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Clunkers are like gold to junk dealers

01:00 AM EDT on Sunday, August 9, 2009

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Los Angeles Times



Cars arriving under the clunkers program will fill junk lots, and some junk dealers' pockets.

TPN / MEL MELCON

LOS ANGELES — The Lincoln Continental with leather seats, the shiny gray Mercedes-Benz, the immaculate Lexus ES 300 and the impeccable Cadillac DeVille seem out of place in this Los Angeles junkyard, where wrecks of Volkswagen bugs and pickup trucks bare their smashed hoods like fangs at the pretentious newcomers.

They may be luxury cars in name, but now they're just like the other clunkers surrendered for car-buying cash in the government's Car Allowance Rebate System, or CARS.

It might seem like a waste. But to scores of junkyards, auto auctioneers and scrap recyclers, they're as good as gold.

8/12/2009

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“It’s going to be a bonanza,” said Nathan Adlen, co-owner of Aadlen Bros. Auto Wrecking in Los Angeles’ Sun Valley neighborhood, one of the largest auto dismantlers in Southern California. “As good as (CARS) is for advertisers, dealerships and related auto businesses, it’s going to be better for us.”

Along with other industries, the auto junkyard and scrap metal businesses have been suffering through the deep recession.

As more people decided to forgo new-car purchases and hold on to their cars, auto dismantlers also saw a decline in volume. They had fewer cars to put on their lots, which led to fewer parts to sell. Aadlen Bros. laid off five of its 100 workers this year.

The price of scrap steel dropped last fall from \$550 a ton to \$125 as carmakers and others bought less recycled steel, said Bruce Savage, vice president of communications at the Institute of Scrap Recycling Industries.

Now the federal cash-for-clunkers rules are boosting activity. Under the program, people can trade in their gas guzzlers and get \$3,500 or \$4,500 off the price of a new car.

By law, dealers must destroy the engines of the clunkers — by lethal injection with a sodium silicate solution where the oil should go — before selling them for scrap or parts. And as clunkers are starting to be shipped off dealer lots in greater quantities, competition for them is growing intense.

Auto dismantlers want the vehicles so they can sell the parts. Scrap metal recyclers want to crush them into tiny fragments of metal, which they sell locally and internationally. And auto auctioneers want to serve as middlemen, selling them to the highest bidder.

All see a bargain in the cars, which they can buy for \$50 to \$250 each.

“I’ve had a lot of e-mails and phone calls from people interested in the cars,” said Terry Miller, general sales manager of Galpin Motors in Los Angeles, the largest Ford dealership in the world.

Scrapper SA Recycling sent out letters to dealers in early July soliciting their business. Aadlen Bros. sent postcards to hundreds of dealers featuring a stern and bearded Uncle Sam with the words “I Want Your Clunkers” underneath. It’s planning to create huge banners to hang in the junkyard that read “The Clunkers Are Coming” to lure customers.

“Our doors are open,” said Damion Burnette, vice president of operations at San Bernardino’s QwikParts Auto Salvage. “We’re ready to rock and roll.”

At Pick Your Part, which bills itself as the nation’s largest self-serve auto-dismantling company, about 100,000 people a week were roaming its 38 locations this spring searching for such items as car fenders, which cost \$39.99, and seats, which cost \$29.99, said Sarah Lewensohn, a spokeswoman for the chain’s owner, LKQ Corp.

What will the influx of all those fenders, hubcaps and steering wheels mean for junkyard economics? Andrea Gregovich, whose father owned a junkyard, says it can’t be good.

“There’s going to be so many cars all at once, it’s going to be hard to make it profitable,” Gregovich said.

Lewensohn disregards such concerns. “If you look at the industry in general, the demand for recycled parts is very high.”

And as people hang on to their cars longer in this economy, there is more need for used parts.

“Sometimes you can’t find what you want,” said Jennifer Espalin, who was at a Pick Your Part salvage yard in Sun Valley looking for a fender for her recently wrecked car.

Angel Rodriguez comes to the Aadlen Bros. yard every month to take parts back to his Kilo Used Auto Parts in Guadalajara, Mexico. But this month he said he was making a special trip back to the yard in 10 days to salvage the best of the clunkers.

“It’s slow now, not replenishing very much,” Rodriguez said. “I’ll come back when the clunkers arrive.”

Some critics contend that using spare parts to keep old cars running defeats the purpose of CARS. To fulfill the goals of the government program, the cars should be crushed, said Gregg Marcucci, vehicle acquisitions manager of Anaheim’s SA Recycling.

His company removes the hazardous chemicals from the cars and puts the vehicles into a mega-shredder, which reduces cars to pieces the size of a fist. SA Recycling sorts the scrap into steel, aluminum, copper, rubber, plastic, glass and other materials, then sells it to local or export brokers.

“We feel that a shredder or a recycler is the natural solution for where these cars should end up,” Marcucci said.

He expects a 10-percent increase in volume from the CARS program from both clunkers from dealers and scrap from auto dismantlers.

Not all junkyards and auto dismantlers will benefit from the clunkers program. Some are too small to make the process of obtaining the cars and reselling them worthwhile. Others say there’s too much paperwork and hassle involved.

And some say the cars aren’t worth much without the engines.

“Who wants to haul and try to sell parts of low-demand vehicles?” said Carlo Viola, the owner of AAA Foreign Auto Parts in Sun Valley, which sells used engine parts. “They’re disposing of the one item that has the most immediate value.”

But many junkyards, scrappers and auctioneers aren’t concerned. They see an opportunity and they’re planning to take advantage of it. “These cars will be newer and fresher than typical junk cars,” Adlen of Aadlen Bros. said.