

IGAG Reused Parts Trial 2003/2004.

Bill Blackhall/IGAG's response to the issues raised in the anonymous fax/letter - given to APRAA 24/2/04.

1. Does your business sell panels to the smash repair industry? If your answer is "yes" - Do you know that IAG (NRMA) are trying to take these customers away from you.

- This **trial** is looking to help progressive recyclers create long term business relationships with the smash repair industry. The emphasis on **high quality parts, increased margins** and **high service standards** will make used parts the parts of choice by most smash repairers. We are aware of dismantlers who supply low quality parts at the highest price to anyone. The trial will remove those dismantlers from the smash repair supply chain.
- The trial's primary target is to increase used parts usage in the smash repair industry by an **additional 10%**.
- This can only be achieved by supplying the highest quality of parts and creating a pricing scheme that makes used parts compete with new parts.

2. NRMA have arranged a secret deal so that all your NRMA Insurance customers will shortly have to buy parts through one (1) wrecking yard in each state!! Which Yard? Their name is A.P.R. (Auto Parts Recyclers).

- The trial uses numerous dismantling yards in each state supplying through a quality control hub. The hub is called APR. The supply chain to the hub extends into every state and is available to most dismantler's who are prepared to conform to APR's quality standards.

3. NRMA are selling salvage (repairable and statutory write offs) before auction to APR at discounted prices .

- Salvages are sold to dismantlers in the APR supply chain for a percentage of the market value. Our research at this stage shows we are equalling returns in the auction process.

4. NRMA Preferred Smash Repairers will shortly be directed to use their state's APR supplier for used parts whether they like it or not.

- The Used parts trial has been offered to Preferred Smash Repairers on a voluntary basis. Repairers can **choose** to participate in the scheme. Industry leaders have spoken at meetings encouraging other repairers to be part of the trial.

5. In Western Australia this same scheme was stopped almost instantly by all the wrecking yards banding together & refusing to supply parts to APR.

- Western Australia operates under a different assessing method and will require a used parts delivery system unique to that state. Under the NSW and VIC system quotes are sent to the dismantler by the repairer who then indicates the parts that can be supplied. The Western Australian system requires repairers to tender for work. The system requires the dismantler to analyse the work available, submit availability and pricing to all repairers equally and then determine the winning tenderer so supply can be made.

6. IAG own NRMA, CGU, F AI, SGIO, SGIC, SWAN, STATE, CIRCLE and NZI. This scheme if not stopped will be adopted by them all over time!

- IAG do not own FAI. FAI was sold to HIH some time ago.
- It is IAG's intention to provide Assessing services to the IAG group and as such will encourage the increased use of used parts by all IAG insurers.

7. The APR yards are Victoria - Autojap Parts Plus; N.S.W - Just Japanese Parts Plus.

- There are a large number of dismantlers supplying parts to IAG. These yards are based in all states of Australia. The expansion of the trial to the remainder of NSW, QLD, SA and W A will require a large number of dismantlers to be part of the supply chain. There will also be opportunities for progressive recyclers to operate the A.P .R. hub in regions within each state.

8. This is a threat that will destroy the wrecking industry.

- There will be dismantlers who are unable to supply high quality parts and who will need to search out alternative markets. The majority of dismantlers should be overjoyed to be part of an industry that is aiming to triple the number of parts sold to the smash repair industry.
- This opportunity to the dismantling industry has come about because a number of dismantlers had the foresight to see a lost opportunity. They have worked behind the scenes at their own cost to create a unique system. This allows the IAG group to achieve the high quality standards it desired in order to compete with new parts on every level.

End.