

The wrecking crew

A Toronto-based company is redefining the way automotive salvage work is done. And the plan is to expand the business right across the country.

By Allan Janssen

Automotive wreckers tend not to get much respect in the aftermarket.

The stereotype of the automotive salvage, or recycling operation is a small, unkempt, and disorganized yard on the outskirts of town, where the rusted out shells of cars decay under the harsh sun of summer and the bitter drifts of winter snow.

But recent events have signaled that changes are coming to the wrecking industry.

There has already been some interest on the part of carmakers in running their own salvage operations (though initial projects appear to have had limited success). And new rules in the insurance industry, dictating the use of used or reclaimed parts, suggest new potential for those mountains of old vehicles.

Now, companies like AADCO intend to lead the wrecking industry into the 21st Century, totally redefining the way salvage work is done, and applying modern business practices to automotive recycling.

From the front, AADCO looks like any of its commercial neighbors in an industrial complex west of Toronto. There's nothing to suggest that this is an automotive wrecking operation. Inside, however, the business of stripping all that is usable from damaged vehicles takes an assembly-line approach. Consider the following:

- There is a 40,000-square-foot dismantling area – the only indoor stripping operation of this size in the Canadian wrecking industry.
- The staff of 50, including class-A technicians, compile a complete manual for the efficient disassembly of every make and model they come into contact with.
- There are at least 30 cars being dismantled at any given time. Ultimately the business will operate 24 hours a day, seven days a week, with three shifts of workers. The goal is to process 10,000 cars a year at this facility.
- All parts are thoroughly tested to ensure they work. Any that don't are sent out as cores.
- All engines are compression tested, with vital stats recorded. If an engine



"We are the most efficient dismantler of auto parts in this industry," says Charlie Hodgkinson, CEO of AADCO.

doesn't perform, it doesn't get into the sales stream.

- A sophisticated bar-coding inventory system tracks the movement of every part through the system. Every part is linked to the VIN of the car it came from, so critical information is retained.
- Pickers in the 60,000-square-foot warehouse use top-of-the-line scanners to quickly locate parts from among the 120,000 that are on the shelf at any given time.
- A fleet of seven delivery trucks enables AADCO to promise twice-a-day delivery anywhere in the greater Toronto area. Their customers include independent mechanical repair shops, repair chains, bodyshops, jobbers, and other wreckers.
- A satellite retail store has been opened in Ottawa, where non-OEM used parts are sold to repair shops and DIYers.
- All automotive fluids are used, recycled, or properly disposed of. The gas from the salvage vehicles fuels the delivery trucks; the used oil gets recycled as fuel for used-oil furnaces; refrigerant is captured; antifreeze is rejuvenated; and wiper fluid is rebottled and sold.
- Plastics are bailed and shipped to China.

- Scrap metal is sold to a steel company.
- More than 95 per cent of the vehicle is profitably recycled. The ultimate goal is to send nothing to the landfill.
- AADCO has earned an ecological award from the federal government.
- It is the only publicly traded company in the wrecking industry ("AA" on the Toronto Venture Exchange), and as such, has public auditors, and high business and accounting standards.
- Ambitious plans are afoot to start similar operations in other provinces.

Welcome to the modern salvage facility.

The man behind the vision is Charlie Hodgkinson, CEO, and largest shareholder in AADCO.

"This is not what you'd think of as the traditional wrecking yard, where you phone up and the guy *might* decide to go out to the back of the lot find the part you're need and torch it off the car, possibly damaging the part or associated parts," he says. "We are the most efficient dismantler of auto parts in this industry. And our mission is to be the largest supplier of LKQ parts in this country."

The "like," "kind," and "quality" he's referring to is specifically used OEM parts. Aftermarket parts, whatever their qualities, are simply not what insurance companies want to deal with, he says.

"Some aftermarket parts are better than original parts, we all know that. Some aftermarket parts are substandard, we all know that. But when it comes to repairs where the insurance industry may be paying, they'll never spend a nickel on an aftermarket part because of the liability issues related to it. In insurance-paid-for repairs, the general – rule, if not the universal – rule is they will use only brand new original-equipment parts and used original-equipment parts."

He cites the recent State Farm lawsuit which cost that insurer over \$1 billion because of the parts they were dictat-

ing for repairs. Insurance companies look at crash parts and aftermarket parts as absolutely the same, says Hodgkinson. If it's non-original equipment, and something goes wrong, they're liable.

Hodgkinson believes the time is right for a more efficient means of harvesting usable parts from damaged vehicles.

"The cost of new parts has become such that people are looking for alternatives," he explains. "And the insurance industry is so cost-conscious now, that this makes great sense to them."

He believes the insurance companies routinely write off thousands of vehicles which could be repaired simply because the cost of new parts has made it prohibitive.

"They have a tremendously high customer dissatisfaction rating because they won't repair cars. And they don't repair them because there has not traditionally been a reliable, organized supply of used OEM parts available to the marketplace."

He says he can offer quality used parts for up to 70 per cent off what you'd pay for them at a dealership. In building his inventory, he buys cars based purely on a known need for its parts in the marketplace.

Using a sophisticated computer program that generates reports on fast-moving parts, AADCO is developing a wide range of inventory with reasonable depth.

"We only want to have inventory that we know there's a demand for," he says. "We tend to deal in mass-market vehicles. We do have some BMW parts, Jaguar parts, Mercedes, Audis, but our bread and butter is the Civics, the Corollas, the



Philip Nguyen pulls an air cleaner off a 1997 Escort.

Caravans. There are big numbers of those vehicles out there."

He doesn't carry brake or exhaust parts, which are the highest wearing parts on a vehicle, but if you're looking for complete engines, transmissions, or headlights, taillights, steering columns, and struts, he's probably got it.

He says AADCO has set up shop in the GTA, but that's only phase one.

"We'll roll this thing out as we get going. This concept is scalable, right across the country, into the United States, and around the world. No one is doing it the way we are doing it, anywhere," he says. "No one is doing it with the scale and the vision that we have."

Down the road, he can envision big-box style bodyshops open 24 hour a day in order to reduce a car's down time. The idea is to have an AADCO facility right next door where used parts come in one door and go out the other.

"We're the new kid in North America," he says. "And I believe this could really shake up the way parts are bought in the repair industry." ■



Trevor Scott pulls suspension parts from a 1993 Saturn.