

MPI's Repair Agreements Fact Sheet

MPI values its relationships with the Manitoba automotive repair industry (“repair shops” or “repair trade” or “repair industry”) and is working to continue to provide safe, accredited repairs to Manitobans through establishing agreements with individual repair shops. MPI is also committed to continuing to engage with the repair trade and their associations to seek regular input on policies and procedures through meaningful consultation.

In the spirit of transparency, we would like to share some of the facts and information that MPI used to help determine fair compensation and adjustments going forward, including findings from a report from MNP. This report conducted an interjurisdictional review of repair rates and industry profitability over several years. The key highlights of the report can be found below.

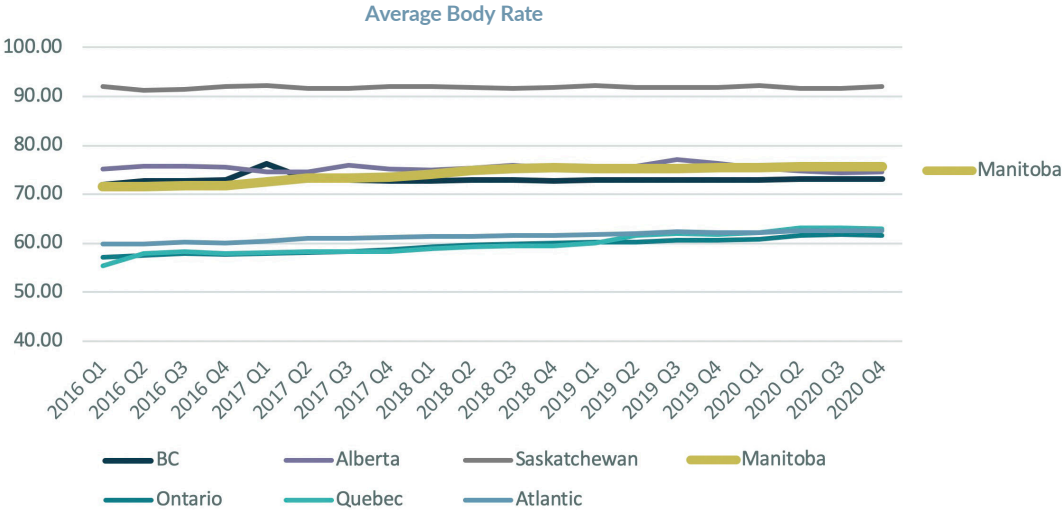
Fair Compensation

MPI is offering fair compensation for shops repairing vehicles on behalf of the Corporation.

Are repair shops in Manitoba paid fairly compared to others in Canada?

Manitoba's repair rates are the second highest in Canada.

- As an example, Manitoba's body labour rates are similar to the rates offered across Western Canada. Notably, these rates are significantly higher than those in the eastern provinces. Saskatchewan is clearly an outlier.

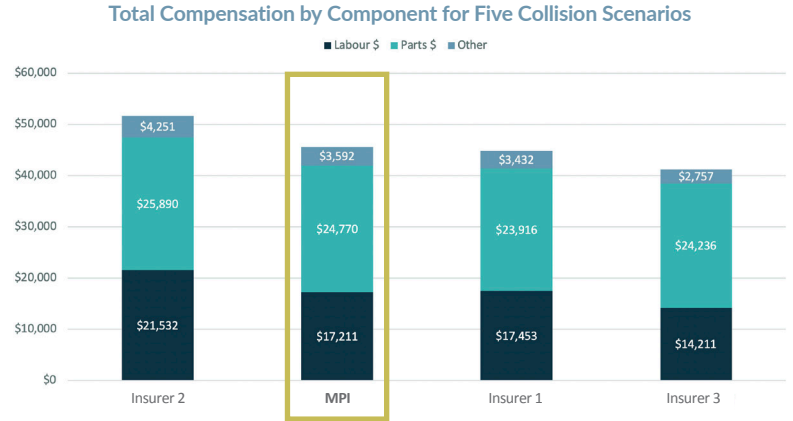


Source: Mitchell

Total compensation to repair shops in Manitoba is the second highest based on a cross-jurisdictional review.

- MPI ranked 2nd in total compensation in the comparison of five scenarios.
- MPI had the highest labour hours for this set of collision scenarios, validating soundness of MPI's estimating standards.
- The scenarios included representative vehicles by class – economy, luxury, truck, etc.

Source: MNP analysis

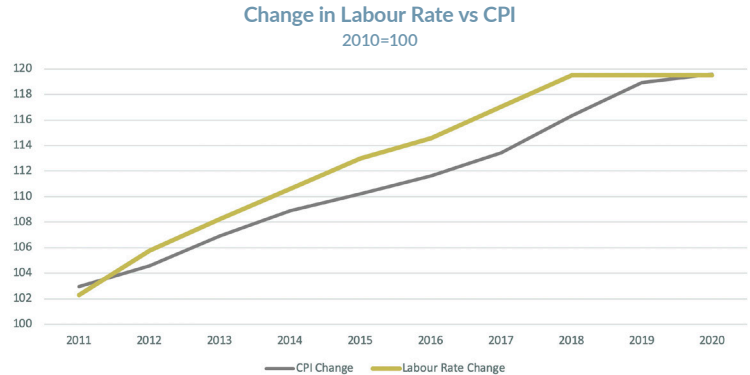


Has labour compensation to repair shops in Manitoba fallen behind the Consumer Price Index (CPI)?

Labour rates paid to repair shops in Manitoba have kept up with CPI.

- Over the last several years, labour rate compensation to repair shops was consistently above CPI.
- With no adjustment in labour rates in the last two years, that gap between CPI and the labour rate index has reduced, indicating that consideration for a review of labour rates shall be given.

Source: Statistics Canada, MNP analysis



Repair Industry Sustainability

MPI is committed to a sustainable repair industry, to ensure Manitobans can get their vehicles repaired.

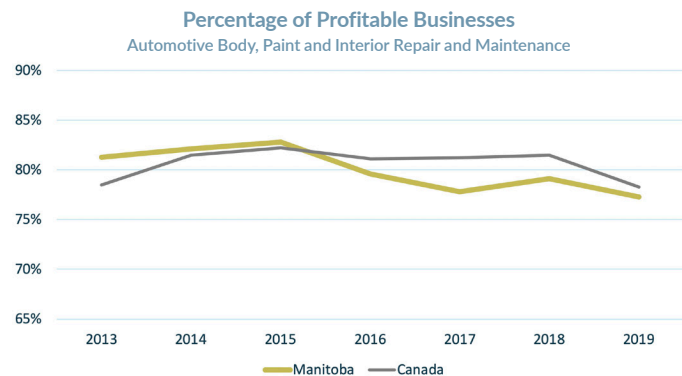
Is there a lower proportion of profitable repair shops in Manitoba compared to the rest of Canada?

Manitoba is aligned with trends with the rest of Canada.

- While there has been a slight decrease in the proportion of profitable businesses in recent years, this is not unique to the repair industry in Manitoba – it follows provincial and national economic trends across all industries.
- Overall, the proportion of profitable businesses in Manitoba is in line with this trend.

Note: The statistics for determining the proportion of profitable businesses is based on T1 and T2 returns.

Source: Statistics Canada, Financial Performance Data.



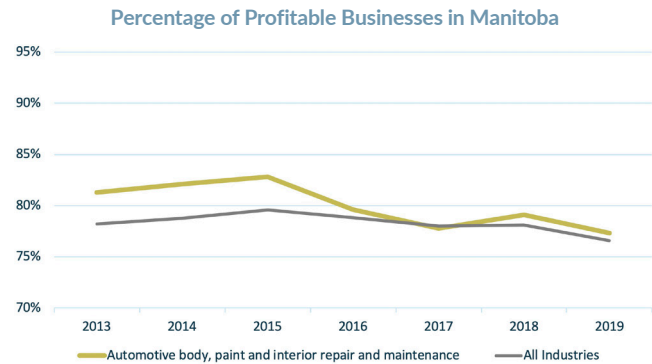
Is there a lower proportion of profitable repair shops in Manitoba compared to other business in Manitoba?

The repair industry has had a slightly higher proportion of profitable businesses than other industries in Manitoba.

- Over the last number of years, the proportion of repair shops in Manitoba has been above average in profitability when compared to all other industries in Manitoba.
- This confirms that the proportion of profitable repair shops in Manitoba is in line with expectations and broader industry trends.

Note: The statistics for determining the proportion of profitable businesses is based on T1 and T2 returns.

Source: Statistics Canada; Financial Performance Data.



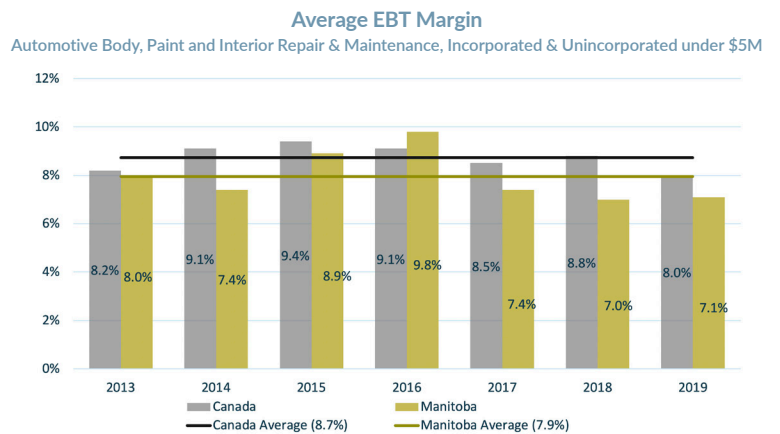
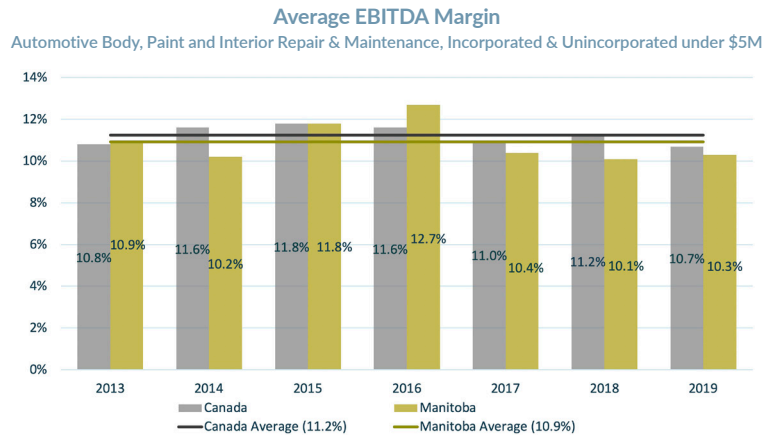
Are repair shops in Manitoba experiencing lower profitability over time?

Repair shops in Manitoba have maintained consistent profitability margins since 2013.

- Earnings before interest and tax, depreciation and amortization (EBITDA) margin measures operational performance. It has remained steady and consistently exceeded 10% since 2013.
- Earnings before tax (EBT) margin measures financial performance. It has followed a similar pattern as the EBITDA margin with a low of 7% in 2018.
- A 3% points spread for interest, amortization and depreciation is seen as appropriate for the repair industry based on historical data, indicating that a long-term EBT margin of 7% and above is adequate. Of note, the 2013–2019 average spread for interest, amortization and depreciation across Canada was 2.5%.

Note: The statistics for determining the proportion of profitable businesses is based on T1 and T2 returns.

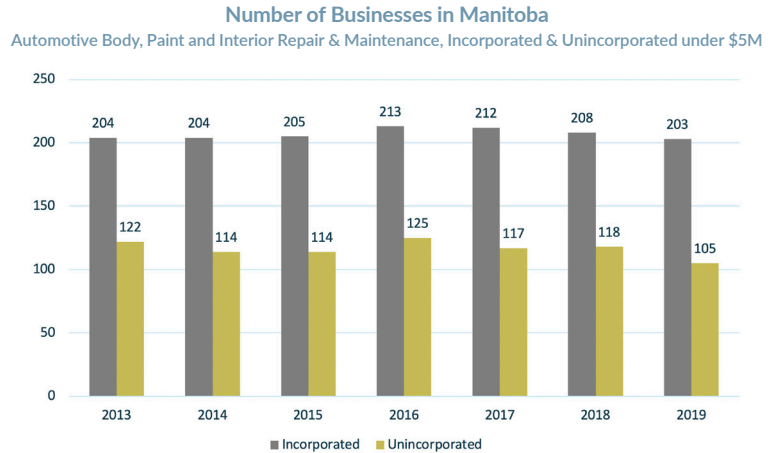
Source: Statistics Canada; Financial Performance Data.



How has the number of repair shops in Manitoba evolved over time?

The number of repair shops in Manitoba has remained stable.

- The number of shops has remained relatively flat in Manitoba, both in terms of unincorporated and incorporated businesses.



Source: Statistics Canada, Financial Performance Data

Revised Compensation

As a result of this analysis and through dialogue with members of the repair industry, MPI has offered a revised compensation plan for the next two years, resulting in an overall 6.7% increase to total compensation, or \$17 million in additional compensation projected to be paid to repair shops over the next two years.

The most notable elements of MPI's revised compensation include the following:

- A total compensation increase of 4.7% for the first year with an additional 2.0% for the second year;
- An increase to body and refinish labour rates from \$74.43 to \$76.00 in year one, and \$77.00 in year two;
- The creation of a new blended mechanical category paid at a rate of \$90.00 in year one \$92.00 in year two;
- The creation of a new aluminum category, paid at a rate of \$85.00 in year one and \$87.00 in year two to acknowledge the expertise level and related investment made by qualified shops;
- An increase to the paint material rate from \$38.20 to \$40.00 in year one and \$41.00 in year two;
- The creation and/or review of estimating standards that will also result in increased or net-new compensation for repair facilities.

MPI recognizes repair shops as their business partners and understands the important role this industry plays in ensuring safe vehicles on our roads throughout the province. The Corporation believes in offering fair and reasonable compensation for the work repair shops do.

The full version of the MNP report is available at mpi.mb.ca/documents/repairreport.pdf.



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