



Technical and Parts Consultation Committee Minutes

July 07, 2022

2:30 pm to 4:00 pm

Committee Attendance

- Tully Gawazuk, Industry
- Ryan Kehl, Industry
- Ferd Klassen, ATA
- Dennis Cloutier, ATA
- Ferd Klassen, ATA
- Steve Lupky, MPI
- Waldemar Koos, MPI
- Robert Ferreira, MPI
- Gord Froese, MPI
- Cody Sterzer, MPI

Regrets:

- Lynsey Wilson, MMDA

Action Items from previous meeting's agenda (March 10, 2022):

1. Survey to the industry for future research initiatives

- The upcoming research and training survey format and details were discussed, and the current draft was shared with the committee.

Ferd inquired about the survey questions regarding shop training. He asked if MPI or an external provider would facilitate the training. Waldemar clarified that these questions are intended to identify training opportunities, and this is primarily for awareness. MPI could provide some training, for example on the Estimating Standards, while there may be other external options considered for technical training.

Ferd mentioned that the ATA is also looking into this. They recognize a need for supporting autobody technicians and improving overall skill sets. He feels there may be an opportunity for joint initiative between MPI and the trade. Ryan felt that plastic repair should be a training priority.

Based on feedback received after the mechanical sublet survey, the research and training survey will be anonymous. The committee agreed that enabling shops to share their shop name/location could help identify regional issues. Steve suggested that names and locations could be optional, and instead MPI may only ask for shops to identify location by region of the province. Denis committed to endorsing the



participation in the survey in the upcoming ATA newsletter. In Lynsey's absence, Tully was going to raise this with the MMDA. Following the association's communications to their members, MPI would release the survey to the trade.

Action Items

- ATA/MMDA – send endorsement letters to their respective members
- MPI – add a priority gauging element and release the survey to the trade

2. RPS breakdown: Alternate parts vs line discounts

- Waldemar presented line discounted part counts compared to alternate parts counts on estimates as requested at the last meeting (*see attached slide deck*). Ferd further inquired about price matched part counts and how they compared to line discounted parts. Waldemar explained that due to the inconsistent entry of these parts on the estimate by repair shops, we are unable to accurately report on price matched part counts.

The committee discussed some of the advantages and disadvantages of price matching. Ryan identified a risk related to eroding shop profits by too aggressively line discounting or price matching. It was clarified that line discounts and price matching were made available at the request of the trade and MPI does not expect repair shops to use them. Best practice is to take advantage of savings provided by alternate parts. Steve suggested that this may be part of the larger discussion regarding the Parts Autonomy Program and whether it is preferable to old processes and more stringent MPI parts rules. In general, the committee agreed that Parts Autonomy is working well.



New Business:

1. Parts Autonomy

a) RPS: Resetting vs Rebaselining

- Based on conversations from the previous committee meetings, Waldemar clarified the difference between Resetting (adjusting) vs Rebaselining. *See slide 5 in the presentation (attached).*

Following this explanation, the industry representatives felt that rebaselining would be too disruptive given the level of effort and impact to established shop practices. They felt rebaselining frequently would not be realistic and instead smaller adjustments leading to continuous improvement of the program would be preferable.

Industry representatives raised an additional concern regarding RPS corrective action, they felt some of the consequences, such as losing EAL, may need to be reconsidered. Robert informed the committee that corrective actions plans have helped most shops to make positive changes to their RPS. The SRAs are committed to making more in-shop visits to assist with RPS and they are seeing good progress. Ferd added that some shops may not know/understand the data that well, for example many shops do not realize that Car-Part usage is tracked. More effort may be needed to ensure shops understand what data the SRA can provide and how it can be used.

Steve clarified that corrective action is meant to help the shops; it is not intended to be a punishment. The program has seen sustained success starting in the latter half of the pilot. Ryan added that the SRA assistance is greatly appreciated and is necessary for success of the program.

Ryan and Tully expressed concerns that there may be some issues with Car-Part, anecdotal examples were discussed where parts listings did not match the actual inventory. Steve and Waldemar explained the importance of escalating delivery/price/quality issues so that they can be corrected. The issues reporting process within Car-Part must be used for these situations.

b) RPS: Timeline

- Waldemar presented timelines for program updates/enhancements
 - *see slide 6 (attached)*

c) RPS: Impact example

- Based on past committee discussions, Waldemar presented an example with SRS components removed from the RPS calculation, as demonstrated in this example the RPS expectation would increase (*see slide 7 attached*). Ryan asked for clarification of the current process, i.e., does MPI remove SRS components from the RPS data.



Robert explained that these parts are not removed. As shown in the example, the SRS impact was included in the data when the current RPS targets were first established. Robert added that when reviewing shop performance concerns if the only impact was due to SRS components that the SRA would seek exception for a CAP.

The option of adding glass to MAPP to include aftermarket glass in the RPS calculation was discussed for awareness. MPI has begun exploring this option with Mitchell and will share additional information regarding potential impacts to part selections, supplements, and RPS at the next committee meeting.

Action Item

- MPI to provide update on the progress of the MAPP glass concept at the next committee meeting.

d) Q1 Performance Results

- MPI shared an industry overview for the last quarter. The data shows the program's success rate peaked in Q3 and has been on a decline through Q4 into Q1 of this year. See attached slides for details. For clarification, Q1 refers to the months April – June as per MPI's fiscal year.
- A question was raised regarding the purpose of splitting the data into independent and dealership RPS. Steve explained the importance but also stated there may be a benefit in showing the combined data as well.
- Next Waldemar presented the success chart (*see slide 8 – 10 attached*). Dennis mentioned that the different charts seem to indicate more volatility between the different data sets. Steve indicated there may be an opportunity to overlay the charts for better clarity.



New Business

1. Paint Materials

- MPI has reviewed the information provided by the trade. This topic will be further discussed by the Program and Accreditation committee on July 14. MPI recognizes the volatility in the industry due to inflation and welcomed the feedback from the Technical and Parts Consultation Committee.

2. LKQ Fuel Surcharge

- Steve explained that MPI was originally made aware of the surcharge very recently via a phone call. MPI had no prior knowledge of LKQ's decision to add surcharges to their invoices. MPI informed LKQ that these charges are not in alignment with the signed agreement. While MPI has been diligently working with LKQ and Mitchell to find a potential resolution, LKQ indicates they will be proceeding with the surcharge. Unfortunately, LKQ has not indicated how the charge was calculated nor what the criteria are for ending it. MPI continues to stress that these charges are not in alignment with MPI Parts Business Rules that all MAPP suppliers agreed to follow.

ATA, MMDA and the industry representatives all agreed that LKQ's practice of adding a surcharge at the time of invoice undermines their ability to rely on MAPP to source the most cost-effective part even when this is not a requirement by MPI. Concerns about the lack of clarity over how the price was determined, and the lack of definition regarding the 'temporary' nature of the fees were shared by all committee members. Steve acknowledged the trade's concerns and confirmed that MPI has not made a final decision on this issue yet. MPI will work toward a mutually acceptable resolution with LKQ and Mitchell or consider other options to maintain the integrity of the MAPP program in fairness to all participants as no other supplier has added similar surcharges.



Roundtable

- Dennis followed up on the previously discussed issue of claims on hold due to a TL indicator. MPI confirmed that a system enhancement to address this issue is being planned. A new indicator will notify the Adjuster and Estimator to correct the estimate. In the meantime, the SRAs will manually clean up the claims until the automated process is in place. It will be a few weeks until the changes are ready to be rolled out.
- Ferd shared concerns from ATA members with respect to accessories purchased from online suppliers and difficulties of submitting sufficient information when seeking approval from MPI on accessory prices. Ferd acknowledged that he did not prepare any examples but will share them in advance of the next meeting for review and discussion with the committee.
- Gord asked the committee if there was any interest in a report of old claims that have been pulled over 2 years ago. Mitchell provides an option to discard any changes made on these claims to help clean up shop records. The ARIs can provide this information if needed. Mitchell is working towards sunseting UltraMate eventually. Any outstanding assignments will need to be transferred to MCE. Tully and Dennis felt this report would have value and indicated that they would share this information with their members.
- Tully mentioned that the 4-year LVAA term is going to be an issue regarding shop materials and the lack of an increase. He provided examples of OEM repair procedures that show an increase of one time use fasteners such as rivets. He shared that GM has changed their repair procedures to rivet bonding and suggested that any fastener listed in Mitchell or in the OEM procedures should be paid as a part. Steve stated that this can be added to the agenda for the next meeting.

Next Meeting

- MPI will send out communication to look for suitable date for next meeting.

Meeting adjourned: 4:16pm

Technical & Parts

Consultation Committee

July 7, 2022



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Agenda

Actions from last Meeting

1. Survey to the industry for future research initiatives
2. RPS breakdown: Alternate parts vs line discounts

New items to discuss

1. Parts Autonomy
2. Paint Materials
3. LKQ Fuel Surcharge



RPS breakdown: Alternate parts vs line discounts

- Draft survey was shared with Committee on June 27 for feedback
 - Any feedback?
- Would the ATA and MMDA engage their members to promote participation in the survey?



RPS breakdown: Alternate parts vs line discounts

Data will be available on July 6 for Q1 FY2022/23



Parts Autonomy

RPS: Adjustment vs Rebaselining

Adjusting

- Short-term
 - Existing groupings
 - Change vehicle age calculation
 - Remove SRS components from RPS calculation
 - Explore adding Glass to MAPP
 - ▶ Otherwise remove Glass from RPS

Rebaselining

- Long-term
 - Collect data
 - Review groupings
 - Review targets
 - Repeatable cycle



Parts Autonomy

RPS: Adjustment vs Rebaselining

Timeline

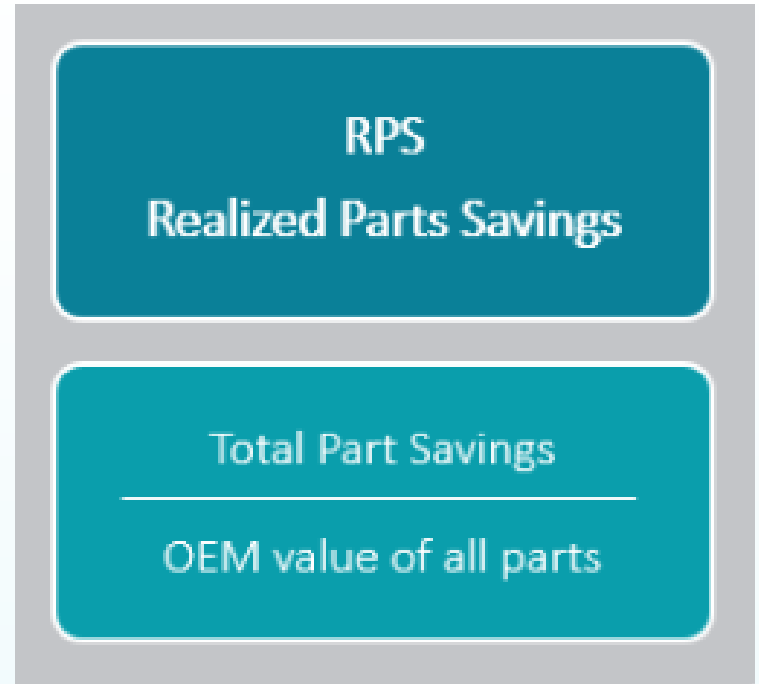


Parts Autonomy

RPS: Adjustment

Example

- \$5,000 OEM value with \$1,000 savings
- \$1,000 SRS with \$0 savings
- Without SRS:
 - ▶ $RPS = \frac{\$1,000}{\$5,000} = 20\%$
- With SRS:
 - ▶ $RPS = \frac{\$1,000 + \$0}{\$5,000 + \$1,000} = \frac{\$1,000}{\$6,000} = 16\%$



Parts Autonomy

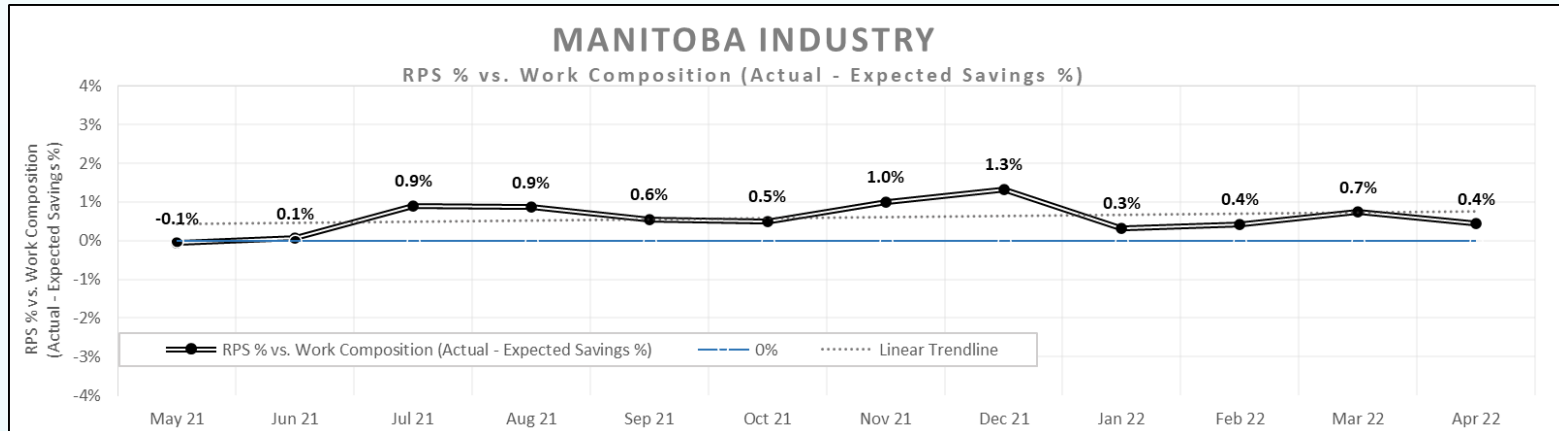
RPS Quarterly Performance

FY	2021/22				2022/23
Tier	Q1	Q2	Q3	Q4	Q1
Level 1 - 2	116	130	152	141	124
PR	114	101	78	88	98
Lost PA	N/A	N/A	N/A	1	1
Success %	50.4%	56.3%	66.1%	61.3%	56.1%

Q1 – April only

Note: Shops with no claims are not included in counts.

RPS Variance by Month

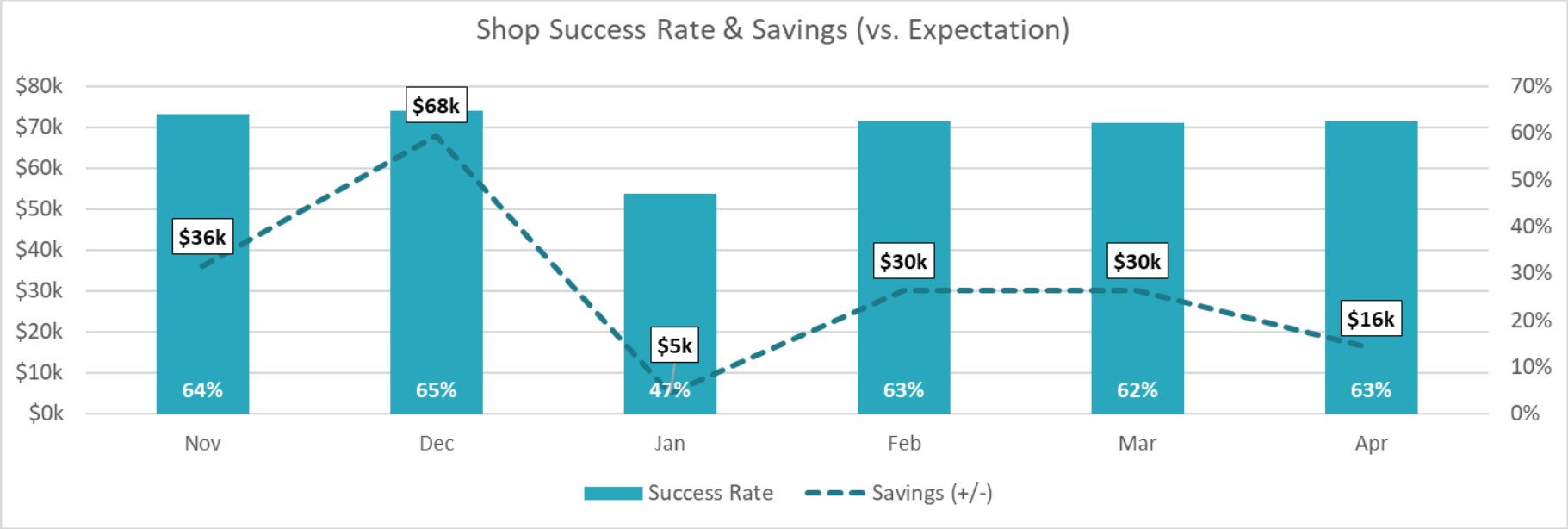


Shop Type Analysis

Dealer – shop success

FY	2021/22				2022/23
Metric:	Q1	Q2	Q3	Q4	Q1
Success Rate	36%	69%	67%	63%	63%

Q1 – April only

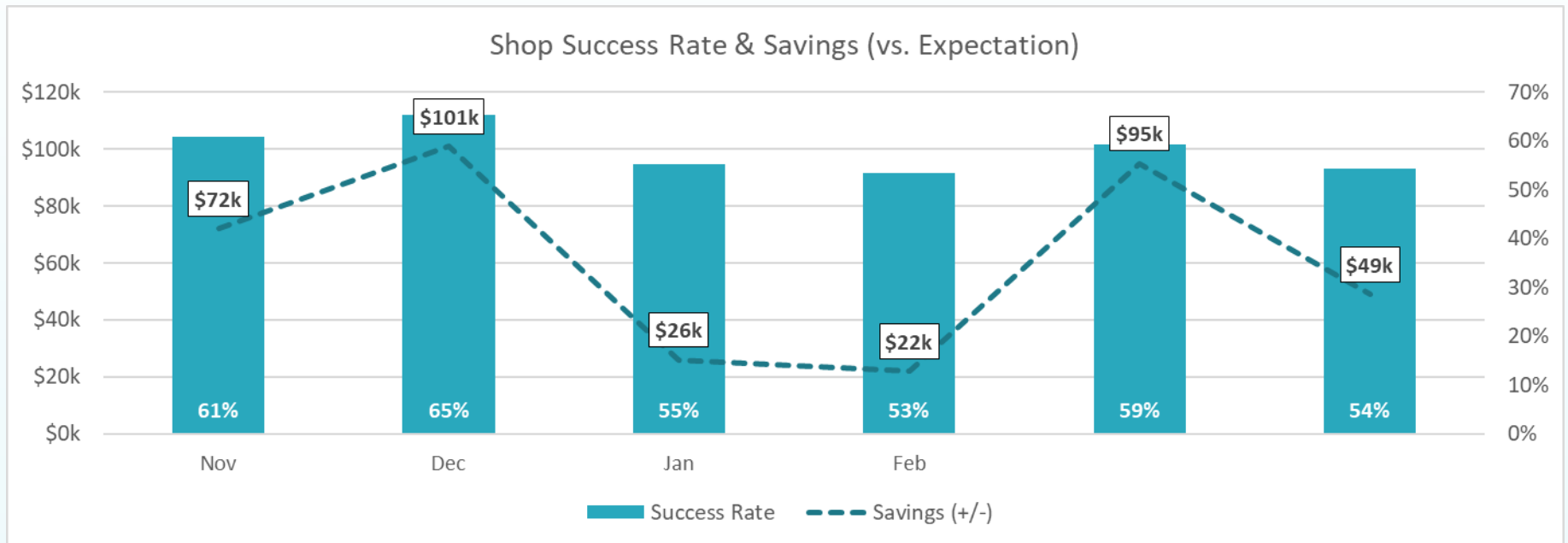


Shop Type Analysis

Independent – shop success

FY	2021/22				2022/23
Metric:	Q1	Q2	Q3	Q4	Q1
Success Rate	54%	53%	66%	61%	54%

Q1 – April only



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