

**Subject:**

Core-handling practices

**Essential Reading:**

- Rebuilder
- ✓ Shop Owner
- ✓ Center Manager
- Diagnostician
- R & R

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# Getting to the 'Core' of the Problem

Cores and core charges have been part of our industry since the beginning. What is a core? There can be many definitions, but for the purpose of this discussion we will label it as a used or worn/damaged component or assembly being replaced by a remanufactured component or assembly that is identical to the one being replaced.

When rebuilding or remanufacturing was in its infancy the rebuilder or remanufacturer placed a value on the used or worn assembly and would bill a core charge plus the cost of the remanufactured or rebuilt item being sold to replace the original.

Rebuilt will be defined as an assembly (in our industry, a clutch, transmission, transfer case or differential) that has been repaired to function as originally intended or better. Some states have regulations on what parts must be replaced in a transmission for it to be considered rebuilt, as a unit that is only made functional with no standards of quality can be labeled only repaired.

Further definition of remanufactured (strictly for my purpose here) is to add unit volume and certain disassembly, inspection and reassembly procedures for a business that rebuilds units on a mass-production basis. The core "charge" is usually a refundable deposit meant to ensure that the original assembly being replaced is sent to the vendor for remanufacture or rebuilding.

Cores are subject to price fluctuation as with any other commodity. The more common and available a certain type of unit is, the lower the cost to buy. Conversely, the rarer or more in demand a type of unit, the higher the core price may be to buy and the higher the remanufacturer will set the refund-

able core charge to ensure return of the hard-to-find items.

Core supply usually starts with the wrecking yard (or, to be politically correct, the auto recycler or dismantler). There is usually a certain number of working transmissions sold to the repair industry and the public for installation into vehicles instead of having the transmission rebuilt. As the dismantler accumulates a volume of unsold transmissions, it looks to cash out by selling to various volume users of these products. These users usually will be volume remanufacturers or companies that strip the transmissions for good usable parts, which then are sold to the rebuilding industry at prices usually lower than for buying a new component.

On the automatic side of our business this has become a huge industry, with many companies supplying the shops with quality used parts that have been cleaned, tested and packaged. On the manual-transmission side, it is harder to find good-quality components because of added driver control of the unit and the huge variety of ratios found in manual transmissions.

Another buyer for used units has arisen because of the declining value of the American dollar and the steadily increasing cost of raw materials, and that is the scrap-metal distributor. When steel and aluminum prices reach a certain level, many units will be sent to smelters for sale to steel and aluminum producers.

My company, like many other volume remanufacturers, buys cores by the trailer load; the average transmission rebuilder will buy smaller volumes to have some popular units in stock for quicker customer turnaround times or to replace a unit that is so badly dam-

aged it is not worth rebuilding. Buying a relatively good core and rebuilding it will be cheaper than providing all the parts necessary to fix a unit that has been trashed by the car owner.

Most of the vehicle manufacturers now provide remanufactured units as an alternative to the high cost of a new unit. In many instances, when these programs are being set up initially the carmaker will sell new units as reman until it can assemble enough cores to create an adequate core bank to get the operation rolling.

To make matters more difficult, each remanufacturer will have a different standard for acceptability of a core for refund. Shops can get into trouble if they do not determine what those standards are for return of the core deposit at the time of purchase. For example, some vehicle manufacturers want the core to be "rebuildable." If the unit you are sending back does not meet its standards, you will not get the core deposit back. It is possible for this to occur after you have been paid for the job, and you will take a direct hit for the core charge.

Does the remanufacturer care about broken cases, units run out of oil and severely heat damaged? Will you be charged for any missing parts such as shifters, switches, linkage etc.? The time to discuss this is when you are making the purchase and not after the customer is down the road.

Almost all remanufacturers will charge you for sending back a disassembled unit. They want the unit completely assembled with all parts. This is partly because these operations are based on volume core returns and are not capable of accounting for any missing parts, and the time it takes to inspect a disassembled unit as opposed to an assembled one is a huge difference.

Another issue is to make sure that you send the correct unit to the correct remanufacturer. The core

must be for the same unit you bought. I know it sounds strange, but at least a few times a year we receive an automatic instead of the stick that was replaced. This results in extra freight charges to the shop that made the mistake, so be careful with your core accounting. Cores with deposits are CASH and should be handled as such.

Speaking of freight, it is also important to determine who pays the freight on the core return. If the remanufacturer expects you to pay, make sure to bill your customer for that amount or you will absorb the expense. Some remanufacturers, like my company, will pay the freight charges for return of any core that can ship UPS or FedEx. This is something you need to find out when you are buying the remanufactured unit. The price of the unit does not reflect all the issues with the core and its return, so look at the whole picture.

An interesting issue regarding cores is becoming more prevalent. I have spoken with any number of transmission-shop owners who in buying a new or reman unit from a new-car dealer have been told, "If you disassemble the core, even if you reassemble it you will not get your core credit." This opens up a can of worms for the repair shop. In some states quoting a repair without an internal inspection of the unit is illegal. In other jurisdictions it is at least unethical to replace a unit that may be repairable without inspecting it internally.

One shop was doing a repair on a Honda equipped with a continuously variable transmission. The job was ordered by an extended-warranty company that wanted the unit torn down so its inspector could verify the damage and assess the cost. The unit was torn down, inspected and subsequently reassembled, and a new unit was ordered from the Honda dealer. The core charge was \$1,200, and the dealer refused to return the core

deposit because the unit was inspected internally. The shop finally got its deposit back after some attorney/client conversations. \$1,200 is a huge hit out of anybody's pocket, so make sure of the ground rules before you open a unit.

I have heard similar stories from other shops regarding other brands such as Acura and Mercedes Benz. It is critical that you get all the information from the dealer and be sure to involve your customer in all the decision processes to make certain you don't have a problem that can bounce back on you. It is very lonely when you are the last guy on the chain.

Cores are an integral part of our business and should be handled carefully. I have seen shops that want to return a core a year after purchase because they forgot about it. Many remanufacturers have time limits on core returns, after which they do not want them back.

I have seen many shops ship cores that were not drained completely. The shipping company will not transport a core that is leaking through the box. In this day of enlightened environmental thinking and nasty penalties from federal, state and local governments, be careful. When you ship something commercially, YOU are the generator of the oil. The cost of any cleanup will arrive by certified letter with your company name on it. I don't know about you, but in all my years (and they are many) I never got a good certified letter.

Look at cores as an account receivable and treat them like the dollars they represent; it is your money. **TD**