



301-1780 Wellington Avenue
Winnipeg, MB R3H 1B3
mmda.mb.ca



Presentation to the PUB

Members in attendance

Craig Dunn

Presenter

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About MMDA

The MMDA represents the franchised, new vehicle dealerships in Manitoba and deals with provincial issues that affect the well-being of franchised automobile and truck dealers.

Our Vision and Mission

We will be the singular voice of all franchised new car and truck dealers in Manitoba. We are a trade association, providing dealers with a strong and unified voice to government, community and manufacturers.

Today's message

Collision repair is an integral part of business for many of our dealer members. We represent 125 dealerships, 47 of those members operating collision facilities as an essential part of their dealership's service to Manitoba Consumers. These collision facilities repair approximately 50% of MPI claims annually. As a result, our responsibility for the LVAA agreement with MPI and the ATA is of the utmost importance to the MMDA.

The rapid advances in vehicle technology, changes in repair process to accommodate new materials like aluminum and carbon fibre, as well as an ever-changing market, requires an agreement that reflects fair compensation to a skilled trade. We strive for this agreement to reflect that the trade in Manitoba is recognized as one of the most highly trained and skilled in the country and repairs vehicles in a safe and proper manner for Manitobans.

OEM Collision Certification is something that in the last 5 years alone has grown significantly. Many manufacturers stipulate that in order to maintain warranty, collision repair must be completed by a certified collision centre with the use of OEM parts. Toyota, Honda, Ford, Nissan, Lexus, Infiniti, Chrysler and now GM to name a few all require certified collision care. With advances in material to build safer motor vehicles that produce low emissions. Our OEM engineers have made significant advances in the construction of today's vehicles. We are very soon to be in the age of the autonomous auto mobile. It is integral we follow an OEM standard to restore vehicle integrity and safety after the unfortunate event of a collision. The cost to introduce and maintain this certification is one that is solely borne of the trade. MPI at this time does not stipulate OEM certification.



Today we would like to bring to your attention in this brief window of time to some concerns we have in regard to our agreement.

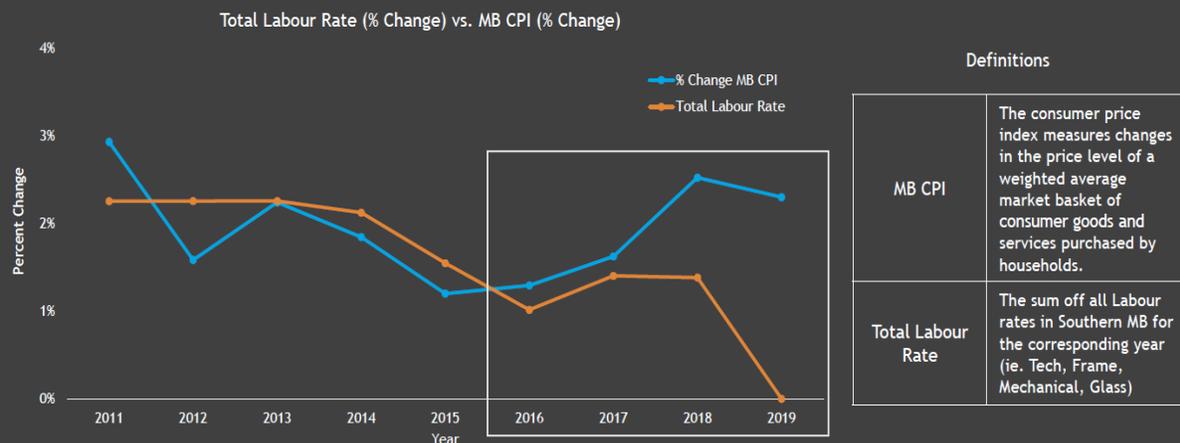
There are two main areas that we would like to share information with you on to bring light to a few areas that may surprise you about the state of our industry. This, contrasting the glowing report that was presented to you in October of 2019 on behalf of MPI by Curtis Wennberg.

Area #1

Labour and Material rates

As an industry, our labour rate increases have been inconsistent. As you are aware, as part of our last agreement there was no increase in labour rate. In preparation for this years negotiation we put together some data that has been validated by BDO in order for us to make a measurable comparison of our rates along side other published measures, such as CPI and GDP as well as the MPI employee wage rate increase. [pause to refer to slides]

Operators' purchasing power has decreased as CPI outpaces labour rates



Labour Rate effective dates and actuals are shown in Appendix A

- Since 2016, the annual percentage change in labour rate has fallen below the percentage change in CPI
- In 2019 the labour rate percent change was 0% and the CPI percent change was 2.3%
- The labour rate is used to cover various costs such as certifications and overhead, not just wages.
- The graph indicates that from 2016 to 2019 prices were increasing at a higher level than the labour rate paid to auto body shops. This indicates the auto body shop's buying power is decreasing.

Sources: Statista, Consumer Price Index in Manitoba from 2000 to 2019



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As an industry deemed an essential service during COVID we are somewhat behind. There is a lack of consistency in our rate increases for several years as can be seen in the slide, 2.3% behind CPI in 2019 alone.

We understand that MPI wants to provide the best rates possible to the consumer but the cost of that cannot be borne by the trade, it's employees, and a loss of the integrity of the vehicle. Are Manitoba consumers to be disadvantaged as we are required to deliver repairs where the goal is the lowest possible cost instead of safe, proper, and to OEM standards? Is it possible that we are voiding warranty on vehicles that are still within the manufacturer's warranty when we are required to use aftermarket parts? Again, low cost does not equal safe and proper. MPI's mandated use of aftermarket parts is not providing the consumer with what we promise as part of our agreement or MPI's agreements with the consumer, which is returning the vehicle to pre accident condition (reference page 7 of the 2020 guide to Autopac).

Furthermore, the onus is on repair facilities to warranty the aftermarket part for a minimum of 1 year at their own expense, when it is MPI's decision to use those parts. Aftermarket parts do de-value vehicles.

We hope this offers a small awareness that to offer the best rates possible MPI is off loading significant costs to repair facilities as well as not keeping up with CPI in order to maintain lower rates?

We are aware of what you were advised in October that we are in fact one of the highest paid in the industry for labour rate. This on the surface may appear true however severity (cost per claim) plays a big part in this equation that was simply not shared with you.

MB AVG Insurance Repair
\$ 3,328

MB AVG Non-Insurance Repair
\$ 1,746

	<u>Insurance</u>	<u>Non-Insurance</u>
Alberta	\$ 4,648	\$ 1,801
Saskatchewan	\$ 3,757	\$ 1,852
British Columbia	\$ 3,644	\$ 1,630

Note: due to the wide variety of non-insurance repairs (warranty, fleet, customer pay, etc.), all subsequent KPIs and calculations from this point forward are based on insurance repairs only.

Source: Auto House Technologies ATA/MMDA's MB Provincial Benchmark



Please see as extracted from the Auto house Technologies ATA/MMDA MB provincial benchmark report produced in October 2019, that we have the lowest average insurance repair when compared with Alberta, Saskatchewan, and BC.

AVG RO SALE BREAKDOWN

The breakdown of the average insurance-pay repair provides insight into the influence of hourly rates paid, replacement parts policies and paid vs. non-paid procedures within a repair.



AVG RO Labour Sales

Total labour includes all non-refinish labour operations such as body, frame, mechanical and other. We have listed body labour as a sub-category of total labour because it is the largest segment. Refinish labour includes all refinish related labour categories.

	Total Labour (excl. Refinish)	Body Labour	Refinish Labour
MB	\$ 840	\$ 756	\$ 540
Alberta	\$ 1,099	\$ 973	\$672
Saskatchewan	\$ 1,009	\$ 901	\$708
British Columbia	\$ 989	\$ 900	\$608

Source: Auto House Technologies ATA/MMDA's MB Provincial Benchmark

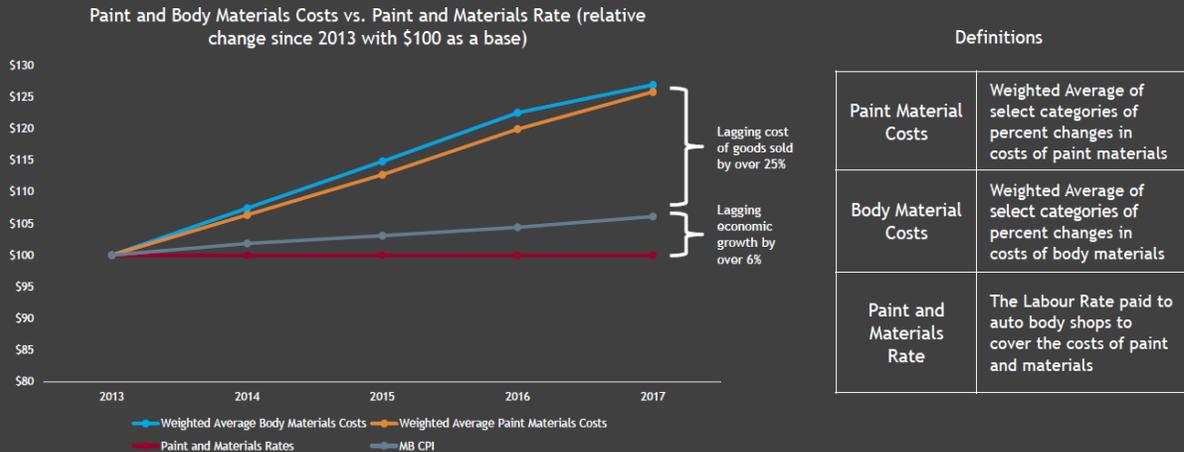
Similar can be seen in the same report where we have the lowest average RO Labour sales.

There are a multitude of reasons why we have what appears to be a good labour rate but low average insurance sales and labour sales. The majority fall into simply not being paid fairly for labour operations and being undercut substantially for materials on the repair.

The slides I'm sharing, produced and validated by BDO, shows a clear lack of material rate growth vs. cost since 2009.



Paint and material costs have been consistently increasing with no increase in rates



*2014 data unavailable, so assumed as a linear estimate between 2013 and 2015

- Paint and body material costs have been increasing significantly faster than paint and material rates (which have been unchanged since 2009).
- Over the 2013 - 2017 period, paint and body material costs increased over 25% each while paint and material rates saw 0% growth.

Sources: Statista, Consumer Price Index in Manitoba from 2000 to 2019; MNP LLP, Key Industry Statistics - November 2017 - BC Collision Repair Industry; Historic MPI Contract Ratification Figures



Please make note with no increase in this rate since 2009 the difference between the rate and the cost has reached 25% as demonstrated on this slide. This is a cost that MPI has not adjusted for inflation and ultimately off loaded to the repair industry.

As captured in the slides that I have shared here today, the evidence is clear that we as an industry are falling behind significantly. In order for our businesses to stay healthy we need a revision of rates with measurable increases each year that are in line with CPI. Similar to a stance held by MPI for employee wage increases as can be seen in Appendix A. Is it unreasonable to ask the same for an industry partner that provides an essential service to rate paying Manitobans.

As a final note I will mention that MPI has reported significant net profit in the last three years as can be seen in their published financial statements. [slides to be displayed reference the \$ figures]

Although we understand a healthy MPI is good for all Manitoban's, the incongruence of these profits, beside the repair industry that suffers with unpaid labour operations, no increase in labour rates or materials, the burden of training costs and equipment purchases to keep pace with the rapid change in vehicle technology is conspicuous.



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Appendix "A" - Pay Plan

The Pay Plan shall form a part of the Collective Agreement between Manitoba Public Insurance and Manitoba Government and General Employees' Union.

Effective **September 18, 2016**, the Corporation shall increase all points in the pay plan by a general wage increase of **one percent (1%) and apply a market adjustment of one percent (1%)**.

Effective **September 17, 2017**, the Corporation shall increase all points in the pay plan by a general wage increase of **one percent (1%) and apply a market adjustment of point five percent (0.5%)**.

Effective **September 16, 2018**, the Corporation shall increase all points in the pay plan by a general wage increase of **two percent (2%)**.

Effective **September 15, 2019**, the Corporation shall increase all points in the pay plan by a general wage increase of **two percent (2%)**.

It is my hope that after this short presentation, you are able to give some thought to the short comings of our agreement with MPI. I hope the comparison was helpful for you to understand from our perspective that this aspect of business is struggling as a result of this. Please note that I have presented only published data in order to draw your attention to what we feel as an industry needs to be revised.

I would be happy to answer any questions after we have Area #2 covered.

Area #2

OEM vs Aftermarket

For this we have invited Scott Wideman from VW to share from the stand point of the OEM manufacturer what the use of OEM parts means when it comes to safe and proper repairs.

I would just like to point out that this topic is not one that we take lightly. Our Manufacturers engineer our vehicles for safety, and when it comes to collision repair, the OEM should be who we look to for safe and proper repair procedure and OEM parts for continuing vehicle integrity. With advances in technology increasing year on year we implore MPI to take its direction from the OEM in order to ensure safe collision repair is being completed. As the engineers for the technology it only makes sense we take our direction from the OEM producing safe automobiles and not the crown cooperation insurer focusing on low rates.

Scott to complete his presentation.

Open for questions .