



## Keystone Automotive Industries, Inc.

August 2, 2007

The Honorable Susan C. Schwab  
United States Trade Representative  
600 17<sup>th</sup> Street, NW  
Washington, DC 20508

Dear Ambassador Schwab:

As you near completion of the inter-agency review process and the end of the Presidential Review Period of the remedy proposed by the International Trade Commission *In the Matter of Certain Auto Parts* (Investigation No. 337-TA-557), we thought it appropriate to draw your attention to a recent analysis of the potential economic impact this case might have on American consumers. It is our understanding that the ITC's recommended remedy in Section 337 cases may be rejected based upon public policy considerations. These might include the impact on US foreign relations, national economic interests, public health and safety, competitive conditions, and the impact upon markets and American consumers.

As clearly pointed out in the Amicus Brief in this case, which is part of the record under review, the ITC decision has the potential to have economic ramifications well beyond the seven patents held valid and infringed in the case. The impact upon American consumers is a case in point. A preliminary economic analysis of the consumer benefit derived from the existence of an independent, alternative auto parts industry was recently performed by MiCRA, a leading Washington, DC-based economic consulting firm specializing in applied microeconomic theory, industrial organization and econometrics.

As the attached summary analysis and data show, consumers benefit in two ways from the existence of competition. First, when there is direct competition between an original equipment manufacturer (OEM) part and a high quality alternative part, the cost of the Keystone or other like part is considerably less. Secondly, the existence of competition in the marketplace causes the OEM part to be more readily available at a lower cost than parts without competition. While the new aftermarket parts industry has a small share of the market, less than 12%, its existence prevents monopolistic practices by OEM manufacturers in the parts market as a whole. These consumer benefits will be lost if the result of this case is the ultimate elimination of the independent manufacturers and distributors of quality alternative crash parts.

This analysis does not address the employment impact of the loss of this industry, the likely rise in automobile repair costs and "totals" (vehicles scrapped due to the high price of repair) that would result and the potential long term impact upon automobile insurance premiums. There is no doubt that Keystone and other alternative parts suppliers have improved

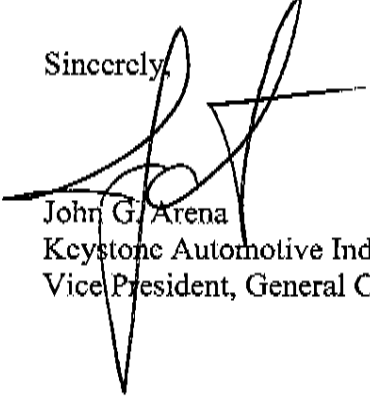


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competitive conditions in the United States and have benefited American consumers and the US economy for many years. In fact, Keystone, a publicly traded company, has been in the business of distributing quality alternative parts for the last 60 years and is only now confronting patent infringement litigation. All these important economic benefits are now threatened. In contrast, Ford has failed to document and greatly exaggerates the value of its design efforts. Ford presented no evidence at the ITC hearing that the commercial success of its F-150 truck results primarily from the design of any single collision part such as the lower bumper valances or headlights and tail lights that the Commission's exclusion order would protect.

We hope that you will examine the attached data and keep these important implications in mind as you reach a decision in this case.

Sincerely,



John G. Arena  
Keystone Automotive Industries, Inc.  
Vice President, General Counsel and Secretary

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