to these standards!

PAY STRUCTURE

Even with these educational initiatives outlined by the ARA there is still one very important factor that undermines the entire initiative for collision repairers to promote recycled OEM parts usage.

This factor is the current pay structure for using recycled parts. The mark-up paid by the insurance company for used parts usage on estimates is undermining the intended outcome.

is no compensation for any of the time and handling if old parts are to be transferred onto the used door.

I find myself wondering why insurance companies would support a system that discourages the use of used parts. As Jeff explains, "I really don't think the quality is as much of an issue as people make it out to be. New parts can require just as much repair time as a used part."

Maybe insurance companies should take a hard look at Larry Silver's proposed solution. Larry (who passed away last year) stated that repairers should be allowed to charge 80% of the new retail price for any recycled part they incorporate into the repair, saving the insurance company 20% of the cost of the parts.

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roadblocks outside of both the repairer's and recycler's control that contribute to the low percentage of recycled parts being used in estimates.

BENCHMARKS

There are obvious factors as to why repairers may not use recycled parts. These include poor communication and poor descriptions.

The recycling industry has recognized the benchmarks repairers are striving for and terms such as "cycle time" do not go unnoticed. It is in our best interest to provide you with what you want.

The auto recycling industry has created a recycled parts guide, including Estimator, Buyer, Data Accuracy, and Warranty Expectations. These were created by all stakeholders in the industry and they are invaluable in reducing miscommunication.

In addition to this expected standard for parts, part inclusions criteria are

This pay structure promotes a situation where the recycler is forced to quote higher prices in order for the repairer to make enough money to justify the use of used parts.

This scenario is not the worst of it. Increasingly some repairers are requesting back door credits, and these credits will never make it to the insurance file.

I have decided not to partake in this scheme and as a result my company is at a competitive disadvantage from those auto recyclers that don't feel it is their responsibility to police the existing pay structure.

If a repairer stands to make more money on a new part as compared to a used part how can we expect them to embrace what we have to offer?

Ironically, when a new door shell is purchased for a repair, the shop gets paid to use the parts from the old door on the new one. When a used door is purchased for the repair there

INCENTIVE

The insurance estimators wouldn't have to spend their time looking for recycled parts because the repairer has a financial incentive to do that. This is the only system I know of that actually promotes a sensible win-win-win for all stakeholders.

Changing industry habits is a monumental task. Even though it benefits everyone involved this change will require a complete reversal of antiquated and restrictive thinking.

Compensating collision repairers adequately is an issue that must be addressed. Otherwise we will continue to see a very low percentage of OEM used parts on estimates while the schemes to extract more funds from the insurance industry continue.

David Gold is the co-owner of Standard Auto Wreckers in Toronto, Ontario. He can be reached at david@standardactual-america.com, or you can view the company website at www.standardautowreckers.com.