AUTO BODY BUSINESS IN MANITOBA

HEALTH OF THE INDUSTRY UPDATE - 2012

Final Report

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1.0 Executive Summary

1.1 Background

In 2009, MPI partnered with the Automotive Trades Association of Manitoba (ATA) and Manitoba Motor Dealers Association (MMDA) to conduct a study of the Manitoba auto body repair Industry. The primary aim of the study was to determine what would be required to ensure a healthy, profitable repair industry in Manitoba over the long term. It was also an important step in developing a stronger working relationship between the trade and MPI. A long term agreement and a cooperative, collaborative approach to develop solutions to common issues were important objectives to provide the framework for a healthy industry on an ongoing basis.

Achievements since 2009 included a four year agreement with a significant increase in labour rates in 2010 followed by a schedule of inflation-protected adjustments. The agreement included the expectation that the rate increases would flow through to increased wages for the trade. The agreement also included recruitment and retention initiatives to attract more apprentices to the trade. MPI and the ATA / MMDA also jointly initiated a review of shop materials, which is currently in process.

In 2012, MPI, the ATA, and MMDA again partnered to conduct an update survey of Manitoba auto body repair shops. The purpose of the update was to collect information on business results for 2009, 2010 and 2011 to determine the effectiveness of initiatives undertaken to date in response to issues identified in the 2009 study and set the foundation for future process improvements.

This report presents the results of that survey.

1.2 Findings & Conclusions

Note: *Compared to the 2009 survey, the number of respondents decreased by 28% from 83 to 60 in the 2012 survey. The revenue segments with the greatest decline in participation were the under $500,000 and the $500,000 to $1,000,000 segments. The number of respondents in the under $500,000 revenue segment were too low to segregate further, and the results for the $500,000 to $1,000,000 revenue segment is less reliable.*

1. The labour rate increases and incentives under the 2010 agreement appear to have generally achieved the intended objectives.

a. Wages and benefits have improved.

2010 and 2011 rate increases combine to a net total increase of approximately 9%. Shop wages as a percentage of revenue have remained relatively constant overall, and increased by approximately 2% for shops with revenue of $500,000-$1 million and for shops with revenue over $2 million. This suggests that the increase in rates has been passed on to shop staff.

Average annual pay increased by approximately 6% for journeyperson body repairers, and approximately 9% for body repair apprentices. While the average annual pay for journeyperson painters remained relatively flat, painter apprentices increased by 13%. As flat rate incentives are common in the industry, annual pay is influenced both by hourly rates and by the volume of work performed by the individual. Increases may be a result of either or both. A very high proportion of respondents to the 2012 survey (92%) indicated paint apprentices were offered variable pay. The higher increase in pay and higher use of flat rates for apprentices suggests some work shifting may have occurred between journeyperson and apprentice painters. Average annual pay for painters was also notably higher than other positions in the 2009 survey.

It is important to note this study did not include a comparative analysis of other competing positions in the labour market, so there is no evidence to compare wages to similar positions in other sectors. The change in industrial average wage of 8% over the given period is the only

means of rough comparison, and would not address any disparity that may have existed as a starting point.

b. Recruitment and retention has improved.

The 2010 MPI – Industry agreement included a Tool Allowance and Apprenticeship Grant program. Over 100 grants were provided to apprentices in each of 2011 and 2012, with total combined apprentice grants and tool allowances of approximately $400,000 each year.

In 2011 there were 166 registered apprentices compared to 147 in 2008/09, representing a 13% increase in the number of people training for technical positions. The effectiveness of apprentice incentives established in the 2010 agreement will be more fully indicated once the increase in apprentices is also evident in the number of completions, or new journeypersons available to the trade following the four year apprenticeship period.

Turnover decreased for all positions with the exception of apprentice body repairers, which remained the same at 18%, and apprentice painters, which increased to 36%. The reduction in average annual turnover for journeyperson body repairers from over 27% to 17% brings it much closer to norms (turnover of 10-15% is generally considered within the healthy range).

c. The gap in labour rates between Manitoba and Saskatchewan has lessened.

The 2010 and subsequent increases in labour rates in Manitoba reduced the gap to Saskatchewan rates from 12% to approximately 9%. This gap is further diminished so that Saskatchewan rates are less than 3% above Manitoba when factoring in Manitoba's higher material rates and higher frame and mechanical labour rates. In 2009, the cost of living in Saskatchewan was estimated to be 7% higher than in Manitoba.

Please note, the comparison above is reflective only of rates, not any comparison of estimating systems, practices or results.

d. For larger shops, rate increases have been sufficient to keep up with costs.

Labour, parts and materials are the most significant expenses in the collision repair industry. Overall, these expenses have remained relatively consistent from 2009 to 2011 as a percentage of revenue, suggesting rates have overall kept pace with costs.

There is variability among revenue categories, however. For example, an increase of 1.2% in materials, parts and wages costs for the over $2 million revenue category is offset by a 1.5% decrease in the $1-2 million revenue category.

While less reliable as an overall indicator due to the small number of responses with financial data, materials, parts and wage costs for responding shops with revenue between $500,000 and $1 million increased as a percentage of revenue by over 10%.

Overhead costs generally improved as a percentage of revenue.

- For the $1-2 million revenue group, a 2.8% improvement in general expenses magnifies the improvement in cost of sales. In 2008, average EBITDA for this group was 7.5%. In 2011, this improved to 13.2%
- For shops with over $2 million in revenue, a 2.3% decrease in general expenses moderates the impact of increased cost of sales, resulting in a net change to average EBITDA of -0.9%.

Even with some improvement in general overhead costs, *responding* shops with revenue between $500,000 and $1 million experienced an overall reduction in EBITDA since 2008. As noted, the sample for this revenue category is small, and this data may not reliably represent all shops in this revenue category. Some stronger performing shops also moved out of this revenue category and up to the next between surveys.

(All EBITDA comparisons in this section reflect use of the consistent analysis method. Please see Figure 69).

2. A number of challenges identified in the 2009 survey continue to be evident:

a. Insurance-related business processes are driving operating costs and extending repair times.

Delays arising from the supplemental estimate process and time required for MPI related administrative processes are the most frequently cited concerns of respondent shops. Respondents identify an average of between 37 and 112 hours per week on MPI business processes, absorbing the equivalent of a full time employee even in shops with less than $1 million in revenue. This works out to approximately 3 to 4 hours of administrative time per payment. Based on the average payment amount, an average repair may involve 8 – 10 hours of labour. The need to spend 3 to 4 hours of administrative time per repair appears excessive, and validates the ongoing need to address these business processes. A success rate of only 42% (combining fill rate and return rate) in using re-cycled parts also indicates the continued need to improve. Survey respondents also frequently indicated the delays arising from the estimate and supplemental process cause frustration to the customer as well as the shop. Delays in repair times also increase courtesy car expenses for both MPI and the industry

b. Availability of skilled labour remains a significant concern.

The industry continues to report labour challenges. Extended times to fill positions, between 3 ½ and 6 months for journeymen technician positions, indicate an overall shortage.

Based on past completion rates, the apprenticeship program at current levels of activity will only meet approximately two thirds of the demand for journeyperson body repairers. While some progress appears to have been made in increasing the number of apprentices in the program, shops typically still have only one apprentice even in large shops where there are multiple journeypersons to provide the necessary supervision. While the increase from 13 to 20 apprentices in the over $2 million respondent group is encouraging, it still represents only half the potential number of apprentices.

Shops over $1 million in revenue could employ more apprentices each within established journeyperson-apprentice ratios. The fact that these shops have much lower apprentice-journeyperson ratios may be part of why they have higher productivity and profitability. Large shops' need to retain apprentices is also lower, given their greater ability to hire technicians. The result, however, may be perpetuating the challenges of smaller shops to keep the technicians they have invested in training as apprentices.

c. Training activity still remains low in an industry with significant ongoing changes in materials and technology.

As technology, materials and environmental and safety regulations continue to evolve in the collision repair industry, ongoing training is required to ensure employees are at the forefront of their respective positions. Respondents indicated an average of 1.8 days training for journeyperson body repairers per year. Journeyperson painters received slightly more with an average of 2 days per year. A lack of locally available training and difficulties related to releasing employees for training were the most frequently cited reasons for not being able to provide training.

d. A significant portion of auto body repair business is still conducted by small shops that are more vulnerable to sustainability challenges.

Shops with MPI payments under $1 million represent 74% of all accredited shops and are responsible for approximately one third of MPI auto body repair business in the province; approximately two thirds of MPI business outside Winnipeg. Almost 90% of shops outside of Winnipeg do less than $1 million in business with MPI.

Small shops experience more significant challenges in being able to make the necessary investments in equipment, technology and training to perform the full extent of repairs on modern vehicles. Small shops also encounter the greatest challenges in attracting and retaining skilled labour.

Increasingly complex vehicles means customers will increasingly need to take their vehicles to larger shops qualified to perform their repairs. This can be expected to result in declining business, and fewer sustainable small shops. Improved information to support management decisions may enable proactive business owners to better position their business for growth and succession, and also improve the overall health of the industry.

e. Courtesy cars continue to be a significant expense to the industry.

The cost of providing courtesy cars to customers is, for the most part, an unrecoverable expense that is felt to be expected by customers and necessary to compete for collision repair business. The average time to complete a repair directly influences the cost of courtesy cars. At an overall average of 2.63% of revenue, based on MPI payments for 2011 of $256,986,193 this is the equivalent of $6.7 million.

3. Mitchell is the most common shop management system among Manitoba respondents.

Approximately two thirds of respondents use a shop management system, and over 80% of these respondents use a Mitchell system. MPI uses the Mitchell Ultramate estimating product. While the majority of shops are using only the basic module, adoption of Mitchell for any system interaction between MPI and autobody shops would involve the least amount of change.

4. The physical damage re-engineering project should be well-received if it focuses on reducing the administrative burden of insurer-required processes.

As identified above, insurance-related business processes are driving operating costs and extending repair times. Contacts to encourage shop response to the survey also frequently generated complaints from shops that “nothing has changed”. While there has indeed been progress as identified above, there remains clear demand to improve business processes. The average time of three to four hours spent on these processes per repair, once further validated, provides a basis on which improvement can be made.

1.3 Recommendations

1. Proceed with the Physical Damage Re-engineering Project as soon as possible, including a clear focus on streamlining business processes that directly impact shops.

MPI has initiated a physical damage claims re-engineering project to improve the customer service experience for physical damage claims processing. Process improvements are being developed with the objective of maintaining or reducing MPI costs, while at the same time improving efficiency (increased throughput, decreased costs) for the overall collision repair industry.

The opportunity to free up employee time for more productive pursuits (or reduce demand for staff in a challenging environment) would be highly valuable to shops. Improving cycle times would both reduce costs and increase customer satisfaction.

Increased use of technology and performance standards (e.g., appraiser decision returned within a defined time) provides opportunities to improve accuracy, efficiency and cycle times. Enabling shops to conduct estimates on low-risk claims, supported by risk-based auditing and clear performance measures may also offer significant improvements in cycle times, cost and customer satisfaction.

While the data from the 2009 and 2012 surveys on the amount of time spent is relatively consistent, it is based on somewhat ‘global’ estimates of weekly time spent. Selecting a sample of shops to validate the baseline for each activity, pilot improved processes and re-evaluate the time requirements after changes have been implemented would provide important information that may enable more reliable evaluation of changes.

2. Refine the strategy to increase the future supply of technicians.

MPI has implemented programs to attract new apprentices, and the number of active apprentices has increased. On a journeyperson to apprentice ratio basis, more apprentices are currently being trained by smaller shops. These shops often experience challenges retaining this skilled labour once they become journeypersons, creating the need for ongoing investment in on-the-job training and related productivity challenges. Given the overall need for more skilled labour, the ATA, MMDA and MPI should work together to consider means of encouraging shops that invest in training apprentices, recognizing that not all apprentices are retained by the shop that invested in their training.

3. Develop performance benchmarks and related training.

Using a system of performance measures is a proven method of facilitating improved performance, both in terms of profitability and customer satisfaction. Approximately three quarters of reporting shops indicated they are using performance measures, but less than half monitor efficiency, and even smaller percentages monitor customer satisfaction. Only 38% report adopting new management practices, and this sample is heavily weighted to the larger shops that are already profitable. Respondents that have implemented new practices, particularly lean management systems, have reported improved results.

Working together, MPI and the industry could develop a useful performance score card, and assist shops to implement and use performance measures and modern management systems to improve performance.

Armed with better performance information, shops may be able to improve productivity, profitability and customer satisfaction. Incorporating performance measures may also provide MPI with a means of improving results and controlling overall claims costs without impacting industry profitability. Development of performance measures also provides an opportunity to develop options such as variable rate models to reward shops that perform well, and control costs in shops with lower quality or productivity.

Information on the volume and nature of claims within certain market areas may also allow shops to make decisions regarding growth and consolidation, ensuring better continuity of service in rural areas and more secure investments for shop owners.

4. Facilitate training in new technologies.

Training days reported by all shops appear to be at a minimum level for an industry that experiences ongoing, significant changes in technology and materials. Shops report challenges releasing employees from productive work hours as well as a lack of locally available training.

Independent Learning (on-line) courses were first made available in 2011. According to MPI data individuals completed 2,042 I-Car courses in 2012. 511 courses or 25% of the total were completed through Independent Learning.

MPI, the ATA and MMDA should consider a joint strategy to evaluate and further facilitate access to training, including potentially extending training offerings and/or increasing available channels and flexibility (e.g., distance, on-line, rural offerings) to enable more training with less impact on shop productivity.

5. Continue to use a balanced inflation adjustment approach for setting future rates.

The mechanism established in the 2010 agreement to adjust labour rates reflects a blend of both general (CPI) and wage (IAW) inflation in the province, and appears to have been effective in allowing the industry to increase wages while maintaining gross profit margins. Continuing to apply a similar mechanism for rate increases going forward is supported by both the nature of the most significant expenses for collision repair businesses (labour, parts and materials), and this evidence.

The 2009 and 2012 industry surveys provided information to evaluate industry health and help evaluate rate adjustments. The investment to conduct industry wide surveys is significant, however both for the partners to the study and the individual businesses that supply the extensive data requirements. An alternative would be to use an agreed set of indicators that can be independently monitored and verified.

This would enable less intensive data collection from shops, while still providing information on changes that may impact industry profitability. The results of the 2009 and 2012 studies provide a significant base of information to enable this approach. Indicators would be expected to reflect major expense items (e.g., materials, parts and labour) as well as other agreed factors that significantly influence shop profitability. A comparison of the changes in these indicators, combined with shop input on a smaller set of questions would be more efficient on an ongoing basis, and may validate or allow further refinement of how inflation is calculated and applied for annual adjustments.

2.0 Introduction

In 2009, MPI partnered with the Automotive Trades Association of Manitoba (ATA) and Manitoba Motor Dealers Association (MMDA) to conduct a study of the Manitoba auto body repair Industry. The primary aim of the study was to determine what would be required to ensure a healthy, profitable repair industry in Manitoba over the long term. It was also an important step in developing a stronger working relationship between the trade and MPI. A long term agreement and a cooperative, collaborative approach to develop solutions to common issues were important objectives to provide the framework for a healthy industry on an ongoing basis. Recommendations from the 2009 study are included in Appendix C.

Based on the findings of the 2009 study, subsequent negotiations between MPI and the industry achieved the following results:

- A four year agreement that included a significant rate increase in 2010 followed by a schedule of inflation-protected adjustments. Inflation protection was expanded to include both the Consumer Price Index (60%) and the Industrial Average Wage (40%). Actual rate increases were:
    - Year 1 (2010) – 6.25%
    - Year 2 (2011) – 2.30%
    - Year 3 (2012) – 3.40% (inflation protection applied)
    - Year 4 (2013) – 2.3%

  The agreement included the expectation that the rate increases would flow through to the trade.
- Improved industry recruitment and retention initiatives through new MPI funding provided to Registered Apprentices
    - A $5,000 tool allowance available to Registered Apprentices
    - A $2,000 grant per level to Registered Apprentices who successfully complete each level of the four level program (4x$2,000=$8,000 total).
- An updated accreditation agreement.
- Improved communication channels between the repair industry and MPI.
- Initiation of the shop material rate review (currently underway).
- Initiation of a business process re-engineering project to address supplemental estimate, payment and parts procurement processes ('MPI's Physical Damage Visioning Project' currently under way).

In 2012, MPI, the ATA and MMDA again partnered to conduct an update survey of Manitoba auto body repair shops. The purpose of the update was to collect information on business results for 2009, 2010 and 2011 to determine the effectiveness of initiatives undertaken to date in response to issues identified in the 2009 study and set the foundation for future process improvements.

This report presents the results of that survey.

3.0 Methodology

3.1 Survey Population

All MPI accredited shops that received payments from MPI for auto body repair in 2011 were invited to participate in the survey. There were 295 accredited shops that received payments in 2011. Some shops chose to combine responses from locations with integrated financial reporting, resulting in a total population of 292 shops.

3.2 Survey Instrument

The survey instrument was based on the original 2009 survey with some modifications to improve clarity and quality of responses. Questions were also added regarding the use of shop management systems and performance indicators. A copy of the survey instrument is included in Appendix A.

The survey was created as an electronic instrument, to be completed via a dedicated web address. Individual identification numbers were provided to each shop to enable access to the survey. The survey was also designed to be printed and completed on paper if preferred. MNP also offered respondents the option to submit financial statements for the detailed financial portion of the survey.

The 2012 survey gathered financial information for business activities in 2009, 2010 and 2011.

3.3 Communication

A communication strategy was established as part of project planning activities that included the following:

- A joint introductory letter from MPI, the ATA and MMDA to notify the industry that an update survey was being conducted;
- Direct communications by the ATA and MMDA to their members at meetings and individually to reinforce industry support for the survey and encourage member participation;
- Direct e-mail invitations to each accredited shop to participate in the survey;
- Follow up FAX notification to all shops that the email invitation had been issued;
- Follow up calls to each accredited shop to ensure the e-mail invitation had been received.

A toll free support line and direct email address were also established to enable shops to contact MNP for questions or assistance in completing the survey.

Follow up telephone calls and emails were made by MNP to all shops and by ATA and MMDA representatives to their respective members repeatedly throughout the survey period to confirm shop intentions to respond and to encourage response.

3.4 Validation

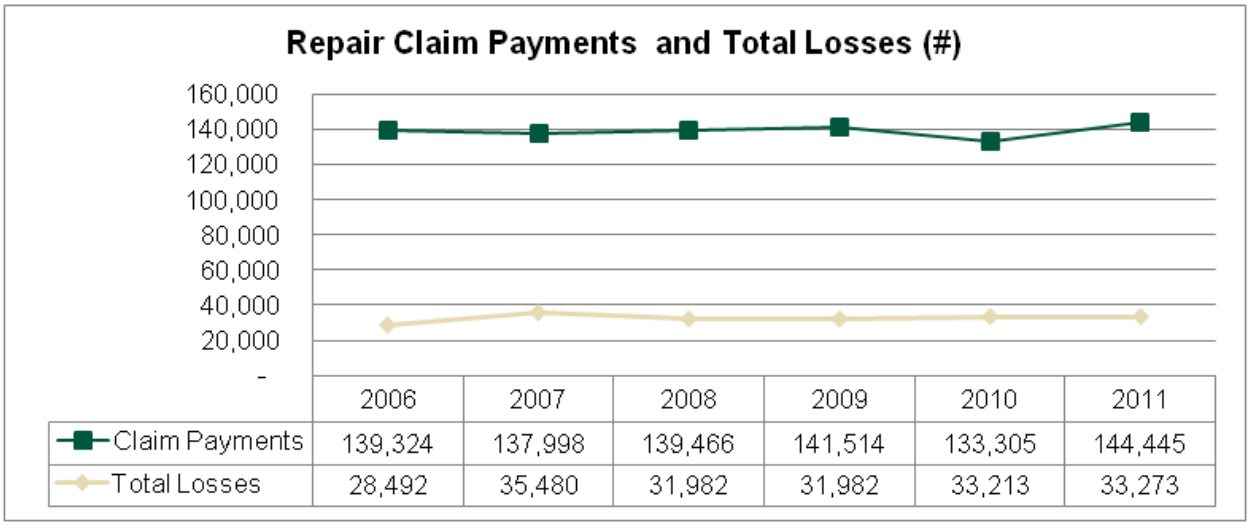
Each survey response was individually reviewed and compared to existing benchmarks and the developing data from survey respondents to identify outliers and other potential errors in the data. MNP contacted respondents directly to confirm, clarify or correct this information. Demographic data included in this report which was self-reported has also been validated and adjusted as required.

4.0 Claims Activity

The following information is based on claims data provided by MPI for business conducted with accredited auto body repair businesses (shops). Data reflects activity during MPI's fiscal year, which is March 1 to February 28, and is expressed as "2011" for Mar 2011 to Feb 2012.

The trend in the number of claim payments and total losses is relatively flat, with only a 4% change from 2006 to 2011. Year to year changes can be significantly impacted by weather events.

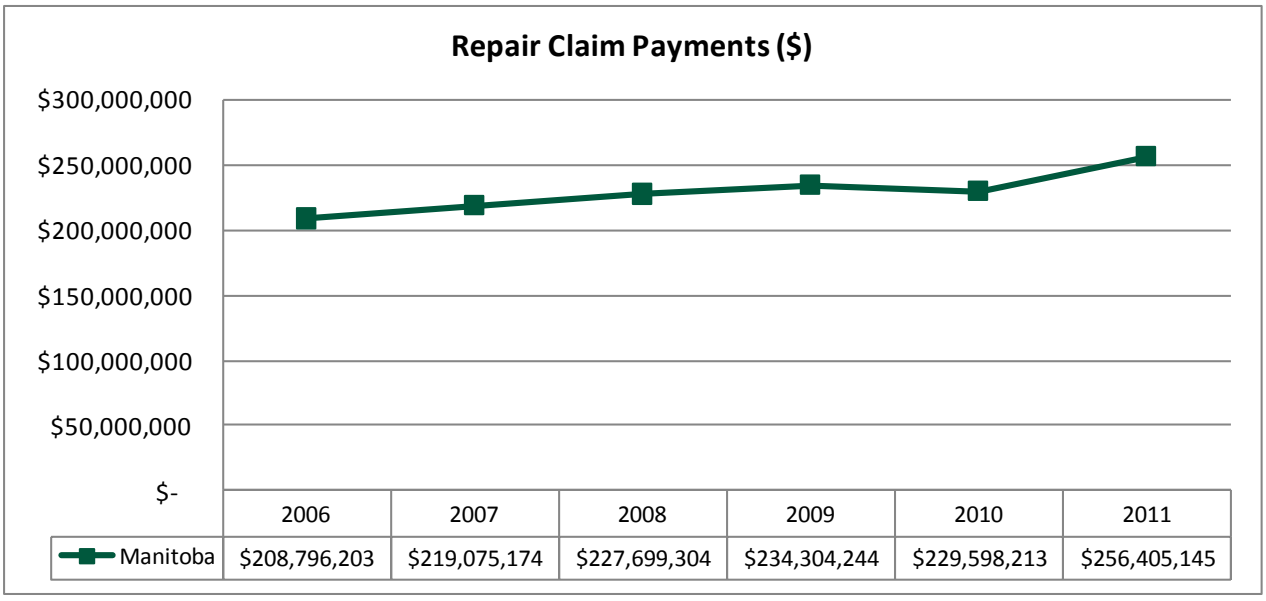
Figure 1 – Repair Claim Payments (#) 2006 - 2011



	2006	2007	2008	2009	2010	2011
Claim Payments	139,324	137,998	139,466	141,514	133,305	144,445
Total Losses	28,492	35,480	31,982	31,982	33,213	33,273

Claim payment amounts, however, have trended up, with a total increase of 23% from 2006 to 2011. This is also impacted by the nature of claims.

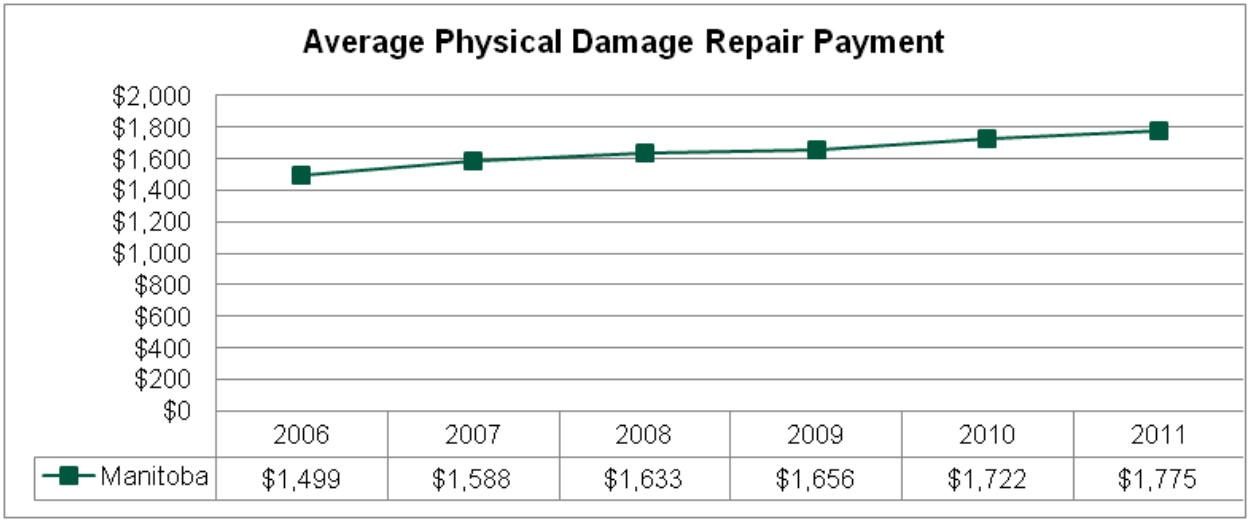
Figure 2 – Repair Claim Payments ($) 2006 - 2011



	2006	2007	2008	2009	2010	2011
Manitoba	$208,796,203	$219,075,174	$227,699,304	$234,304,244	$229,598,213	$256,405,145

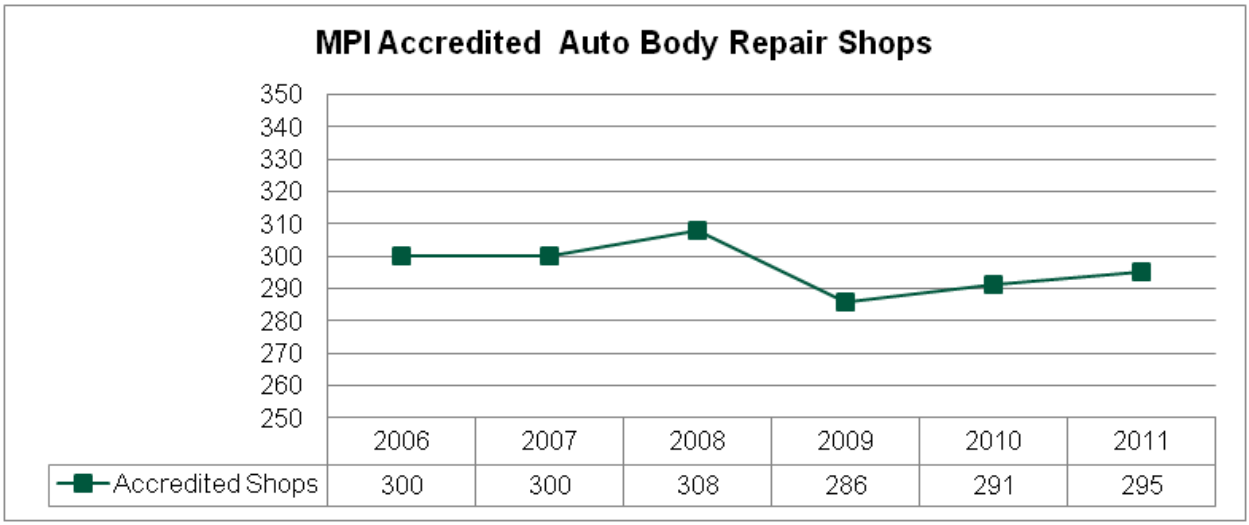
The total dollar amount of payments divided by the number of payments results in an average payment per claim of $1,775 in 2011, up 7% from 2009; 18% since 2006. The average payment amount (a simple form of severity) is influenced by the "door rate", or rate per hour of labour, as well as the vehicle characteristics (age, materials and technology).

Figure 3 – Average Payment Excluding Total Losses



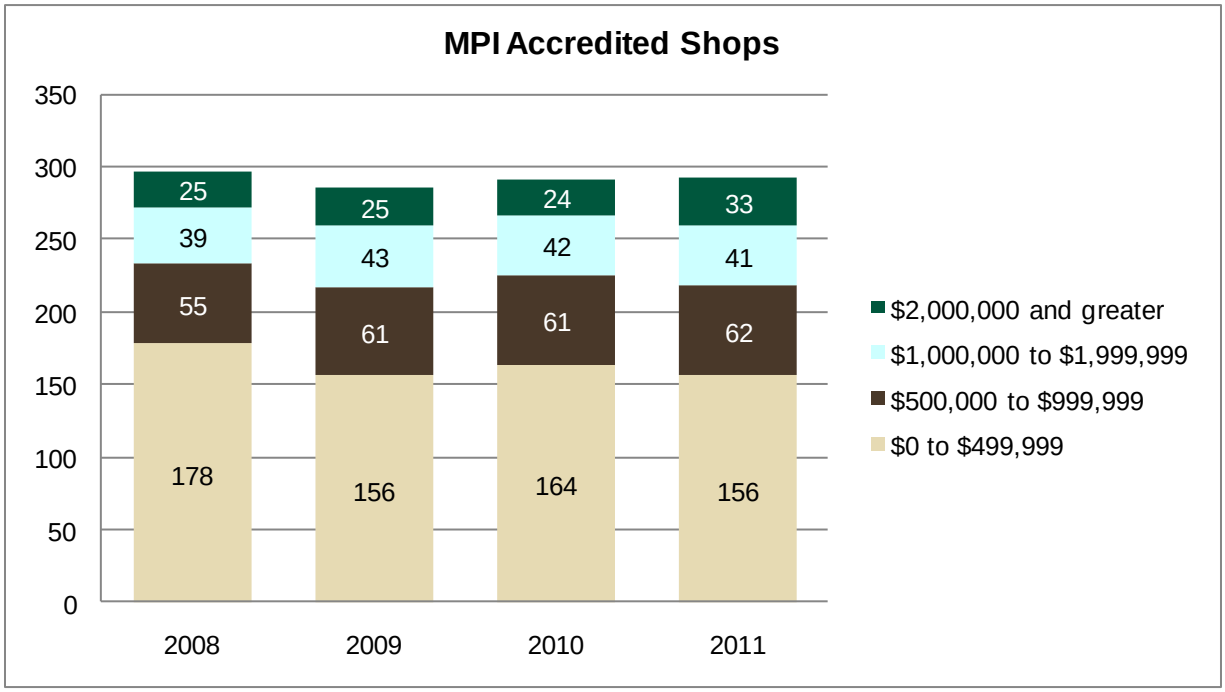
The number of MPI accredited shops has declined slightly since 2006, from 300 to 295.

Figure 4 – Number of Accredited Shops



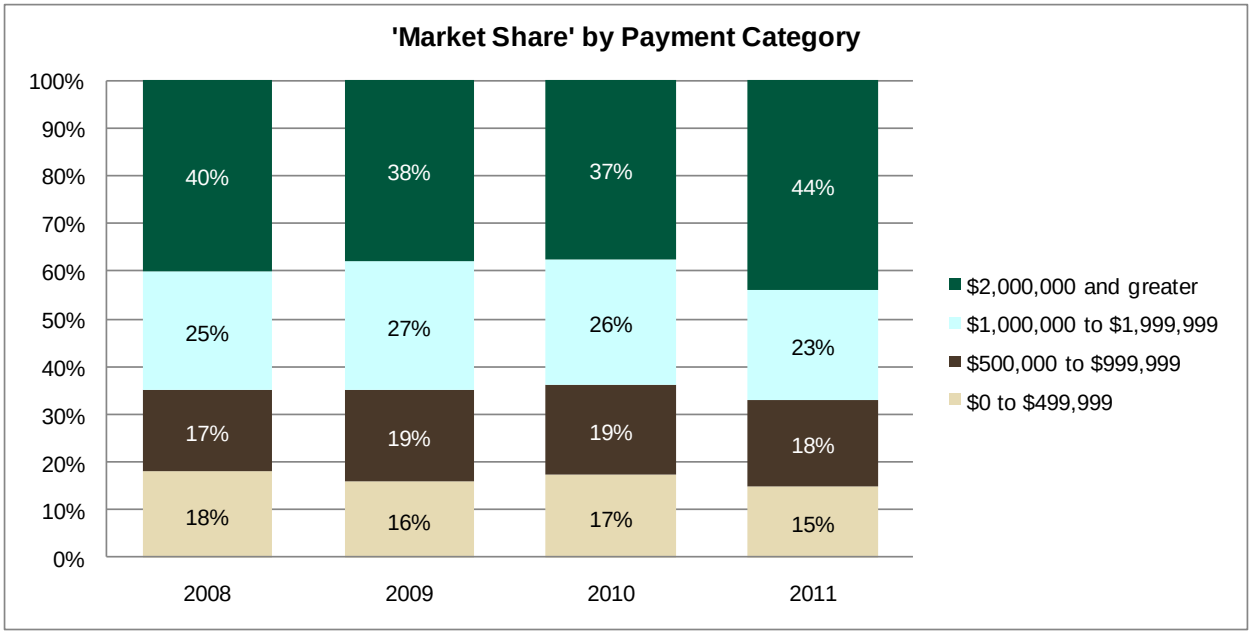
There are more, larger accredited shops in 2011 as compared to 2008, with a notable decline in the number of accredited shops that received under $500,000 in payments from MPI.

Figure 5 – Number of Accredited Shops, by Payment Category



Larger shops are also capturing an increasing proportion of market share, or proportion of claim payments.

Figure 6 - Market Share by Payment Category



5.0 Survey Findings

Please note: Unless otherwise referenced the information in this section was gathered directly from the survey of accredited auto body repair shops conducted from May to October 2012.

5.1 Survey Population

Surveys were distributed to 295 accredited collision repair businesses across the province. Some shops chose to combine responses from locations with integrated financial reporting, resulting in a total population of 292 shops. For this study, as in 2009, Manitoba was divided into four regions: Winnipeg, Southeast, Southwest and North. Forty-four percent (129) of shops are located in Winnipeg, 3.4% (10) of shops are located in the Northern region, 29% (86) of shops are located in the Southeast region and 23% (67) are located in the Southwest region. The figure below illustrates the geographic boundaries and distribution of these four regions.

Figure 7 – Number of Shops by Region

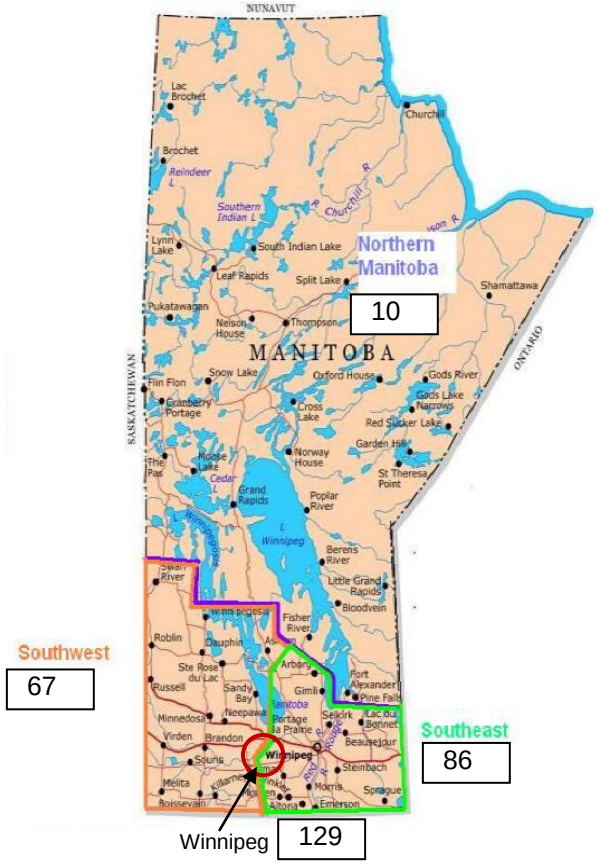


Table 1 compares the survey population from the previous 2009 study to the current study. In total the number of survey invitations decreased by three (three shops combined responses).

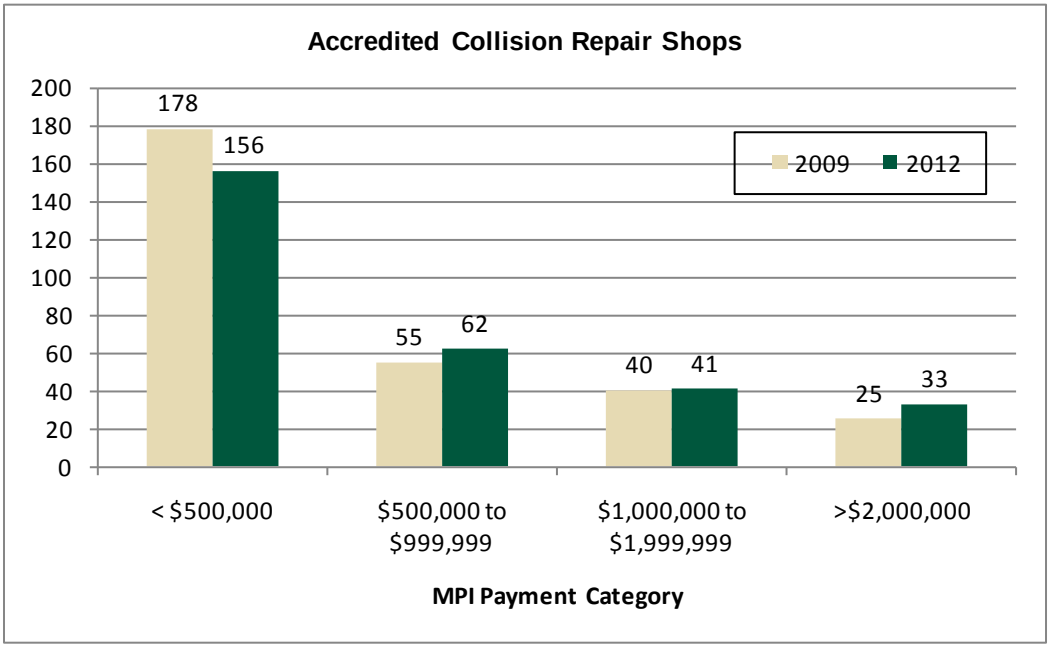
Table 1 – Comparison of 2009 and 2012 Survey Populations

Region	2009	2012
Winnipeg	133	129
North	11	10
Southeast	82	86
Southwest	72	67
Total	**298**	**292**

Segmenting the repair shops by volume of MPI business, 53.4% of accredited auto body shops in Manitoba (156 shops) received MPI payments less than $500,000 in 2012. Twenty one percent of shops received payments between $500,000 and $1,000,000; 14.1% of shops received payments between $1,000,000 and $2,000,000 while 11.3% of shops received payments greater then $2,000,000. Shops with over $1,000,000 in MPI payments represent 25.4% of all payments.

A comparison of the number of accredited collision repair shops by payment category in the 2009 and 2012 studies reveals a decrease in the number of shops with MPI payments less than $500,000 and an increase in all other payment categories.

Figure 8 – Accredited Collision Repair Shops by MPI Payment Category



5.2 Respondent Profile

Survey responses were received from 79 accredited repair shops. The total response rate of the survey was 27%.

5.2.1 Affiliations

Respondents were asked to identify their affiliation, if any, with the Manitoba Motor Dealers Association (MMDA) and the Automotive Trades Association (ATA). The breakdown of affiliations is shown in Table 3 below. While the same number of MMDA shops responded in 2009 and 2012, they represent a larger proportion of total responses in 2012. Additionally, the proportion of survey respondents who indicated they were not members of either organization decreased significantly.

Table 2 – Respondent Affiliations

	2012 (n=79)		2009 (n=125)	
Affiliation	**# of Respondents**	**% of Total**	**# of Respondents**	**% of Total**
A member of MMDA	38	48.1%	38	30.4%
A member of ATA	50	63.3%	67	53.6%
Not a member of either organization	13	16.5%	44	35.2%
A member of both MMDA and ATA	21	27%	24	19.2%

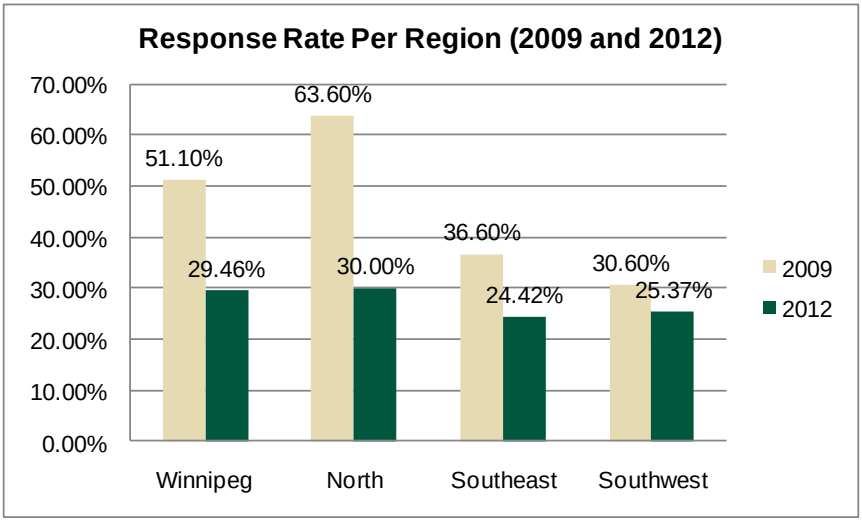
Survey responses were received from 30% of collision repair businesses in the North, 29% of Winnipeg businesses, 24% of businesses in the Southeast region and 25% of collision repair businesses in the Southwest region. These results show that the Winnipeg region is somewhat over represented by approximately 4.0%. Additionally, the Southwest and Southeast regions were slightly under represented.

Table 3 – Survey Respondents by Region (2012)

	Population		Respondents		
Region	**Number**	**% of Total Population**	**Number**	**% of Shops in Region**	**% of Total Respondents**
Winnipeg	129	44.2%	38	29.5%	48.1%
North	10	3.4%	3	30.0%	3.8%
Southeast	86	29.5%	21	24.4%	26.6%
Southwest	67	23.9 %	17	25.4%	21.5%
Total	**292**	**100%**	**79**		**100%**

Comparing the respondents by region, responses to the 2012 study were more representative of the regional distribution of auto body shops, with Winnipeg being slightly less over-represented in 2012 and the southwest and southeast regions being less under-represented.

Figure 9 – Survey Response Rates by Region

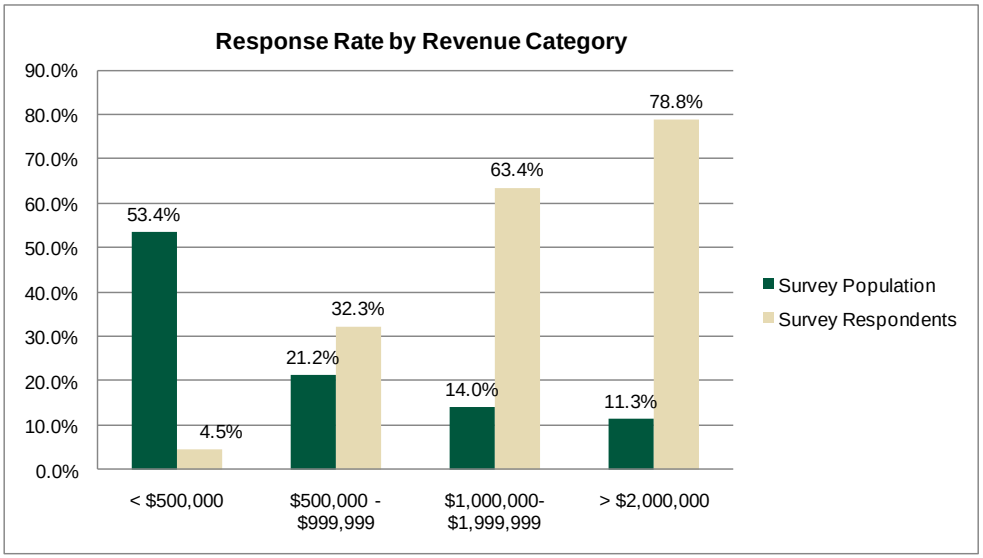


Over 66% of survey responses received were from businesses in the two highest payment categories ($1,000,000 to $1,999,999 and over $2,000,000), which represent 25% of the survey population. Businesses with payments less than $500,000 were significantly under-represented.

Table 4 – Survey Respondents by MPI Payment Category

	Population		Respondents		
MPI Payment Category	**Number**	**% of Total Population**	**Number**	**% of Shops in Category**	**% of Total Respondents**
< $500,000	156	53.4%	7	4.5%	9.0%
$500,000 - $999,999	62	21.2%	20	32.3%	25.3%
$1,000,000- $1,999,999	41	14.0%	26	63.4%	32.9%
> $2,000,000	33	11.3%	26	78.8%	32.9%
Total	**292**	**100%**	**79**		**100%**

Figure 10 – Survey Respondents by MPI Payment Category



Total MPI payments to accredited auto body repair businesses were $256,986,193 in 2011. Survey respondents represented 55.2% of accredited repair business with MPI, and a total of $141,724,728 in MPI payments.

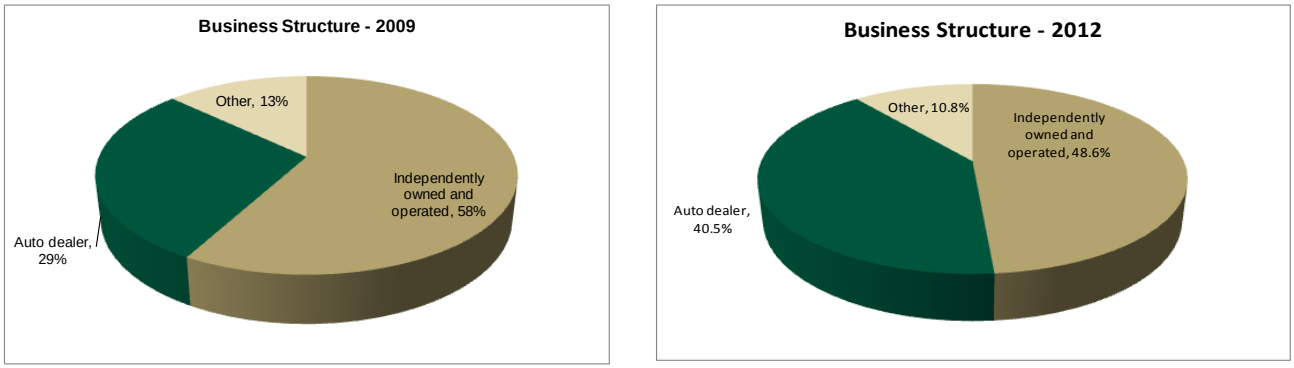
Please note: MPI payments do not reflect total revenue. Not all respondents provided financial data: more detail in this regard is provided in Section 3.6.

Where possible, survey results are shown by geographic region and by revenue category. To maintain confidentiality, results are only displayed for a category if it includes results from a minimum of five businesses.

5.3 Business Structure

Approximately 48.7% (36) of respondents indicated their collision repair business is independently owned and operated, 40.5% (30) of respondents indicated that their business is owned by an auto dealer and 10.8% (8) indicated some other form of business ownership.

Figure 11 – Responses by Business Structure



Comparing the business structures of respondents from 2009 to 2012, there was a decrease in the percentage of independently owned and operated businesses and a decrease in other forms of business structures. There was an increase in the number of respondents whose businesses are owned by an auto dealer. Table 5 below documents this comparison.

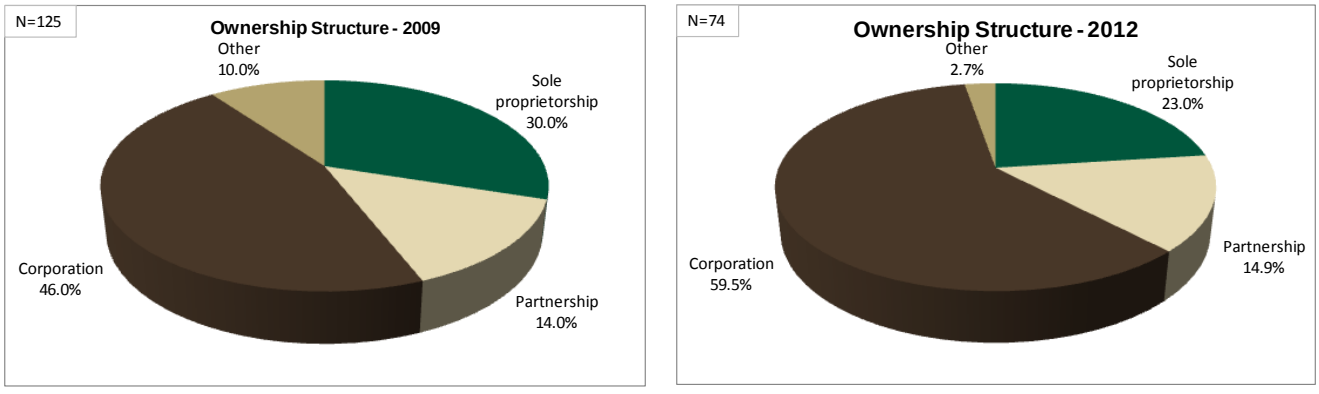
Table 5 – 2009 and 2012 Survey Ownership Type Comparison

Business Structure	2009	2012
Independently owned and operated	58%	49%
Auto dealer	29%	40%
Other	13%	11%

Survey respondents that responded “other” for the type of business structure listed franchise multi-store, (car manufacturer) franchise, multi-location (company owned) and multi-location.

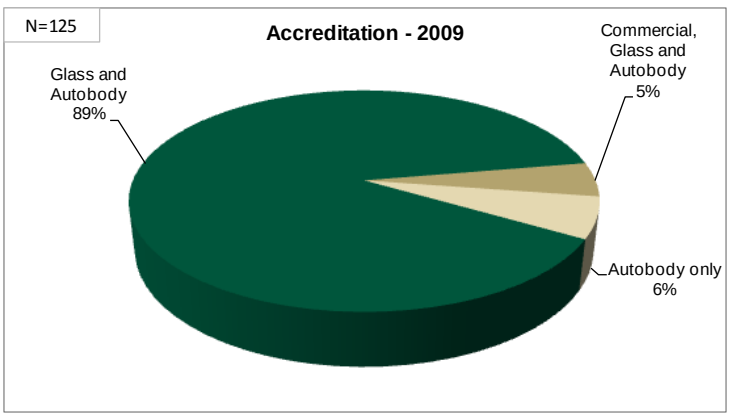
The most common collision repair business ownership structure among respondents was a corporation, representing 59.5% (44). Sole proprietorships represented 22.9% (17), partnerships represented 14.9% (11) and other represented 2.7%. Other ownership structures that were indicated were reorganization of corporation and a limited partnership.

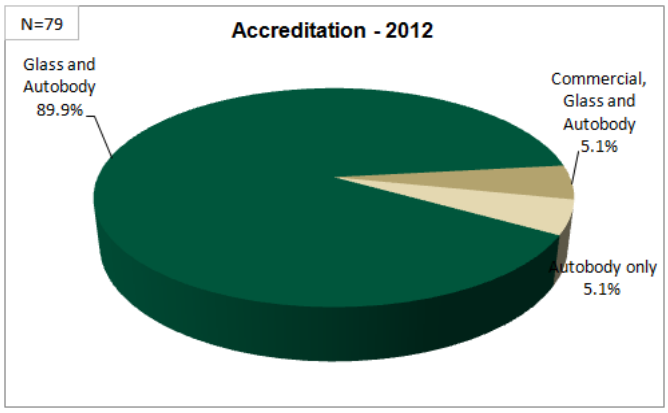
Figure 12 – Survey Respondents - Ownership



Assessing the change in ownership structure of respondents from 2009 to 2012, the proportion of corporations increased while sole proprietorship and other forms of structure decreased.

Figure 13 – Survey Respondents - Accreditation Status





As compared to 2009, 2012 survey respondents reported very similar accreditation statuses.

Ninety percent of survey respondents (71) reported that their businesses are accredited in both Glass and Auto body, while 5.1% (4) are accredited in Commercial, Glass and Auto body repairs and 5.1% (4) are accredited in Auto body only.

Respondents were asked to identify what category of total revenue fit their business. Of the 79 survey respondents, 9% (7) indicated that their revenues were below $500,000, 25% (20) indicated that their revenues were between $500,000 and $1,000,000, 33% (26) indicated that their revenues were between $1,000,000 and $2,000,000 and 33% (26) indicated that their revenues were greater than $2,000,000.

Based on a comparison of MPI payment data to reported revenue, MPI work represented 85% of survey respondents' total revenue. As shown in Figure 14 below, as total revenue increases, the proportion of revenue from other sources decreases.

Figure 14 – Percentage of Revenue from Insurance-Paid Repairs, by Revenue Category*

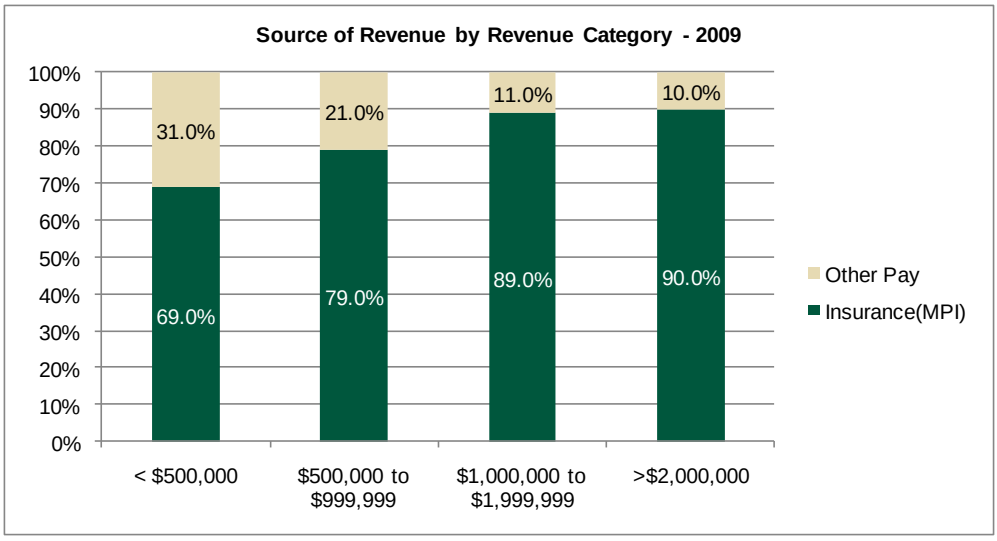
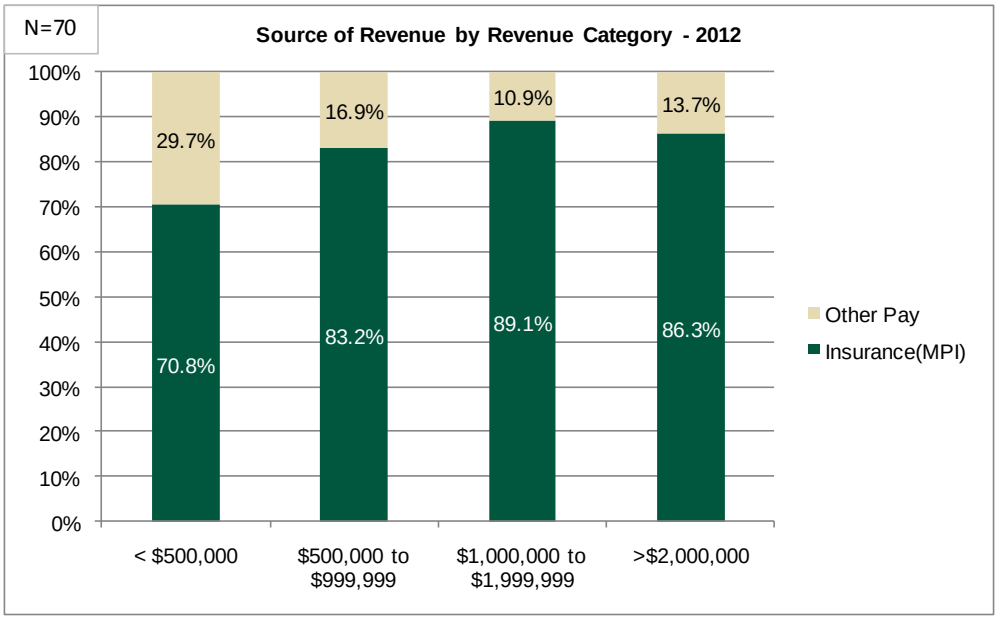


Figure 14 Continued



**Self Reported Revenue Categories*

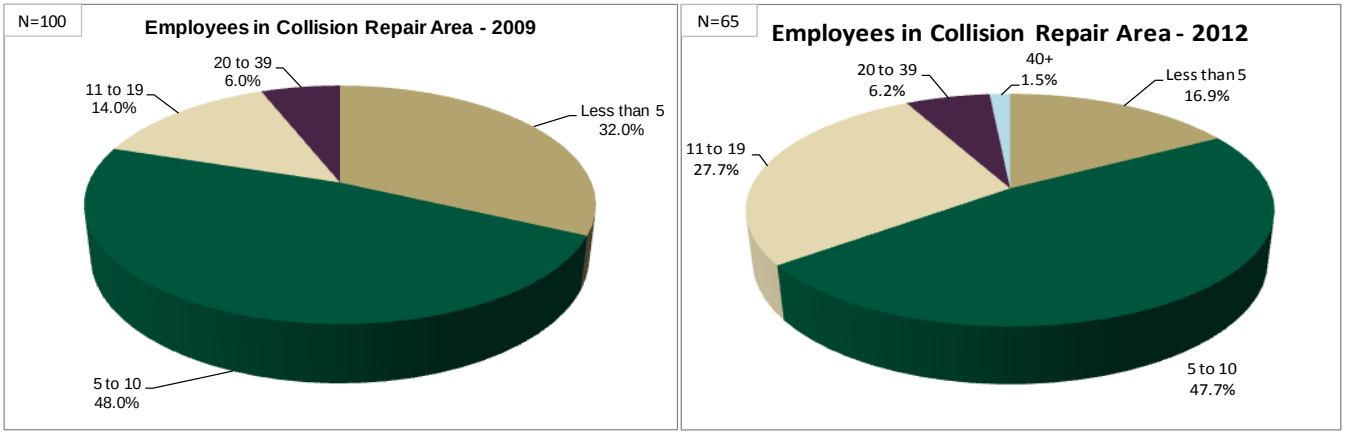
Comparing the sources of collision repair work from 2009 to 2012, overall, there has been a 4% increase in MPI work and a corresponding 4% decrease in other paid work.

Survey respondents indicated on average that 84.8% of their collision repair business revenues are obtained from a combination of auto body (46.0%) and paint (38.9%) services, while glass (9.6%) and mechanical (5.4%) make up the remaining 15.2%.

Number of Employees

Sixty-five shops responded to the questions about employee numbers. Sixty-five percent of the responding businesses reported ten total employees or less.

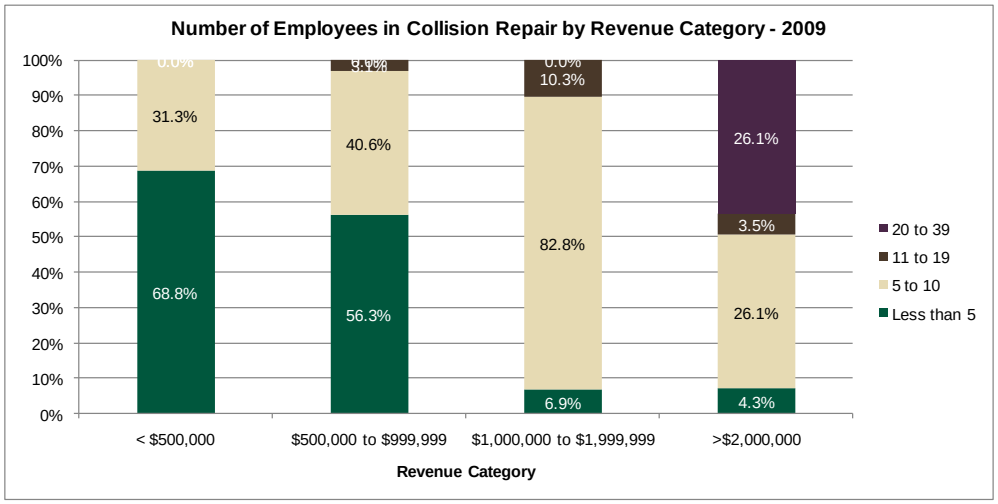
Figure 15 – Shop Size by Number of Employees

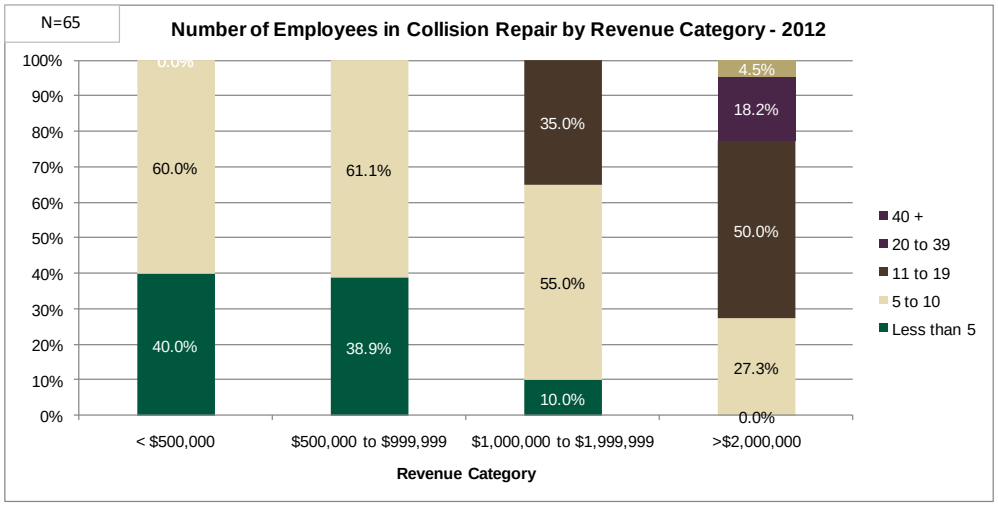


A comparison of the number of employees in respondent businesses from 2009 to 2012 indicates a 15% decrease in the number of businesses with fewer than 5 employees, a 14% increase in the number of businesses with 11 to 19 employees, and a small percentage of business with 40 employees or more. The number of businesses reporting they have 5 to 10 employees or 20 to 39 employees remained almost unchanged from 2009. The decrease in shops with less than 5 employees is influenced by the low number of respondents in the under $500,000 revenue category, and cannot be considered a reliable indication of change.

Figure 16 below illustrates the number of employees working in collision repair businesses by revenue category. A comparison of this data from 2009 to 2012 indicates that the number of employees is higher for the 2012 sample across all revenue categories. Generalization to the industry as a whole is somewhat limited by the low response rate from businesses with total revenue under $1,000,000.

Figure 16 – Number of Employees by Revenue Category (2009 and 2012)*





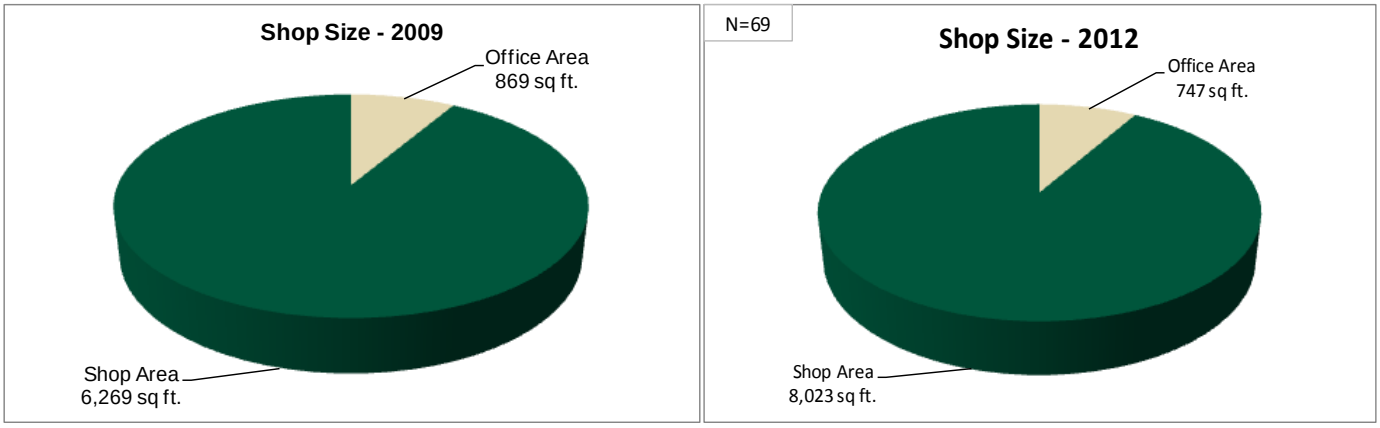
**Self reported revenue categories*

5.4 Operations

5.4.1 Shop Size

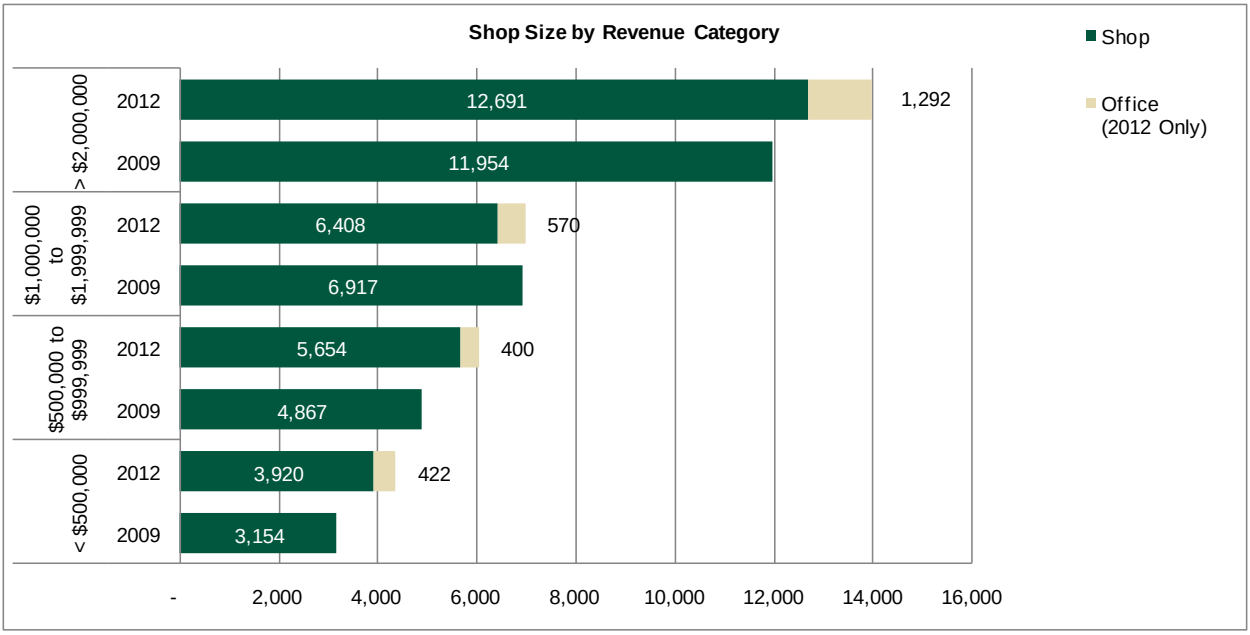
Respondents to the survey indicated an average shop area of 8,023 square feet with a corresponding average office area of 747 square feet. The average shop area represented 91.4% of total shop size while the office area represented 8.6% of total shop size. Compared to 2009, average shop area has increased by 28% while office area has decreased by 14%.

Figure 17 – Average Shop Size (square feet)



The average square footage of the shop floor ranged from 3,920 to 12,690. Square footage of the office area ranged from 422 to 1292. As illustrated by the figure below, as revenue increases, shop area and office area also increase.

Figure 18 – Shop Size by Survey Revenue Category*

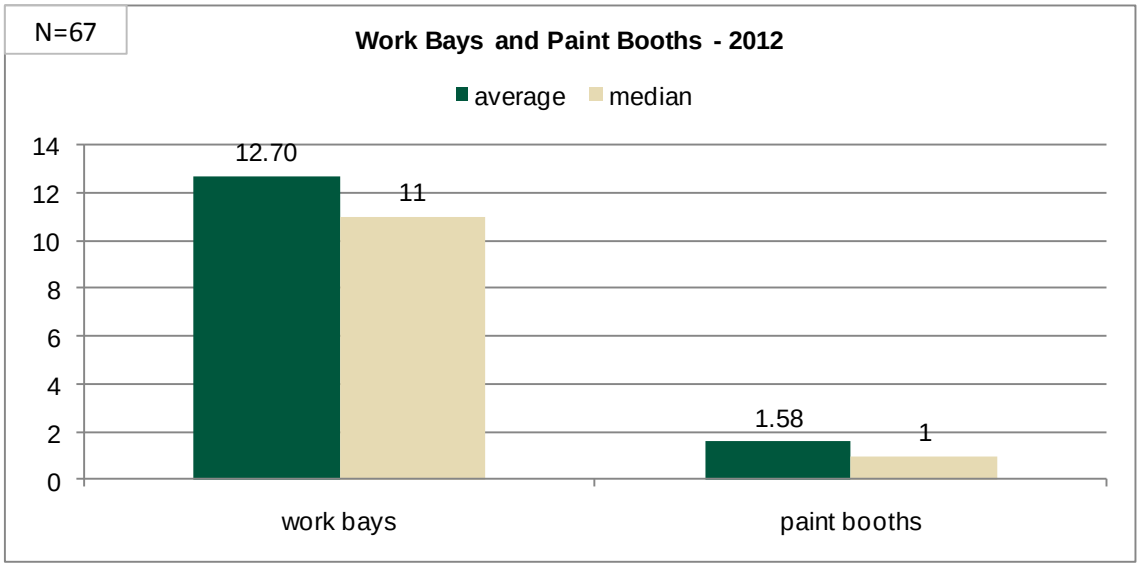


**Self reported revenue categories*

5.4.2 Work Bays and Compound

Survey respondents reported an overall average number of work bays (including frame machines, detail bays and spray booths) in their shops of 12.7 and a median of 11. The average number of paint booths reported was at 1.58 with a median of 1.

Figure 19 – Work Bays and Paint Booths



The number of work bays increased from 2009 as may be expected from the change in the respondent sample. In 2009 there were 12.4 average work stalls per business and in 2012 there were 12.7 representing a 2% increase.

The number of work bays increases as revenue category increases from an average of 7.2 for shops with under $500,000 revenue to 22.1 for the over $2,000,000 revenue category.

Figure 20 – Work Bays by Revenue Category - 2009

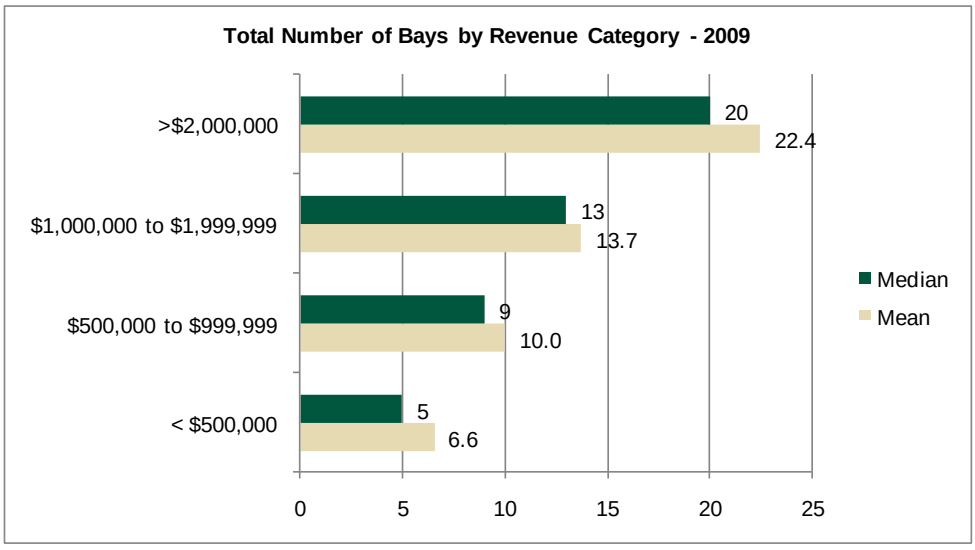
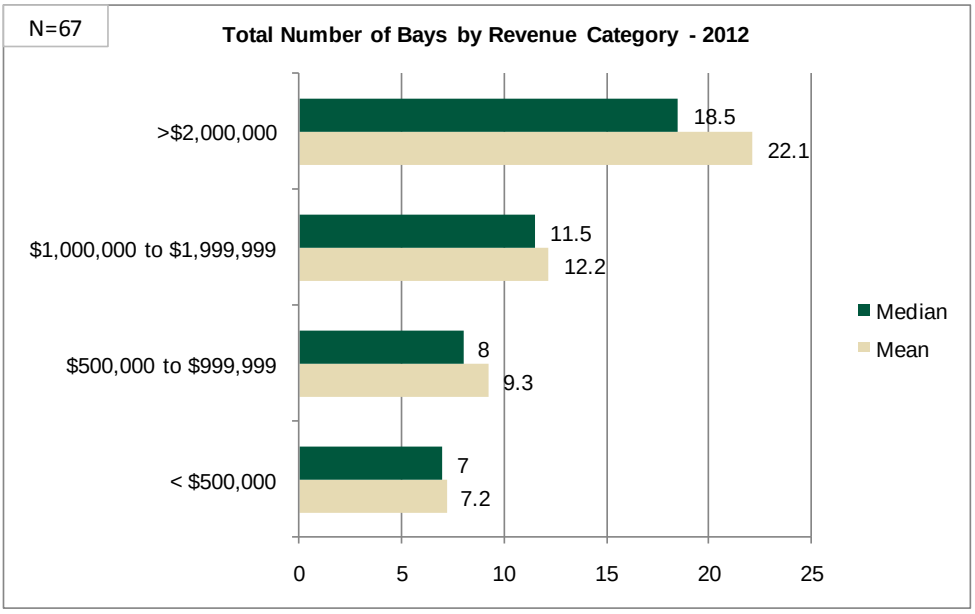


Figure 21 - Work Bays by Revenue Category - 2012



Comparing the average number of work bays from 2009 to 2012 by revenue category, the number of bays in all revenue categories decreased somewhat, with the exception of businesses with less than $500,000 total revenue, which reported an increase in the average number of stalls.

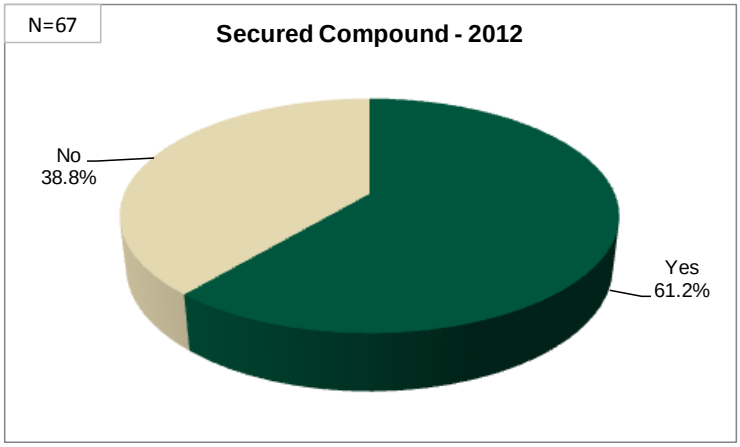
Table 6 – Work Bays by Revenue Category

Revenue Category	Average Number of Work Bays	
	2009	2012
Less than $500,000	6.6	7.2
$500,000 to $999,999	10.0	9.3
$1,000,000 to $2,000,000	13.7	12.2
Greater than $2,000,000	22.4	22.1

5.4.3 Security

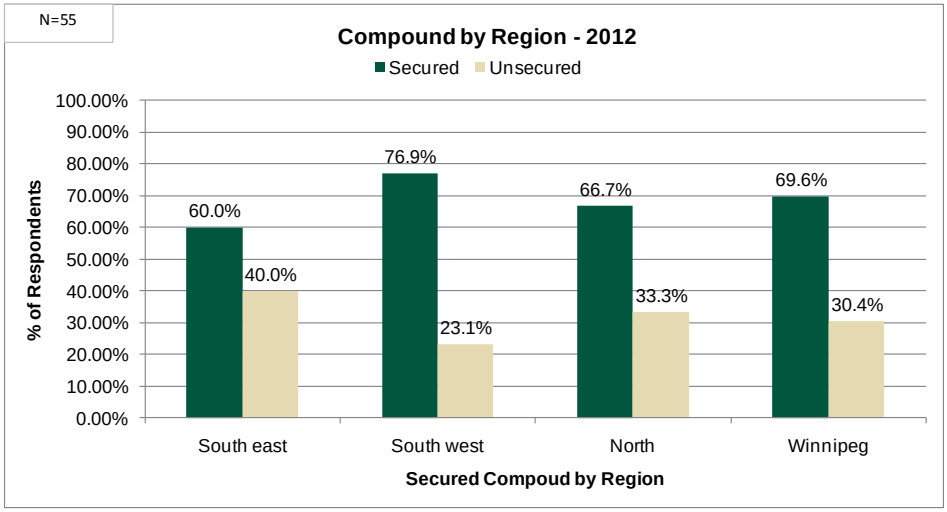
Sixty-one percent of survey respondents reported that they have a secured compound.

Figure 22 – Secured Compound



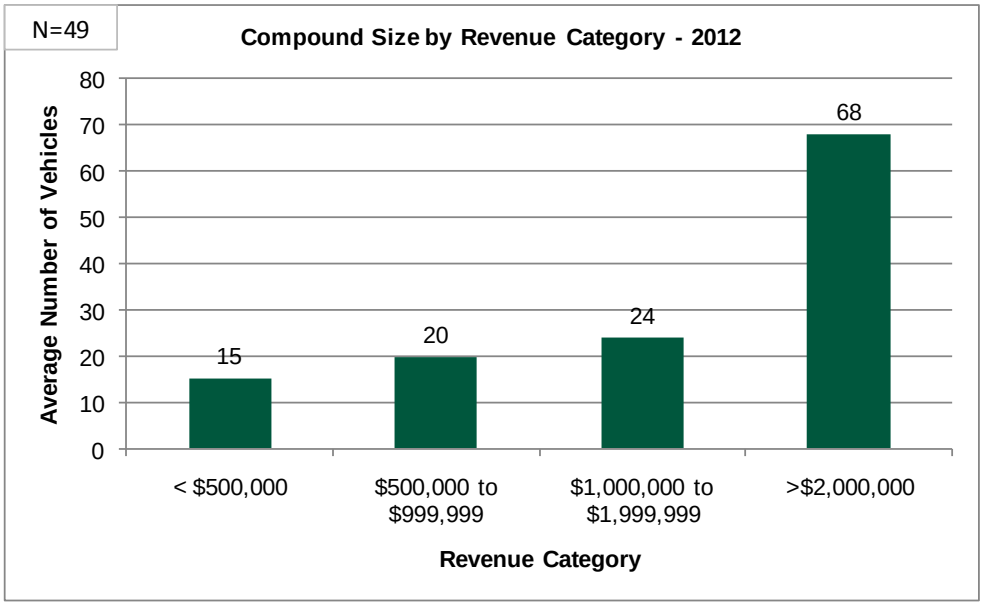
The most common type of security reported by respondents was a fence at 41.8% (33), a video camera at 15.2% (12), a monitored video camera at 7.60% (6) and "other" at 13.90% (11). 'Other' responses included inside vehicle storage, security patrol and monitored alarm. Respondents in the southwest were most likely to have a secured compound; respondents in the southeast least likely.

Figure 23 – Secured/Unsecured Compound by Region



Average compound size, in terms of number of vehicles, increases as revenue category increases.

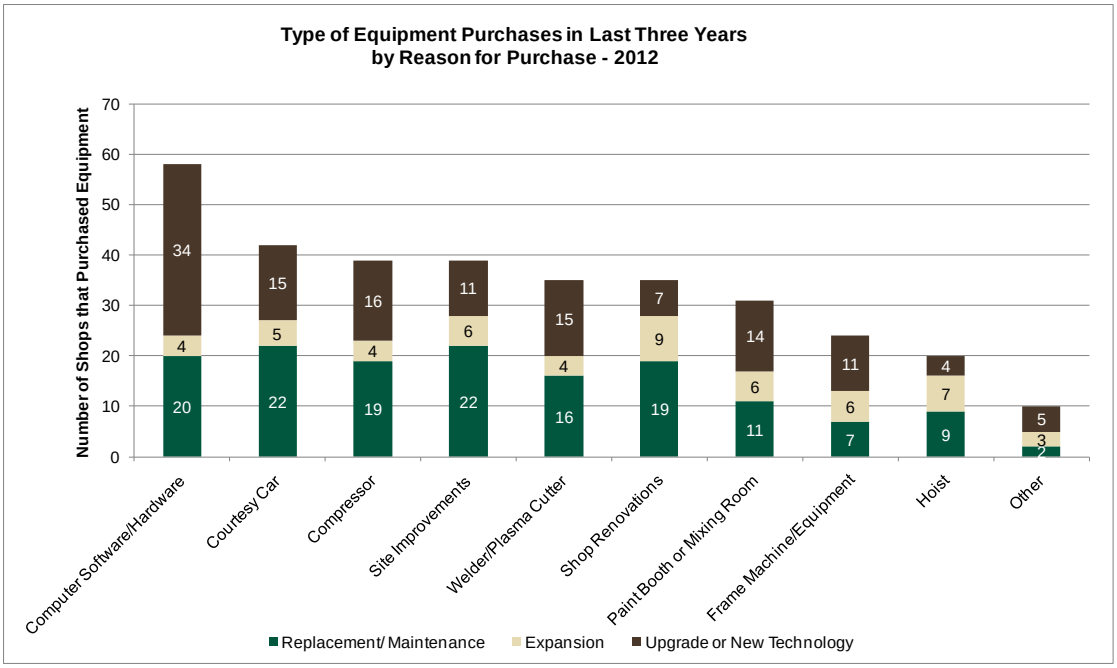
Figure 24 – Compound Size by Revenue Category



5.4.4 Equipment and Technology

Respondents reported concerns with the cost of the required equipment and technology in the collision repair industry. As shown in the figures below, the majority of collision repair businesses purchased computer software or hardware in the last three years. In total, 17.4% of equipment or technology purchases were related to computer software and hardware while courtesy car equipment and upgrades represented 12.6% of total equipment purchases in the last three years.

Figure 25 – Reason for Equipment/Technology Purchases in Last Three Years



Recent equipment and technology purchases are listed in Table 7 below. Purchases most likely to be made for the purposes of replacement and/or maintenance are shop renovations, site improvements, courtesy cars, hoists, compressors and welding/plasma cutter equipment. Purchases most likely to be made to upgrade or incorporate new technologies are computer software/hardware, frame machines/equipment, and paint booths or mixing rooms.

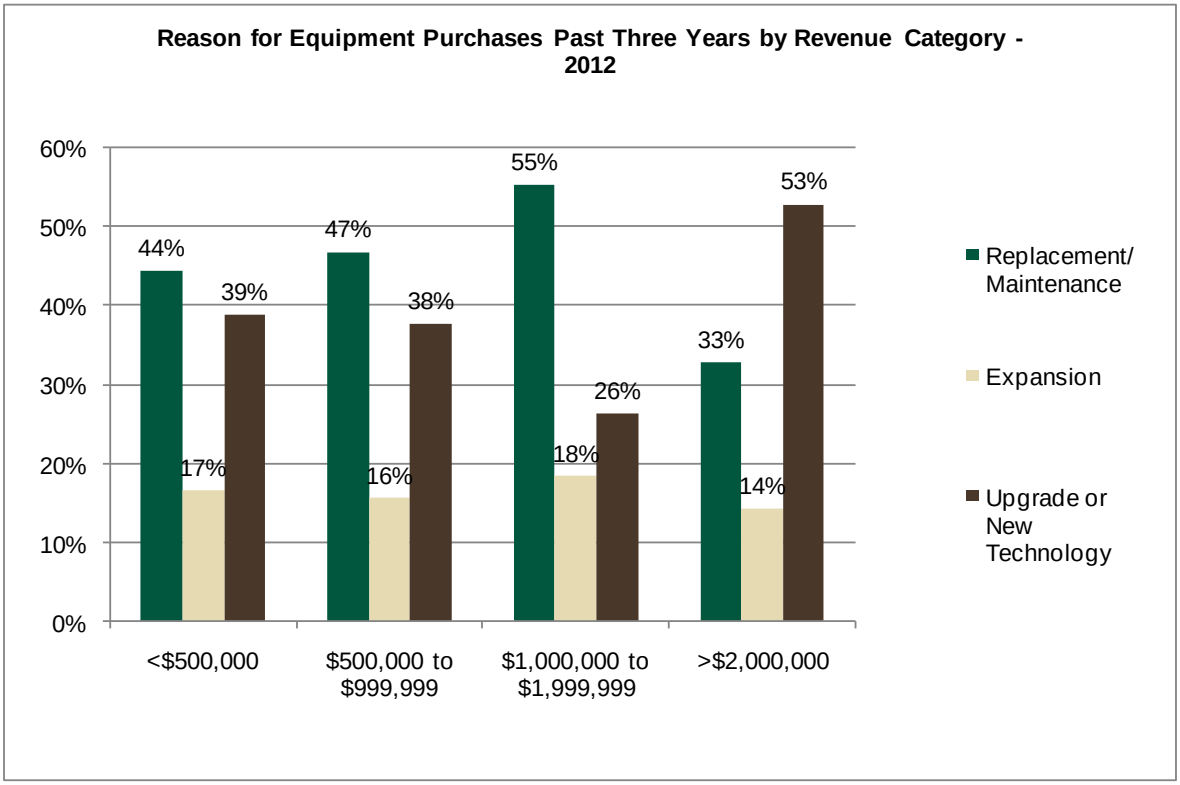
Table 7 – Equipment and Technology Purchases in Last Three Years

	Replacement/Maintenance	Expansion	Upgrade or New Technology
Paint Booth or Mixing Room	37.5%	18.8%	43.8%
Frame Machine/Equipment	29.2%	25.0%	45.8%
Welder/Plasma Cutter	45.7%	11.4%	42.9%
Compressor	48.7%	10.3%	41.0%
Hoist	45.0%	35.0%	20.0%
Courtesy Car	52.4%	11.9%	35.7%
Computer Software/Hardware	34.5%	6.9%	58.6%
Shop Renovations	54.3%	25.7%	20.0%
Site Improvements	56.4%	15.4%	28.2%
Other	20.0%	30.0%	50.0%

Other equipment purchases include: renovating facilities, signage and marketing purchases and changing operation to PCE (lean based repair system).

By revenue category, equipment purchases were more likely to be made for the purposes of replacement and maintenance in revenue categories under $1,000,000, while business with revenues of $2,000,000 or more were more likely to make equipment purchases to upgrade their facilities or incorporate new technology.

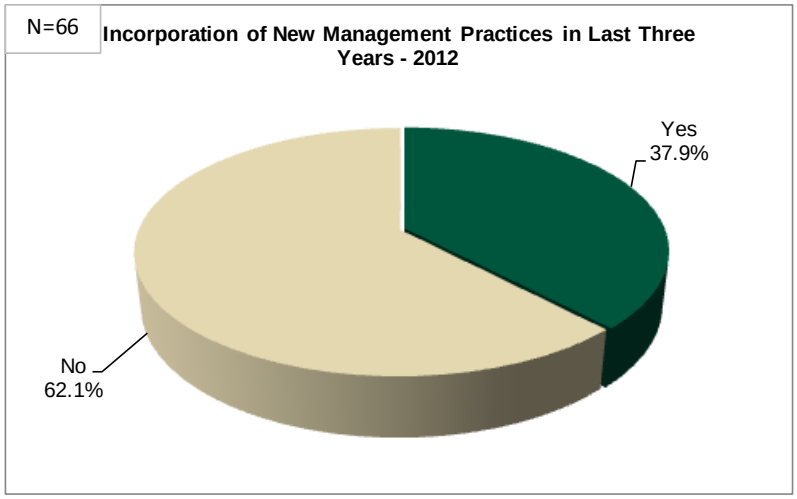
Figure 26 – Equipment Purchases Last Three Years by Revenue Category



5.4.5 Management Practices

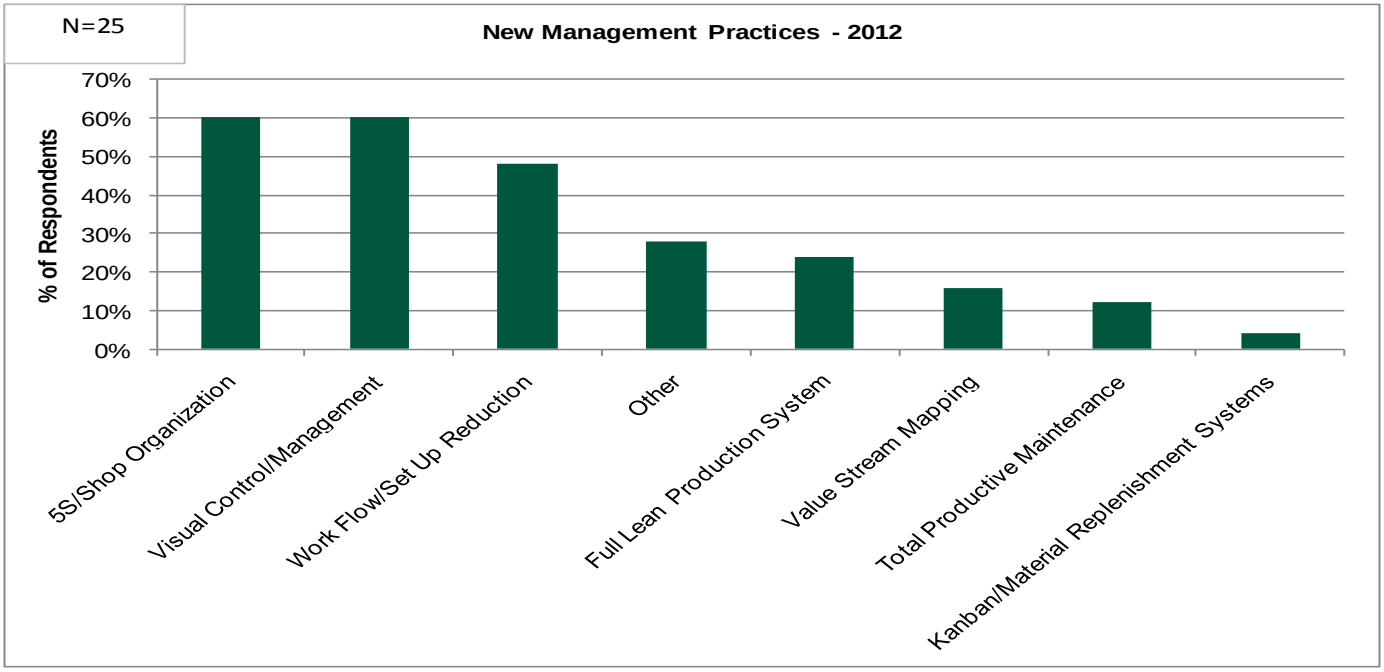
Sixty six respondents indicated whether they have incorporated new management practices in their business within the last three years. 25 of the 66 respondents (37.9%) have incorporated new management practices; 41 (62.1%) have not. 20 of the 25 shops (80%) that incorporated new management practices were in the top two revenue categories. Shops in the top two revenue categories represented approximately 66% of total responses.

Figure 27 – New Management Practices



New management practices listed were predominantly related to lean management systems. 60% (15) implemented 5S, visual control, and management. 48% (12) implemented work flow management.

Figure 28 – New Management Practices Incorporated in Last Three Years

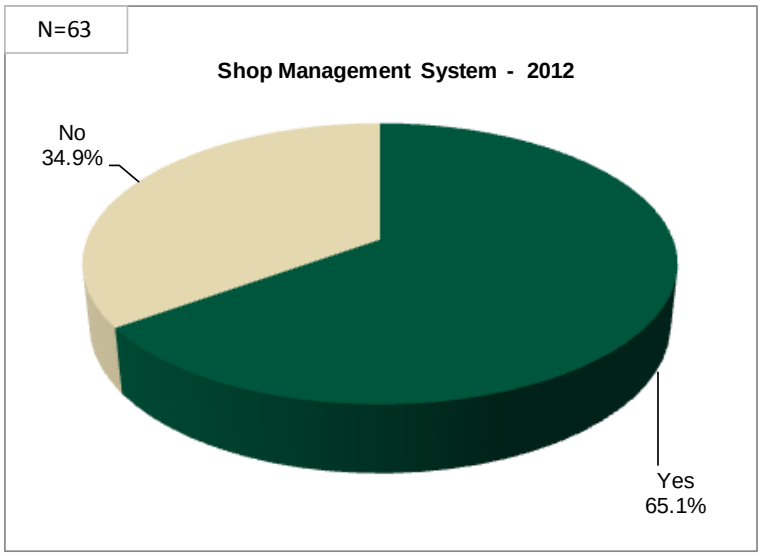


Other management practices included ISO certification and Process Cycle Efficiency (PCE).

Respondents indicated that these management practices have helped to reduce cycle times, improved the flow of work, increased productivity, and increased capacity, and have led to cost reductions.

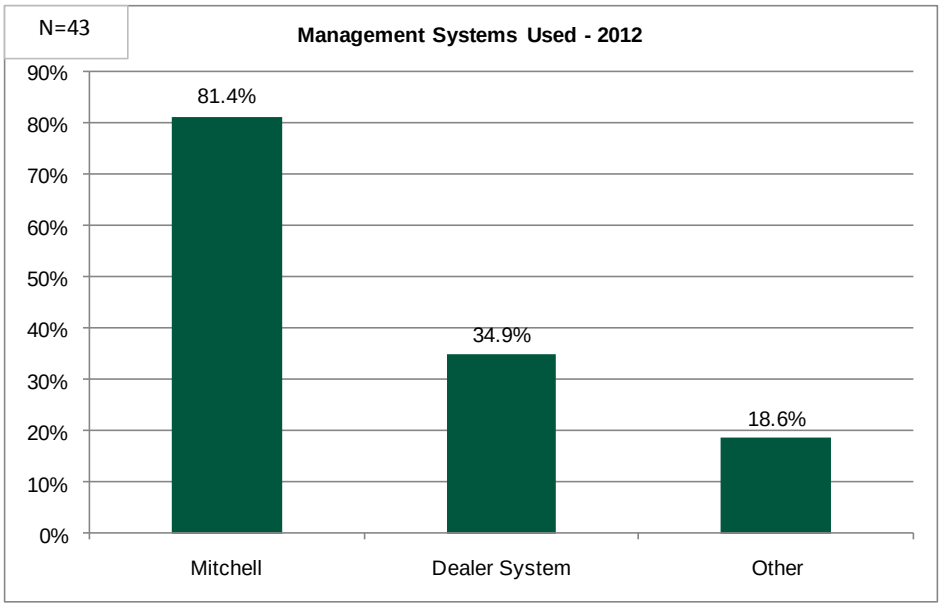
When asked if they use a shop management system in their collision repair business, 65.1% (41) of a total of 63 respondents to this question indicated they do use a management system while 34.9% indicated they do not.

Figure 29 – Use of Shop Management System



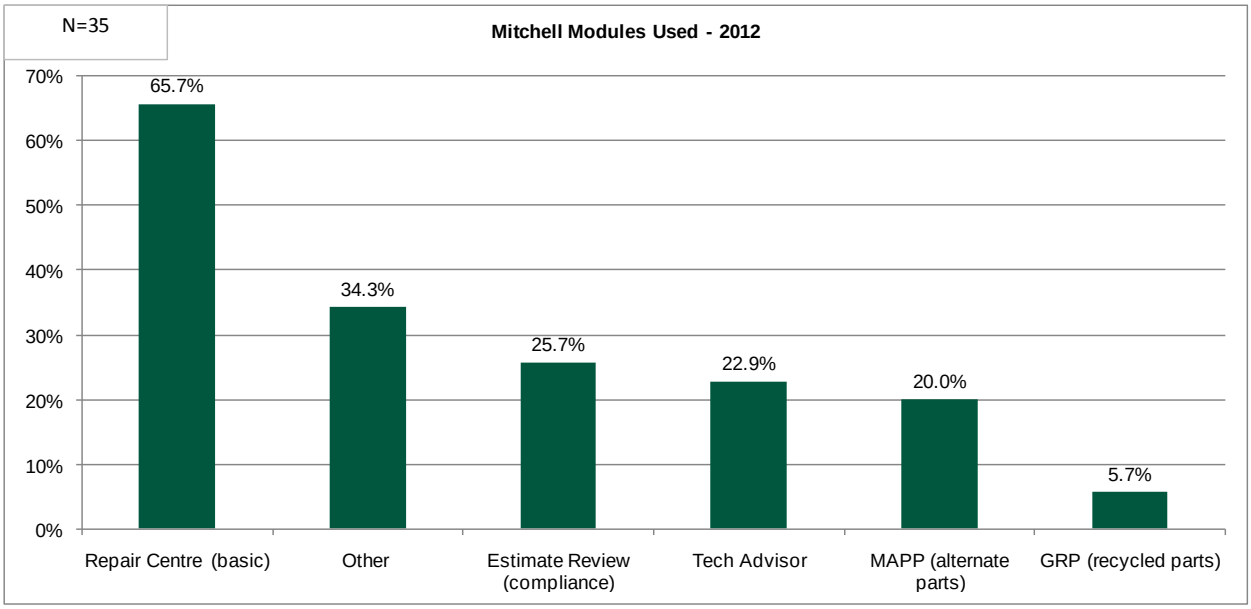
Of the respondents who do use some type of management system, 81.4 % (35) indicated that they use Mitchell, 36.6% indicated that they use a dealer system and 19.5% indicated that they use another system. The percentages above will not add to 100% because many respondents indicated that they use multiple systems.

Figure 30 – Management Systems



Of the 35 respondents that indicated they use Mitchell, 65.7% (23) use the basic module while between 5.7% and 34.5% use some other Mitchell module. Figure 30 details which Mitchell modules the 35 respondents use.

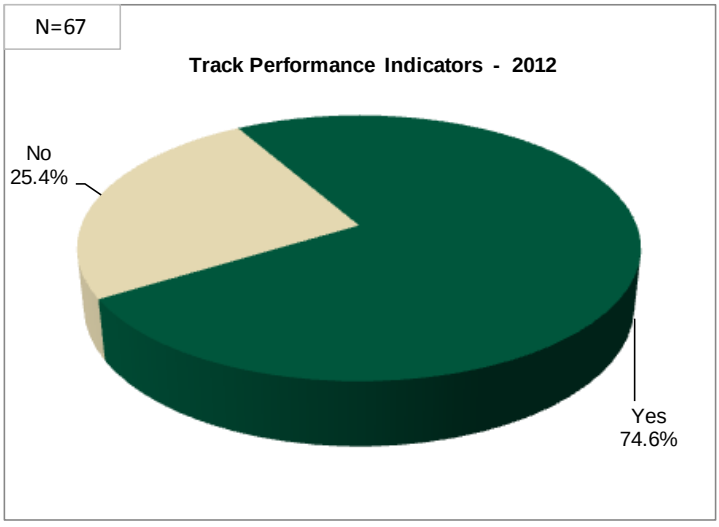
Figure 31 – Mitchell Modules Used



5.4.6 Performance Indicators

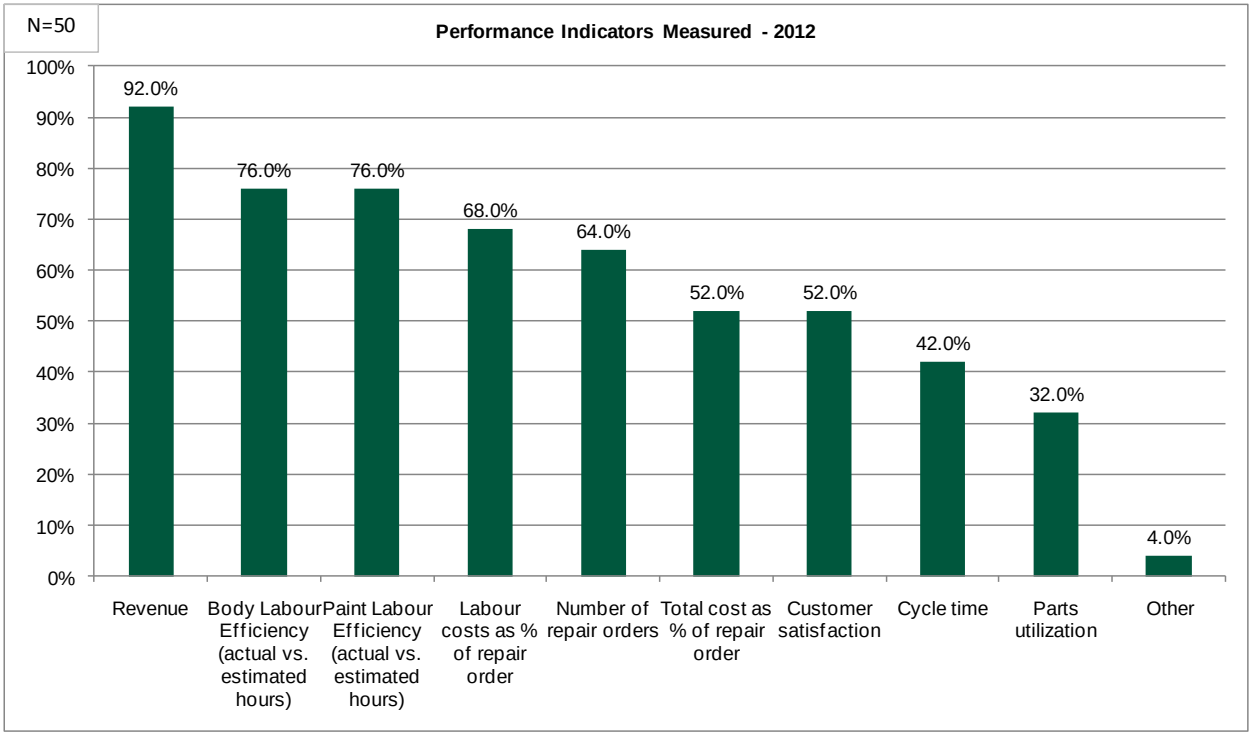
In terms of monitoring performance, survey respondents were asked if they track any performance indicators. Sixty-seven businesses responded to these questions, with 74.6% (50) indicating that they do track performance indicators and 25.4% (17) indicating that they don't track any performance indicators.

Figure 32 – Performance Indicators



The 50 respondents who indicated they track performance indicators were asked to identify the indicators they track from a list. Over 90% (46) indicated they measure revenue. The next most common indicators used are labour efficiencies for both body and paint, at 76% (38) each. Fifty-two percent track customer satisfaction; forty-two percent track cycle time.

Figure 33 – Type of Performance Indicators Measured

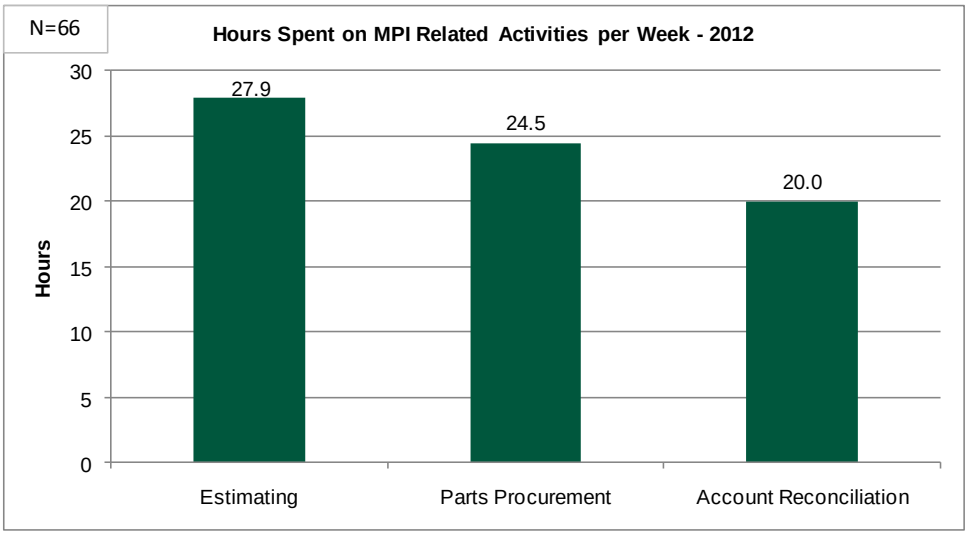


5.4.7 MPI Processes

The business processes which lead to interactions between MPI and collision repair businesses include the estimating process, parts procurement and account reconciliation.

The survey asked businesses to estimate the number of hours spent each week on each of the three business processes. Sixty-six survey respondents identified an average of 27.9 hours per week for estimating, 24.5 hours per week for parts procurement and 20 hours per week for account reconciliation.

Figure 34 – Average Number of Hours Spent on MPI Related Activities per Week



The distribution of the total hours spent on MPI related activities varies by revenue category. Businesses with revenues less than $500,000 spent the largest proportion of their time on parts procurement, those with revenues between $500,000 and $999,999 and over $2,000,000 spent the most time on estimating, and businesses with revenue between $1,000,000 and $1,999,999 reported the highest proportion of their time was spent on account reconciliation.

Figure 35 – Percentage of Time Spent on Specific MPI Related Activities – by Revenue Category

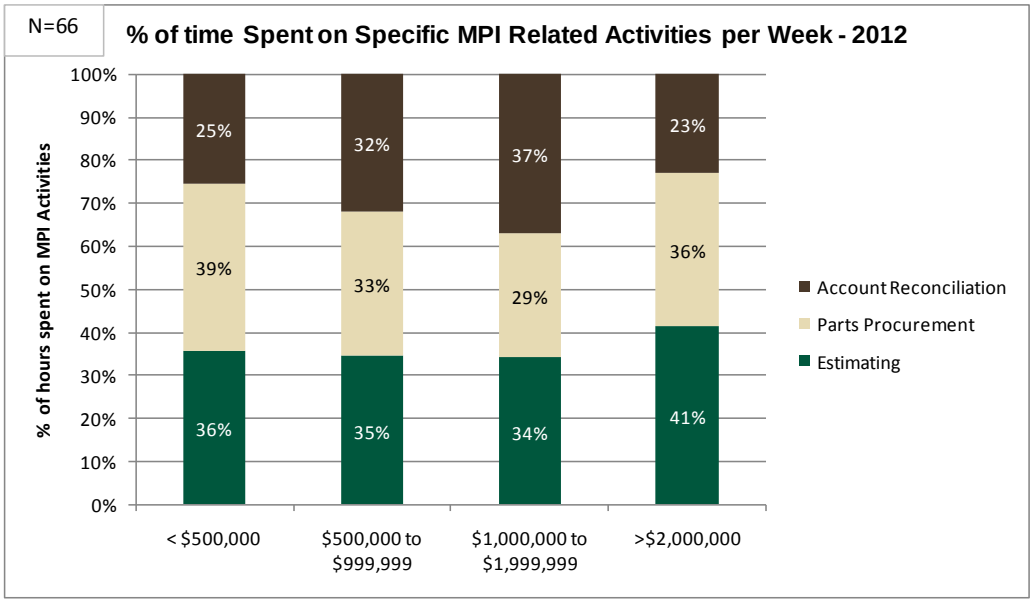


Figure 36 – Hours Spent on MPI Related Activities by Revenue Category - 2012

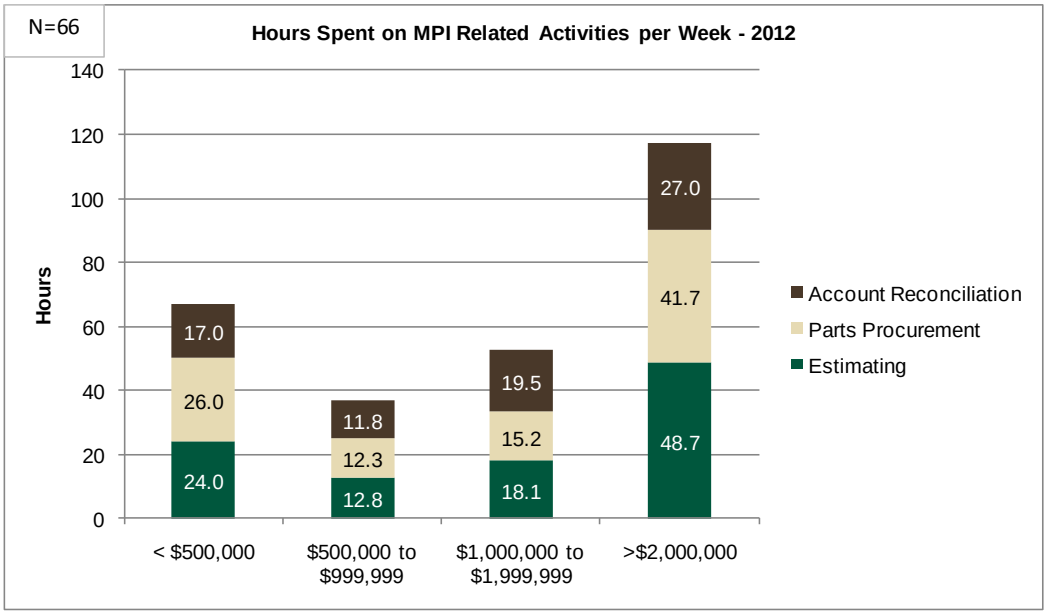
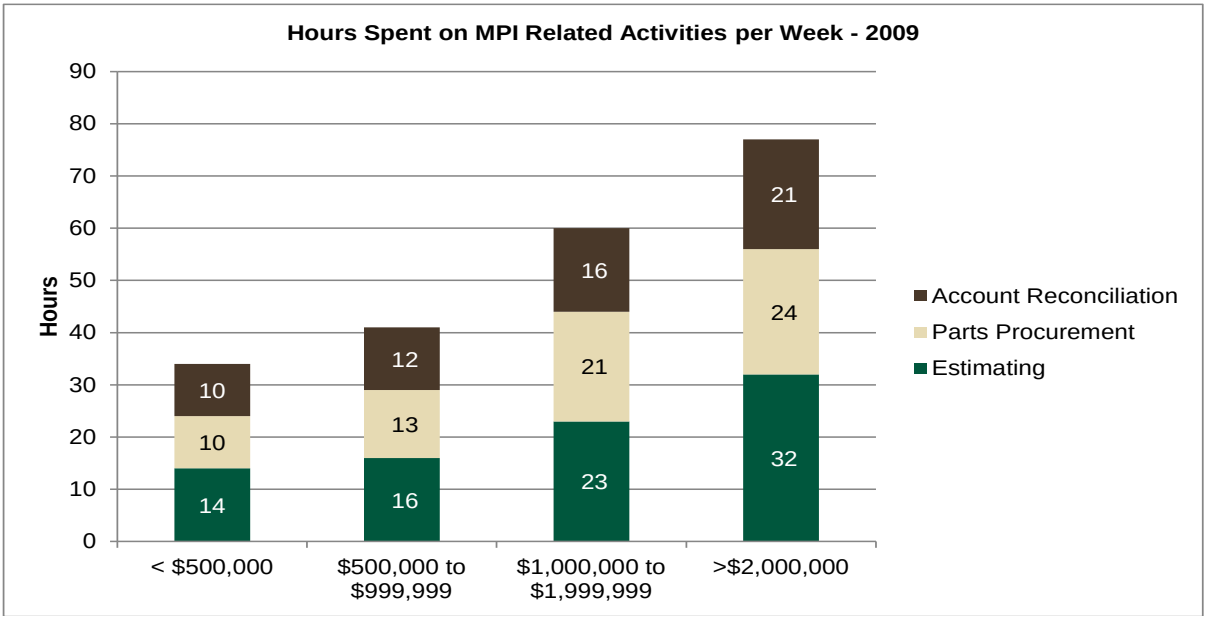


Figure 37 – Hours Spent on MPI Related Activities by Revenue Category - 2009



Compared to the 2009 survey, time spent on parts procurement increased for business with revenues less than $500,000 and greater than $2,000,000. Account reconciliation increased in the lowest and highest revenue categories, and decreased in the middle two revenue categories. Estimating followed the same pattern, increasing in the lowest and highest revenue categories and decreasing in the middle two revenue categories. On average, the total number of hours spent on all MPI related activities increased from 2009 to 2012 in the lowest and highest revenue categories.

Table 8 – Number of Hours Spend on MPI Processes per Payment by Revenue Category

2012	Average Number of Hours Per Payment							
	Estimating		Parts Procurement		Account Reconciliation		Total	
	2009	2012	2009	2012	2009	2012	2009	2012
< $500,000	3.95	4.92	2.82	5.34	2.82	3.49	9.60	13.75
$500,000 to $999,999	1.74	1.43	1.42	1.38	1.31	1.33	4.47	4.14
$1,000,000 to $1,999,999	1.37	1.15	1.25	0.96	0.95	1.24	3.57	3.34
> $2,000,000	0.84	1.37	0.63	1.17	0.55	0.76	2.01	3.30

To compare the time spent per payment by category, the estimated time per week was annualized, and then divided by the average number of payments for the respective revenue category. According to respondent estimates in both 2009 and 2012, larger shops typically spend less administrative time per payment than smaller shops. Small shops estimated almost 14 hours of time on administrative processes per MPI payment. Given the small sample of these shops reporting, the result for this group may not be reliable.

The results from the other groups indicate shops typically spend approximately 3 to 4 hours per payment. The average time by category decreased slightly for shops with revenue between $500,000 and $2 million. Shops with over $2 million indicated a significant increase in time in the 2012 survey, with the biggest increases in estimating and parts procurement.

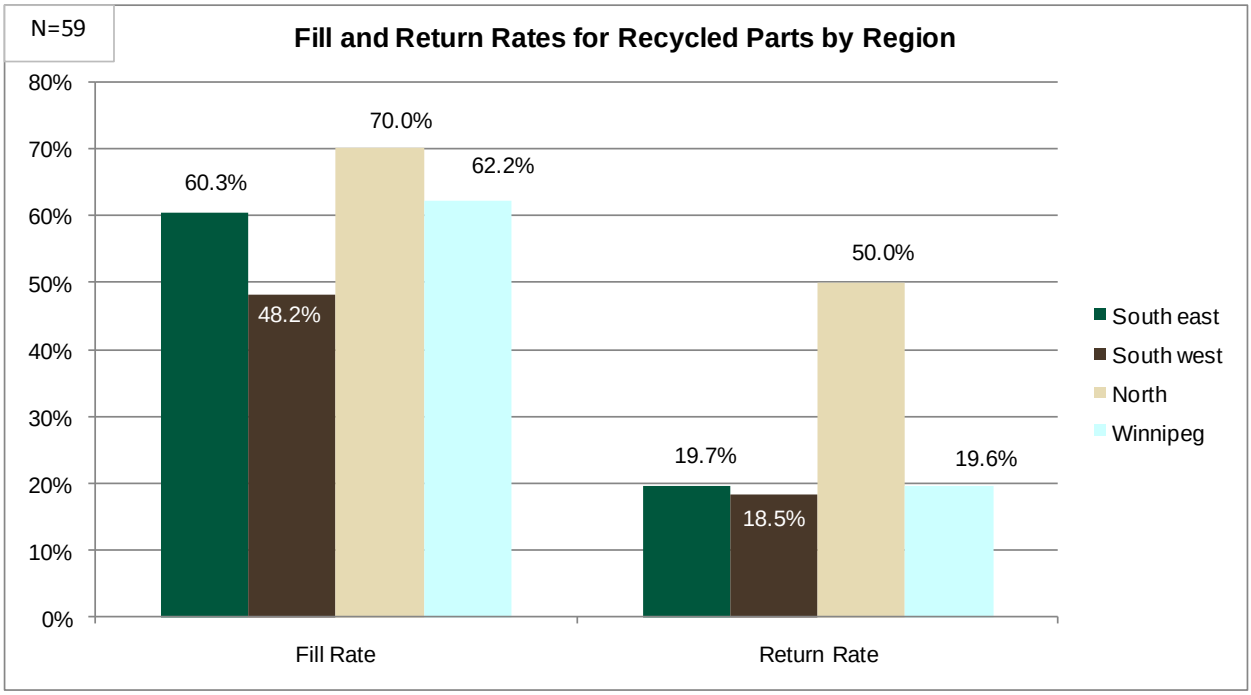
Respondents were also asked to estimate their Fill Rate, defined as the average percentage of orders received, and Return Rate for recycled parts in the last year. Return rate is defined as the average percentage of received parts that were returned or unusable. Less than two thirds of orders were filled, and of these 21% were returned. This indicates shops are able to successfully obtain re-cycled parts for approximately 4 out of 10 orders.

Table 9 – Recycled Parts - 2012

Recycled Parts	Percentage
Average Fill Rate	57.1%
Average Return Rate	21.0%

Fill rates vary by region, with the highest fill rate in Northern Manitoba. Northern Manitoba also has the highest return rate (results based on a small sample).

Figure 38 – Fill and Return Rates for Recycled Parts by Region



5.4.8 Relationship with MPI

Survey respondents were asked to comment on the business relationship with MPI, taking into consideration what is working well, and areas for improvement. A summary of the most frequent responses is shown below:

Please note: the following reflects the view of respondents, not analysis or review of the processes by MNP.

What is working well in your relationship with MPI?

1. Communication and trust between MPI staff, especially estimators and adjusters and body shops is working well.
2. New technologies such as E-glass and the photo imaging system have helped to speed up processes.
3. Claims are paid promptly and direct deposits in particular increase timeliness of payments.
4. Approval times have improved – now within 24 hours.

What improvements could be made to the business relationship with MPI?

1. **More accurate, consistent estimation process**
   - Estimates are often inaccurate, requiring supplemental estimates and resultant delays.
   - Over-rides on the Ultramate estimation system create inconsistency.
   - Increasing the amount of time Estimators can spend examining vehicles and completing their estimates would result in more accurate estimates and fewer amendments.
   - Policies and procedures are not clearly communicated and are not followed consistently by all claim centres and estimators, resulting in confusion and delays.

2. **MPI processes need more automation**
- Inefficient MPI processes result in uncompensated administrative work and increased repair times on vehicles. Shops are often left footing the bill for courtesy car rentals that are the result of delays caused by MPI.
- Using Mitchell software to generate supplements would increase efficiencies.
- Availability of online pricing and procedures for common materials could reduce time spent checking with adjusters.
- Enable electronic submission of all required forms.

3. **Better communication, trust, and accountability from MPI**
- The relationship with MPI is seen by many as adversarial, and based on cost-containment with little consideration for customer satisfaction.
- Providing shops with more detail regarding the accident and initial estimate, including photos, would assist shops in determining if additional damage is related to the current claim.
- Better and timelier communication with shops regarding policies, changes and explanation of short-pays would reduce required interaction on each job.
- More accountability is needed in terms of delays, poor quality estimates.

4. **Aftermarket and recycled parts polices and processes**
   - The lower price of recycled and aftermarket parts is often more than offset by delays to vehicle repair because of delivery times and poor fitting or poor quality parts. The delays affect shop productivity and customer satisfaction.
   - Inaccurate parts pricing results in increased administrative time.

5.5 Human Resources

The survey asked employers about their current staff complement, demographics, compensation and benefit programs, turnover, future labour needs and training for the following identified positions:

- Journeyperson Body Repairer (JBR)
- Journeyperson Equivalent Body Repairer (JEBR)
- Apprentice Body Repairer (ABR)
- Journeyperson Painter (JBP)
- Apprentice Painter (ABP)
- Other Shop Floor Staff
- CSR/Estimator/Service Advisor (CSR)
- Supervisor
- Parts Person
- Management/Administrative Staff
- Owner

5.5.1 Current Employment

Sixty-seven respondents provided detailed information regarding the number and demographics of their employees, by position. Responding businesses reported a total of 681 employees. Similar to the results of the 2009 study, 94% of all employees work full-time.[1]

The average age of journeyperson body repairers is 43, 42 for Journeyperson equivalent body repairers and 43 for journeyperson painters. There are 3 females working as technicians out of 380 individuals working in these positions (<1%), all 3 of whom are apprentices.

Compared to the 2009 study, the average age of journeyperson body repairers and journeyperson painters has increased from 42 to 43, while the age of apprentice painters has decreased from 28 to 24.

Table 10 – Employment Status and Demographics by Position - 2012

2012	JBR	JEBR	ABR	JBP	ABP	Other Shop	CSR	Super-visor	Parts	Mgmt/ Admin
Part Time	1	2	4	1	4	13	6	1	1	6
Full Time	136	50	58	104	20	88	62	16	26	82
Female	0	0	2	0	1	6	32	0	5	35
Average Age	43	42	25	43	24	28	37	44	40	40
55 and over[2]	6	5	0	0	0	4	2	2	3	6

[1] For the purposes of this survey, full-time was defined as 30 hours or more per week
[2] Data for '55 and over' may be somewhat underestimated, as respondents provided an average age for positions with more than one incumbent.

Table 11 – Employment Status and Demographics by Position - 2009

	JBR	JEBR	ABR	JBP	ABP	Other Shop	CSR	Super-visor	Parts	Mgmt/ Admin
Part Time	6	7	4	8	0	9	7	1	4	14
Full Time	167	81	72	141	48	109	85	43	27	118
Female	1	0	6	0	7	5	38	2	5	67
Average Age	42	42	25	41	28	30	39	44	41	45
55 and over	3	1	0	3	0	2	4	8	6	11

Tables 12 to 14 represent the average and median number of individuals by position as reported by employers responding to the survey in 2009 and 2012. In 2012, the median, or 'typical' staff complement includes five shop and two office staff (not including owners). This is consistent with the data reported in the 2009 study.

Table 12 – Average and Median Employees per Business by Position - 2012

2012	Full Time		Part Time	
Position	**Average**	**Median**	**Average**	**Median**
Journeyperson Body Repairer	2.1	2	0.0	0
Journeyperson Equivalent Body Repairer	0.8	0	0.0	0
Apprentice Body Repairer	0.9	1	0.1	0
Journeyperson Painter	1.6	1	0.0	0
Apprentice Painter	0.3	0	0.1	0
Other Shop Floor Staff	1.3	1	0.2	0
CSR/Estimator/Service Advisor	0.9	1	0.1	0
Supervisor	0.2	0	0.0	0
Parts Person	0.4	0	0.0	0
Management / Administrative Staff	1.2	1	0.1	0

Table 13 – Average and Median Employees per Business by Position - 2009

2009	Full Time		Part Time	
Position	**Average**	**Median**	**Average**	**Median**
Journeyperson Body Repairer	1.7	1	.06	0
Journeyperson Equivalent Body Repairer	0.8	1	.07	0
Apprentice Body Repairer	0.7	1	.04	0
Journeyperson Body Painter	1.42	1	.08	0
Apprentice Body Painter	0.48	0	0	0
Other Shop Floor Staff	1.10	1	.09	0
Customer Service/Estimator	0.86	1	.07	0
Production Supervisor / Foreperson	0.43	0	.01	0
Parts	0.27	0	.04	0
Management / Administrative Staff	1.19	1	.14	0

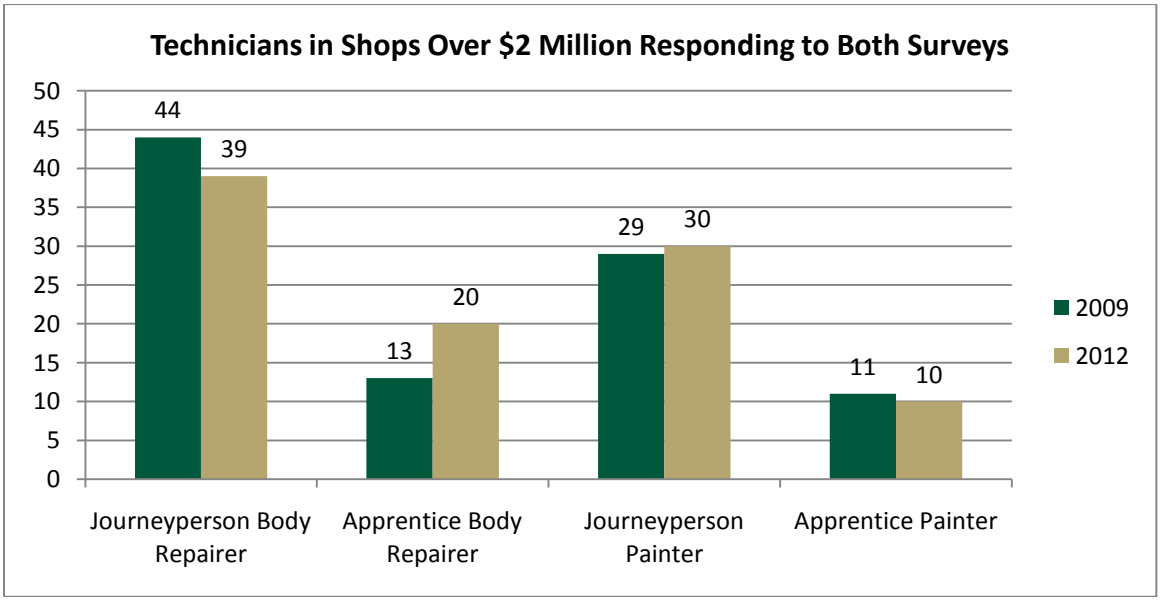
Table 14 – "Typical" Staff Complement by Revenue Category

Median Full Time Employees by Position	< $500,000		$500,000 to $999,999		$1,000,000 to $1,999,999		>$2,000,000	
	2009	**2012**	**2009**	**2012**	**2009**	**2012**	**2009**	**2012**
Journeyperson Body Repairer		1.0	1.0	1.0	1.0	2.0	3.0	3.0
Journeyperson Equivalent Body Repairer				1.0	1.0			
Apprentice Body Repairer				1.0	1.0	1.0	1.0	1.0
Journeyperson Painter		1.0	1.0	1.0	1.0	1.0	3.0	3.0
Apprentice Painter								
Other Shop Floor Staff						1.5		1.0
CSR/Estimator/Service Advisor						1.0		1.5
Supervisor								
Parts Person								1.0
Management / Administration				1.0		1.0		1.0
Total		**2.0**		**5**		**7.5**		**11.5**

By revenue category, 2009 and 2012 responses indicate that while the number of journeyperson technicians increases as revenue increases, the ratio of journeypersons to apprentices declines. *(Typical staff complement was calculated only for technical positions in 2009).*

Given the change in respondent pool, MNP compared the number of journeypersons and apprentices in the 24 shops with over $2 million in revenue that answered both the 2009 and 2012 surveys to determine any change in employment. The count is shown on the chart below. The most notable changes are a reduction of 5 journeyperson body repairers, and an increase of 7 apprentices. While significant within the category, these changes were not sufficient to change the median as reported above.

Figure 39 – Technicians in Shops over $2 Million Responding to Both Surveys



5.5.2 Compensation

Employers responding to the survey reported annual wages as shown in Table 15 below.[3]

Table 15 – Annual Pay, by Position - 2012

Annual Pay for Full Time Employees - 2012	Low	High	Average
Journeyperson Motor Vehicle Body Repair	31,000	100,000	59,344
Journeyperson equivalent	28,000	84,000	50,401
Apprentice Body Repair	20,000	54,532	32,733
Painter	28,000	104,346	63,941
Apprentice Painter	20,000	50,000	33,680
Other Shop Floor Staff	13,397	40,000	25,552
Estimator / Service Advisor / Customer service	20,000	48,000	33,026
Shop supervisor / Foreperson	30,000	80,517	54,758
Parts person	25,000	48,000	35,965
Management / Administration	18,000	91,000	52,093

Comparing the results of the 2009 and 2012 studies, the average annual pay for full time employees showed increases in every position except Estimator/Service Advisor/Customer Service. Survey respondents reported the largest growth in pay in the Shop Supervisor/Foreperson position followed by Apprentice Painter. The table below compares the average annual pay for each position in the 2009 and 2012 studies.

Table 16 – Comparison of Average Annual Pay by Position – 2009 to 2012

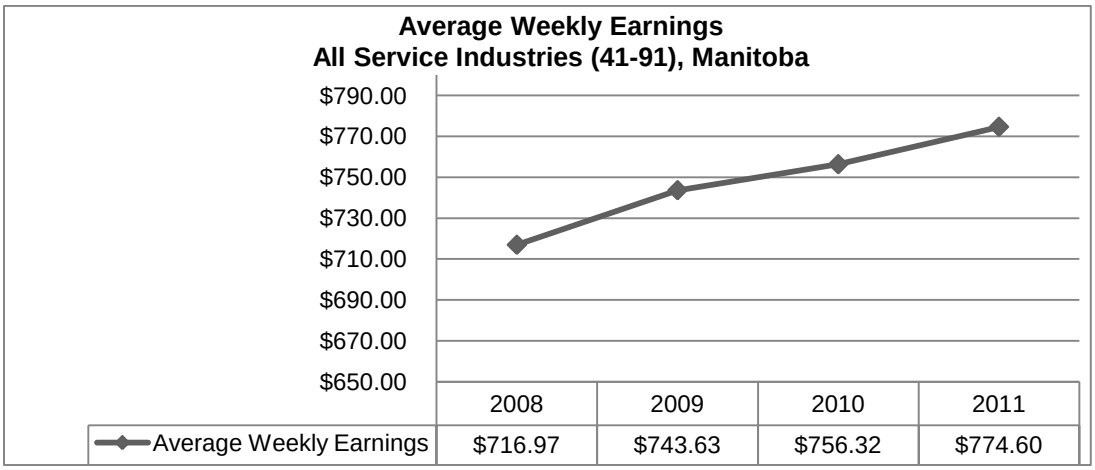
Annual Pay for Full Time Employees	2009 Study	2012 Study	Three Year Increase	Implied Annual Growth
Journeyperson Motor Vehicle Body Repair	56,185	59,344	5.6%	1.8%
Journeyperson Equivalent	47,838	50,401	5.4%	1.8%
Apprentice Body Repair	30,110	32,733	8.7%	2.8%
Painter	63,639	63,941	0.5%	0.2%
Apprentice Painter	29,814	33,680	13.0%	4.1%
Other Shop Floor Staff	25,033	25,552	2.1%	0.7%
Estimator / Service Advisor / Customer service	34,277	33,026	-3.6%	-1.2%
Shop supervisor / Foreperson	47,345	54,758	15.7%	5.0%
Parts person	34,888	35,965	3.1%	1.0%
Management / Administration	49,413	52,093	5.4%	1.8%

[3] Bottom and top 5% removed from analysis as outliers in both Table 15 and Table 16. This results in some variance from the simple average presented in the 2009 report.

Given the change in respondent pool, MNP also analyzed compensation by position for shops that responded to both surveys. The results indicate increases in both the range and median annual pay for journeyperson body repairers in the $500,000 to $1 MM and the $1-2 MM revenue categories. The range for shops in the over $2 million revenue category compressed, with a higher minimum and a lower maximum, resulting in no net change in the median.

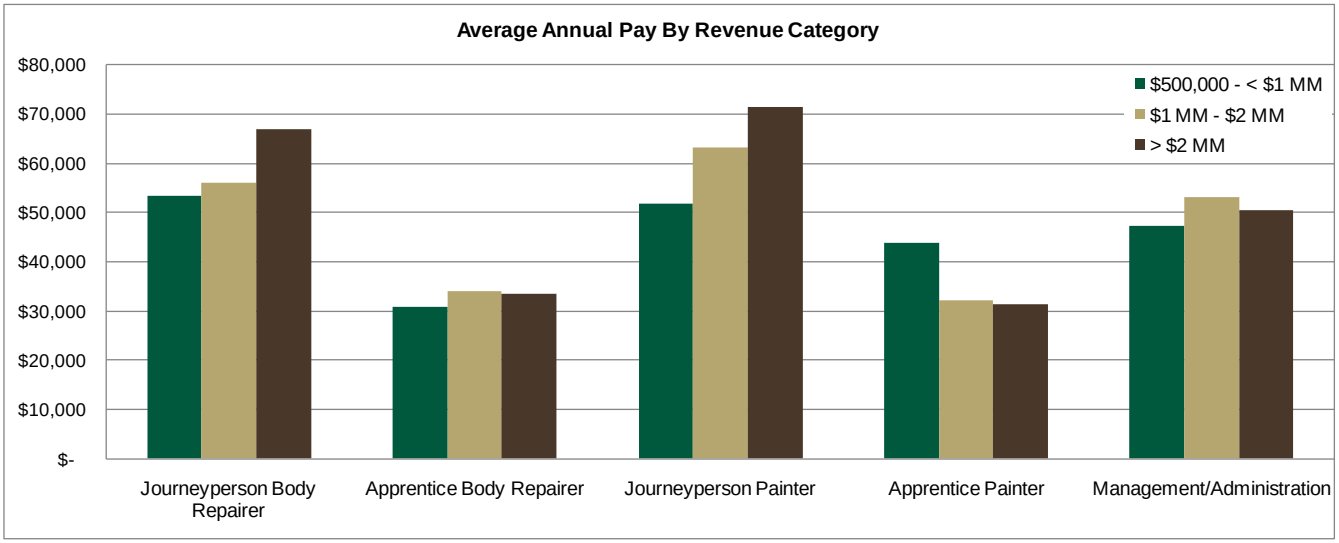
For context, average weekly earnings for service producing industries in Manitoba increased by 8% from 2008 to 2011 according to Statistics Canada's Employment, Earnings and Hours Report[4]. It must be further noted, however, that as shown in Figure 42 below, the majority of shops provide a flat rate incentive system for technicians. This type of incentive system has the effect that annual pay for technicians is also influenced by volume of work, and work shifting within a shop.

Figure 40 – Average Weekly Earnings



Average annual pay for journeyperson technicians is higher in the higher revenue categories. This is expected to be related to the available volume of work, as a large majority of employees in these roles are compensated on a flat rate basis.

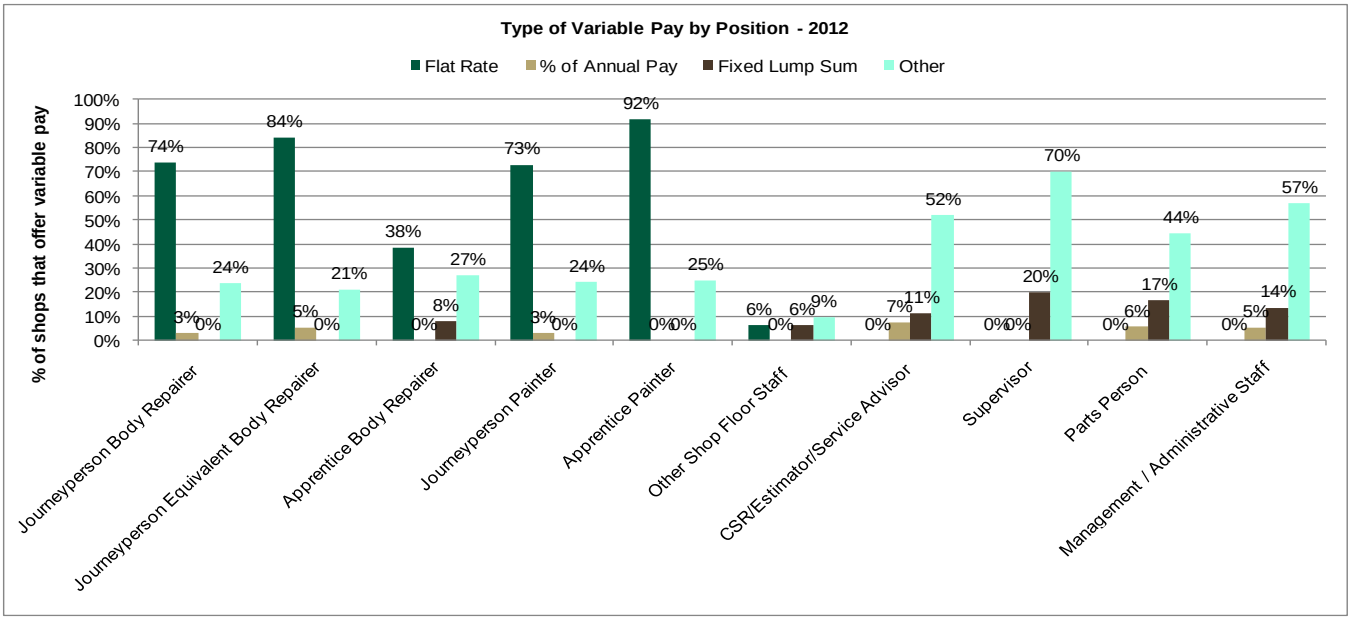
Figure 41 – Average Annual Pay by Revenue Category – 2012



[4] Statistics Canada, Catalogue No. 72-002-X, March 2012.

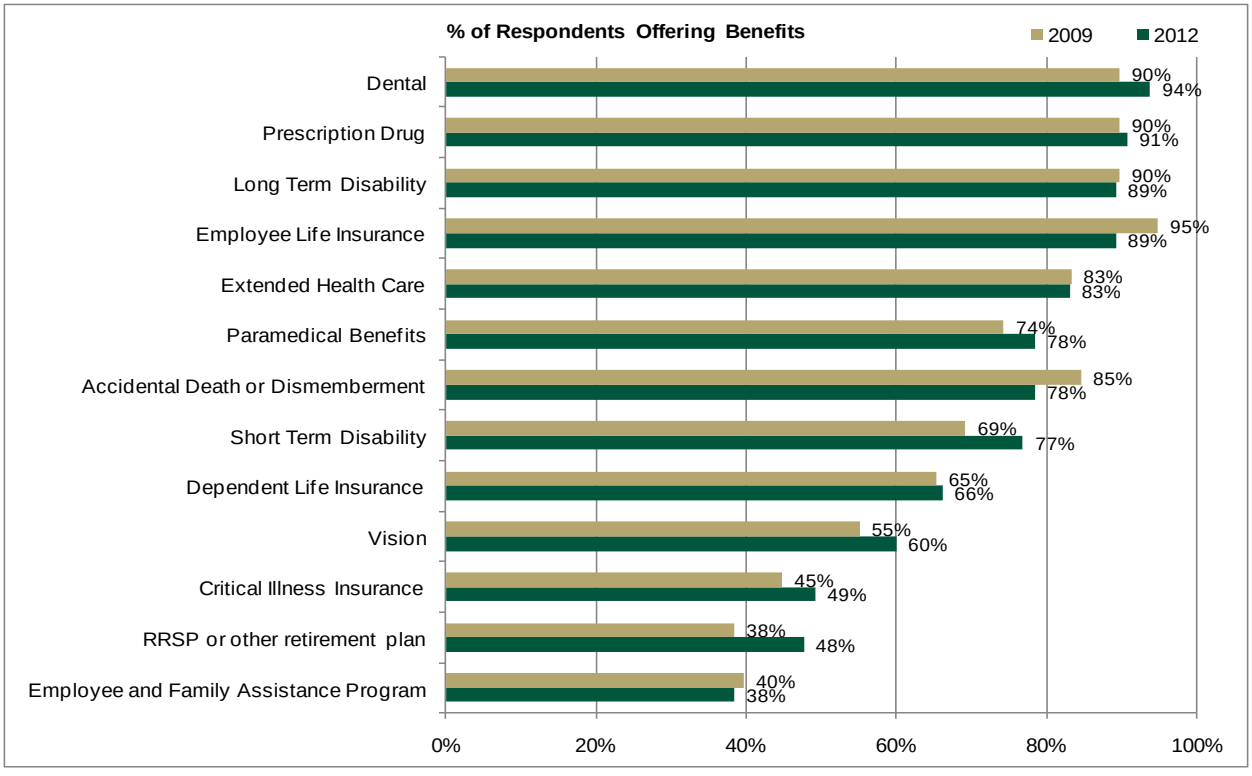
Sixty percent of survey respondents reported some form of variable pay. Technicians were most likely to receive flat rate or other production based bonuses, while management and other office staff were more likely to receive bonuses based on shop profit or revenue targets.

Figure 42 – Type of Variable Pay by Position - 2012



Ninety-six percent of the 68 responding businesses offered some form of benefits to their employees. This represents an 11% increase from 2009. The majority of businesses indicated they pay a portion of the premiums for all benefits offered to employees.

Figure 43 – Comparison of Types of Benefits Offered – 2009 to 2012



5.5.3 Recruitment and Retention

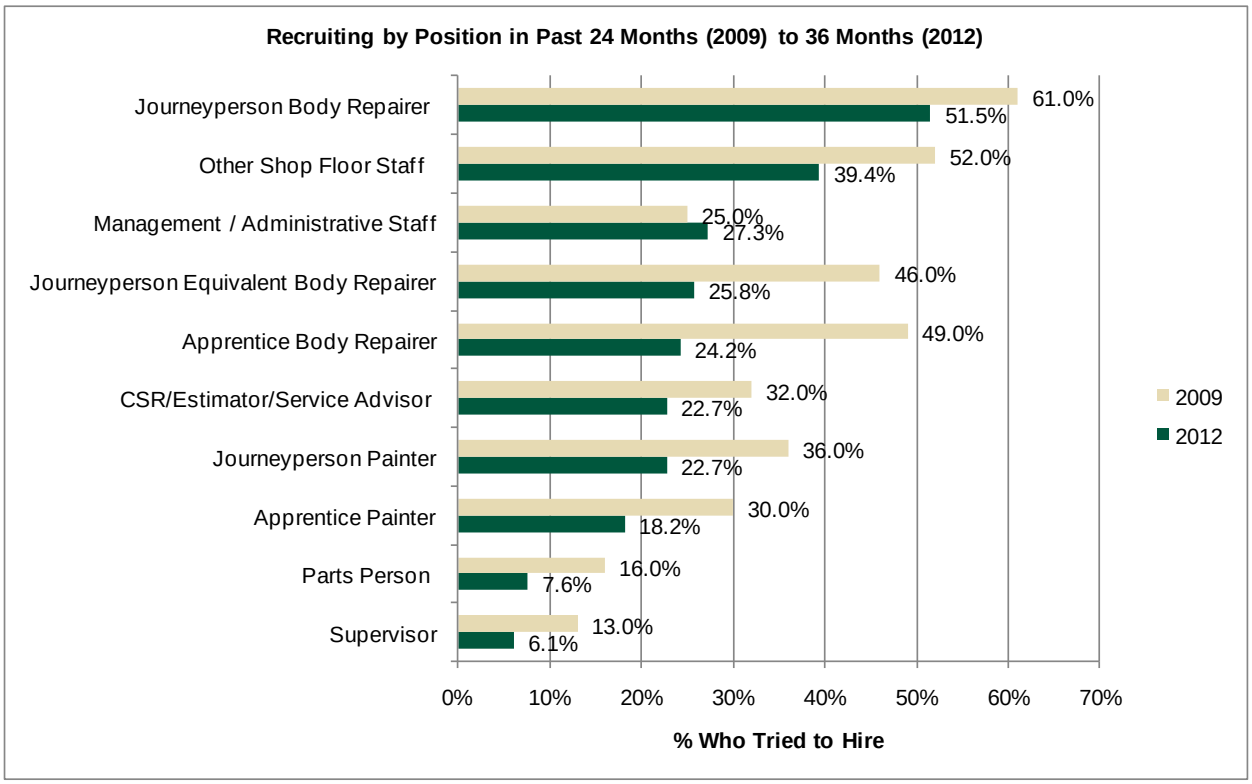
Businesses were asked how many employees left in the past three years. The highest rate of turnover was among Apprentice Painters (108%), Other Shop Floor Staff (92%) and Estimators/Customer Service positions (75%). The lowest turnover rates were found in the parts person and management and administrative staff. To make comparisons to the 2009 study, an average annual rate was calculated. This data indicates the rate of turnover decreased for all positions with the exception of apprentice body repairers, which remained constant, and apprentice painters, which increased by approximately 13%.

Table 17 – Turnover - 2012

	2012		2009
	Total Employees Reported	Average Annual Turnover Rate	Average Annual Turnover Rate
Journeyperson Body Repairer	137	17.0%	27.2%
Journeyperson Equivalent Body Repairer	52	19.9%	27.3%
Apprentice Body Repairer	62	18.3%	18.4%
Journeyperson Painter	105	7.9%	11.4%
Apprentice Painter	24	36.1%	22.9%
Other Shop Floor Staff	101	30.7%	67.8%
CSR/Estimator/Service Advisor	68	25.0%	40.2%
Supervisor	17	13.7%	20.5%
Parts Person	27	7.4%	22.6%
Management / Administrative Staff	88	11.0%	15.2%

Of the 66 businesses that responded to this section, the most frequent position recruited was Journeyperson Body Repairer, which 51.5% of respondents reported trying to hire in the past 36 months.

Figure 44 – Positions Recruited



Overall, the 2012 study indicated recruiting efforts decreased from 2009 to 2012. The largest decreases were seen in efforts to recruit journeyperson equivalent body repairers and apprentice body repairers. There was a slight increase in efforts to recruit management/administrative staff.

Table 18 – Comparison of Positions Employers Recruited in Past 24 to 36 Months

	2009 (24 months)	2012 (36 months)	Difference
Journeyperson Body Repairer	61%	51.5%	-9%
Other Shop Floor Staff	52%	39.4%	-13%
Management / Administrative Staff	25%	27.3%	+2.3%
Journeyperson Equivalent Body Repairer	46%	25.8%	-20%
Apprentice Body Repairer	49%	24.2%	-25%
Journeyperson Painter	36%	22.7%	-13%
CSR / Estimator / Service Advisor	32%	22.7%	-9%
Apprentice Painter	30%	18.2%	-12%
Parts Person	16%	7.6%	-8%
Supervisor	13%	6.1%	-7%

Recruitment efforts for journeyperson body repairers took the longest, at an average of approximately 6 months. Businesses reported periods of 2 to 3 ½ months to recruit most other positions, with CSR/Estimator/Service advisor positions generally taking the least amount of time to fill at approximately 1 ½ months.

Table 19 shows the average length of time to fill vacancies generally decreases as revenue category increases. Categories with fewer than five respondents have not been reported.

Table 19 – Average Time to Fill Vacancy by Revenue Category

2012	Average Number of Months to Fill Position		
	$500,000 to $999,999	$1,000,000 to $1,999,999	>$2,000,000
Journeyperson Body Repairer	11.0	3.6	4.5
Journeyperson Equivalent Body Repairer		1.7	1.6
Apprentice Body Repairer	4.0		2.4
Journeyperson Painter			2.6
Apprentice Painter		2.4	0.8
Other Shop Floor Staff	5.7	1.6	1.3
CSR/Estimator/Service Advisor		1.8	1.8
Supervisor			
Parts Person			3.8
Management / Administrative Staff			3.0

A comparison of the average length of time reported for recruitment efforts in the 2009 and 2012 surveys indicates a significant reduction in the time required to find employees for positions in the technician group and CSR/Estimator/Service Advisors. However, a comparison of the data reported in the top two revenue categories for each study shows much smaller differences across all positions.

Figure 45 – Average Time Required to Fill Vacancy – 2009 and 2012

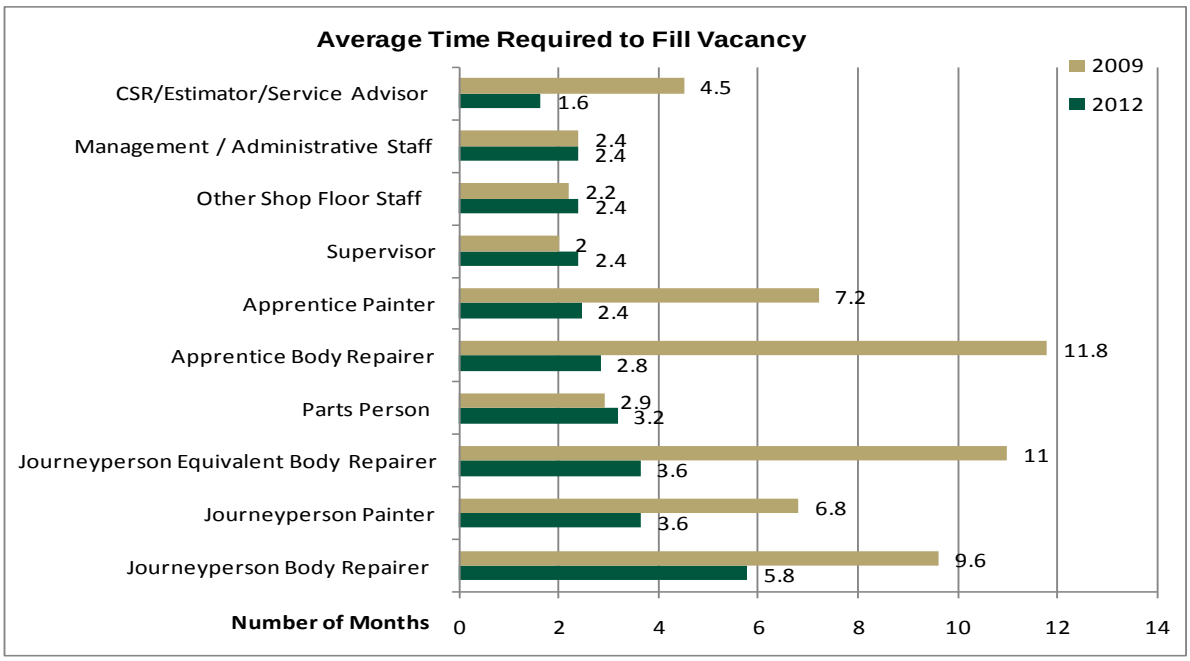


Table 20 – Average Time Required to Fill Vacancy for Revenue over $1,000,000 – 2009 and 2012

Average Number of Months to Fill Position	2009		2012	
	$1,000,000 to $1,999,999	>$2,000,000	$1,000,000 to $1,999,999	>$2,000,000
Journeyperson Body Repairer	6.33	5	3.6	4.5
Journeyperson Equivalent Body Repairer	7.9	2.6	1.7	1.6
Apprentice Body Repairer	6.96	7.17		2.4
Journeyperson Painter	5.49			2.6
Apprentice Painter	9.3	5.6	2.4	0.8
Other Shop Floor Staff	2.3	1.0	1.6	1.3
CSR/Estimator/Service Advisor	5.8	3.3	1.8	1.8
Supervisor	2.13	2.2		
Parts Person		4.1		3.8
Management / Administrative Staff	2.8	1.9		3.0

The highest demand position in the next three years is for Body Repairers (journeyperson or journeyperson equivalent), with respondents indicating 64 are needed in the next three years.

Table 21 – Staff Requirements in Next Three Years

Additional Staff Needs in Next Three Years	Additional Requirements	2012 Reported Employees	Replacement Rate
Journeyperson Body Repairer	51.5	137	37.6%
Journeyperson Equivalent Body Repairer	12	52	23.1%
Apprentice Body Repairer	29	62	46.8%
Journeyperson Painter	27.5	105	26.2%
Apprentice Painter	25	24	104.2%
Other Shop Floor Staff	39	101	38.6%
CSR / Estimator / Service Advisor	24	68	35.3%
Supervisor	11	17	64.7%
Parts Person	9	27	33.3%
Management / Administrative Staff	11	88	12.5%

To determine overall future demand based on these replacement and growth rates, the overall population of technicians first needs to be estimated.

Respondents represent approximately 55% of MPI collision repair business. If the reported 189 Journeyperson / Equivalent Body Repairers represent average productivity, this suggests a total population of approximately 343. A second means of estimating the total population is to apply the average staff complement to the number of shops in each revenue segment. This suggests a population of approximately 461, as shown below.

Table 22 – Estimated Journeyperson / Equivalent Population

Typical Staff Complement	<$500,000	$500,000 to <$1 MM	$1 MM to $1,999,999	> $2 MM	Total
Number of Shops	**156**	**62**	**41**	**33**	**292**
Journeyperson Body Repairer	1.0	1.0	2.0	3.0	
Journeyperson Equivalent Body Repairer		1.0			
Total Body Repairer Population	**156**	**124**	**82**	**99**	**461**
Apprentice Body Repairer		1.0	1.0	1.0	
Total Apprentice Population		**62**	**82**	**99**	**243**
Journeyperson Painter	1.0	1.0	1.0	3.0	
Total Painter Population	**156**	**62**	**41**	**99**	**358**

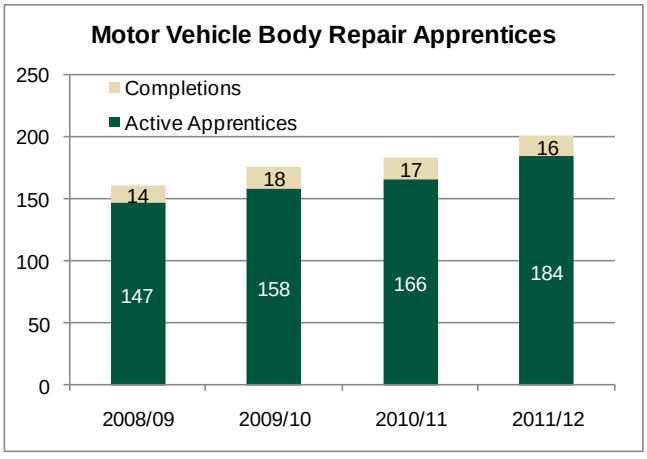
This method overestimates the number of apprentices, as there are only 184 apprentices registered with Apprenticeship Manitoba. Shops may be reporting individuals as apprentices that are not yet registered. As the median number of apprentice painters was 0, applying this approach would under estimate the demand for apprentice painters. Respondents reported employing 24 apprentice painters, or 39% of the number of body repair apprentices. This ratio will be applied for estimating the population.

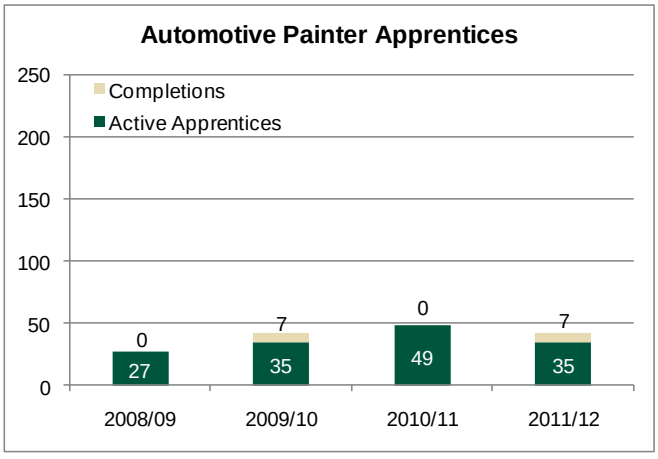
Position	3 year Replacement Rate	Population	Required
Journeyperson/Equivalent Body Repairer	33.6%	461	155
Apprentice Body Repairer	46.8%	184*	86
Painter	26.2%	358	94
Apprentice Painter	104%	35*	37

*Actual data for registered apprentices

In 2011/12 there were 184 active motor vehicle body repairer apprentices in Manitoba. This is an increase of 63 or 43% since 2008. On average, from 2009 to 2011, 17 apprentices per year completed their apprenticeships and became journeypersons. This is also an improvement from the average of 14 per year from 2006 to 2008. While there has also been an increase in painter apprentices over the same period, there are currently approximately 5 body repair apprentices for every painter apprentice.

Figure 46 – Manitoba Body Repair and Painter Apprentice Counts





Past completion rates suggest that approximately 10% of active body repair apprentices become certified journeypersons per year. Based on the number of currently active apprentices, this would generate 50 - 55 journeypersons over the next three years, leaving a gap of approximately 30-35.

An average of 39 active painter apprentices in the past three years has generated 14 journeypersons. This amount would need to be doubled to meet the estimated demand.

5.5.4 Recruitment and Retention Concerns

The major human resource challenges facing the industry, as identified by survey respondents, include an insufficient pool of skilled labour and high turnover attributed to lower wages than comparable trades, and challenges maintaining the required skills to keep up with technology.

While survey results and available data indicate results have improved in terms of the number of apprentice registrations, lower turnover, and better margins on labour rates, concerns remain. The expressed concerns about a shortage of skilled labour are somewhat contrary to the reduced efforts to recruit apprentices reported by respondents.

5.5.5 Training

As technology, materials and environmental and safety regulations continue to evolve in the collision repair industry, ongoing training is required to ensure employees are at the forefront of their respective positions.

Sixty-three businesses provided data on the number of days of training employees in each position received in the past three years (not including apprenticeship technical training). Generally, the total number of training days received by employees increased each year from 2009 to 2011, with some decreases in 2010 for employees in the positions of journeyperson equivalent body repairer, Customer Service Rep/Estimator/Service Advisor and Supervisor. Based on the number of employees reported by survey respondents in each position for 2011, Supervisors (3.9 days) and Apprentice Painters (3.5 days) received the highest average number of days of training per employee, followed by Apprentice Body Repairers (2.5 days) and Management/Admin staff (2.4 days).

Table 23 – Training Days Last Three Years

N=63	Total Days Training			
	2009	**2010**	**2011**	**Average Days/Year/ Employee (2011)**
Journeyperson Body Repairer	189.5	237.5	243.5	1.8
Journeyperson Equivalent Body Repairer	91.0	88.0	94.0	2.0
Apprentice Body Repairer	134.0	136.0	149.0	2.5
Journeyperson Painter	167.0	195.0	208.0	2.0
Apprentice Painter	62.5	69.5	69.5	3.5
Other Shop Floor Staff	41.0	48.0	46.0	0.5
CSR/Estimator/Service Advisor	56.0	55.0	62.0	1.0
Supervisor	63.0	58.0	63.0	3.9
Parts Person	25.0	25.0	30.0	1.1
Management / Administrative Staff	172.0	175.5	201.0	2.4

The table below documents the average number of days of training received by employees in each position by revenue category. *(Categories with fewer than 5 respondents have not been reported).* Businesses with revenues over $2,000,000 report the fewest days of training per year across all positions.

Table 24 – Average Days Training Per Employee in 2011 by Revenue Category

	Average Days Training Per Employee 2011			
	< $500,000	**$500,000 to $999,999**	**$1,000,000 to $1,999,999**	**>$2,000,000**
Journeyperson Body Repairer		2.6	1.9	1.4
Journeyperson Equivalent Body Repairer		1.5	3.4	1.6
Apprentice Body Repairer			3.5	3.2
Journeyperson Painter		2.5	2.1	1.9
Apprentice Painter			3.8	2.0
Other Shop Floor Staff			0.5	0.4
CSR/Estimator/Service Advisor			1.3	0.9
Supervisor				2.6
Parts Person				1.2
Management / Administrative Staff		2.1	3.2	2.0

The type of training received by employees of respondent businesses over the last three years is shown in Table 25.

Table 25 – Types of Training Received

Training Received	Percentage of Businesses
I-CAR Certification Requirements	84.8%
Other paint methods/materials	62.0%
Health and safety (including WHMIS & First Aid)	48.1%
Management and Administrative	34.2%
New technology/materials/systems	30.4%
Lean production/management	27.8%
Other Body methods/materials	26.6%
Other Structural/Frame methods	21.5%
Estimating	19.0%
Other	10.1%
Other Electrical/Mechanical methods	7.6%

The types of training provided to employees in the last three years generally aligned with the training priorities for the future identified by respondents to the 2009 study. Gaps identified are training in estimating and lean production/management. These two types of training were identified in the top five future priorities in 2009, but were provided by fewer than 30% of respondent business in the last three years.

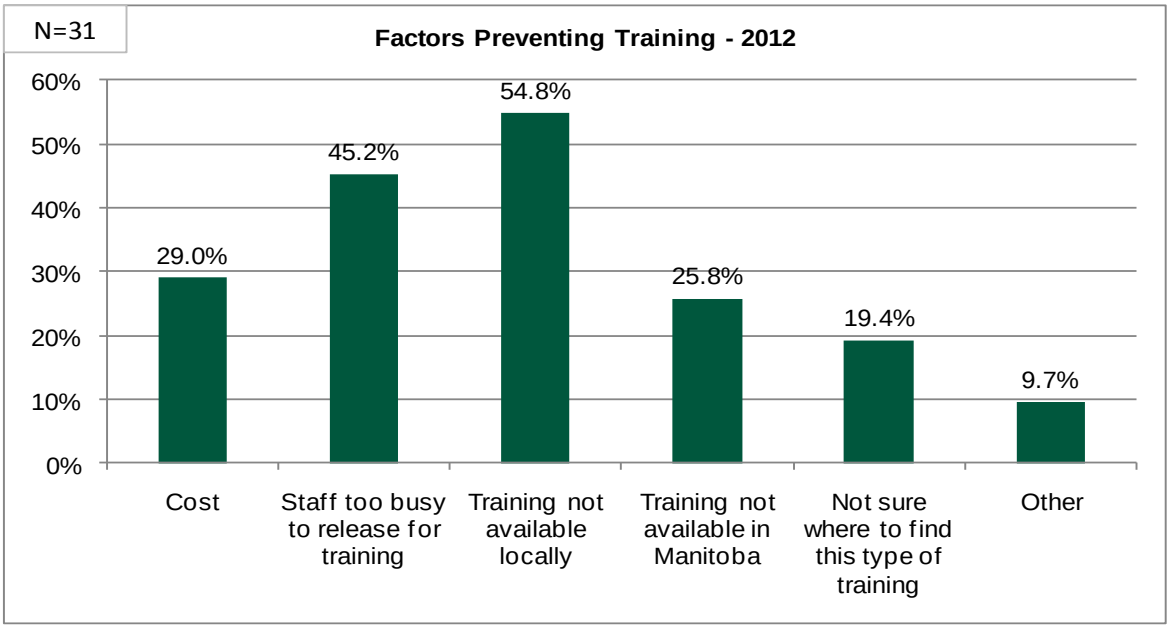
When survey respondents were asked what types of training they have not been able to provide their employees in the last three years, eighteen respondents (27% of those who provided responses to the Human Resources section of the survey) identified the following:

- Management training (x3)

- Technical training (x2)
- Lean production/management (x2)
- MPI admin procedures (x2)
- CPR – ADT usage
- Estimating
  - MPI policies and procedures
  - Manufacturer specific
- ICar requirements for 2014 upgrade
- Parts performance
- Customer service
- PDR colormelt
- Stress management
- New techniques

A lack of locally available training (54.8%) and difficulties related to releasing employees for training (45.3%) were the most frequently cited reasons for not being able to provide training.

Figure 47 – Factors Preventing Training – 2012



Concerns were raised by survey respondents that formalized training such as apprenticeship technical training is not teaching modern technologies and processes. There is a belief that new workers/apprentices are entering the trade without the necessary skills.

Others expressed frustration with the high costs of training new apprentices who often decide to leave the industry because of low wages. Some suggested that additional incentives may be required to encourage shops to take on apprentices.

5.6 Financial Performance

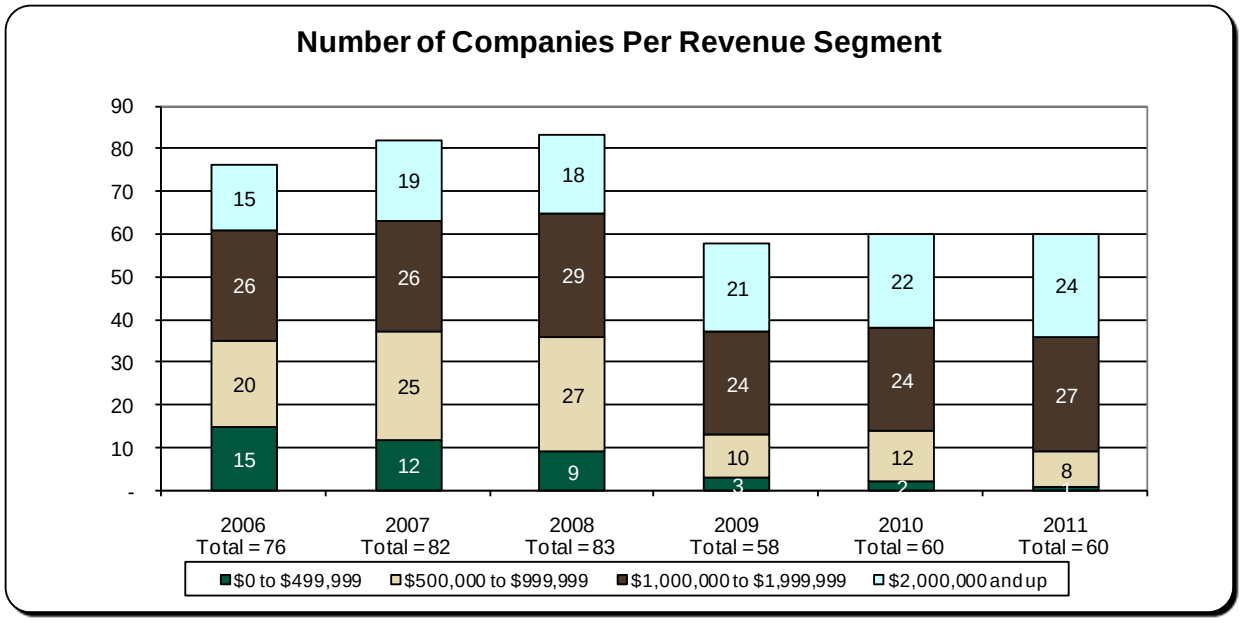
5.6.1 Participation Rates

The financial analysis summarizes and compares the financial information from 2006 to 2011. The financial results from 2006 to 2008 were collected in the 2009 survey and the results from 2009 to 2011 were collected in the 2012 survey. The majority of 2012 respondents (68%) reported a fiscal year ending in the 4th quarter.

In the 2009 survey, 83 of the total 127 (65%) respondents provided financial information. In the 2012 survey, 60 of the total 79 (76%) respondents provided financial information. Forty-seven (47) respondents participated in both the 2009 and the 2012 surveys.

The figure below shows the number of responding businesses that provided financial information by revenue segment. The number of businesses providing financial information in the under $500,000 revenue category is small and represents on average approximately 6.7% of accredited businesses with revenue under $500,000. **As a result, findings for the revenue category below $500,000 are provided for illustration only and can't be extrapolated to the entire population. As there are fewer than 5 reporting businesses in this revenue category, analysis for this segment is also limited.**

Figure 48 – Business Reporting Revenue, by Segment



From the 2009 survey to the 2012 survey, the number of respondents decreased for business with revenue under $2,000,000 and increased for business with revenue greater than $2,000,000. The most dramatic decreases were in the two categories with revenue under $1,000,000. The impact is that any summary financial data for 2012 will be skewed by the higher percentage of large shops in the sample. In the 2009 survey, 44.9% of respondents had revenue below $1,000,000 and 55.1% had revenue greater than $1,000,000. In the 2012 survey, only 20.3% of respondents had revenue below $1,000,000 and 79.7% had revenue over $1,000,000 (see Table 29).

Table 26 – Respondents by Revenue Category Comparison

Revenue Category	% of Respondents 2009 Survey	% of Respondents 2012 Survey	% Change
$0 to $499,999	15.1%	3.4%	-12%
$500,000 to $999,999	29.8%	16.9%	-13%
$1,000,000 to $1,999,999	33.6%	42.1%	9%
> $2,000,000	21.5%	37.6%	16%

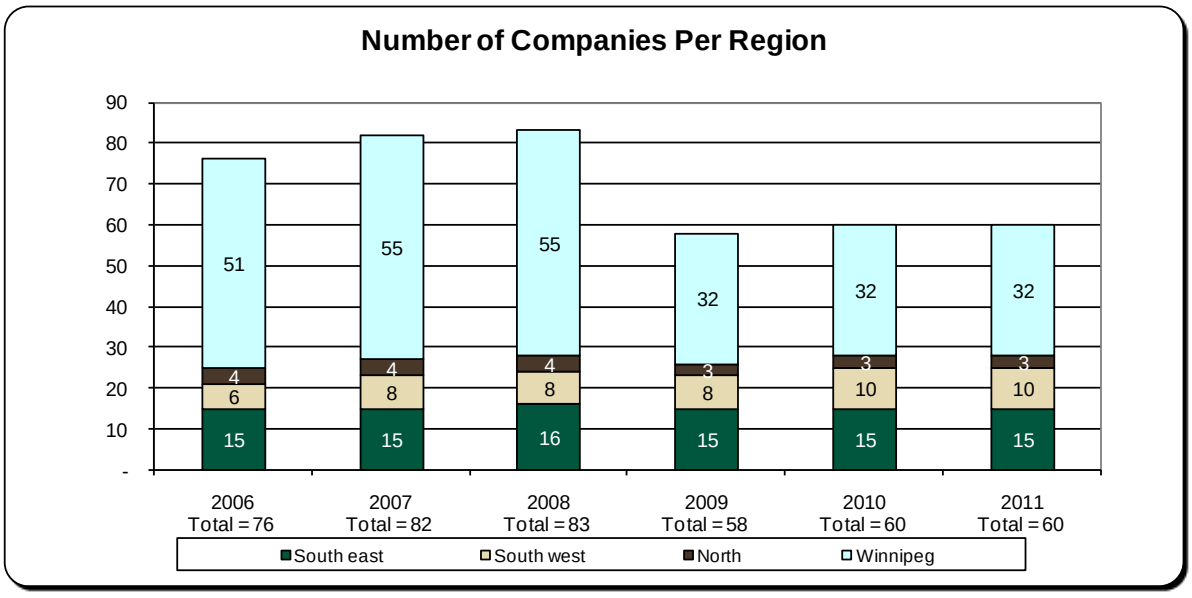
In terms of industry representation, the following table demonstrates that there was greater representation, and therefore greater reliability, for companies with over $1,000,000 in revenue.

Table 27 – Industry Representation (in Terms of Total Revenue)

Total Revenue 2011	MPI Payments to 2012 Survey Participants	Total MPI Payments in 2011	Industry Representation by Revenue Segment
$0 to $499,999	$1,771,498	$37,352,917	4.7%
$500,000 to $999,999	$9,049,093	$45,644,215	19.8%
$1,000,000 to $1,999,999	$32,378,882	$58,351,486	55.5%
$2,000,000 and up	$77,470,730	$115,637,575	67.0%
Total	**$120,670,203**	**$256,986,193**	**47.0%**

The figure below shows the number of responding businesses that provided financial information by region. **The number of participants in the North is less than 5 and is too low to further segregate results for this region.**

Figure 49 – Respondent Count by Region



Participation counts from the 2009 survey to the 2012 survey decreased by approximately 30%. The majority of the decrease was in Winnipeg, where the participation counts dropped by over 20 businesses. The counts in the other three regions were relatively consistent.

In terms of the dispersion of data across regions, Winnipeg decreased by 13%, and the Southwest and Southeast regions increased by 7% and 6% respectively. The Northern remained constant at 5%.

Table 28 – Respondent Revenue Comparison

Region	% of Respondents in 2009	% of Respondents in 2012	% Change
Winnipeg	67%	54%	-13%
North	5%	5%	-
Southwest	9%	16%	7%
Southeast	19%	25%	6%

5.6.2 Validation and Normalization

Respondent financial information was collected utilizing a web survey and/or through provided financial statements. The resulting data was validated to ensure completeness and used to compare each respondent's information against industry information to identify significant variances. When a variance was identified, MNP followed up with each respondent and corrected the information.

In analyzing the financial statements, MNP made two normalization adjustments to the financial statements:

- Owner compensation was adjusted to market rates, and
- Lease rates were adjusted to market rates.

Applying normalization adjustments to the financial statements is consistent to the approach taken when valuing a business. When valuing a business, all the expenses are restated to market value. The intention is to treat the business like an investment and measure the returns after all the appropriate expenses have been fairly deducted from revenue.

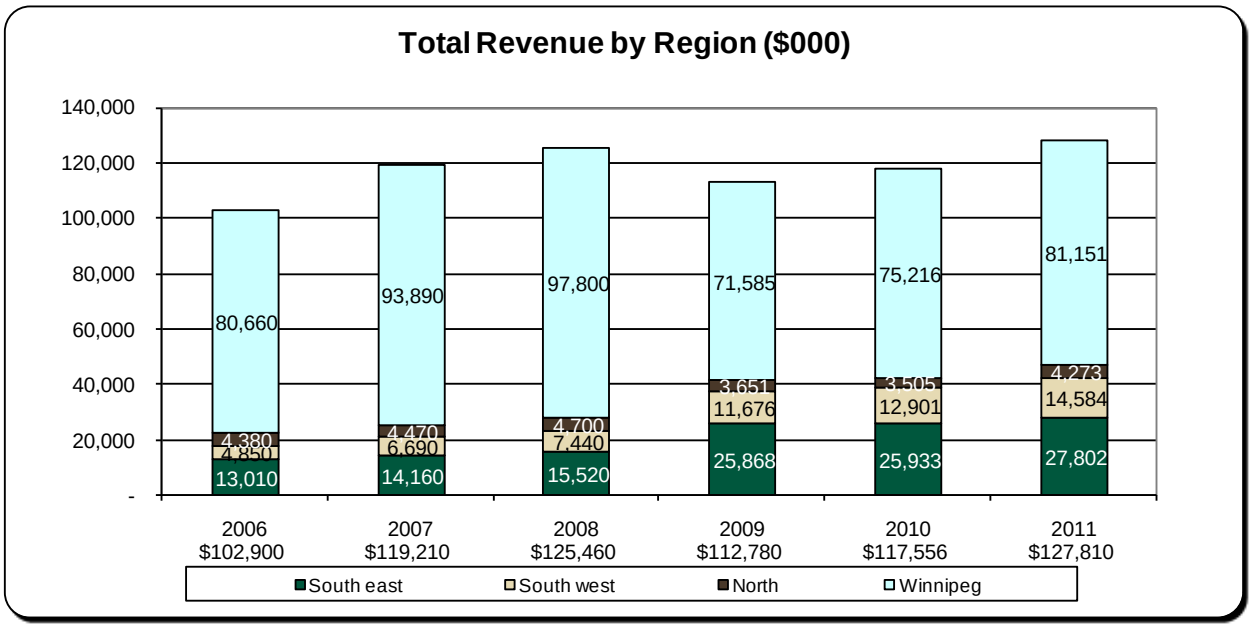
The steps taken for normalizing owner compensation and lease rates is the same. First, the actual expense, if any, was removed. Then a market rate for the respective expense was determined based on information provided by participants and used to replace the original expense.

5.6.3 Summary of Results

Total revenue for all businesses reporting revenue was $127.8 million in 2011. By region, Winnipeg represented 63.5% of total revenue, the Southeast region represented 21.8% of total revenue, the Southwest region represented 11.4% of total revenue and the Northern region represented 3.3% of total revenue.

Total revenue includes "other" revenue, which represented on average 1.5% of total revenue from 2009 to 2011.

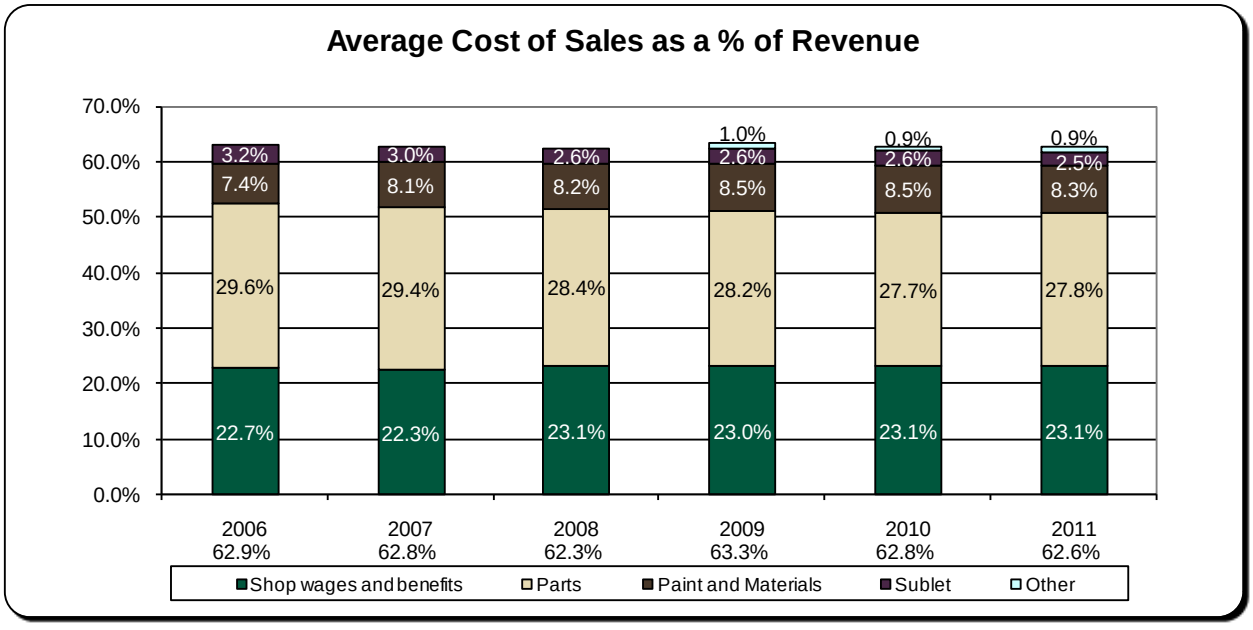
Figure 50 – Respondent Revenue by Region



Despite the drop in participant counts, total revenue has remained fairly consistent from the 2009 survey to the 2012 survey. There are more large shops in the 2012 survey than there were in the last study.

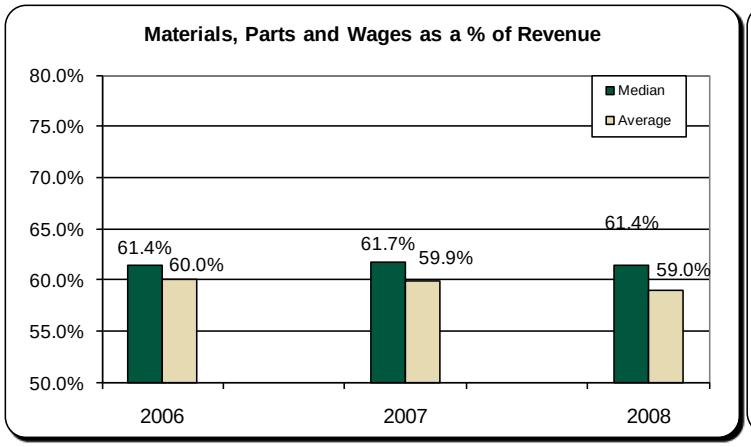
The average cost of sales as a percentage of revenue has been very consistent from 2006 to 2011.

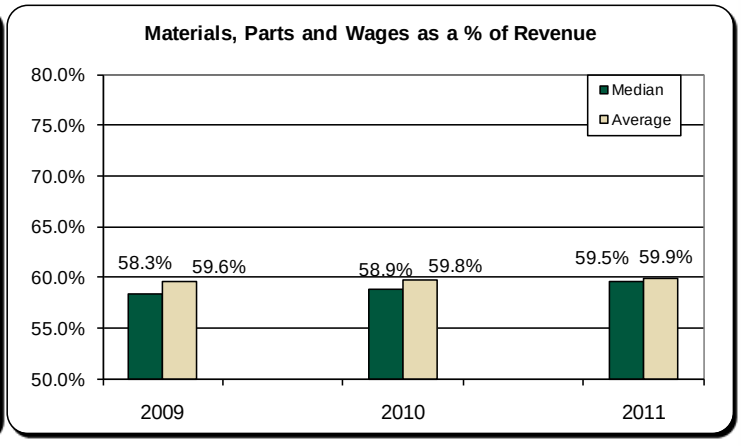
Figure 51 – Cost of Sales Components



Materials, parts and wages remained consistent from 2006 to 2011 at 59% to 60%.

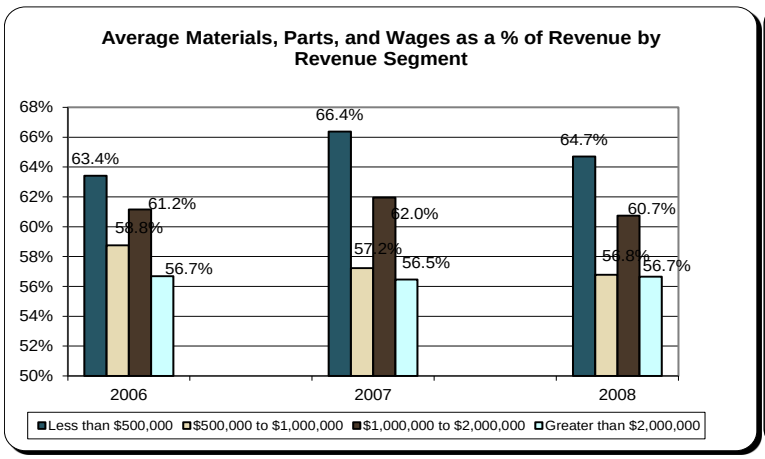
Figure 52 – Materials, Parts and Wages

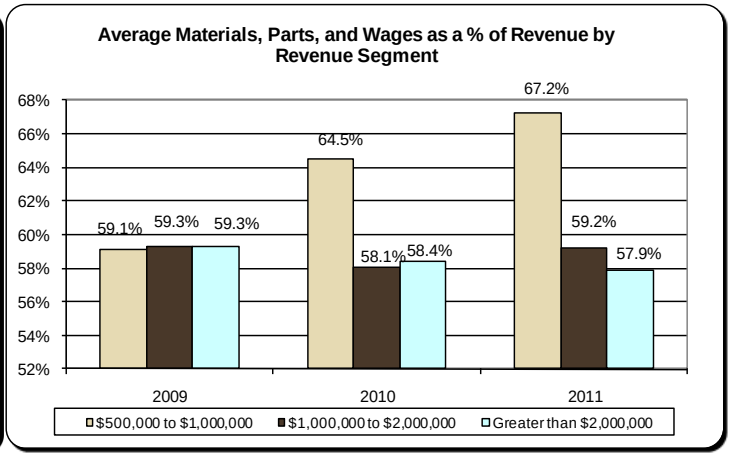




From 2006 to 2008 the average materials, parts and wages was 59.6% of revenue. From 2009 to 2011 the average materials, parts and wages were 58.9% of revenue; representing a slight decrease of 0.7%.

Figure 53 – Materials, Parts and Wages by Revenue Category





As shown above, materials, parts and wages as a percentage of revenue decreases as shop size increases, suggesting economies of scale. In 2011, for businesses with revenue between $500,000 and $1,000,000 these expenses were 67%. For businesses with revenue greater than $2,000,000 these expenses were 57.9% of revenue.

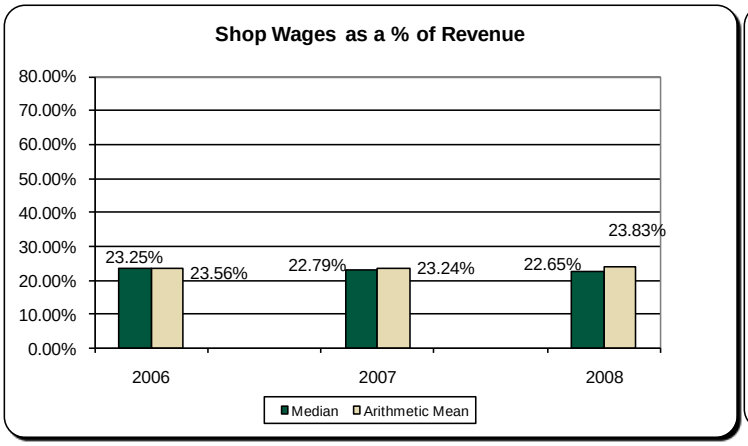
Two other trends in the graphs above have been highlighted in the table below. First, the greatest increase in materials, parts and wages as a percentage of revenue was for businesses with revenue between $500,000 and $1,000,000. Because of the low counts in this segment, it is not clear if this is a true shift in average performance or if it is due to the small sample size. Second, the difference between the two largest revenue groups is less.

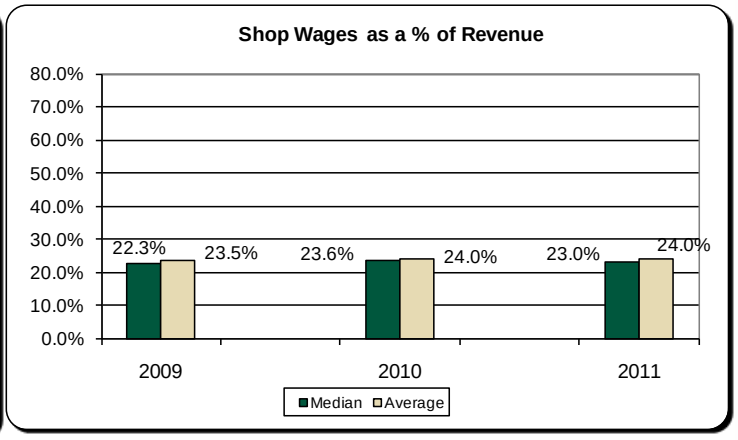
Table 29 – Materials, Parts and Wages Comparison

Revenue Category	Average 2009	Average 2012	% Change
$500,000 to $1,000,000	57.6%	63.6%	6.0%
$1,000,000 to $2,000,000	61.3%	58.9%	-2.4%
Greater than $2,000,000	56.6%	58.5%	1.9%

Shop wages as a percentage of revenue between 2009 and 2011 increased by 0.5% from 2009 to 2010 and remained flat from 2010 to 2011. On average, shop wages from 2009 to 2011 equalled 23.8%. Compared to the 2009 study, shop wages as a percentage of revenue equalled 23.5% which represents a 0.3% increase from the 2009 study.

Figure 54 – Shop Wages

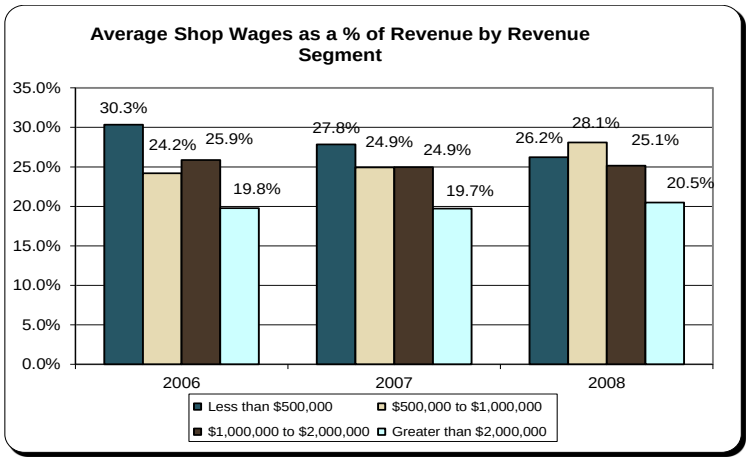


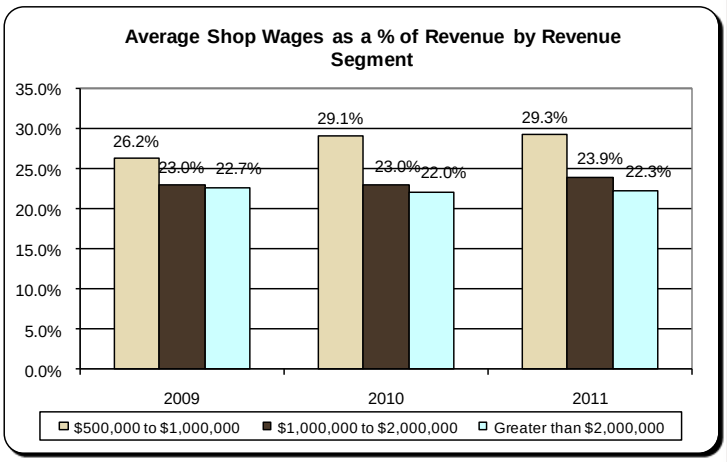


Shop wages decreased as a percentage of revenue as shop size increases. This follows the same trend as identified in the 2009 survey.

Where applicable, MNP substituted a market wage for owners based on owners' estimated time spent performing specific job functions. As noted earlier shop wages have been normalized.

Figure 55 – Wages by Revenue Category

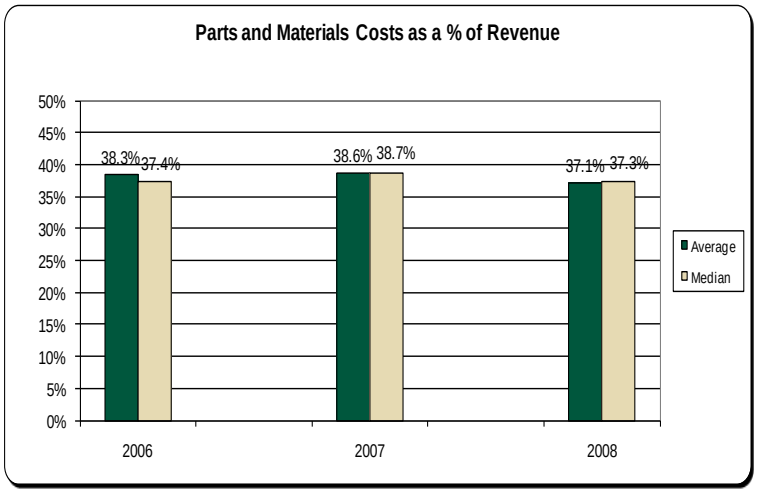


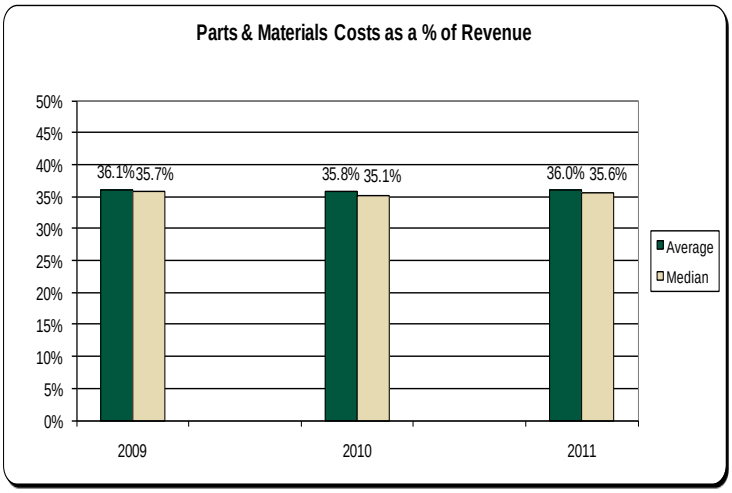


In each of the 2009 and 2012 surveys, parts and materials as a percentage of revenue remained relatively constant with costs within +/- 0.2% of other reporting years.

From 2008 to 2009 there was a drop in parts and materials costs as a percent of revenue. Although not conclusive, the drop maybe related to the differences between respondents versus a change in market performance.

Figure 56 – Parts and Materials Cost

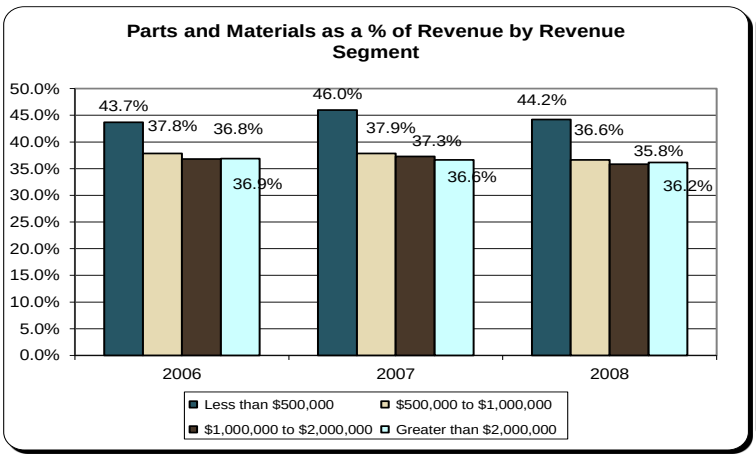


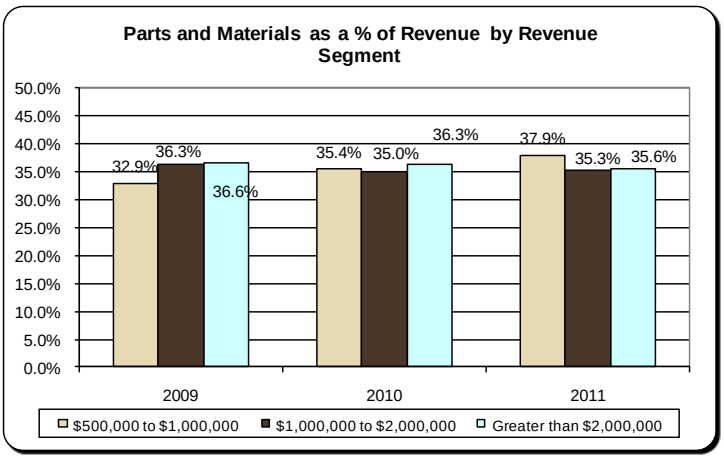


Parts and materials as a percent of revenue were relatively consistent from 2006 to 2011 for businesses with revenue greater than $1,000,000 per annum.

The largest fluctuation was in the $500,000 to $1,000,000 revenue segment. From 2008 to 2009 there was a 3.7% drop in parts and materials as a percentage of revenue. Give the small sample in this category, this may not be a reliable indication of a change in market performance. From 2009 to 2011, parts and materials as a percent of revenue increased from 32.9% to 37.9% of revenue. This represents an average annual increase of 2.5%.

Figure 57 – Parts and Materials by Revenue Category

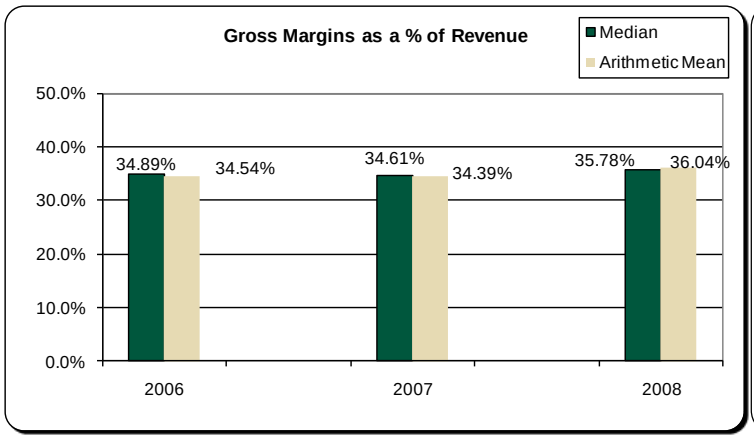


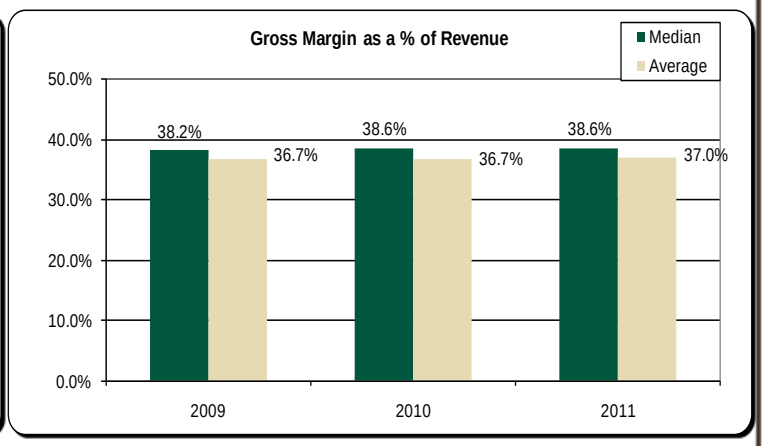


Gross margin is a measure of revenue once cost of sales (shop wages and benefits, parts, paint and materials and sublet and other direct expenses) are deducted. The average gross margin from 2006 to 2009 was 35%. From 2009 to 2011, the average gross margin was 36.8%, which represents a 1.8% increase from the 2009 survey.

The variance between average and median results from 2006 to 2008 was smaller than in the results from 2009 to 2011. From 2009 to 2011, the median was between 1.5% and 1.9% higher than the average. This represents a positive skew towards higher gross margin and may be related to the higher number of larger businesses in the respondent pool.

Figure 58 – Average and Median Gross Margins

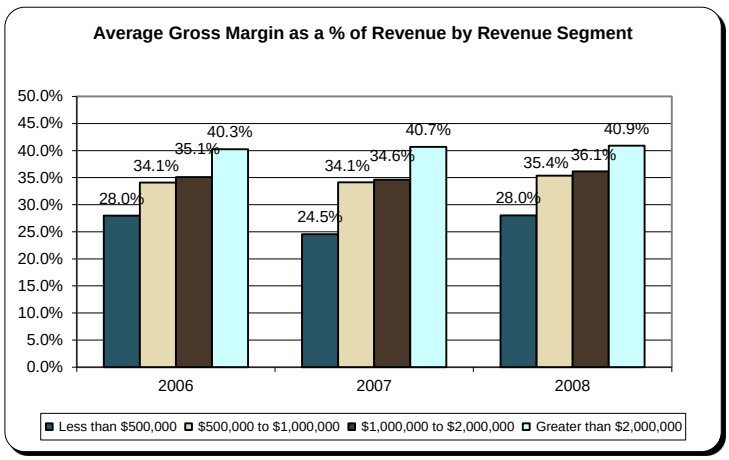


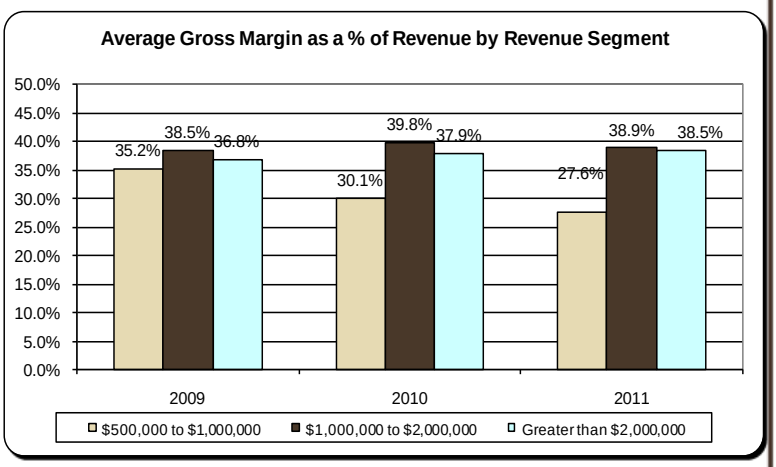


By revenue segment, the gross margin in the $500,000 to $1,000,000 revenue segment has shown the greatest change. The results were consistent until 2009; at which point they drop by 5.1% in 2010 and 2.5% in 2011. The drop may be related to the fact that some stronger performing businesses in 2009 moved up a revenue category in 2010 and 2011.

In the top two revenue segments, the gap in average gross margin has closed from 2006 to 2011. In 2006, there was a 5.2% gap between the $1,000,000 to $2,000,000 and the over $2,000,000 revenue segments. By 2011, the gap was only 0.4% and the gross margin for the $1,000,000 to $2,000,000 revenue segment was actually larger than businesses with revenue greater than $2,000,000.

Figure 59 – Average Gross Margin by Revenue Category





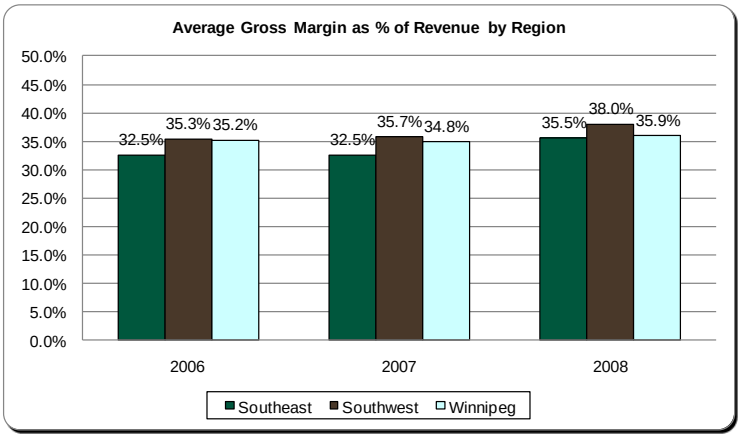
By region, the gross margin increased as a percentage of revenue in Winnipeg and Southeast Manitoba when comparing the 2009 survey and the 2012 survey. Conversely, Southwest Manitoba showed a significant decrease as shown in the table below.

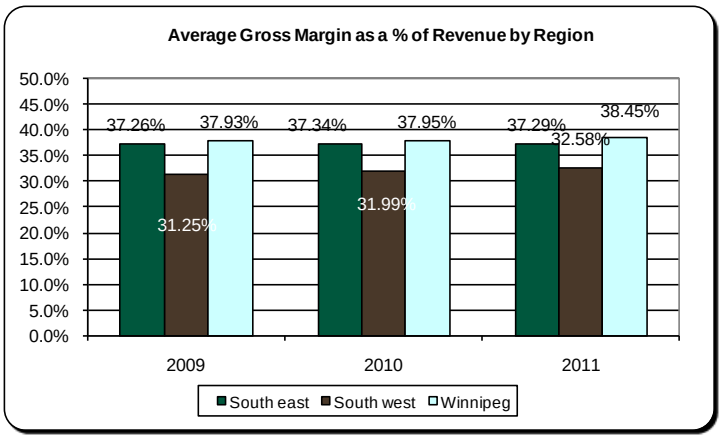
Table 30 – Gross Margin Comparison

Region	2009	2012	Change
Winnipeg	35.3%	38.1%	2.8%
Southwest	36.3%	31.9%	-4.4%
Southeast	33.5%	37.3%	3.8%

In the 2009 survey, the Southwest region had the highest gross margin as a percentage of revenue. The largest change between the 2009 and 2012 survey was in Southwest Manitoba with a 4.4% decrease in gross margin.

Figure 60 – Average Gross Margin by Region

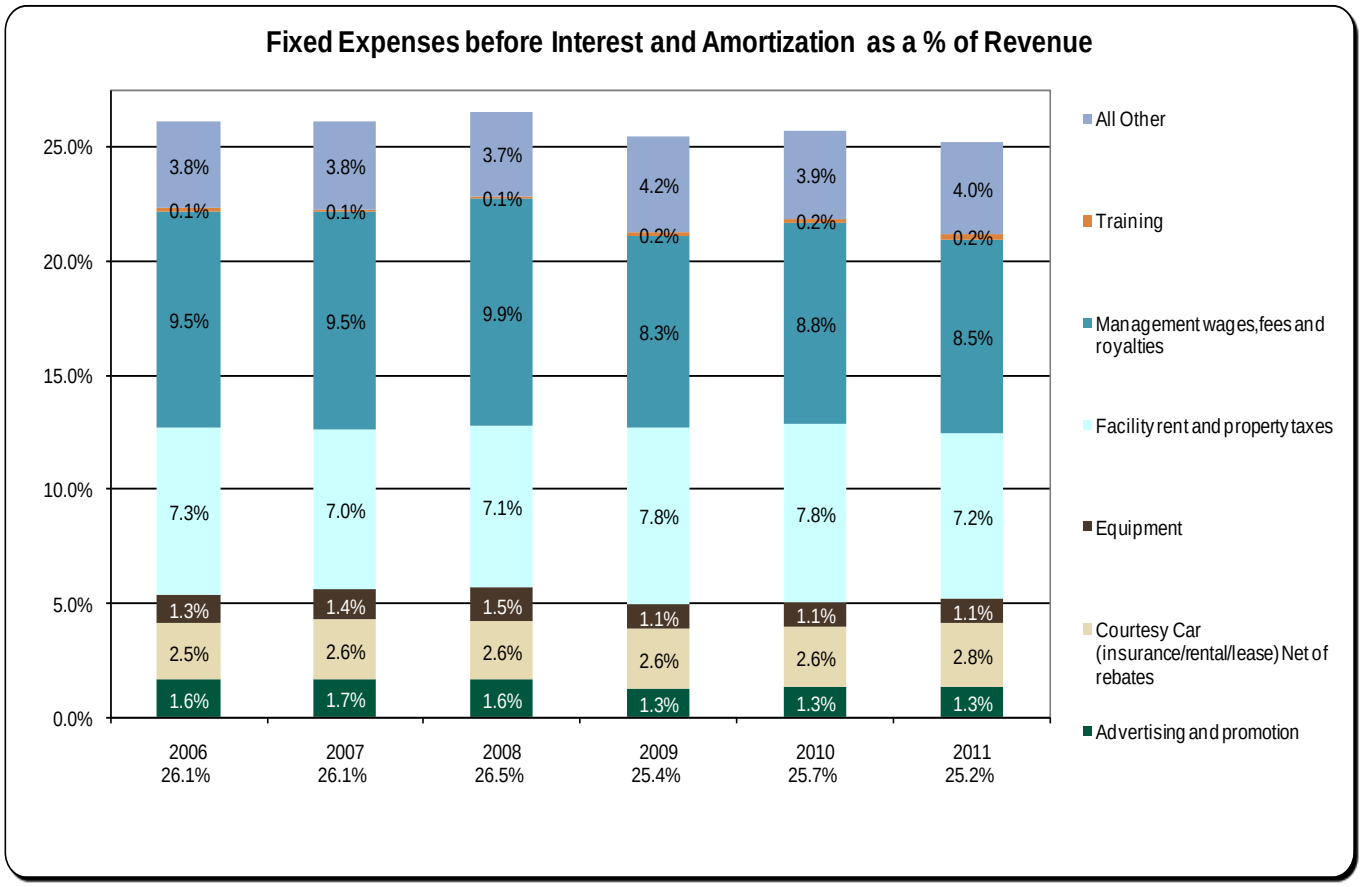




Respondents were asked to identify other general expenses such as training, management fees and royalties, facility rent and property taxes, equipment, courtesy car and advertising and promotions. Management fees and royalties and facility rent and property taxes make up the largest percentage of these expenses. From the 2009 survey to the 2012 survey, there was very little change in total expenses.

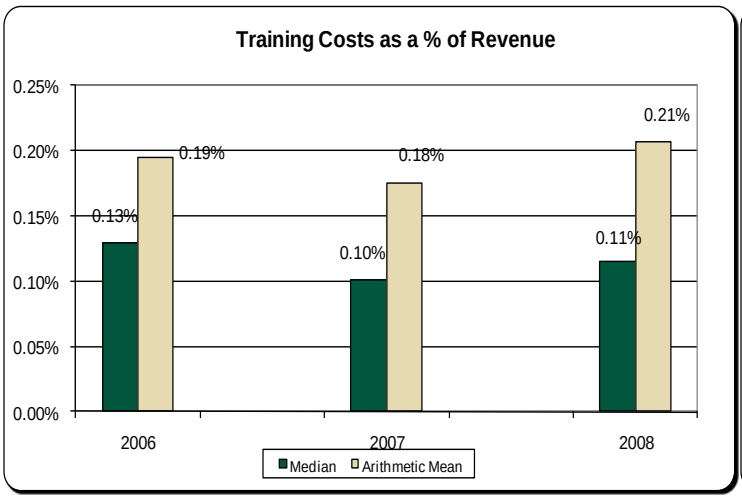
From 2006 to 2008, fixed expenses averaged 26.2% of revenue. From 2009 to 2012, fixed expenses decreased between 0.7% and 1.3% as compared to the 2008 results. Please note, differences in the approach to normalizing owner compensation and facility costs would increase this difference by approximately 0.5 – 1.3%. A more descriptive explanation of the changes can be found in Section 4.6.5.

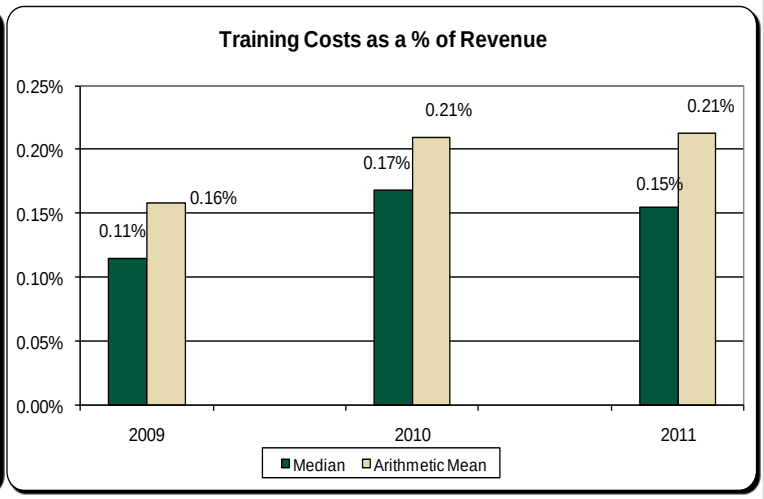
Figure 61 – Fixed Expenses



Average training costs as a percentage of revenue from 2006 to 2011 were relatively consistent and averaged 0.19%. There was considerable inconsistency between the average and median in all years, indicating a lot of variability in the data.

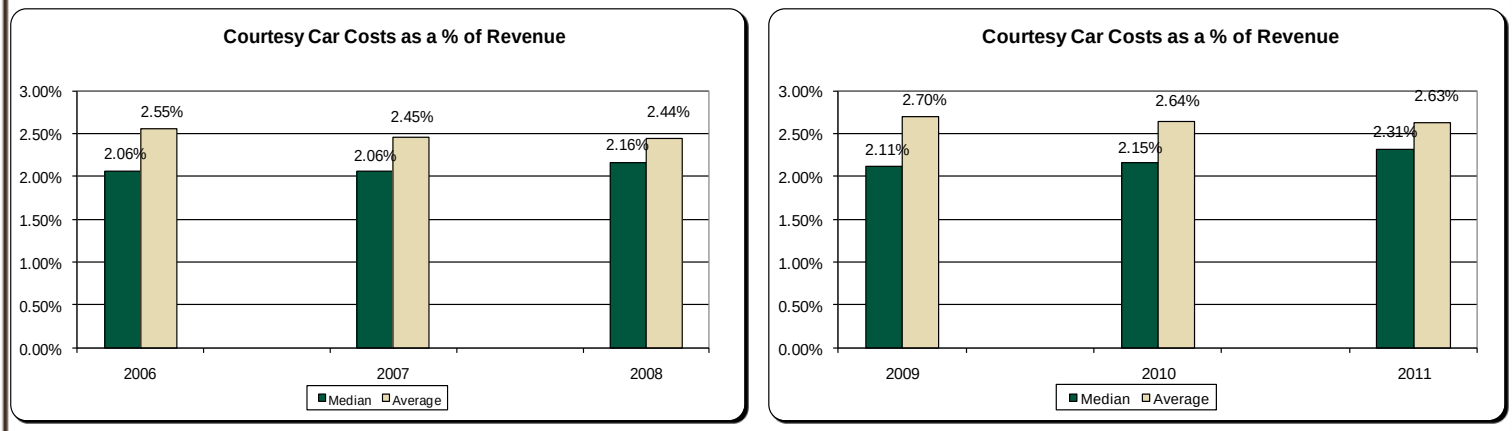
Figure 62 – Training Costs





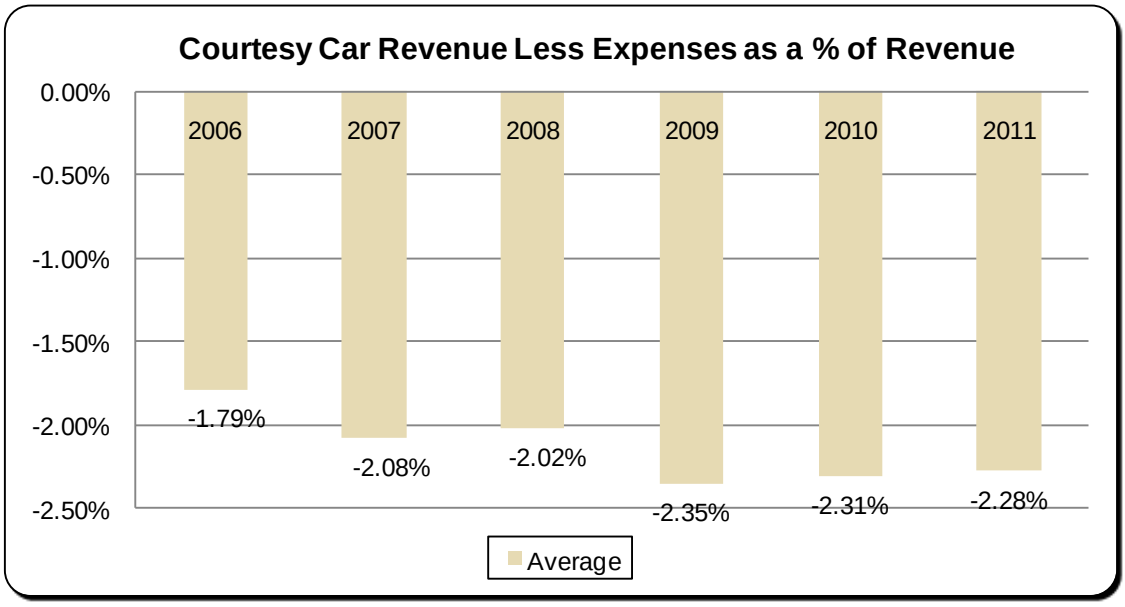
Courtesy car costs as a percentage of revenue were consistent from 2006 to 2009 and then increased in 2009 and remained consistent until 2011. Although not conclusive, the increase is likely a result of a change in the sample group as opposed to a change in market performance, as courtesy car costs are typically higher for larger shops.

Figure 63 – Courtesy Car Costs



Courtesy Car revenue, less expenses, reflect the results above and are summarized as follows:

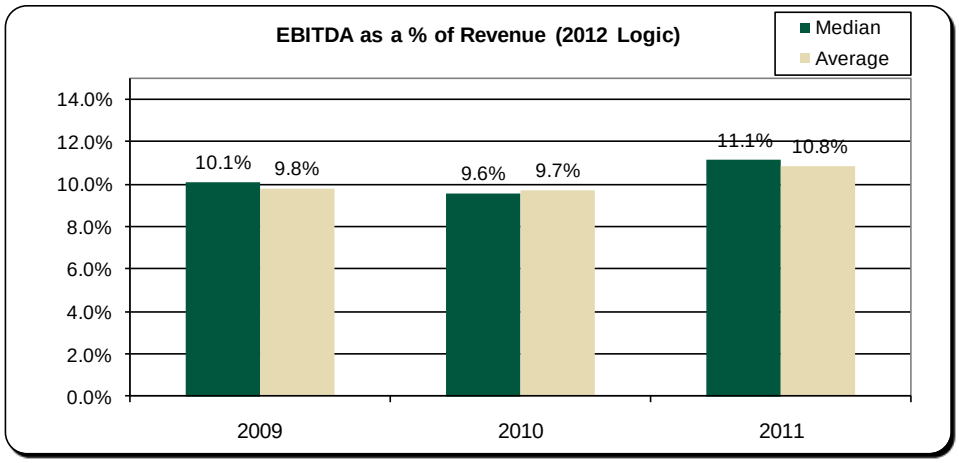
Figure 64 – Courtesy Car Revenue less Expenses



Earnings before interest, taxes, depreciation and amortization (EBITDA) are often used to measure the true operating performance of a business. One reason for this is that the results are not influenced by management's decisions regarding how much capital they purchase vs. lease and the amount or type of debt that is utilized by the business. Based on this premise, EBITDA is the primary measure of profitability considered in this study.

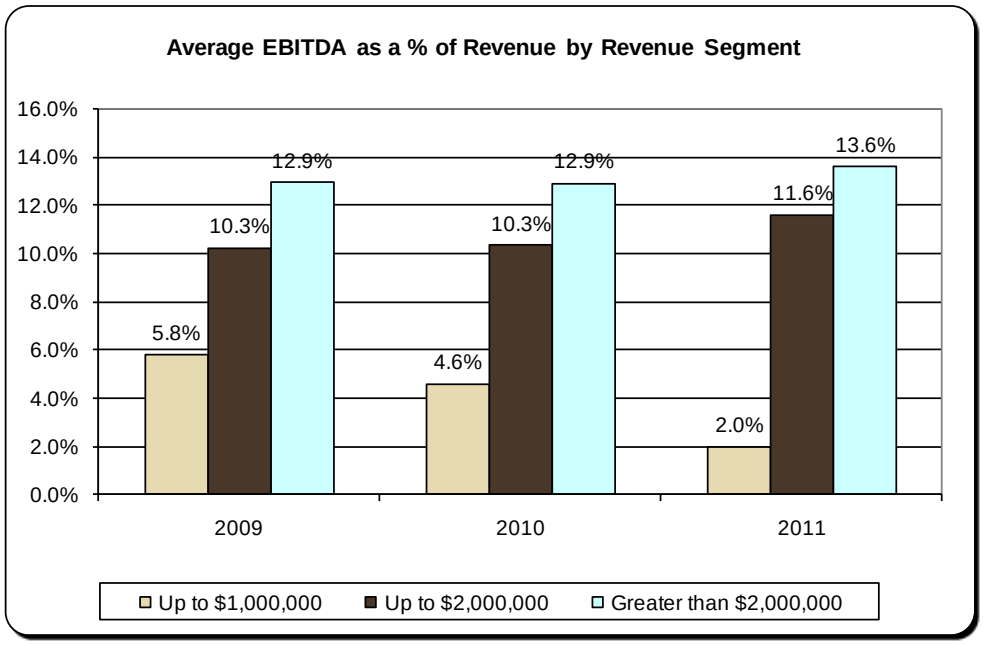
From 2009 to 2011, overall average EBITDA increased from 9.8% to 10.8% of revenue. During this time frame, the median and average are also similar which indicates the results are consistent within the sample size.

Figure 65 – Average and Median EBITDA



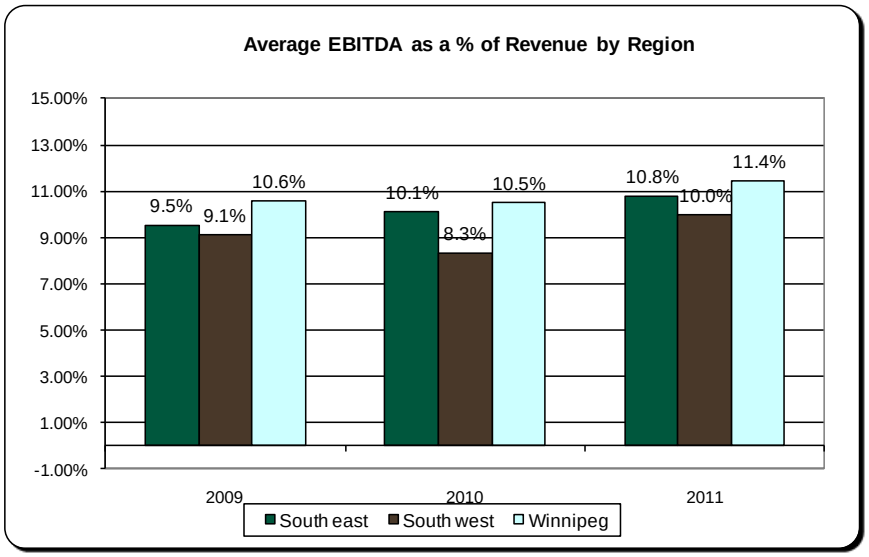
By revenue category, average EBITDA is higher in the revenue categories over $1,000,000. EBITDA in the $500,000 to $1,000,000 revenue category decreased in each year.

Figure 66 – Average EBITDA by Revenue Category



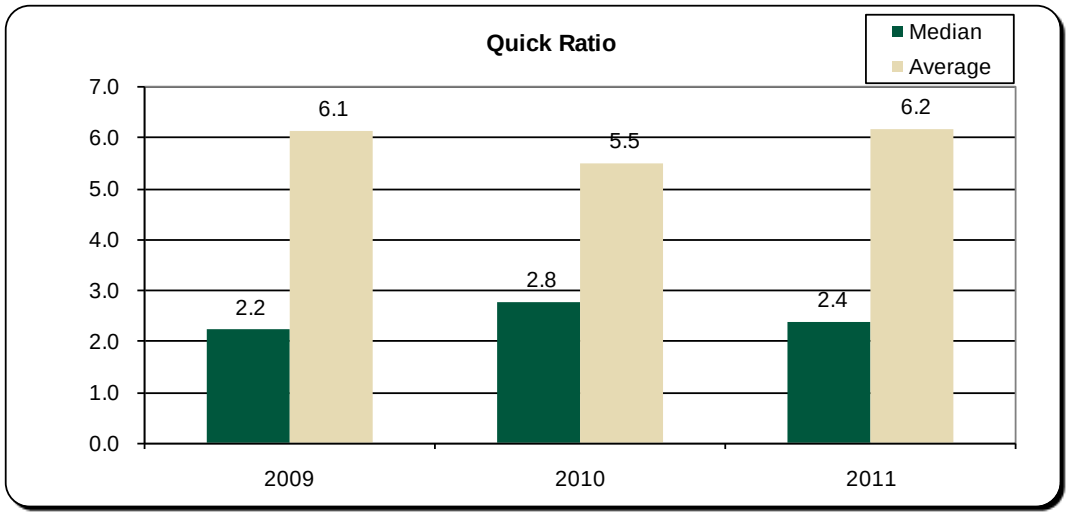
The average EBITDA as a percentage of revenue is highest in the Winnipeg region with results varying in the other regions. It should be noted that the majority of larger operations in Manitoba are located in Winnipeg, which contributes to the higher performance in that region.

Figure 67 – Average EBITDA by Region



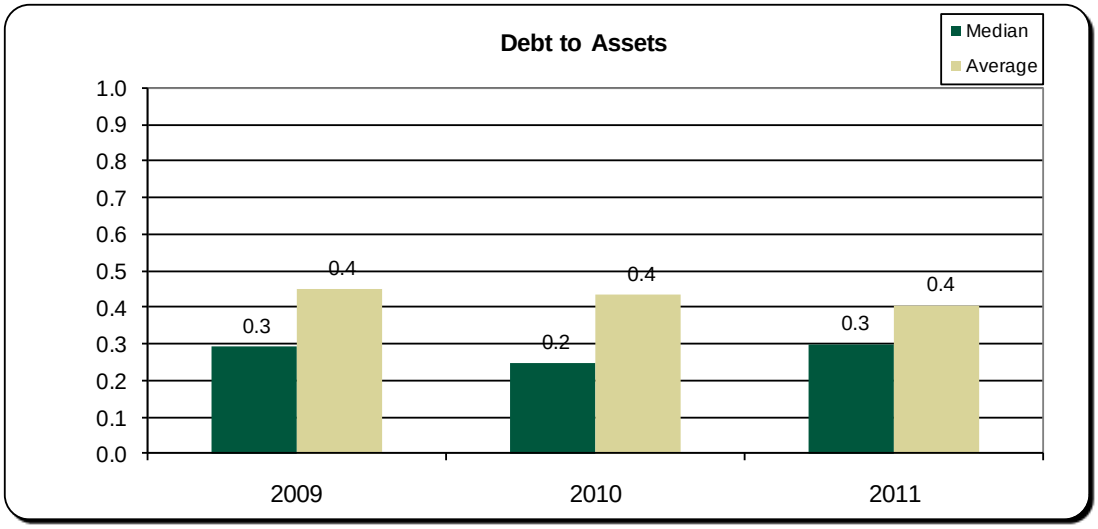
Liquidity has remained relatively constant from 2009 to 2011 based on the quick ratio. The information that was collected has a relatively high standard deviation (average of 7.0 from 2009 to 2011), which indicates significant variability in the data. This is also evident by the gaps between average and median from 2009 to 2011.

Figure 68 – Quick Ratio



The debt to asset ratio of respondents has been consistent from 2009 to 2011 with an average of 0.4 indicating a low reliance on debt. The average standard deviation from 2009 to 2011 is 0.4, which implies the data is relatively diverse.

Figure 69 – Debt to Assets Ratio



5.6.4 Top Issues Affecting Profitability

Survey respondents were asked to identify the top issues impacting the profitability of their business. A summary of the most frequent response is shown below.

Please note: the following reflects the views of respondents, not independent analysis undertaken by MNP.

Table 31 – Top Issues Affecting Profitability

Top Issues Affecting Profitability
• **MPI processes that cause delays and uncompensated hours** • Inaccurate estimates • Inefficient supplemental process • Outdated, redundant MPI administrative processes • Inefficient parts procurement process
• **Parts procurement and cost** • Poor quality aftermarket and recycled parts • Low margin on aftermarket and recycled parts • High cost of environmentally friendly parts • High freight charges for rural shops
• **Lack of skilled workers** • Low wages make it hard to compete with other industries for employees • Labour shortage is driving up cost of wages
• **Customers expecting "extras" that aren't covered by MPI claims** • Including courtesy cars and detailing
• **Shrinking margins on paint and materials**
• **Repairs are becoming more complex, MPI rates not adjusting accordingly**

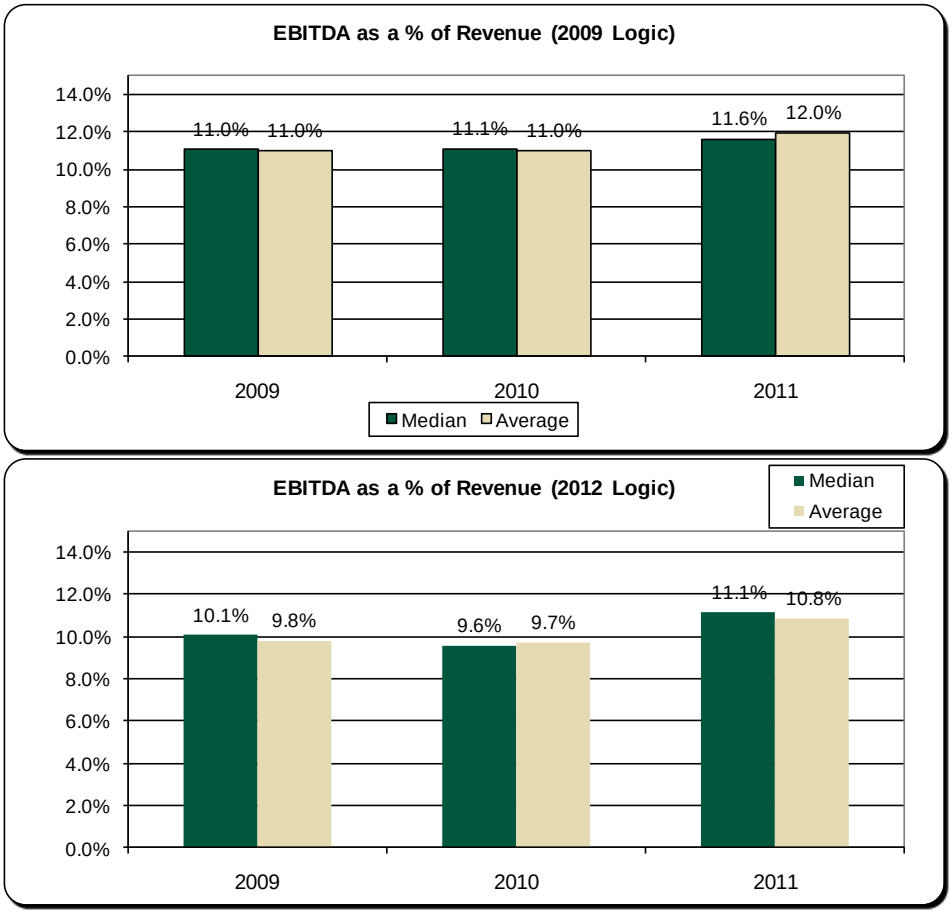
5.6.5 Change in Analysis from 2009 to 2012

From the 2009 Survey to the 2012 survey there was a change in approach to the analysis that impacted fair market wage adjustments and facility cost adjustments. In addition to location premiums/discounts, the 2012 survey also considers shop size in terms of revenue for fair market management wages. The impact is an increase in management wages for larger businesses to account for the increased responsibilities required to manage more staff and larger business operations.

There were two primary changes to the lease rate adjustment in the 2012 survey as compared to the 2009 survey. The first change was to add a question in the survey that asked participants if they pay lease rates at fair market value. No adjustment was made if the respondent indicated 'yes'. Rates were reviewed for reasonableness based on market data to validate this approach. The second change was in how the lease rate adjustments were incorporated. In the 2009 survey lease rates were applied based on the participant's revenue volume. In the 2012 survey, the lease rates were applied based on location and facility size.

The figures and tables below summarize the impact on EBITDA from 2009 to 2011 based on the two different analysis approaches. The first approach is referred to as "2009 logic" below and mimics the approach that was used in the 2009 survey. The second approach is referred to as "2012 logic" and incorporates the changes discussed above.

Figure 70 – Normalized EBITDA 2012 Results (2009 vs. 2012 Logic)



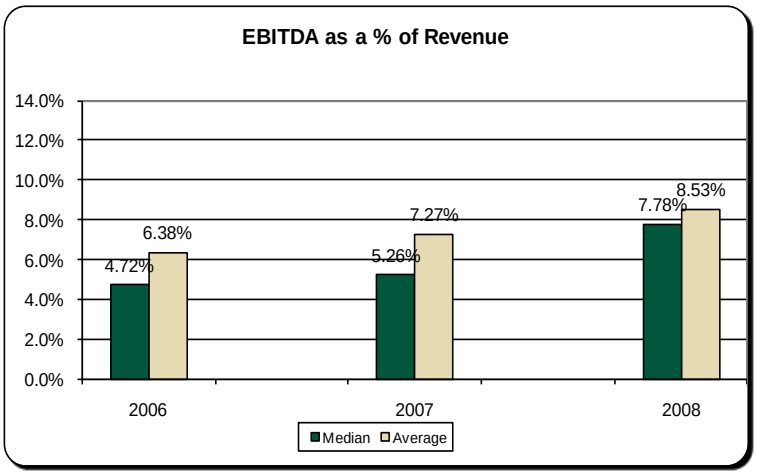
For additional analysis on the impact of the change in logic from the 2009 survey to the 2012 survey see Appendix B.

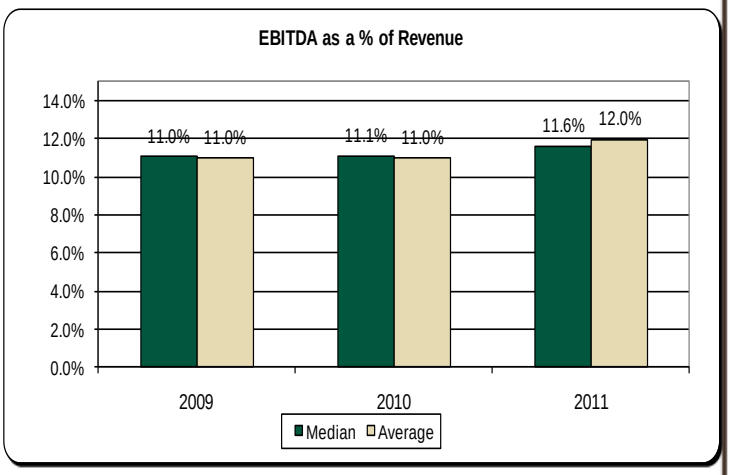
5.6.6 EBITDA Comparisons

As explained above, the impact of the change of logic is due to the change in facility cost and management wage adjustments. As such, neither of these adjustments will impact the cost of sales or gross margin summaries presented in the previous section. EBITDA will be impacted by these changes.

To fairly compare the results from the 2009 survey to the 2012 survey it is important to incorporate a consistent logic. As such, the following presentation of results compares 2009 survey results against 2012 results using the 2009 logic (as defined above).

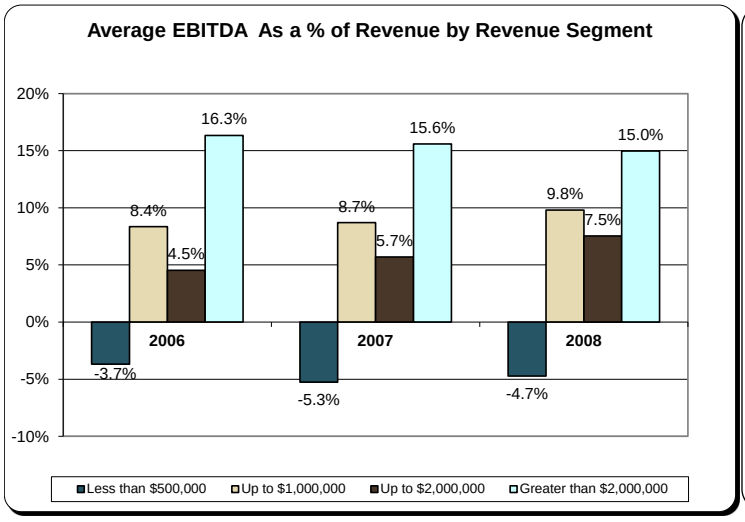
Figure 71 – Normalized EBITDA

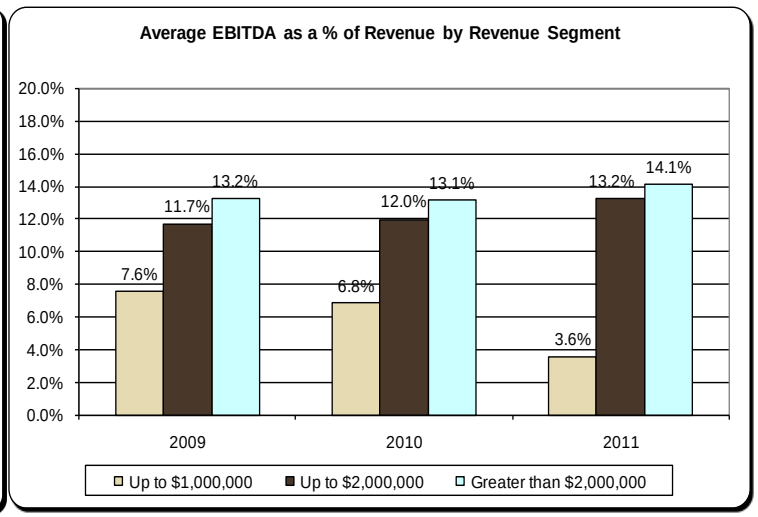




By revenue segment, EBITDA decreased in the below $1,000,000 revenue categories while increasing in the greater than $1,000,000 revenue categories. The gap that existed for businesses with revenue between $1,000,000 to $2,000,000 and businesses with revenues greater than $2,000,000 is closing.

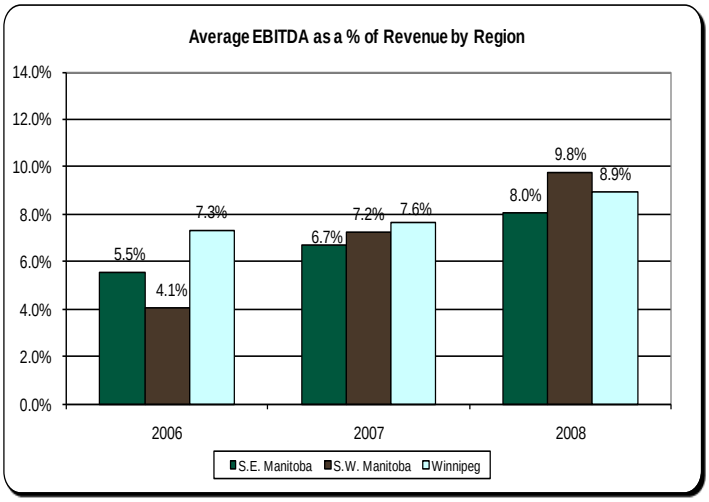
Figure 72 – Normalized EBITDA by Revenue Size

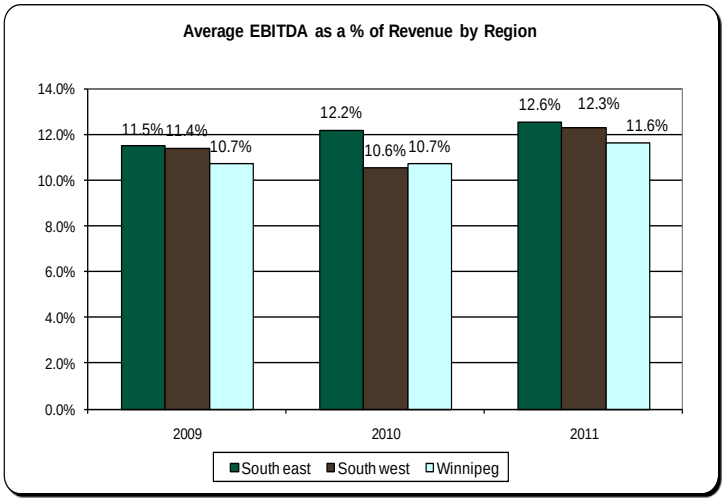




By region, EBITDA in 2012 was the highest in the Southeast region and lowest in the Winnipeg region. As compared to 2009, the Southwest region had the highest EBITDA while each region showed improvement from 2006 to 2008. Overall, all regions experienced an increase in EBITDA as a percentage of revenue. The increase from 2008 to 2009 can partially be explained by the increase in larger businesses being included in the study.

Figure 73 – Normalized EBITDA by Region





5.6.7 Average Income Statement Analysis

The following comparative income statement demonstrates the differences in costs and profitability in the responding businesses by revenue category.

Table 32 – Comparative Income Statement for 2011 from the 2012 Survey by Revenue Category

Average Income Statement	$500,000 to <$1 MM	$1 MM to < $2 MM	> $2 MM	Average
Count	8	27	24	60
Average Revenue of Business Reporting in this Category	$686,295	$1,375,448	$3,531,328	$2,129,863
Auto body	93.48%	98.34%	98.46%	98.22%
Courtesy car/Auto rental	0.10%	0.52%	0.44%	0.45%
Other	6.42%	1.14%	1.10%	1.33%
Total Revenue	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Shop wages and benefits	30.11%	23.66%	22.36%	23.08%
Parts	32.87%	26.13%	28.25%	27.80%
Paint and Materials	3.64%	7.48%	6.78%	6.88%
Body Materials	1.24%	1.81%	1.23%	1.43%
Sublet	1.71%	1.97%	2.76%	2.48%
Other related	3.07%	0.09%	1.12%	0.90%
Total Cost of Sales	72.64%	61.14%	62.50%	62.57%
Gross Profit	**27.36%**	**38.86%**	**37.49%**	**37.43%**
Expenses				
Advertising and promotion	0.50%	1.79%	1.17%	1.32%
Courtesy Car (insurance/rental/lease) Net of rebates	2.12%	2.25%	3.11%	2.81%
Environmental	0.04%	0.07%	0.04%	0.05%
Equipment	0.20%	0.53%	0.21%	0.30%
Facility rent and property taxes	6.71%	5.79%	4.68%	5.08%
Freight	0.06%	0.11%	0.04%	0.06%
IT	0.49%	0.78%	0.57%	0.62%
Management fees and royalties	0.00%	1.53%	0.91%	1.05%
Management / Administration wages and benefits	3.99%	6.92%	7.89%	7.47%
Repairs and maintenance	1.57%	1.21%	0.65%	0.85%
Supplies, tools	0.70%	0.52%	0.91%	0.79%
Training	0.12%	0.19%	0.24%	0.22%
Utilities	2.03%	1.39%	1.13%	1.26%
All Other	6.28%	4.03%	2.83%	3.33%
Total Expenses	24.81%	27.11%	24.38%	25.21%
Earnings before Interest, Taxes and Depreciation (EBITDA)	2.55%	11.75%	13.11%	12.22%

Note: The averages in the above income statements are calculated using a weighted average for the group based on the combined actual amount of each line item. As such, the information above will be smoothed as compared to the results previously presented for individual expenses, which are calculated

using the averages of individual shop percentages. The weighted average is more appropriate when presenting an overall summary of industry performance.

The biggest difference between large and small shops is in cost of sales. Gross profit in businesses with revenue less than $1,000,000 was approximately 10% less in 2011 than it was for businesses with revenue greater than $1,000,000. General expenses are relatively consistent between revenue segments as a percentage of revenue.

The average EBITDA for businesses that responded in the 2012 survey was 12.22% as a percentage of revenue in 2011. This is very close to the average performance of businesses in the largest two revenue categories. Businesses with revenue between $500,000 and $1,000,000 had an EBITDA of 2.55% in 2011, which is significantly below the overall average.

Compared to the 2008 results presented below, the greatest increase in the 2011 results is in the $1,000,000 to $2,000,000 revenue category and the greatest decrease is in the $500,000 to $1,000,000 revenue category. Overall, the average EBITDA as a percentage of revenue has improved from 11.2% in 2008 to 12.22% in 2011.

Table 33 – Comparative Income Statement for 2008 from the 2009 Study by Revenue Category

Average Income Statement	$500,000 to <$1 MM	$1 MM to < $2 MM	> $2 MM	Average
Count	27	29	18	83
Average Revenue of Business Reporting in this Category	$665,274	$1,469,068	$3,530,599	$1,530,606
Auto body	98.5%	97.0%	97.1%	97.3%
Courtesy car/Auto rental	1.2%	2.7%	2.6%	2.4%
Other	0.4%	0.3%	0.3%	0.3%
Total Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Shop wages and benefits	27.7%	25.0%	20.2%	23.1%
Parts	28.3%	26.7%	29.5%	28.4%
Materials	7.0%	9.4%	7.3%	8.2%
Sublet	2.2%	2.8%	2.6%	2.6%
Total Cost of Sales	**65.3%**	**64.0%**	**59.7%**	**62.3%**
Gross Profit	**34.7%**	**36.0%**	**40.3%**	**37.7%**
Expenses				
Advertising and promotion	0.9%	2.2%	1.4%	1.6%
Courtesy Car	1.4%	2.4%	3.0%	2.6%
Equipment	0.3%	0.8%	0.8%	0.7%
Facility	4.3%	4.6%	4.8%	4.7%
Management / Administration wages and benefits	8.1%	10.4%	10.2%	9.8%
Other Overhead	6.4%	5.9%	4.5%	5.5%
Training	0.2%	0.1%	0.1%	0.1%
Utilities	2.0%	1.7%	1.3%	1.5%
Total Expenses	23.6%	28.1%	26.1%	26.5%
Earnings before Interest, Taxes and Depreciation (EBITDA)	**11.1%**	**7.9%**	**14.2%**	**11.2%**

Sustainability of an industry requires sufficient returns to support ongoing investment and business succession. Average EBITDA for each revenue category was used to model debt service capacity and the available return on investment to build a new shop.

Table 34 – Debt Service and Investment Capacity by Revenue Category, 2011

Debt Service Capacity	$500,000 - $999,999	$1,000,000 to $1,999,999	$2,000,000 and up
EBITDA	17,564	161,429	463,833
Maximum annual payments at 1.5:1 Debt Service Ratio	11,710	107,619	309,222
Maximum debt potential, assuming 15 year amortization at 7% interest	**106,654**	**980,185**	**2,816,367**
Average shop size (s.f.)	5,770	6,420	13,741
Construction cost $200/s.f.	1,154,000	1,284,000	2,748,200
Equipment allowance	300,000	450,000	600,000
Total Capital Requirement	**1,454,000**	**1,734,000**	**3,348,200**
Equity Requirement (Capital requirement less maximum debt potential; minimum 30%)	1,347,346	753,815	1,004,460
EBITDA	17,564	161,429	463,833
Add back: Rent	41,420	71,714	148,581
Less:			
Average Annual Interest	4,600	42,273	101,081
Amortization (est. at 1/2 facility expense)	23,011	39,841	82,545
Income before taxes	31,374	151,028	428,788
Income taxes (13%)	4,079	19,634	55,742
Net Income	27,295	131,394	373,046
Return on Assets	1.88%	7.58%	11.14%
Return on Equity	**2.03%**	**17.43%**	**37.14%**
Payback Period	**> 25 Years**	**5.7 Years**	**2.7 Years**

Venture capital often requires returns on investment of 30%-40% or more per year, reflective of the relative risk of the investment, with target portfolio returns of 17-20%. Average returns of 20-25% and payback periods of 5-7 years are generally attractive for business owners. To achieve a 20% return on equity for businesses in the $500,000 to $999,999 revenue category, revenue would need to increase by 19% without a corresponding increase in expenses. Businesses with revenue between $1,000,000 and $2,000,000 in revenue would require a 0.75% increase in revenue without a corresponding increase in expenses. Businesses with over $2,000,000 in revenue show reasonably strong investment capacity and returns. Based on the 2012 survey, the payback period on shops below $1,000,000 in revenue would not be sufficient to warrant the investment with the associated level of risk.

Table 35 – Debt Service and Investment Capacity by Revenue Category, 2008

Debt Service Capacity	$500,000 - $999,999	$1,000,000 to $1,999,999	$2,000,000 and up
Net Profit	$64,245	$100,969	$418,267
Add back - Amortization (est. at ½ facility expense)	$14,303	$33,789	$84,734
Available for Debt Service	478,548	$134,758	$503,001
Maximum annual payments at 1.5:1 Debt Service Ratio	$52,392	$89,883	$335,502
Maximum debt potential, assuming 15 year amortization at 7% interest	$470,356	$806,936	$3,012,010
Average shop size (s.f.)	4,867	6,917	11,954
Construction cost $125/s.f.	$608,375	$864,625	$1,494,250
Equipment allowance	$300,000	$400,000	$500,000
Total Capital Requirement	$908,375	$1,264,625	$1,994,250
Equity Requirement (Capital requirement less maximum debt potential; minimum 30%)	$438,019	$457,689	$598,275
Earnings before Interest	$64,245	$100,969	$418,267
Average Annual Interest	$15,660	$26,866	$46,477
Net Income	$48,585	$74,103	$371,790
Return on Assets	5.3%	5.9%	18.6%
Return on Equity	11.1%	16.2%	62.1%
Payback period	9.0 years	6.2 years	1.6 Years

Based on the 2008 and 2011 results presented in the tables above, it can be concluded that there was a significant decrease in the performance of businesses with revenue between $500,000 and $1,000,000 and a significant increase for businesses with revenue between $1,000,000 and $2,000,000. There was a slight decrease for business with revenue greater than $2,000,000, but the change was less than the other revenue segments.

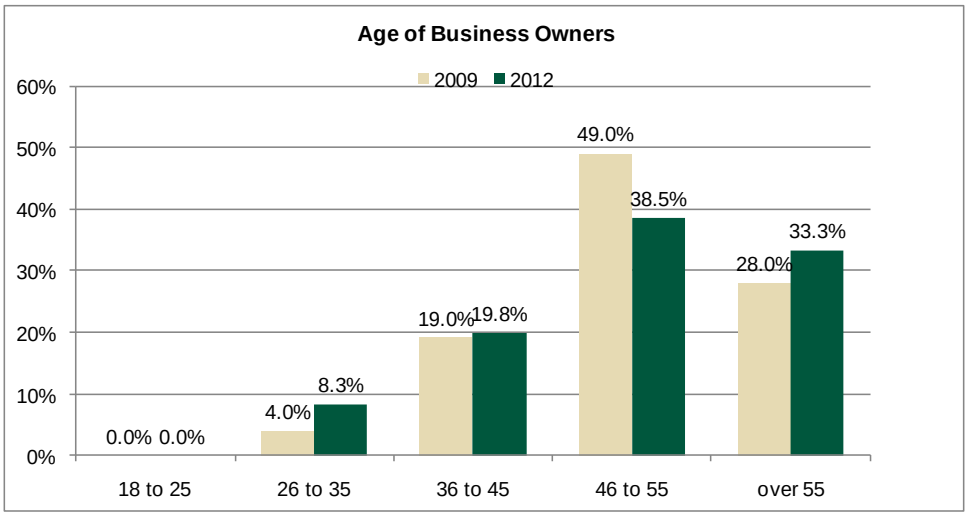
The change in logic between surveys, as previously discussed, should also be considered when comparing the 2008 results above to the 2011 data. As shown in Appendix B, the logic used in the 2012 survey assumes higher costs and lowers the overall EBITDA by approximately 0.5% to 1.6% depending on the revenue segment being considered. This would reduce the gap in the $500,000 to $1,000,000 and the greater than $2,000,000 revenue segments when you compare the 2009 survey to the 2012 survey, but it would increase the gap in the $1,000,000 to $2,000,000 revenue segment.

5.7 Business Succession

Because a large percentage of the industry in Manitoba is made up of independent, owner-managed businesses, ownership succession is extremely important. The availability of qualified individuals willing to assume ownership of these businesses and/or prepared to start new businesses to meet the needs of the market is extremely important to the health of the industry in Manitoba.

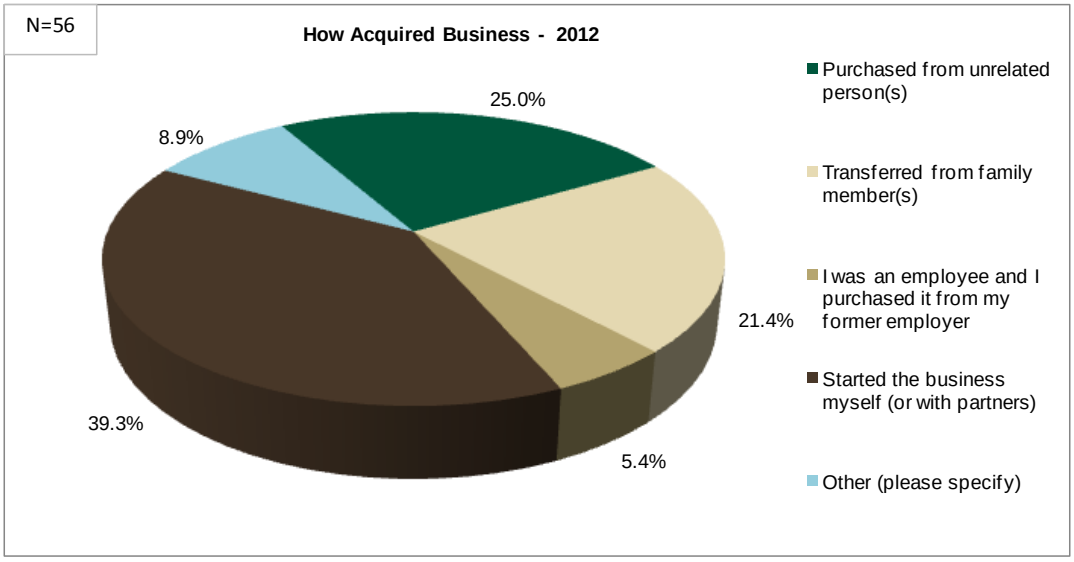
Fifty-six respondent businesses indicated the age of their business owners. Of the 96 business owners reported, the largest group, at 38.5% are between the ages of 46 and 55. 33.3% of owners are over the age of 55, creating potential for retirement within 10 years. This represents an increase in this age category of 5% over the 2009 study results.

Figure 74 – Business Owners by Age Category – 2009 and 2012



Survey respondents were asked to define how they acquired their current business. Thirty-nine (39%) percent indicated that they started the business themselves and 25% of respondents indicated that they purchased from an unrelated person.

Figure 75 – Method of Business Acquisition - 2012



When asked how long they intend to stay in the collision repair business in Manitoba, 74% of respondents indicated they expect to retain their business for 10 years or more. Seventeen percent expect to retire within 5 years, 26% within 10 years.

Figure 76 – Years to Retirement

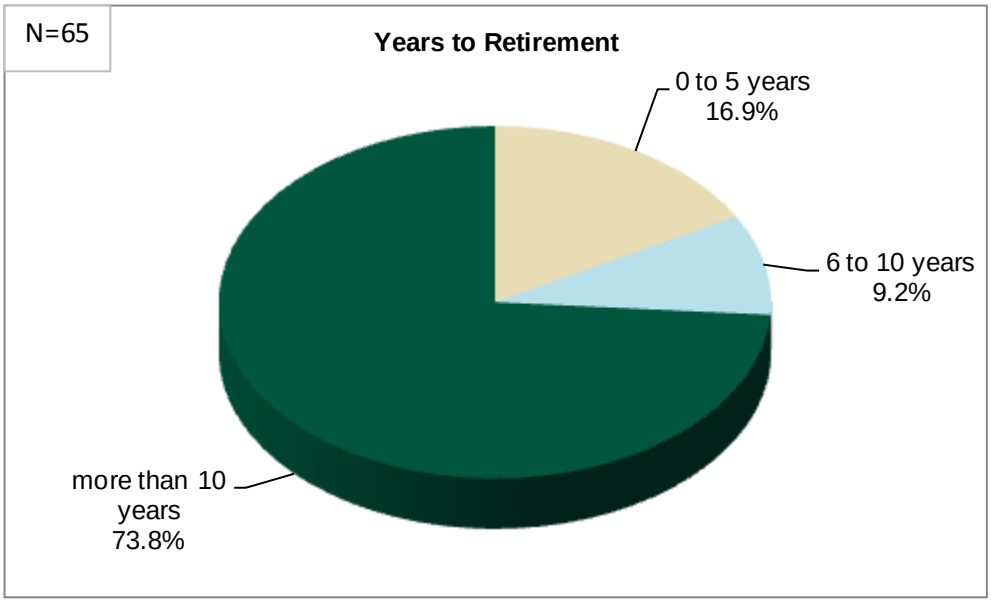
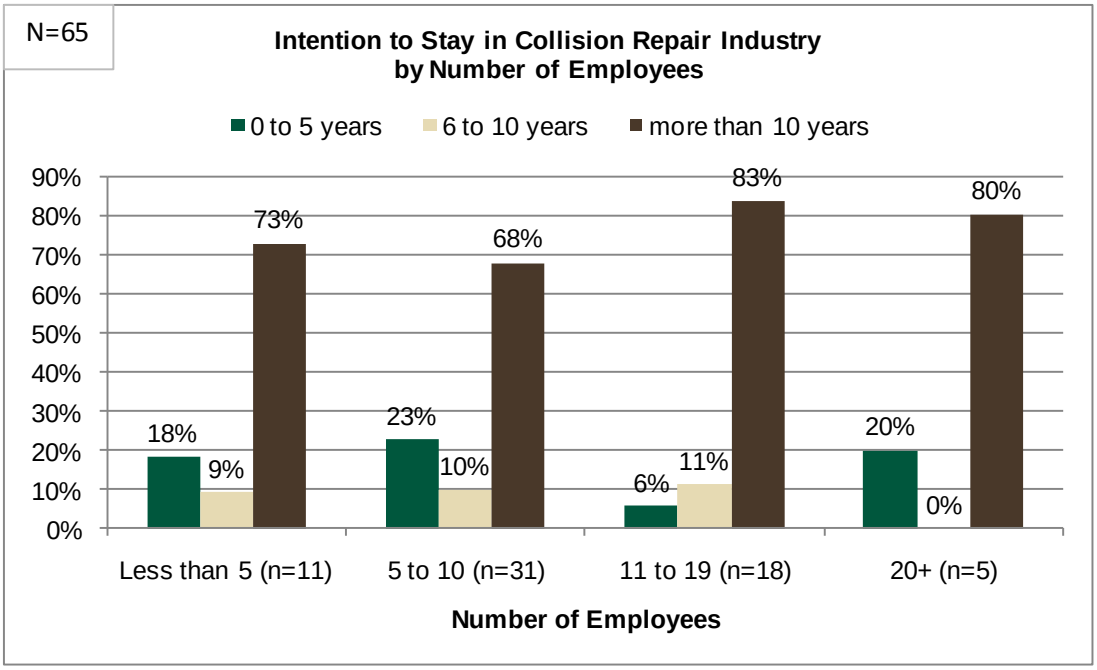
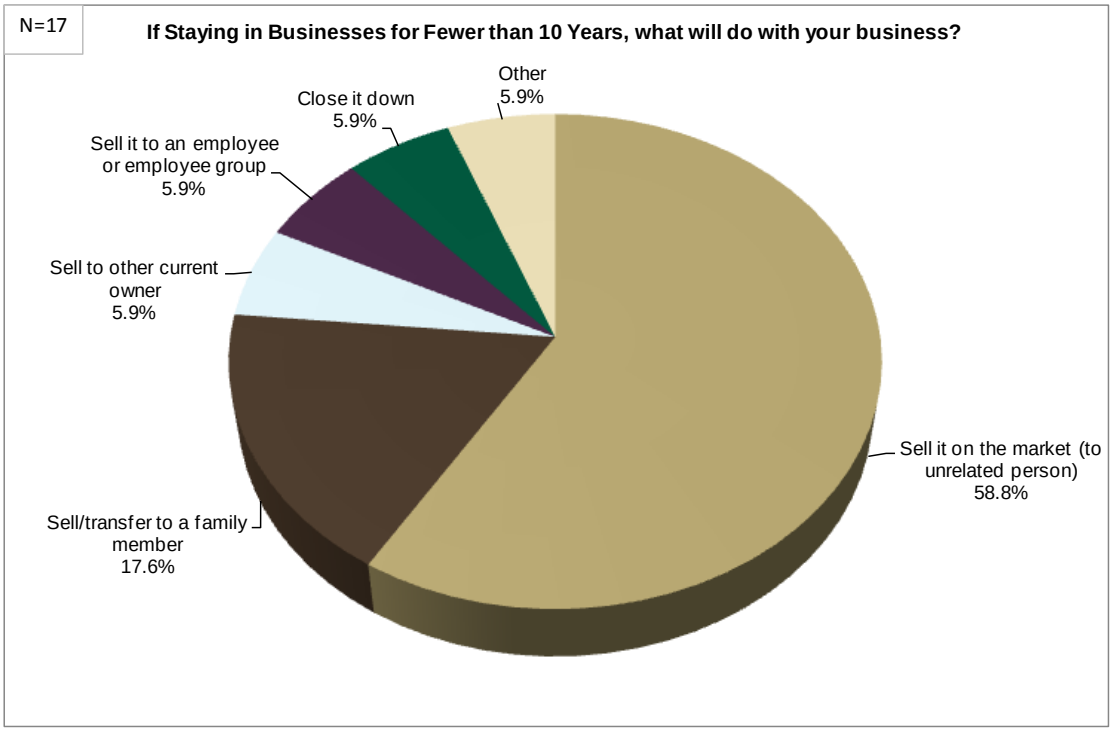


Figure 77 – Years to Retirement by Number of Employees



The 17 survey respondents who indicated they intend to retain their business for 10 years or less, were then asked how they intend to dispose of their business. Almost 60% of these respondents intend to sell their business on the market.

Figure 78 – Exit Strategies



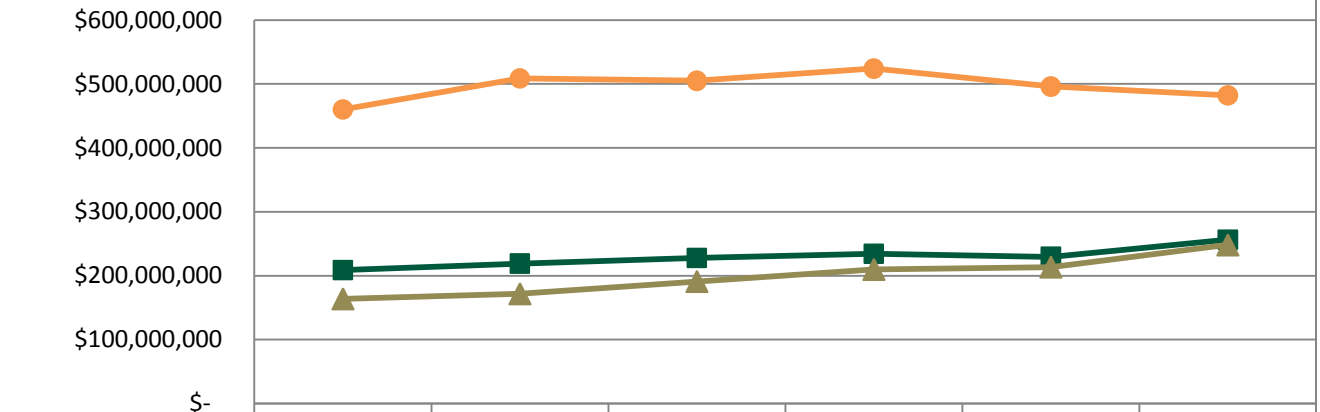
6.0 Comparative Analysis – Canadian Public Insurance Jurisdictions

The following section provides information on auto body repair activity in Manitoba from 2006 to 2011, with comparison data for Saskatchewan (SK) and British Columbia (BC), which also operate in a public insurance environment.

6.1 Claims Activity

While year to year changes can be significantly impacted by weather events, both Saskatchewan and Manitoba show modest but steady increases in repair claim payment amounts. Claim payments[5] to body shops for repairs in Manitoba increased by 9% from 2009 to 2011; 23% since 2006, for an average annual increase of 3.8%. Claim payments in Saskatchewan increased by approximately 17% since 2009, with an average annual increase of 10.3% since 2006. The total amount of repair claim payments declined in BC by over 8% from 2009 to 2011.

Figure 79 – Repair Claim Payments ($) 2006 - 2011

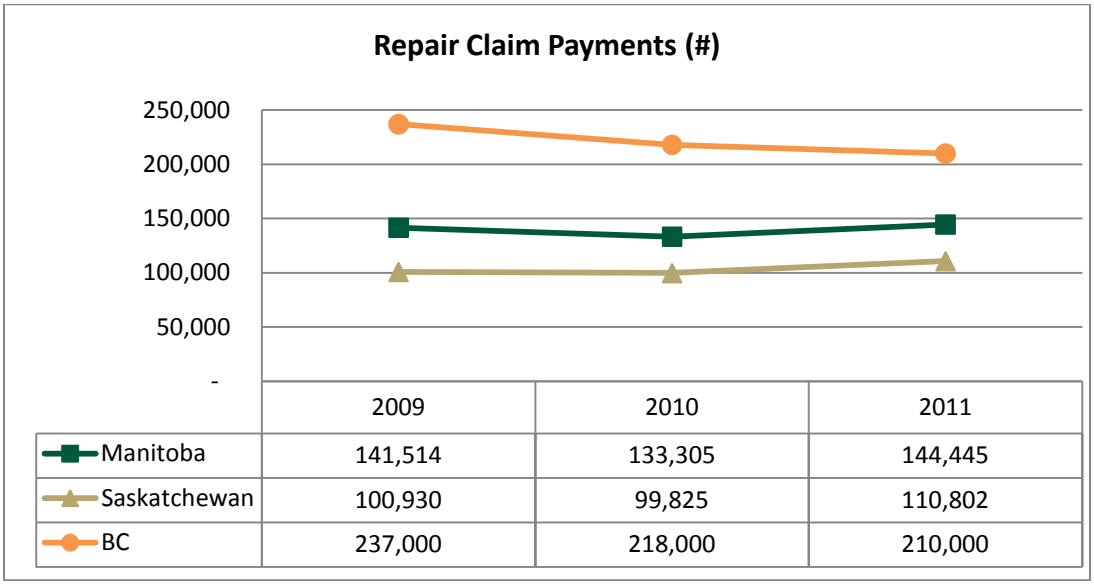


	2006	2007	2008	2009	2010	2011
Manitoba	$208,796,203	$219,075,174	$227,699,304	$234,304,244	$229,598,213	$256,405,145
Saskatchewan	$163,784,472	$171,738,230	$190,982,600	$209,797,160	$213,504,048	$248,160,872
British Columbia	$460,047,574	$508,586,585	$504,964,694	$524,000,000	$496,000,000	$482,000,000

[5] Claim payments represent the dollars paid by the insurer for automotive repairs, not including total losses or bodily injury, and net of any deductibles paid directly by the customer.

Although fluctuating down somewhat in 2010, the number of Manitoba payments in 2011 was within 2% of 2009. The number of payments in Saskatchewan increased 10% from 2009 to 2011. The number of repair claim payments in BC declined by approximately 11% from 2009 to 2011.

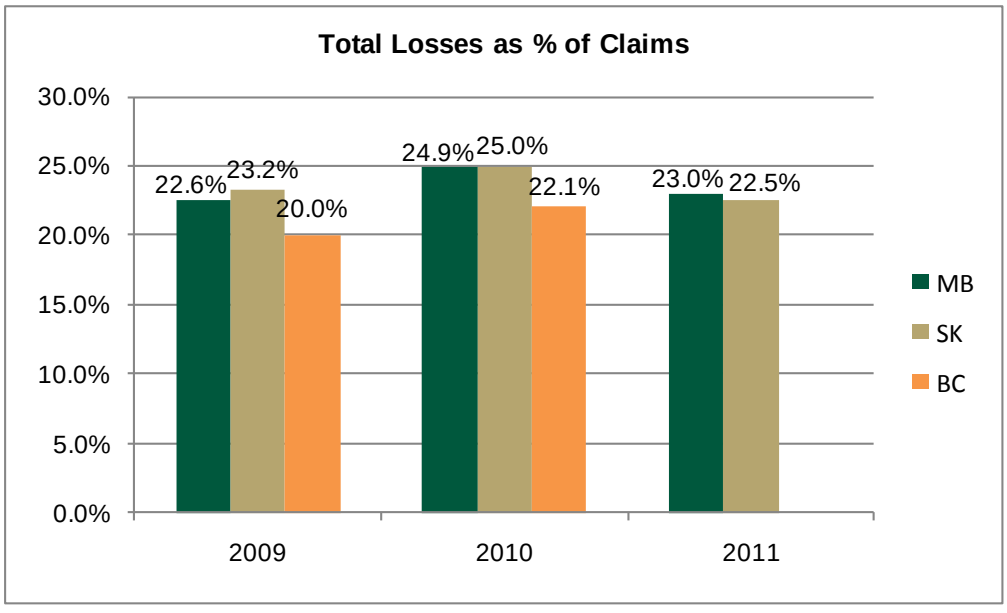
Figure 80 – Repair Claim Payments (#) 2006 - 2011



	2009	2010	2011
Manitoba	141,514	133,305	144,445
Saskatchewan	100,930	99,825	110,802
BC	237,000	218,000	210,000

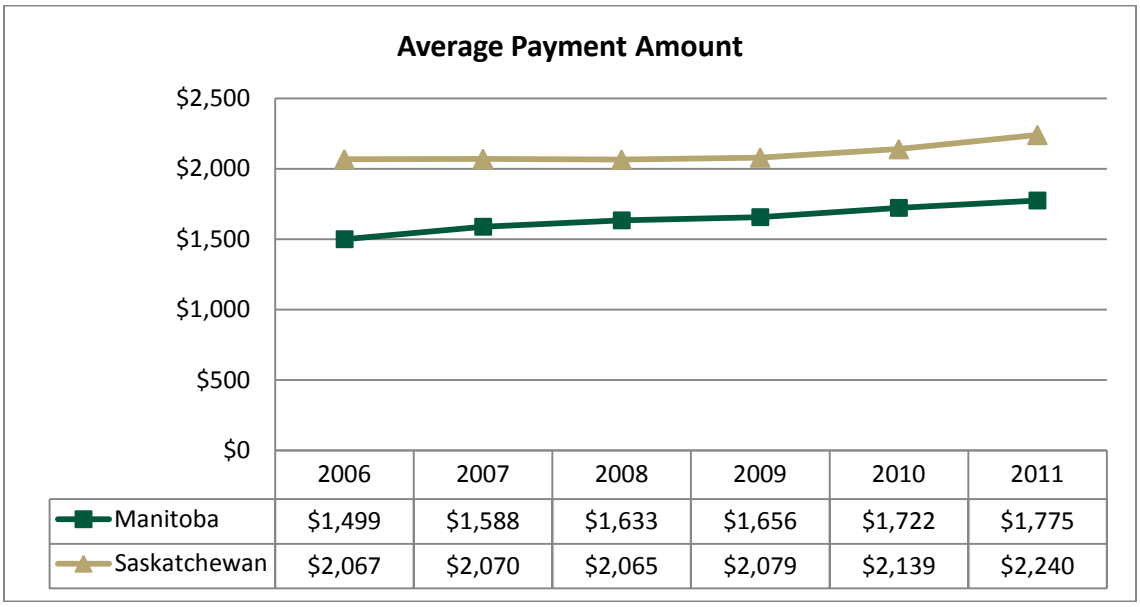
Total losses as a percentage of claims in both Manitoba and Saskatchewan showed an increase in 2010 before returning to nearer 2009 levels in 2011. This proportion is impacted by the value of the vehicles and the cost of repairs. While total losses as a percentage of claims in BC increased 2% from 2009 to 2010, it remained below levels in MB and SK. (BC data for 2011 was not available at the time this information was collected.)

Figure 81 – Total Losses as a Percentage of Total Claims



The total dollar amount of payments divided by the number of payments results in an average payment to Manitoba repair shops of $1,775 in 2011, up 7% from 2009; 8% in Saskatchewan. Average payment (a simple form of severity) is influenced by the "door rate", or rate per hour of labour, which varies by province, as well as the vehicle characteristics (age, materials and technology). BC does not publish average payment amounts.

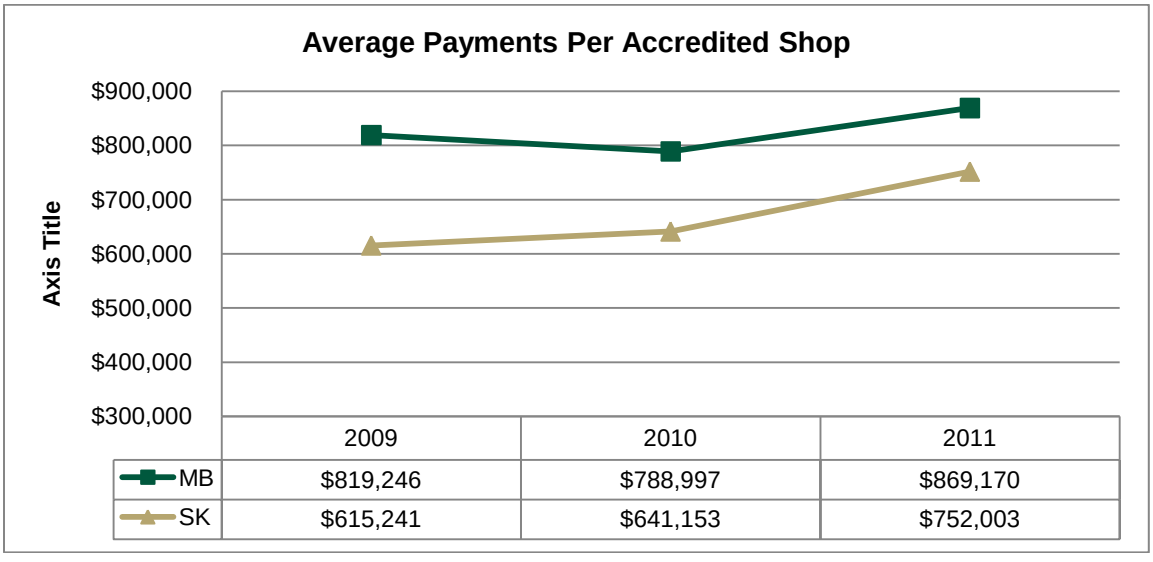
Figure 82 – Average Payment Excluding Total Losses



	2006	2007	2008	2009	2010	2011
Manitoba	$1,499	$1,588	$1,633	$1,656	$1,722	$1,775
Saskatchewan	$2,067	$2,070	$2,065	$2,079	$2,139	$2,240

The average dollar amount of payments per shop trended up in Manitoba, with a similar pattern in Saskatchewan. BC does not publish average payment data.

Figure 83 – Average Payments ($) by Accredited Shop

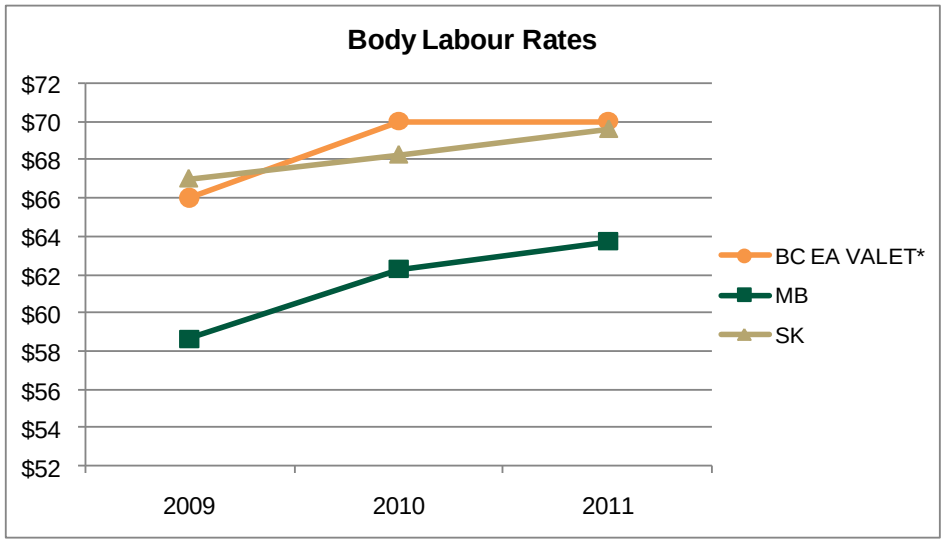


	2009	2010	2011
MB	$819,246	$788,997	$869,170
SK	$615,241	$641,153	$752,003

6.2 Labour Rates

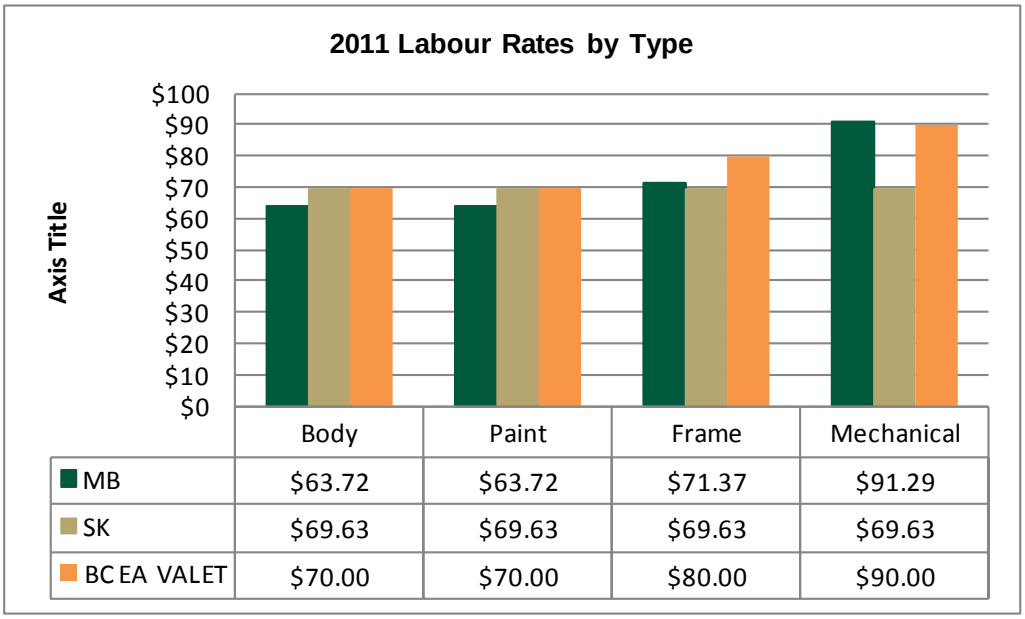
Body labour rates have increased 9% in Manitoba since 2009; 4% in Saskatchewan. In 2010, ICBC increased the labour rate from $66 to $70 (6%) for Earned Authority (EA) Valet shops. Non-Earned Authority Valet shops remained at $66. BC rates shown in the following series of slides are all for Earned Authority Shops.

Figure 84 – Body Labour Rates



All three provinces apply the same labour rate for both body repair and paint. Manitoba and BC apply different rates for frame and mechanical repairs as shown below. Saskatchewan applies a blended rate across all categories.

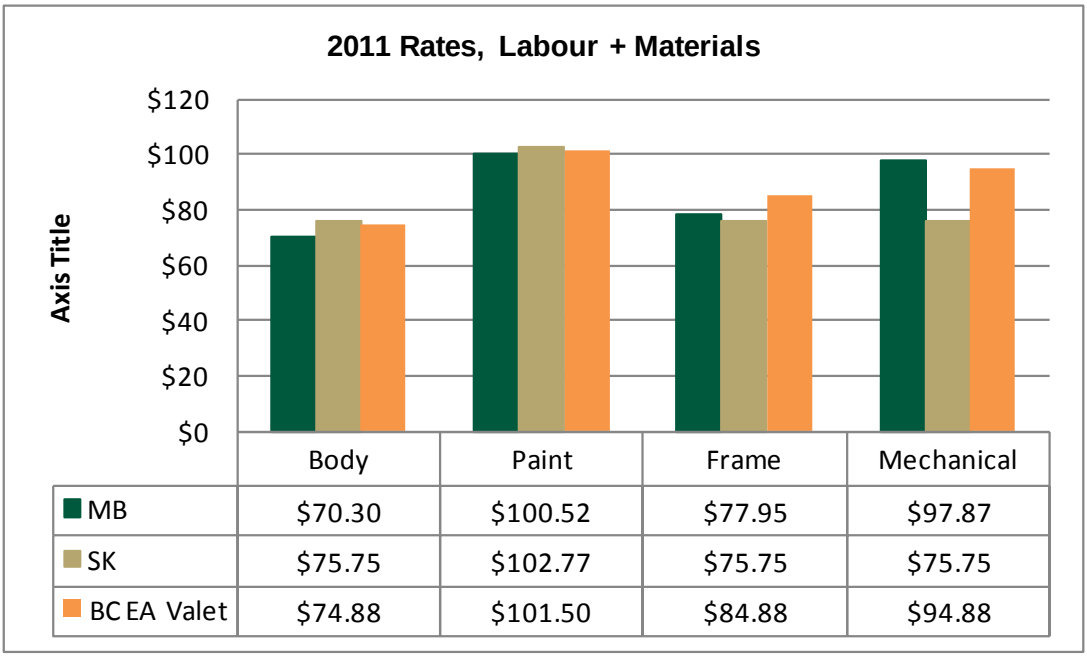
Figure 85 – 2011 Labour Rates by Type



	Body	Paint	Frame	Mechanical
MB	$63.72	$63.72	$71.37	$91.29
SK	$69.63	$69.63	$69.63	$69.63
BC EA VALET	$70.00	$70.00	$80.00	$90.00

Adding material allowances reduces the difference between jurisdictions. Manitoba's paint materials rate is $36.80 compared to $33.14 in Saskatchewan, and $31.50 in BC. The national average material rate as reported by Mitchell is $33.68 (calculation methods may vary).

Figure 86 – 2011 Labour + Material Rates



MPI provided an average distribution of labour by type for 2011 appraisals as shown in the table below. Using these percentages to create a 'blend' of Manitoba's rate, the result is an average labour and materials rate of $84.29 in Manitoba, which is approximately 3% below Saskatchewan's blended rate of $86.82.

Table 36 – Body/Frame, Paint and Mechanical Rate

	Body	Frame	Paint	Mechanical	Blended Rate
Proportion of labour, by type*	51%	3%	41%	5%	
Manitoba rate	70.30	77.95	100.52	97.87	84.29
Saskatchewan rate	75.75	75.75	102.77	75.75	86.82

*Based on FY 2011 MPI Average Appraisal Values

7.0 Conclusions and Recommendations

7.1 Conclusions

Note: *Compared to the 2009 survey, the number of respondents decreased by 28% from 83 to 60 in the 2012 survey. The revenue segments with the greatest decline in participation were the under $500,000 and the $500,000 to $1,000,000 segments. The number of respondents in the under $500,000 revenue segment were too low to segregate further, and the results for the $500,000 to $1,000,000 revenue segment is less reliable.*

6. The labour rate increases and incentives under the 2010 agreement appear to have generally achieved the intended objectives.

e. Wages and benefits have improved.

2010 and 2011 rate increases combine to a net total increase of approximately 9%. Shop wages as a percentage of revenue have remained relatively constant overall, and increased by approximately 2% for shops with revenue of $500,000-$1 million and for shops with revenue over $2 million. This suggests that the increase in rates has been passed on to shop staff.

Average annual pay increased by approximately 6% for journeyperson body repairers, and approximately 9% for body repair apprentices. While the average annual pay for journeyperson painters remained relatively flat, painter apprentices increased by 13%. As flat rate incentives are common in the industry, annual pay is influenced both by hourly rates and by the volume of work performed by the individual. Increases may be a result of either or both. A very high proportion of respondents to the 2012 survey (92%) indicated paint apprentices were offered variable pay. The higher increase in pay and higher use of flat rates for apprentices suggests some work shifting may have occurred between journeyperson and apprentice painters. Average annual pay for painters was also notably higher than other positions in the 2009 survey.

It is important to note this study did not include a comparative analysis of other competing positions in the labour market, so there is no evidence to compare wages to similar positions in other sectors. The change in industrial average wage of 8% over the given period is the only means of rough comparison, and would not address any disparity that may have existed as a starting point.

f. Recruitment and retention has improved.

The 2010 MPI – Industry agreement included a Tool Allowance and Apprenticeship Grant program. Over 100 grants were provided to apprentices in each of 2011 and 2012, with total combined apprentice grants and tool allowances of approximately $400,000 each year.

In 2011 there were 166 registered apprentices compared to 147 in 2008/09, representing a 13% increase in the number of people training for technical positions. The effectiveness of apprentice incentives established in the 2010 agreement will be more fully indicated once the increase in apprentices is also evident in the number of completions, or new journeypersons available to the trade following the four year apprenticeship period.

Turnover decreased for all positions with the exception of apprentice body repairers, which remained the same at 18%, and apprentice painters, which increased to 36%. The reduction in average annual turnover for journeyperson body repairers from over 27% to 17% brings it much closer to norms (turnover of 10-15% is generally considered within the healthy range).

g. The gap in labour rates between Manitoba and Saskatchewan has lessened.

The 2010 and subsequent increases in labour rates in Manitoba reduced the gap to Saskatchewan rates from 12% to approximately 9%. This gap is further diminished so that Saskatchewan rates are less than 3% above Manitoba when factoring in Manitoba's higher

material rates and higher frame and mechanical labour rates. In 2009, the cost of living in Saskatchewan was estimated to be 7% higher than in Manitoba.

Please note, the comparison above is reflective only of rates, not any comparison of estimating systems, practices or results.

h. For larger shops, rate increases have been sufficient to keep up with costs.

Labour, parts and materials are the most significant expenses in the collision repair industry. Overall, these expenses have remained relatively consistent from 2009 to 2011 as a percentage of revenue, suggesting rates have overall kept pace with costs.

There is variability among revenue categories, however. For example, an increase of 1.2% in materials, parts and wages costs for the over $2 million revenue category is offset by a 1.5% decrease in the $1-2 million revenue category.

While less reliable as an overall indicator due to the small number of responses with financial data, materials, parts and wage costs for responding shops with revenue between $500,000 and $1 million increased as a percentage of revenue by over 10%.

Overhead costs generally improved as a percentage of revenue.

- For the $1-2 million revenue group, a 2.8% improvement in general expenses magnifies the improvement in cost of sales. In 2008, average EBITDA for this group was 7.5%. In 2011, this improved to 13.2%
- For shops with over $2 million in revenue, a 2.3% decrease in general expenses moderates the impact of increased cost of sales, resulting in a net change to average EBITDA of -0.9%.

Even with some improvement in general overhead costs, *responding* shops with revenue between $500,000 and $1 million experienced an overall reduction in EBITDA since 2008. As noted, the sample for this revenue category is small, and this data may not reliably represent all shops in this revenue category. Some stronger performing shops also moved out of this revenue category and up to the next between surveys.

(All EBITDA comparisons in this section reflect use of the consistent analysis method. Please see Figure 69).

7. A number of challenges identified in the 2009 survey continue to be evident:

f. Insurance-related business processes are driving operating costs and extending repair times.

Delays arising from the supplemental estimate process and time required for MPI related administrative processes are the most frequently cited concerns of respondent shops. Respondents identify an average of between 37 and 112 hours per week on MPI business processes, absorbing the equivalent of a full time employee even in shops with less than $1 million in revenue. This works out to approximately 3 to 4 hours of administrative time per payment. Based on the average payment amount, an average repair may involve 8 – 10 hours of labour. The need to spend 3 to 4 hours of administrative time per repair appears excessive, and validates the ongoing need to address these business processes. A success rate of only 42% (combining fill rate and return rate) in using re-cycled parts also indicates the continued need to improve. Survey respondents also frequently indicated the delays arising from the estimate and supplemental process cause frustration to the customer as well as the shop. Delays in repair times also increase courtesy car expenses for both MPI and the industry

g. Availability of skilled labour remains a significant concern.

The industry continues to report labour challenges. Extended times to fill positions, between 3 ½ and 6 months for journeymen technician positions, indicate an overall shortage.

Based on past completion rates, the apprenticeship program at current levels of activity will only meet approximately two thirds of the demand for journeyperson body repairers. While some progress appears to have been made in increasing the number of apprentices in the program, shops typically still have only one apprentice even in large shops where there are multiple journeypersons to provide the necessary supervision. While the increase from 13 to 20 apprentices in the over $2 million respondent group is encouraging, it still represents only half the potential number of apprentices.

Shops over $1 million in revenue could employ more apprentices each within established journeyperson-apprentice ratios. The fact that these shops have much lower apprentice-journeyperson ratios may be part of why they have higher productivity and profitability. Large shops' need to retain apprentices is also lower, given their greater ability to hire technicians. The result, however, may be perpetuating the challenges of smaller shops to keep the technicians they have invested in training as apprentices.

h. Training activity still remains low in an industry with significant ongoing changes in materials and technology.

As technology, materials and environmental and safety regulations continue to evolve in the collision repair industry, ongoing training is required to ensure employees are at the forefront of their respective positions. Respondents indicated an average of 1.8 days training for journeyperson body repairers per year. Journeyperson painters received slightly more with an average of 2 days per year. A lack of locally available training and difficulties related to releasing employees for training were the most frequently cited reasons for not being able to provide training.

i. A significant portion of auto body repair business is still conducted by small shops that are more vulnerable to sustainability challenges.

Shops with MPI payments under $1 million represent 74% of all accredited shops and are responsible for approximately one third of MPI auto body repair business in the province; approximately two thirds of MPI business outside Winnipeg. Almost 90% of shops outside of Winnipeg do less than $1 million in business with MPI.

Small shops experience more significant challenges in being able to make the necessary investments in equipment, technology and training to perform the full extent of repairs on modern vehicles. Small shops also encounter the greatest challenges in attracting and retaining skilled labour.

Increasingly complex vehicles means customers will increasingly need to take their vehicles to larger shops qualified to perform their repairs. This can be expected to result in declining business, and fewer sustainable small shops. Improved information to support management decisions may enable proactive business owners to better position their business for growth and succession, and also improve the overall health of the industry.

j. Courtesy cars continue to be a significant expense to the industry.

The cost of providing courtesy cars to customers is, for the most part, an unrecoverable expense that is felt to be expected by customers and necessary to compete for collision repair business. The average time to complete a repair directly influences the cost of courtesy cars. At an overall average of 2.63% of revenue, based on MPI payments for 2011 of $256,986,193 this is the equivalent of $6.7 million.

8. Mitchell is the most common shop management system among Manitoba respondents.

Approximately two thirds of respondents use a shop management system, and over 80% of these respondents use a Mitchell system. MPI uses the Mitchell Ultramate estimating product. While the majority of shops are using only the basic module, adoption of Mitchell for any system interaction between MPI and autobody shops would involve the least amount of change.

9. The physical damage re-engineering project should be well-received if it focuses on reducing the administrative burden of insurer-required processes.

As identified above, insurance-related business processes are driving operating costs and extending repair times. Contacts to encourage shop response to the survey also frequently generated complaints from shops that "nothing has changed". While there has indeed been progress as identified above, there remains clear demand to improve business processes. The average time of three to four hours spent on these processes per repair, once further validated, provides a basis on which improvement can be made.

7.2 Recommendations

10. Proceed with the Physical Damage Re-engineering Project as soon as possible, including a clear focus on streamlining business processes that directly impact shops.

MPI has initiated a physical damage claims re-engineering project to improve the customer service experience for physical damage claims processing. Process improvements are being developed with the objective of maintaining or reducing MPI costs, while at the same time improving efficiency (increased throughput, decreased costs) for the overall collision repair industry.

The opportunity to free up employee time for more productive pursuits (or reduce demand for staff in a challenging environment) would be highly valuable to shops. Improving cycle times would both reduce costs and increase customer satisfaction.

Increased use of technology and performance standards (e.g., appraiser decision returned within a defined time) provides opportunities to improve accuracy, efficiency and cycle times. Enabling shops to conduct estimates on low-risk claims, supported by risk-based auditing and clear performance measures may also offer significant improvements in cycle times, cost and customer satisfaction.

While the data from the 2009 and 2012 surveys on the amount of time spent is relatively consistent, it is based on somewhat 'global' estimates of weekly time spent. Selecting a sample of shops to validate the baseline for each activity, pilot improved processes and re-evaluate the time requirements after changes have been implemented would provide important information that may enable more reliable evaluation of changes.

11. Refine the strategy to increase the future supply of technicians.

MPI has implemented programs to attract new apprentices, and the number of active apprentices has increased. On a journeyperson to apprentice ratio basis, more apprentices are currently being trained by smaller shops. These shops often experience challenges retaining this skilled labour once they become journeypersons, creating the need for ongoing investment in on-the-job training and related productivity challenges. Given the overall need for more skilled labour, the ATA, MMDA and MPI should work together to consider means of encouraging shops that invest in training apprentices, recognizing that not all apprentices are retained by the shop that invested in their training.

12. Develop performance benchmarks and related training.

Using a system of performance measures is a proven method of facilitating improved performance, both in terms of profitability and customer satisfaction. Approximately three quarters of reporting shops indicated they are using performance measures, but less than half monitor efficiency, and even smaller percentages monitor customer satisfaction. Only 38% report adopting new management practices, and this sample is heavily weighted to the larger shops that are already profitable. Respondents that have implemented new practices, particularly lean management systems, have reported improved results.

Working together, MPI and the industry could develop a useful performance score card, and assist shops to implement and use performance measures and modern management systems to improve performance.

Armed with better performance information, shops may be able to improve productivity, profitability and customer satisfaction. Incorporating performance measures may also provide MPI with a means of

improving results and controlling overall claims costs without impacting industry profitability. Development of performance measures also provides an opportunity to develop options such as variable rate models to reward shops that perform well, and control costs in shops with lower quality or productivity.

Information on the volume and nature of claims within certain market areas may also allow shops to make decisions regarding growth and consolidation, ensuring better continuity of service in rural areas and more secure investments for shop owners.

13. Facilitate training in new technologies.

Training days reported by all shops appear to be at a minimum level for an industry that experiences ongoing, significant changes in technology and materials. Shops report challenges releasing employees from productive work hours as well as a lack of locally available training.

Independent Learning (on-line) courses were first made available in 2011. According to MPI data individuals completed 2,042 I-Car courses in 2012. 511 courses or 25% of the total were completed through Independent Learning.

MPI, the ATA and MMDA should consider a joint strategy to evaluate and further facilitate access to training, including potentially extending training offerings and/or increasing available channels and flexibility (e.g., distance, on-line, rural offerings) to enable more training with less impact on shop productivity.

14. Continue to use a balanced inflation adjustment approach for setting future rates.

The mechanism established in the 2010 agreement to adjust labour rates reflects a blend of both general (CPI) and wage (IAW) inflation in the province, and appears to have been effective in allowing the industry to increase wages while maintaining gross profit margins. Continuing to apply a similar mechanism for rate increases going forward is supported by both the nature of the most significant expenses for collision repair businesses (labour, parts and materials), and this evidence.

The 2009 and 2012 industry surveys provided information to evaluate industry health and help evaluate rate adjustments. The investment to conduct industry wide surveys is significant, however both for the partners to the study and the individual businesses that supply the extensive data requirements. An alternative would be to use an agreed set of indicators that can be independently monitored and verified. This would enable less intensive data collection from shops, while still providing information on changes that may impact industry profitability. The results of the 2009 and 2012 studies provide a significant base of information to enable this approach. Indicators would be expected to reflect major expense items (e.g., materials, parts and labour) as well as other agreed factors that significantly influence shop profitability. A comparison of the changes in these indicators, combined with shop input on a smaller set of questions would be more efficient on an ongoing basis, and may validate or allow further refinement of how inflation is calculated and applied for annual adjustments.

Appendix A

Survey Instrument

IMPORTANT NOTICE
MPI ACCREDITED COLLISION REPAIR BUSINESSES

Manitoba Public Insurance (MPI), the Manitoba Motor Dealers Association (MMDA) and the Automotive Trades Association (ATA) have partnered to update the 2009 comprehensive study of the collision repair industry in Manitoba. Understanding the underlying key elements of our businesses is vitally important to determining the proactive steps that must be taken now to ensure a healthy collision repair industry in Manitoba over the next decade and beyond. MNP has been retained by this partnership to conduct this study. A key part of the study is a survey of industry businesses regarding financial performance, human resources and trends impacting the industry. MNP is conducting this survey to enable access to this important information while still ensuring individual business information is kept confidential.

WE NEED YOUR INPUT!

The credibility of this study depends upon the ability to collect valid information from enough businesses to be considered representative of the collision repair industry in Manitoba. The results will be used to inform decisions about the ongoing business relationship with MPI.

Survey Response Deadline has been extended

More information regarding this project is available by emailing MBCollision.Repair@mnp.ca or calling our toll free information line at 1-877-500-0795 from 8:00 a.m. to 5:00 p.m. Monday to Friday.

CONFIDENTIALITY

MNP is committed to maintaining the security, confidentiality and accuracy of the personal information we collect to provide the highest level of service to our clients. Our privacy policy adheres to both the guidelines and principals underlying the Personal Information Protection and Electronic Documents Act, as well as our own commitment to ensuring that clients are comfortable providing us with personal information. The MNP Privacy Policy can be viewed at mnp.ca

MNP is acting as an independent third party in this study. The results will be reported collectively and in aggregate with no ability to identify individual respondents or businesses. All information provided to MNP, including completed surveys, will be used only for the purpose of this study. Individual survey responses will not be shared with project partners, and will be retained by MNP only until the final report has been accepted by the Steering Committee. Upon acceptance, all information will be destroyed.

By completing this survey you are consenting to the collection of personal information by MNP. This information will be used only for the purposes of this study and will not be disclosed to anyone, including study partners, for any reason without your further prior consent.

About MNP

MNP is one of the largest chartered accountancy and consulting firms in Canada, providing client-focused accounting, taxation and consulting advice. National in scope and local in focus, MNP has proudly served individuals and public and private companies for more than 65 years. For more information, visit www.mnp.ca

INSTRUCTIONS – PLEASE READ PRIOR TO COMPLETION OF THE SURVEY

Please complete one survey per company. If your company has more than one location, please complete one survey per location.

To make completion easier, we suggest that you take the time to gather your data and thoughts on the questions and then complete the survey. If you are completing the survey online, you may login to the survey using your assigned password as many times as necessary until you check the "finished" box in the last section. Please click the 'continue' and 'click here to finish' buttons as applicable to ensure your responses are submitted. **As a web-based survey, the information you input enters our database as soon as you enter it, but any information entered on a previous login will be "invisible" to you the next time you log in.** This information is not lost! You may change a previous answer by re-entering the new information. Otherwise, simply continue to enter the new information from where you left off. We recommend that you print off what you have completed at the end of each sitting. Once all requested information is available, the survey should take approximately 1 hour to complete.

Section B requests detailed financial information. If possible, please submit annual financial statements for the past 3 completed fiscal years. This will assist MNP in understanding how revenues and expenses are categorized, and enable validation. This information may be emailed, faxed or mailed to:

Yvonne Morrison
MNP LLP
2500 – 201 Portage Avenue
Winnipeg, MB R3B 3K6
Fax: 204-783-8329
Email: MBCollision.Repair@mnp.ca

Envelopes or subject lines should be marked "Confidential – Collision Repair Industry Study"

Please ensure that all questions are completed. If you require assistance in completion of the survey or have any questions or concerns, please call 1-877-500-0795.

MNP will be reviewing responses to identify potential errors or to confirm anything out of the ordinary. After MNP has reviewed your information, we may be contacting you for further clarification or to obtain missing information. Please provide the name and contact information of the individual who will be able to provide clarification if necessary in the space provided below.

Company Name: _____

Contact Name: _____

Direct Telephone: _____

Email: _____

SECTION A – BUSINESS INFORMATION

1. Which of the following most accurately describes your business:

   - ☐ Independently owned and operated
   - ☐ Auto dealer
   - ☐ Other (please specify)_____ (e.g. franchise, multi-location company owned)

2. Which of the following most accurately describes the ownership structure of your business:

   - ☐ Sole proprietor
   - ☐ Partnership
   - ☐ Corporation
   - ☐ Other (please specify) _____

3. Are you a member of (check all that apply):

   - ☐ MMDA (Manitoba Motor Dealers Association)
   - ☐ ATA (Automotive Trades Association)
   - ☐ Not a member of either organization

4. Referring to the provincial map, please indicate in which region your business is located:

   - ☐ South east
   - ☐ South west
   - ☐ North
   - ☐ Winnipeg (all areas inside the Perimeter highway)

5. Please indicate the area(s) in which you are accredited with MPI (check all that apply):

   - ☐ Autobody
   - ☐ Commercial
   - ☐ Glass

6. What year was the current business started? _____

7. Average Annual Revenue (last 3 years):

   - ☐ Under $500,000
   - ☐ $500,000 to $999,999
   - ☐ $1,000,000 to $1,999,999
   - ☐ $2,000,000 and up

8. Please indicate the approximate breakdown of the typical amount of collision repair business by type in any given year (must add up to 100%):

Body, Frame / Structure	
Paint	
Glass	
Mechanical	

9. Please indicate the approximate typical percentage of revenue from each source in any given year (must add up to 100%):

Insurance (MPI) Pay	
Other Pay	

SECTION B - ABOUT YOUR FINANCES

10. Please complete the following table requesting income and expense information for the past 3 years. Please enter the information according to FISCAL year end. INCLUDE ONLY FULL YEARS (exclude any 'year' with less than 12 months of activity).

Income Statement Information	2009	2010	2011
Revenue			
Auto body			
Courtesy car/Auto rental			
Other related (please explain in Q 11 below)			
Total revenue (A) *(enter total from your statement)*			
Cost of Sales			
Shop wages and benefits (See Note A below)			
Parts			
Paint/Refinishing Materials			
Body Materials			
Sublet			
Other (incl. costs associated with "other" revenue)			
Total Cost of Sales (B) *(enter total from your statement)*			
Expenses			
Advertising and promotion			
Amortization			
Courtesy Car (insurance / rental / lease) *net of rebates*			
Environmental (incl. waste disposal, levies, etc.)			
Equipment (lease, rental)			
Facility rent and property taxes			
Freight			
Interest on Long Term Debt			
IT (software, support costs)			
Management fees/ royalties (please explain in Q 12 below)			
Management / Administration wages and benefits (Note A)			
Repairs and maintenance			
Supplies, tools			
Training			
Utilities			
All Other (See Note B below)			
Total Expenses (C) *(enter total from your statement)*			
Net Income before Tax (Should equal A-B-C) *(enter total from your statement)*			

Notes:

A. Benefits include WCB premiums, EI premiums, health & life insurance premiums paid by employer, CPP, vacation pay etc.

B. "Other" includes all other expenses not otherwise specified. May include items such as bad debts, bank charges, insurance, cleaning, dues, office, outside services such as snow removal, mat rental, etc., professional fees, subscriptions, telephone/internet, travel / automobiles, uniforms, meals, entertainment, etc.

11. If you entered an amount for "other related revenue" please describe (e.g., towing, detailing, etc)

12. If you entered an amount for "management fees or royalties", please explain (who paid to, for what, etc.). Royalties include franchise or buying group fees, etc.

13. Please provide any other explanations you feel are necessary related to your Income Statement information in Question 10.

14. Please indicate the amount of OWNER compensation entered in each category in Question 10:

	2009	2010	2011
Shop Wages and Benefits			
Management fees			
Management / Administration wages and benefits			

15. Do you own or lease the facility in which your body shop operates?

- ☐ Own (skip to Q. 18)
- ☐ Lease

16. If you lease the facility, is it owned by a related party?

- ☐ Yes
- ☐ No

17. If it is leased from a related party, is the lease rate paid at fair market value?

- ☐ Yes
- ☐ No

18. If you own the facility, is any space shared or leased to another business?

- ☐ Yes
- ☐ No (skip to Q. 20)

19. Are any costs related to the space shared or leased by others included in your expenses?

- ☐ Yes
- ☐ No

20. Please complete the following table requesting information from your BALANCE SHEET specific to your body shop operations for the past 3 years:

Balance Sheet information	2009	2010	2011
Short term assets (cash, accounts receivable, inventory, etc.)			
Short term debt / liabilities (accounts payable, current portion of long term debt)			
Long term assets			
Long term debt / liabilities			

21. Our fiscal year ends _____

22. Please indicate the top 3 things that are most affecting the PROFITABILITY OF YOUR BUSINESS.

1.	
2.	
3.	

Please note: If possible, please submit annual financial statements for the past 3 completed fiscal years. This will assist MNP in understanding how revenues and expenses are categorized, and enable validation. This information may be emailed, faxed or mailed, with envelopes or subject lines marked "Confidential – Collision Repair Industry Study" to:

MNP LLP
Attention: Yvonne Morrison
2500 – 201 Portage Avenue
Winnipeg, MB R3B 3K6
Fax: 204-783-8329
Email: MBCollision.Repair@mnp.ca

All information provided to MNP, including completed surveys and financial statements, will be used only for the purpose of this study. The results will be reported collectively and in aggregate with no ability to identify individual respondents or businesses. Individual survey responses will be kept strictly confidential and will not be shared with project partners.

SECTION C: ABOUT YOUR HUMAN RESOURCES

23. How many people do you employ (part-time and full-time) for collision repair? (including directly related support positions)

- ☐ Less than 5
- ☐ 5 – 10
- ☐ 11 – 19
- ☐ 20 – 39
- ☐ 40 +

24. How many employees do you currently have for each of the positions below? Please record EACH EMPLOYEE IN ONLY ONE POSITION. If an individual performs multiple duties, please count the individual in the area where they spend the largest amount of time. **Please count OWNERS ONLY IN THE OWNER** line.

Position	Number		Gender		Average Age
	Part-time[A]	Full-time	Male	Female	
Journeyperson motor vehicle body repairer					
Journeyperson equivalent motor vehicle body repairer[B]					
Apprentice motor vehicle body repairer					
Journeyperson motor vehicle body painter					
Apprentice motor vehicle body painter					
Other shop floor staff (e.g. preparation, detailers etc.)					
Customer service representative / service advisor / estimator					
Production supervisor / shop foreperson					
Parts person					
Management / administrative staff					
Owners					

a. Part-time is defined as fewer than 30 hours per week

b. A *journeyperson equivalent* is an individual that is *not* a certified journeyperson, who has at least six (6) years experience in all phases of collision repair.

25. Did any owners regularly perform activities in the business?

- ☐ Yes
- ☐ No (Skip to Q. 27)

26. If you answered 'yes' to Question 25, on average, approximately how many hours per week did OWNERS spend performing the activities of:

Average Hours Per Week	2009	2010	2011
Journeyperson motor vehicle body repairer			
Journeyperson equivalent motor vehicle body repairer			
Journeyperson motor vehicle body painter			
Other shop floor staff (e.g. preparation, detailers etc.)			
Customer service representative / service advisor / estimator			
Production supervisor / shop foreperson			
Parts person			
Management / administration			

27. For each of the following positions, please indicate how many employees left **IN THE PAST THREE YEARS,** whether you tried to hire for each position, and how many months the position was vacant (to date, if position is still vacant).

	How many employees left?	How many did you try to hire?	How many months did it take to hire for this position? (Average if more than one)
Journeyperson motor vehicle body repairer			
Journeyperson equivalent motor vehicle body repairer			
Apprentice motor vehicle body repairer			
Journeyperson motor vehicle body painter			
Apprentice motor vehicle body painter			
Other shop floor staff (e.g. preparation, detailers etc.)			
Customer service representative / service advisor / estimator			
Production supervisor / shop foreperson			
Parts person			
Management / administration			

28. How many people do you expect to need to hire over the next three years in each position?

Position	Number Will Need to Hire
Journeyperson motor vehicle body repairer	
Journeyperson equivalent motor vehicle body repairer	
Apprentice motor vehicle body repairer	
Journeyperson motor vehicle body painter	
Apprentice motor vehicle body painter	
Other shop floor staff (e.g. preparation, detailers etc.)	
Customer service representative / service advisor / estimator	
Production supervisor / shop foreperson	
Parts person	
Management / administration	

29. Please identify the range of actual annual compensation per employee **CURRENTLY** paid to **FULL TIME** employees in each category (please do not include commas, spaces or ($) symbols). **DO NOT INCLUDE OWNERS.**

	Total GROSS ANNUAL Pay - Full-Time Employees	
	Low	High
Journeyperson motor vehicle body repairer		
Journeyperson equivalent motor vehicle body repairer		
Apprentice motor vehicle body repairer		
Journeyperson motor vehicle body painter		
Apprentice motor vehicle body painter		
Other shop floor staff (e.g. preparation, detailers etc.)		
Customer service representative / service advisor / estimator		
Production supervisor / shop foreperson		
Parts person		
Management / administration		

30. Do you offer incentive compensation (variable pay) to your employees ?

- ☐ Yes
- ☐ No (skip to Q. 33)

31. *If you answered Yes to question 30,* please complete the table below (check all that apply):

Position	Type of Incentive (✓)				Estimated Average % of Total Annual Pay
	Flat rate	% of annual pay	Fixed Lump Sum	Other *	
Journeyperson motor vehicle body repairer					
Journeyperson equivalent motor vehicle body repairer					
Apprentice motor vehicle body repairer					
Journeyperson motor vehicle body painter					
Apprentice motor vehicle body painter					
Other shop floor staff (e.g. preparation, detailers etc.)					
Customer service representative / service advisor / estimator					
Production supervisor / shop foreperson					
Parts person					
Management / administration					
Owners' Family ***not*** included in the positions above					

32. If you checked "Other" in the table above, please describe the type of incentive compensation or variable pay.

33. Does your company provide a benefits package to your employees?

- ☐ Yes
- ☐ No (skip to Q. 35)

34. *If you answered yes to question 33,* please indicate what is included in the benefits package(s) by checking all that apply.

Type of Benefit	Who Pays for the Benefits? (✓)			
	Employer paid	Employee paid	Combination	N/A
Employee life insurance				
Dependent life insurance				
Critical illness insurance				
Accidental death or dismemberment				
Short term disability				
Long term disability				
Dental				
Vision				
Extended health care				
Prescription drug				
Employee and family assistance program				
Paramedical benefits (massage therapy, smoking, cessation, physical therapy etc.)				
RRSP or other retirement plan				
Employee Ownership				

35. How many TOTAL DAYS of training did employees in each category receive in the past THREE years (NOT INCLUDING Apprenticeship technical training)?

Position	Total Days* Training		
	2009	2010	2011
Journeyperson motor vehicle body repairer			
Journeyperson equivalent motor vehicle body repairer			
Apprentice motor vehicle body repairer			
Journeyperson motor vehicle body painter			
Apprentice motor vehicle body painter			
Other shop floor staff (e.g. preparation, detailers etc.)			
Customer service representative / service advisor / estimator			
Production supervisor / shop foreperson			
Parts person			
Management / administration			

* 6 + hours in a day = 1 day

36. What type of training did they receive? Please check all that apply.

- ☐ I-CAR Certification Requirements
- ☐ Other Paint methods/materials
- ☐ Other Body methods /materials
- ☐ Other Structural/Frame methods
- ☐ Other Electrical/Mechanical methods
- ☐ New technology / materials/ systems
- ☐ Estimating
- ☐ Lean production/management
- ☐ Management and administration (human resources, accounting, management systems, performance measures)
- ☐ Health and Safety
- ☐ Other (please list)

37. What training do your employees need that you have NOT been able to provide?

38. What has prevented you from providing this training? Please check all that apply.

- ☐ Cost
- ☐ Staff too busy to release for training
- ☐ Training not available locally
- ☐ Training not available in Manitoba
- ☐ Not sure where to find this type of training
- ☐ Other (please explain)

SECTION D: ABOUT YOUR OPERATIONS

39. What is the approximate size of the facility used for the body shop ?

Body Shop area (includes Parts Inventory area) (sq. ft)	
Office area related to body shop (sq. ft.)	
Compound / vehicle storage (# of vehicles)	

40. Is your vehicle storage area secured?

- ☐ Yes
- ☐ No (skip to Q 42)

41. *If yes*, how is it secured?

- ☐ Fence
- ☐ Video Camera
- ☐ Monitored video camera
- ☐ Other (please explain)

42. How many work bays do you have in your facility? (including frame machines, detail bays)

Bays ____

43. How many spray booths?

Booths ____

44. Please CHECK from the list below any major equipment or facility investments in the past three (3) years and the purpose of the purchase. Please check all that apply.

INVESTMENT	REPLACEMENT/ MAINTENANCE (a)	EXPANSION (b)	UPGRADE OR NEW TECHNOLOGY (c)
Paint Booth or Mixing Room	☐	☐	☐
Frame Machine/Equipment	☐	☐	☐
Welder/Plasma cutter	☐	☐	☐
Compressor	☐	☐	☐
Hoist	☐	☐	☐
Courtesy Car	☐	☐	☐
Computer software/Hardware	☐	☐	☐
Shop renovations	☐	☐	☐
Site improvements	☐	☐	☐
Other (please explain in Q. 45 below)	☐	☐	☐

a. To replace existing equipment that is at the end of its useful life with similar equipment
b. To add equipment to expand volume of work or type of work that can be done
c. New technology to increase performance or enable work on newer model vehicles

45. If you answered "Other" to question 44 above, please explain.

46. Have you incorporated any Lean production or management practices in your business in the last three years?

☐ Yes
☐ No (Skip to Q. 48)

47. If yes, please check all that apply.

☐ Full Lean Production System
☐ 5S/Shop Organization
☐ Visual Control/Management
☐ Value Stream Mapping
☐ Work Flow/Set Up Reduction
☐ Kanban/Material Replenishment Systems
☐ Total Productive Maintenance
☐ Other (please describe)

48. How has incorporating lean systems impacted your business?

49. Do you use a shop management system?

- ☐ Yes
- ☐ No (skip to Q. 50)

50. If you answered yes to Question 46, please indicate which system and modules you use (please check all that apply):

- ☐ Mitchell
  - ☐ Repair Centre (basic)
  - ☐ MAPP (alternate parts)
  - ☐ GRP (recycled parts)
  - ☐ Estimate Review (compliance)
  - ☐ Tech Advisor
  - ☐ Other (Please describe)
- ☐ Dealer System (Please describe system and modules used)
- ☐ Other (Please describe system and modules used)

51. Do you track any performance indicators?

- ☐ Yes
- ☐ No (skip to Q. 50)

52. *If yes, w*hat performance indicators do you measure and record? (please check all that apply)

- ☐ Revenue
- ☐ Number of repair orders
- ☐ Labour costs as % of repair order
- ☐ Body Labour Efficiency (actual vs estimated hours)
- ☐ Paint Labour Efficiency (actual vs estimated hours)
- ☐ Total cost as % of repair order (or repair order margins)
- ☐ Parts utilization (e.g., % OEM, recycled, aftermarket/LKQ)

☐ Cycle time (please describe, e.g., key to key, 'touch time' (work hours per day), work order days, etc.)

☐ Customer Satisfaction (please describe, e.g., follow up call, counter survey, third party contact/survey, etc.)

☐ Other (please describe)

53. Please estimate the FILL RATE and RETURN RATE for recycled parts for the past year.

Recycled Parts	Percentage
Fill Rate (On average, percentage of order received)	
Return Rate (On average, percentage of received parts that were returned/unusable)	

54. Please estimate the TOTAL hours per week spent by all employees on the following activities related to MPI processes.

Activity	Average Hours per Week
Estimating	
Parts Procurement	
Account Reconciliation	

55. What is working well in your business relationship with MPI?

56. What improvements could be made to the business relationship with MPI?

57. BUSINESS OWNERS – How did you become the owner of this collision repair business?

- ☐ Purchased from unrelated person(s)
- ☐ Transferred from family member(s)
- ☐ I was an employee and I purchased it from my former employer
- ☐ Started the business myself (or with partners).
- ☐ Other (please specify)

58. Please indicate the number of business owners in each age category below:

18 to 25	
26 to 35	
36 to 45	
46 to 55	
over 55	

59. How long do you intend to stay in the collision repair business in Manitoba?

- ☐ 0 to 5 years
- ☐ 6 to 10 years
- ☐ 10 + years

60. If you intend to stay in the business for less than 10 years, what do you believe you will do with your business?

- ☐ Sell it on the market (to an unrelated person(s))
- ☐ Sell / transfer to a family member
- ☐ Sell to other current owner
- ☐ Sell it to an employee or employee group
- ☐ Close it down
- ☐ Other _____

61. What issues may affect your ability to sell your business?

62. Please indicate the top 3 things that are most affecting the health of the collision repair industry in Manitoba. Please explain the impact on the industry.

1.	
2.	
3.	

63. What other comments would you like to provide related to the health of the collision repair industry in Manitoba?

Please check this box if you have completed all sections of the survey and this is your final submission. ☐

Thank you for your participation!

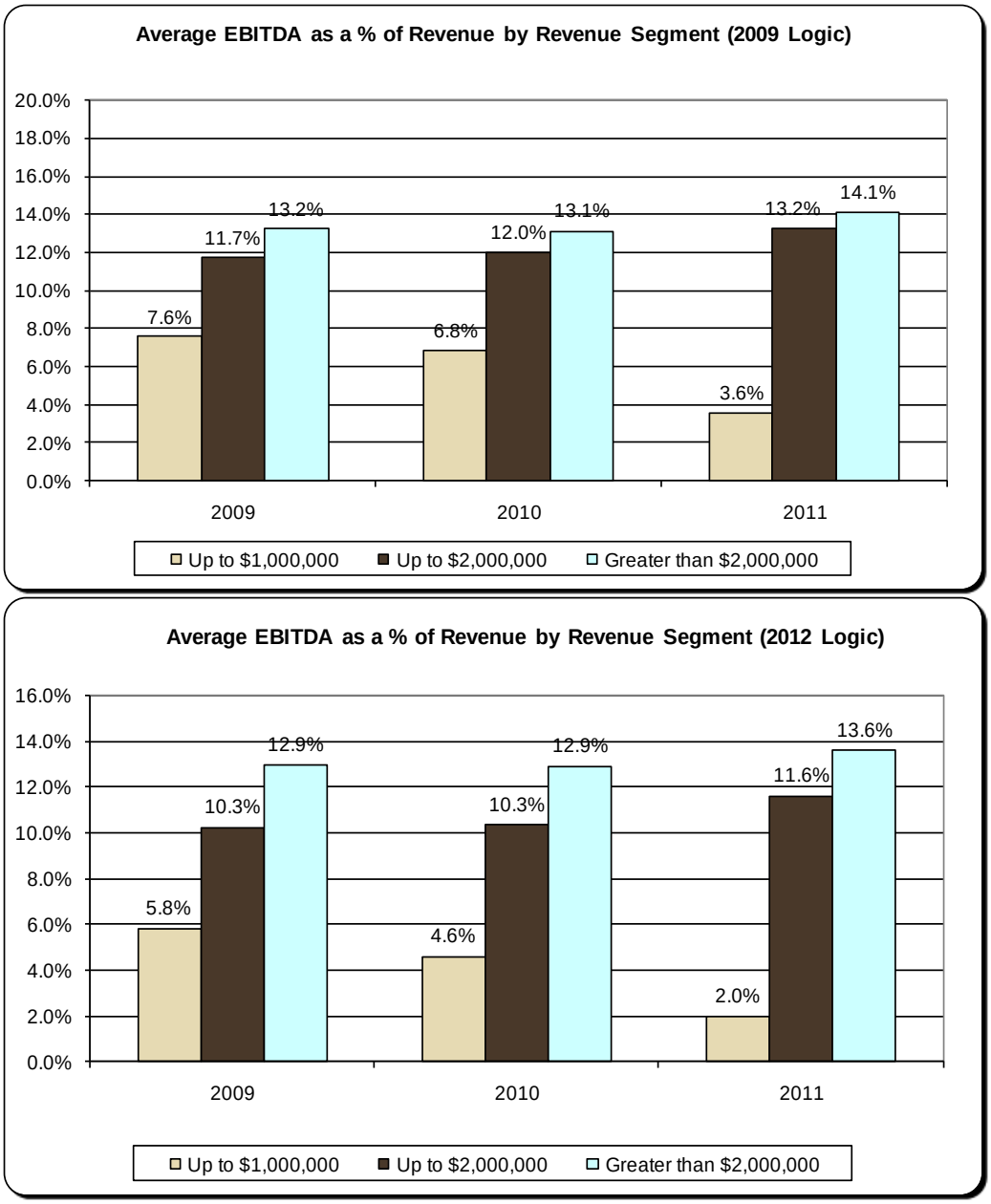
Appendix B

Impact of 2009 Logic vs. 2012 Logic

Supplemental Analysis – Explaining the Impact of 2009 Logic vs. 2012 Logic

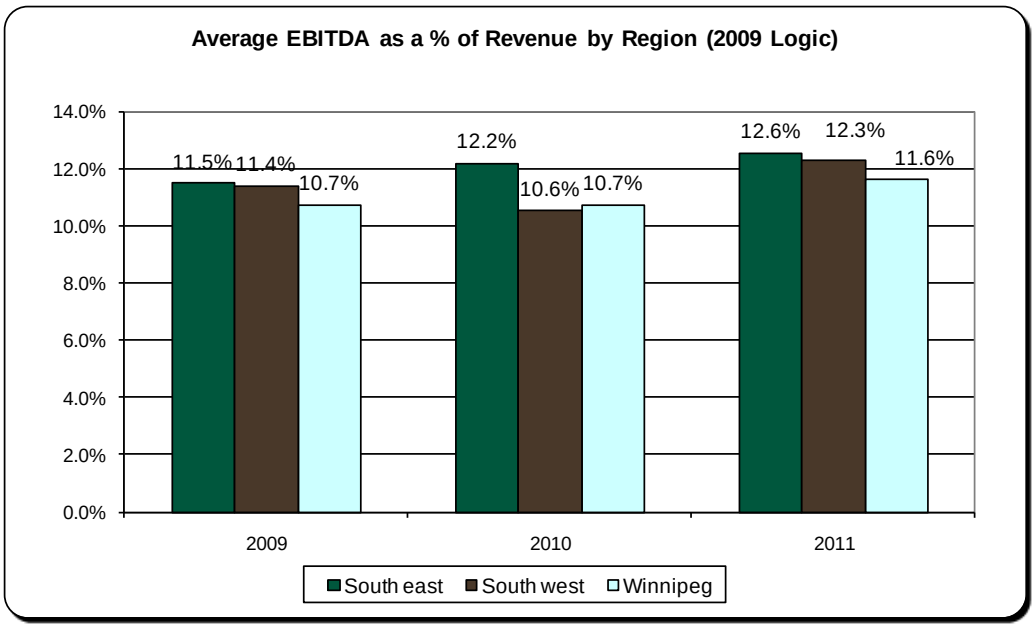
By revenue segment, the impact is greater on smaller businesses than larger businesses, as fewer owners were directly performing shop activities in larger businesses.

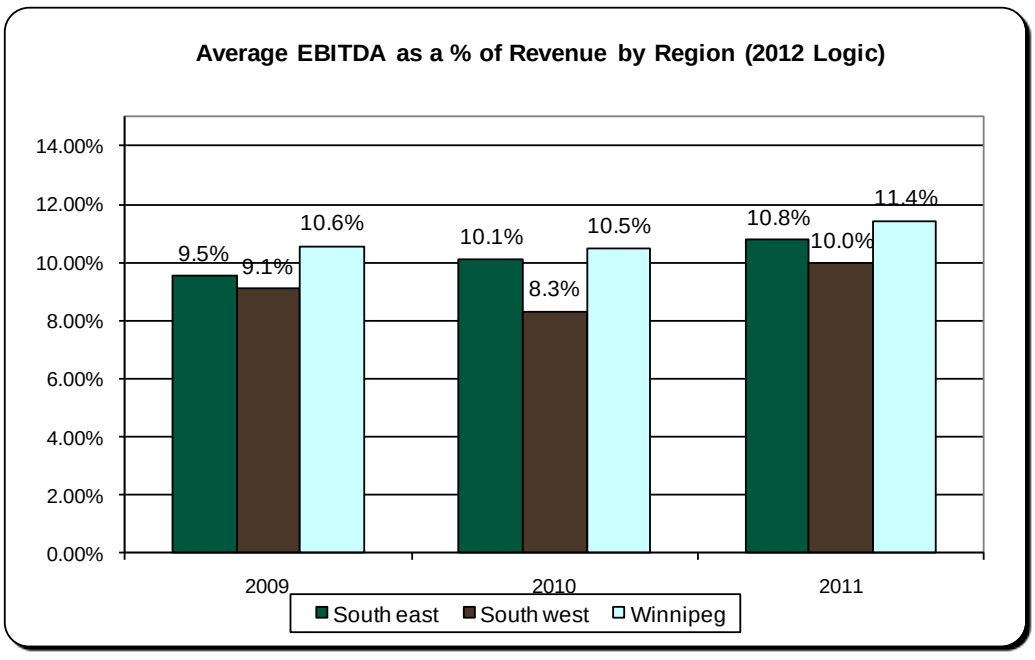
Figure 87 – Normalized EBITDA by Revenue Size



By region, the greatest impact on EBITDA is in the Southeast and Southwest regions. The impact on Winnipeg is minimal.

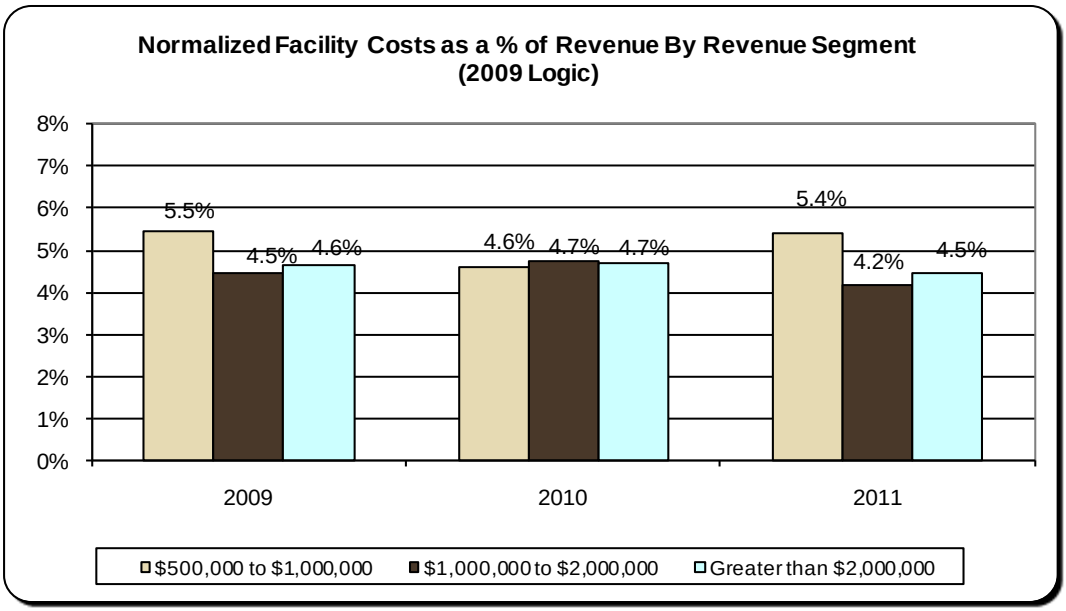
Figure 88 – Normalized EBITDA by Region

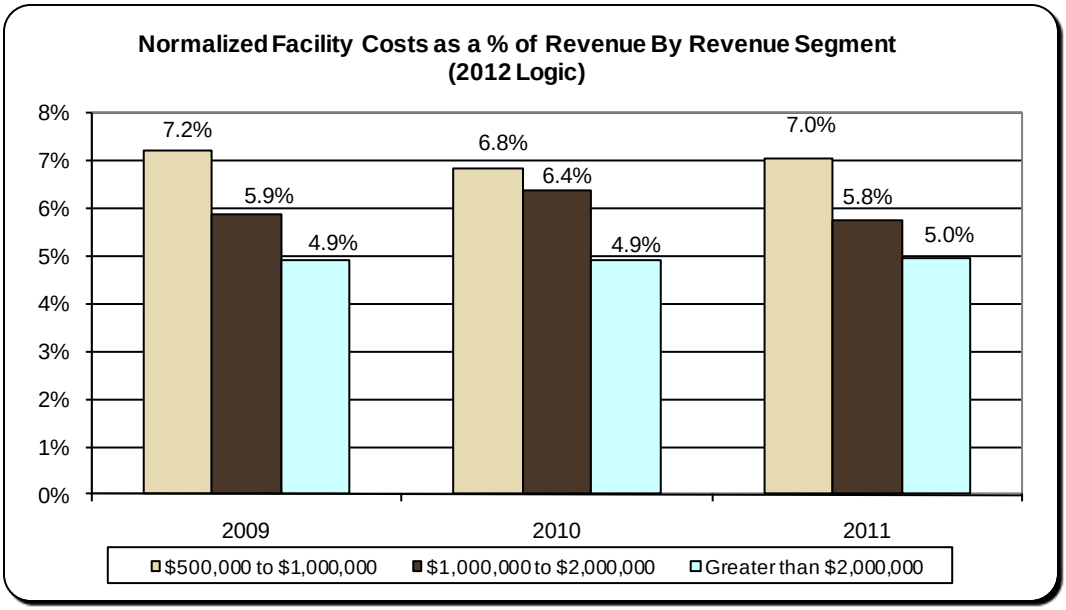




As discussed above, the change in logic from the 2009 survey to the 2012 survey resulted in changes in wage rate adjustments for management compensation and facility cost adjustments. The graphs and table below summarize the impact of these two adjustments

Figure 89 – Facility Costs by Revenue





As shown below, based on the 2011 results, the impact of the normalization adjustment is heavily weighted towards the facility adjustment. Also, the impact from both the normalization adjustments affects businesses with less than $2,000,000 in revenue more than businesses with revenue greater than $2,000,000.

Table 37 – Changes as a result of Change in Logic

Changes	Up to $1,000,000	Up to $2,000,000	Greater than $2,000,000
Changes Attributed to Facility Cost Normalization	1.6%	1.6%	.5%
Changes Attributed to Wage Normalization	.2%	.2%	.1%
Total	1.8%	1.8%	.6%

Appendix C

2009 Recommendations

The following is an excerpt from the **2009 Manitoba Collision Repair Industry Study Report**:

SUMMARY CONCLUSIONS

1. **The proportion of shops with revenue under $500,000 is too high for a healthy industry.**

Shops with under $500,000 in payments represent 60% of accredited shops in Manitoba. Even if MPI payments represent only 70% of revenue (as indicated by respondents in this category), approximately half of the accredited shops would be in the under $500,000 revenue category. While some business owners or buyers may still choose to conduct business at this level, particularly in rural areas, it is not a healthy industry structure for the majority of businesses to be in this revenue range.

2. **There are significant recruitment and retention issues in the industry.**

   A nation-wide skill shortage in this industry is also evident in Manitoba. Proactive efforts to address the identified barriers, including competitive wages, financial assistance for investments in tools, improving public perception of the trade and improving working conditions will be required.

3. **Operating costs have not significantly increased over the period reviewed in this study.**

   Survey data indicates that gross profits have either been maintained or improved in the past three years, and that general overhead expenses have not increased as a percentage of revenue. National data indicates improvements in performance from 2005 to 2007. General operating costs, therefore, are not driving a need for increased rates beyond the rate of inflation.

4. **Insurance-related business processes are driving operating costs and extending repair times.**

   Supplemental estimating and parts procurement processes require manual documentation and significant administrative handling, extending the cycle time and driving unrecoverable costs to collision repair businesses. There are opportunities to improve relationships with the industry, reduce costs, improve customer service and the overall image of the collision repair industry by addressing these processes.

5. **Courtesy cars cost the industry an average of 1.3 to 3% of revenue.**

   The cost of providing courtesy cars to customers is, for the most part, an unrecoverable expense that is felt to be expected by customers and necessary to compete for collision repair business. MPI processes that increase the average time for a repair drive up the cost of courtesy cars for the business.

6. **Door rates in Manitoba lag the industry.**

   Door rates in Manitoba are currently approximately 12% below those offered in Saskatchewan and British Columbia. This is approximately twice the cost of living differential between Winnipeg and Saskatoon.

7. **The current training investment is low, and may be insufficient to ensure necessary knowledge and skills for new technologies.**

   The rate of technological change is described as “exponential” and the associated knowledge gaps are expected to be medium to high. This combination indicates a need for ongoing training that can be expected to exceed the current level of investment, currently at approximately 0.2% of revenue or 0.8% of wages.

8. **Operating profits are insufficient to support significant capital investment for categories below $2 million in revenue.**

   Businesses with revenue of less than $500,000 have limited to no ability to invest in equipment or technology. While shops with between $500,000 and $2,000,000 in revenue have some capacity to invest, the average in these categories would not be sufficient to finance construction of a new shop.

9. Owners seeking to exit the industry may not find buyers.

Owners of businesses under $1 million in revenue were more likely to be in the group seeking to retire in the next 10 years. The limited ability of businesses with under $1 million in revenue to support investment and high competition for skilled labour will present a significant challenge to this group.

SUMMARY RECOMMENDATIONS

The following is a summary of recommendations from the 2009 report. Detail regarding rationale and estimated impact are included in the original report.

1. **Building upon the working relationship between MPI, the ATA and MMDA, develop key performance indicators, and to the extent available from MPI data, develop performance benchmarks and provide individual performance data to participating collision repair businesses as management information to enable decisions to increase their profitability and service to mutual clients**.

   Manitoba specific information about the indicators that impact or reflect profitability, productivity and client satisfaction could assist small to medium size organizations in this industry to increase their sustainability, ensure continued access to collision repair services in rural communities, and improve the overall image of the industry.

2. **Enhance recruitment and retention in the collision repair industry in Manitoba. This includes improving the competitiveness of wages as well as creating better working environments.**

   Information from a variety of sources, including the MCRIS survey, indicates that the industry is experiencing significant challenges in attracting and retaining the qualified staff needed to provide the level of service required in this industry. Barriers to employment in this industry have been identified as including the initial expense of buying tools, low salaries, lack of skills, negative public perception of skilled trades, and industry working conditions. The industry needs to increase the number of apprentices by 60% compared to recent average completion rates to meet the replacement and modest growth needs of the industry. Other trades-reliant industries are also concerned with a shortage of skilled labour. Competing effectively for new apprentices will require competitive wages.

3. **Increase the door rate paid to Manitoba accredited collision repair businesses to enable increased wages, training, profitability and overall competitiveness of the industry in Manitoba.**

   Competitive wages are important to attract necessary technicians to ensure business continuity. Ongoing investments in training are important to the overall health of the industry and investments are currently less than optimal. Profit margins are already insufficient to support much investment in businesses under $1 million in revenue. While a significant increase would be required to enable new shop construction for businesses between $500,000 and $1,000,000, a smaller increase would enable shops over $1 million to service the debt to finance a new development, and would also provide shops in the $500,000 to $1 million range improved capability to either expand/consolidate existing shops or invest in new equipment. Reasonable parity to Saskatchewan as both a neighbouring jurisdiction and one of similar population and characteristics will reduce migration of businesses and labour to this neighbouring province.

4. **Conduct a review of the estimates process to increase consistency, efficiency and reduce the non- revenue generating time and overall vehicle repair time required by the individual repair shops.**

   Respondents to the MCRIS survey indicated that an average of 24 hours per week is spent in the estimating process. Respondents to the survey and interview participants indicated that the supplemental estimates process causes delays and that the process is not necessarily consistent in its application. This causes frustration on the part of the body shop as well as the customer. Stream-lining this activity will improve shop profitability independent of the labour rate.

5. **Require a condition report and/or digital photo demonstrating part condition to accompany responses to broadcast requests for parts by the Recyclers Office.**

   MPI requires use of re-cycled parts where available. Receiving recycled parts in poor condition causes increased time from accident to repair and increased costs to the business from production inefficiencies and extended use of courtesy cars.

6. **Resolve the courtesy car issue.**

   Providing a courtesy car to customers is a common practice in the industry and has become a cost of doing business. Survey respondents have indicated that this expense is 1.3 to 3% of revenue, depending upon the size of the organization. MPI processes that increase the average time for a repair also drive up the cost of courtesy cars for the business. Options to address this issue include no longer exempting this activity from the giveaway provision to encourage customers to purchase loss of use coverage, or building the cost of courtesy vehicles into approved rates and increase the door rate accordingly.

7. **Consider the feasibility and viability of providing differential rates based on performance of the accredited collision repair shop.**

   Providing incentives for higher quality service is an effective way of enhancing the reputation and attractiveness of the collision repair industry in Manitoba.

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