



RECYCLING

Ideal situation

More recycled parts would mean more affordable repairs.

by David Gold

In recent years I have noticed

an ever increasing number of repair estimates that reflect exorbitant prices for used auto parts. This situation exists in clear and detailed form on each repair estimate and it is time we analyze the data.

I have been plagued by this situation for years but until recently, I never found the correct terminology to paint a clear picture of what is happening and how it is affecting all stakeholders.

When looking into repair estimates of a wide range of insurance write offs from various insurance companies it became clear to me that recycled OEM part prices quoted often make no sense.

Why would an insurance company choose to pay almost double for recycled OEM parts when a competitive quote is half as much?

DEEP AFFINITY

How can this happen? To me it is clear that the role of the claims representative is to obtain the most competitive price for the recycled OEM parts and include it in the repair estimate to complete the file.

I am confident in making this statement because it is very unclear as to why one particular auto recycler is listed on the estimate irrespective of other competitive quotes from the marketplace. Does it make any sense why certain claims adjusters have such a deep affinity to certain auto recyclers?

Moreover the result of this is a shrinking of the marketplace for recycled OEM parts, which cumulatively hurts all auto recyclers and also promotes insurance write offs, which hurts not only collision repairers, but the entire industry.

There has been a lot said recently on the issue of insurance companies selling their salvage outside of the auto recycling industry. The net result of this practice is a decrease in the amount of available parts for the insurance industry. Since recycled OEM parts are cheaper than new

OEM parts it would make sense for insurance companies to sell more vehicles to auto recyclers who will dismantle those vehicles for parts only and then sell them back the parts.

The above scenario is the ideal situation for all stakeholders in that the abundance of recycled OEM auto parts will create a platform for more affordable repairing of vehicles. This will result in less insurance write-offs.

The collision repair industry will have more work and the benefit will be more cars being repaired.

It would seem very clear that the savings generated from recycled OEM parts would enhance the likelihood of that vehicle being repaired.

All stakeholders in our industry need to recognize this simple fact first and foremost.

FIRST PRIORITY

In a comment from the Repair Estimate Writer, it became clear to me that cost savings initiatives are not their first priority. Indeed "closing a file" and getting onto the next claim seem to take precedence over certain cost saving part procurement

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REAL VALUE

Whether or not the government, insurance industry and public at large ever come to realize this benefit on a large scale remains to be seen.

In the meantime I will continue to spread the message to REDUCE, REUSE and RECYCLE.

Ironically, my motivation to write this article came from a repair estimate that landed on my desk because we purchased this vehicle from an insurance company that sees the value in making sure their salvage goes to legitimate auto recyclers.

This part is great. However, the part that is not so great is that the parts to fix this vehicle are readily available all over the marketplace (at much lower part prices) and they never had a chance to contribute to the possible repair of this vehicle.

programs. Encourage your local appraiser to source out the most effective and appropriate recycled auto parts from a variety of competing recyclers.

This basic process is fundamental to the ongoing health and profitability of our respective industries.

With the latest technology proper sourcing has become very simple and easy to do. For more information on a parts procurement program from your local progressive auto recyclers, please feel free to contact me at the email address below.

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