



Interjurisdictional Review Autobody Labour Rates and Industry Profitability

Prepared for MPI

March, 2021



Wherever business takes you

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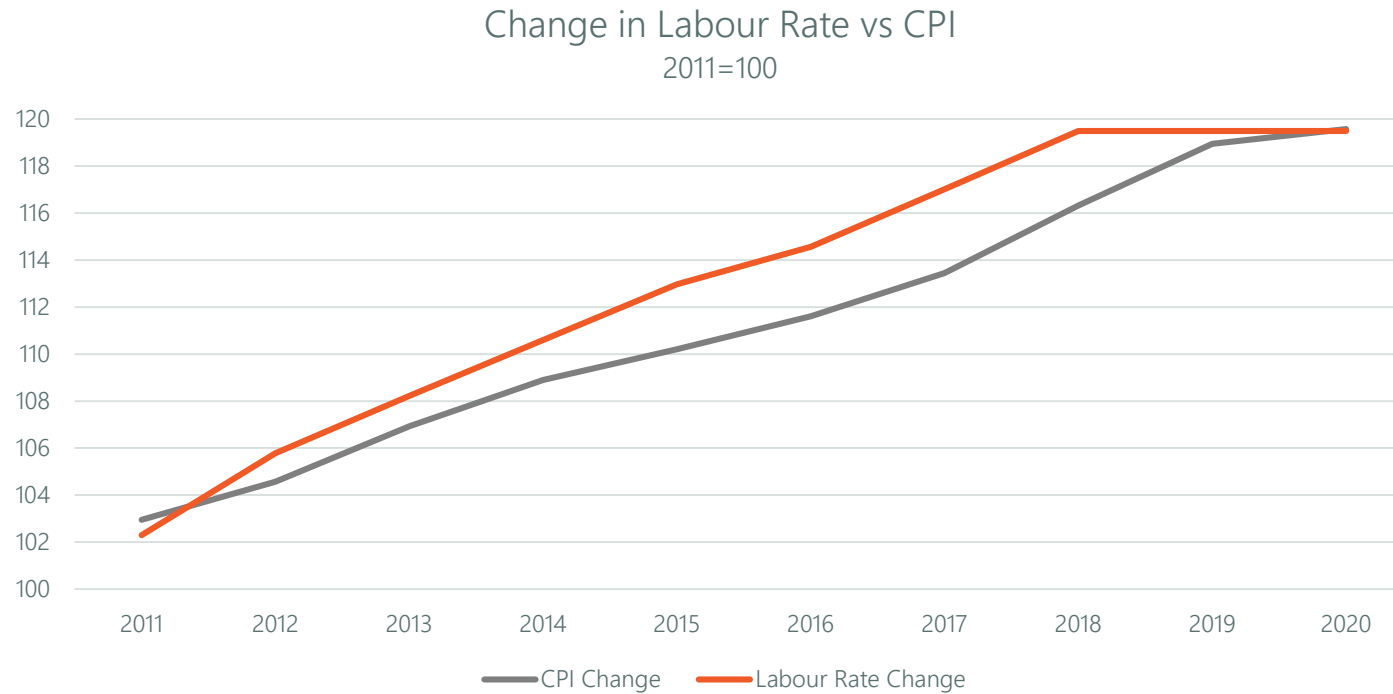


KINCENTRIC
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CANADA 2019

Interprovincial Comparison - Rates

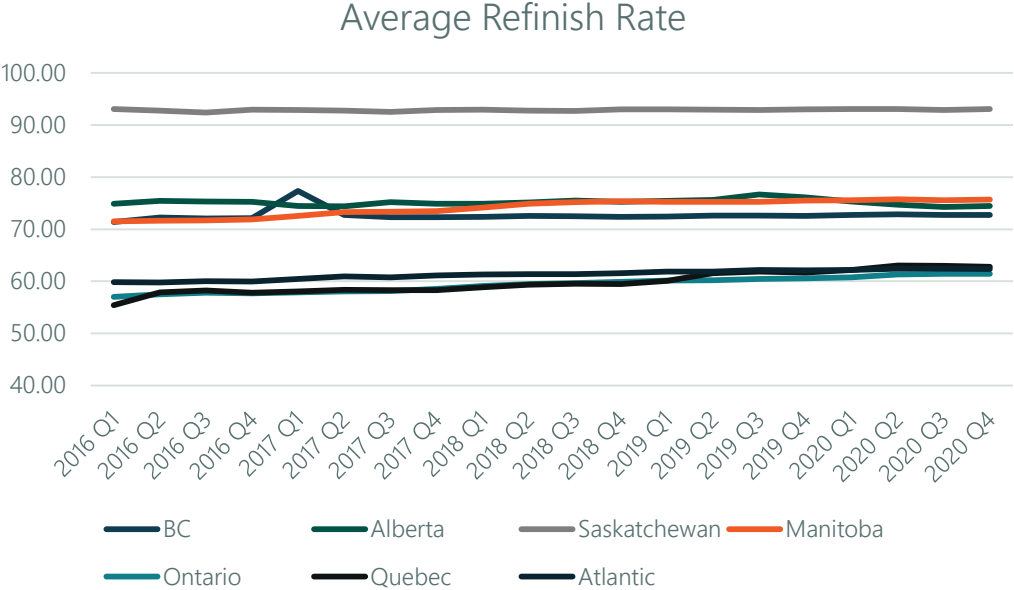
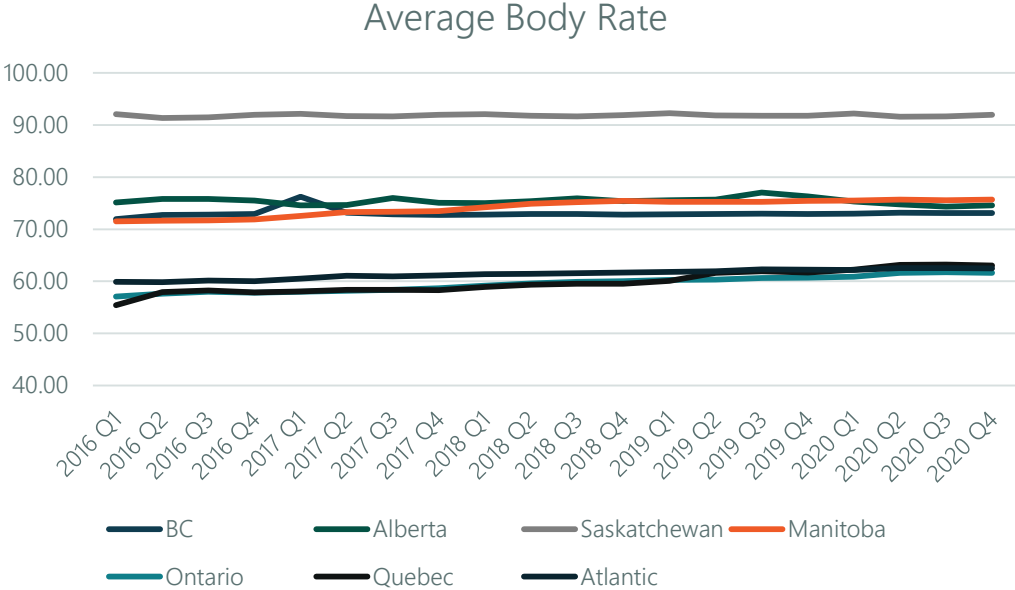
- Manitoba Body Labour Rate vs CPI
- Labour Rates by Category
- Wages

Body Labour Rate vs Manitoba CPI



- The cumulative increase in the MPI Body Rate was higher than the cumulative change in the Manitoba CPI from 2010 to 2019. The cumulative change is equivalent as of 2020.

Interprovincial Rate Comparison

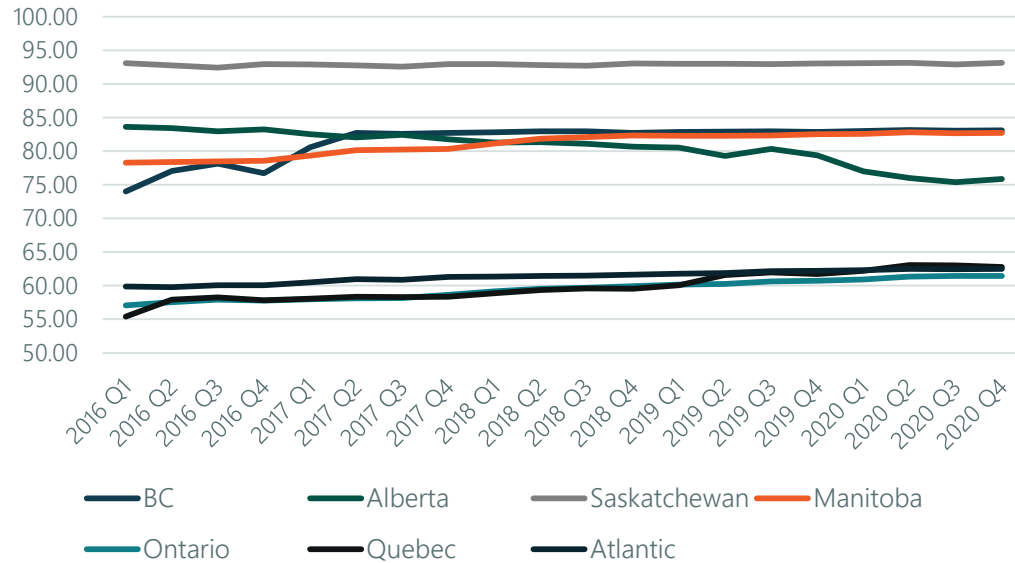


The MPI Average Body Rate and Average Refinish Rate are comparable to Alberta and BC from 2016-2020, as captured by Mitchell. Eastern Canada markets (ON, PQ, Atlantic) have significantly lower rates than Manitoba. Saskatchewan is an outlier.

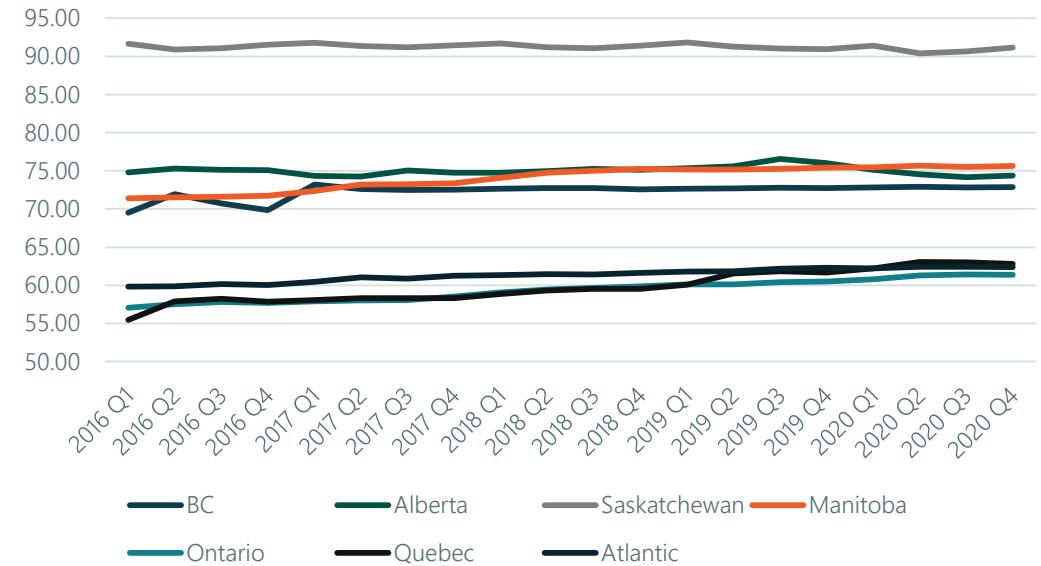
Source: Mitchell. Provides as a straight average of labour cost divided by the number of labour hours for each labour type

Interprovincial Rate Comparison

Average Frame Rate



Average Glass Rate

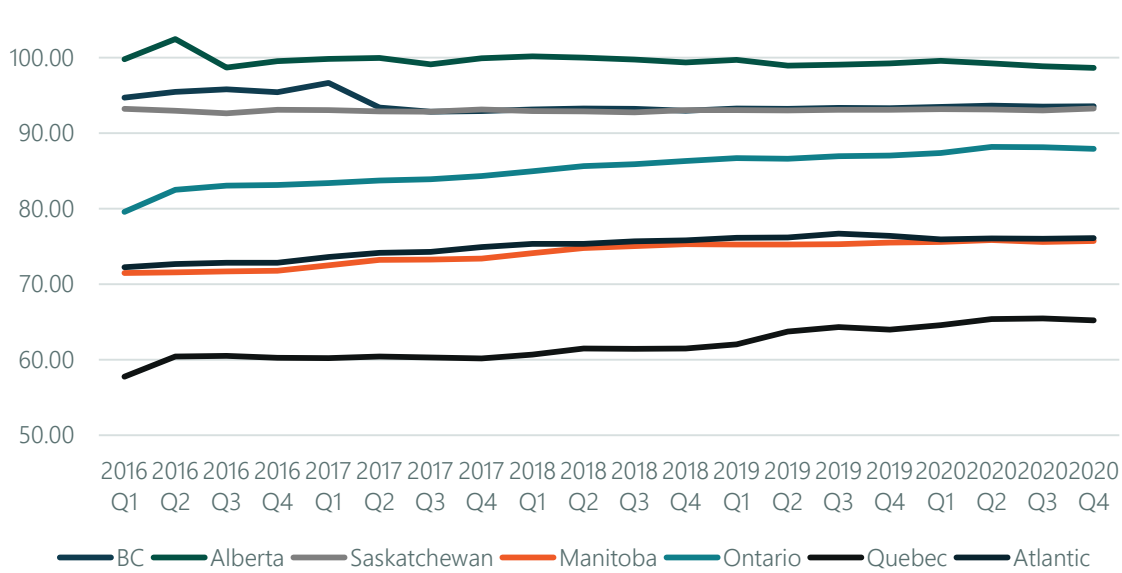


- The MPI Average Frame Rate is comparable to BC. Alberta frame rates have declined by about 9% 2016-2020. BC and MB have increased and are within 0.5% in 2020. Eastern Canada rates are lower.
- The MPI Average Glass Rate is similar to Alberta and BC, and is second only to Saskatchewan

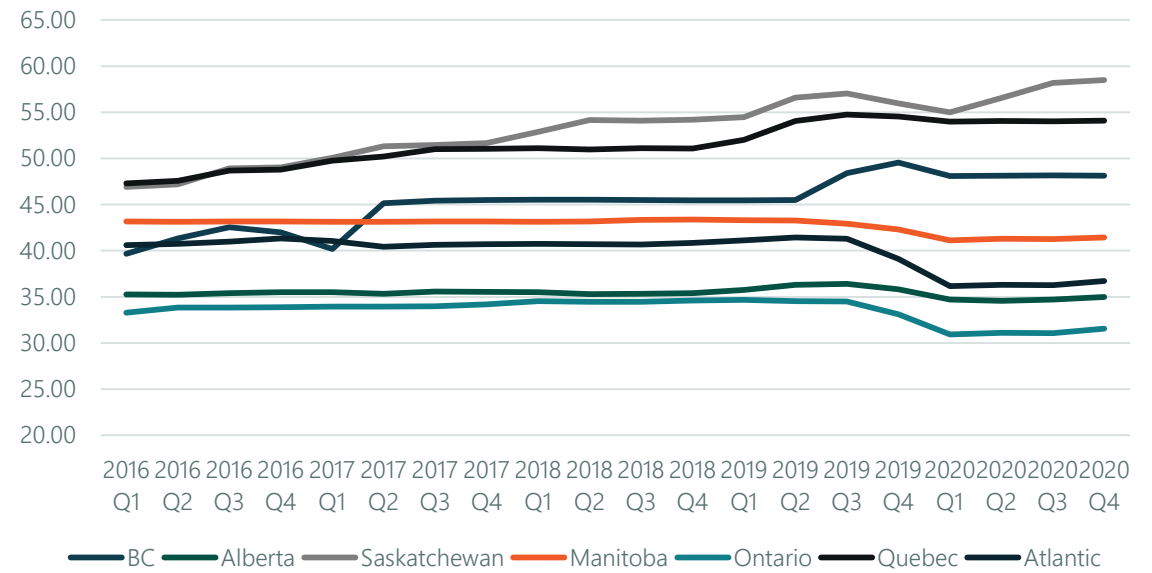
Source: Mitchell. Provided as a straight average of labour cost divided by the number of labour hours for each labour type

Interprovincial Rate Comparison

Average Mechanical Rate

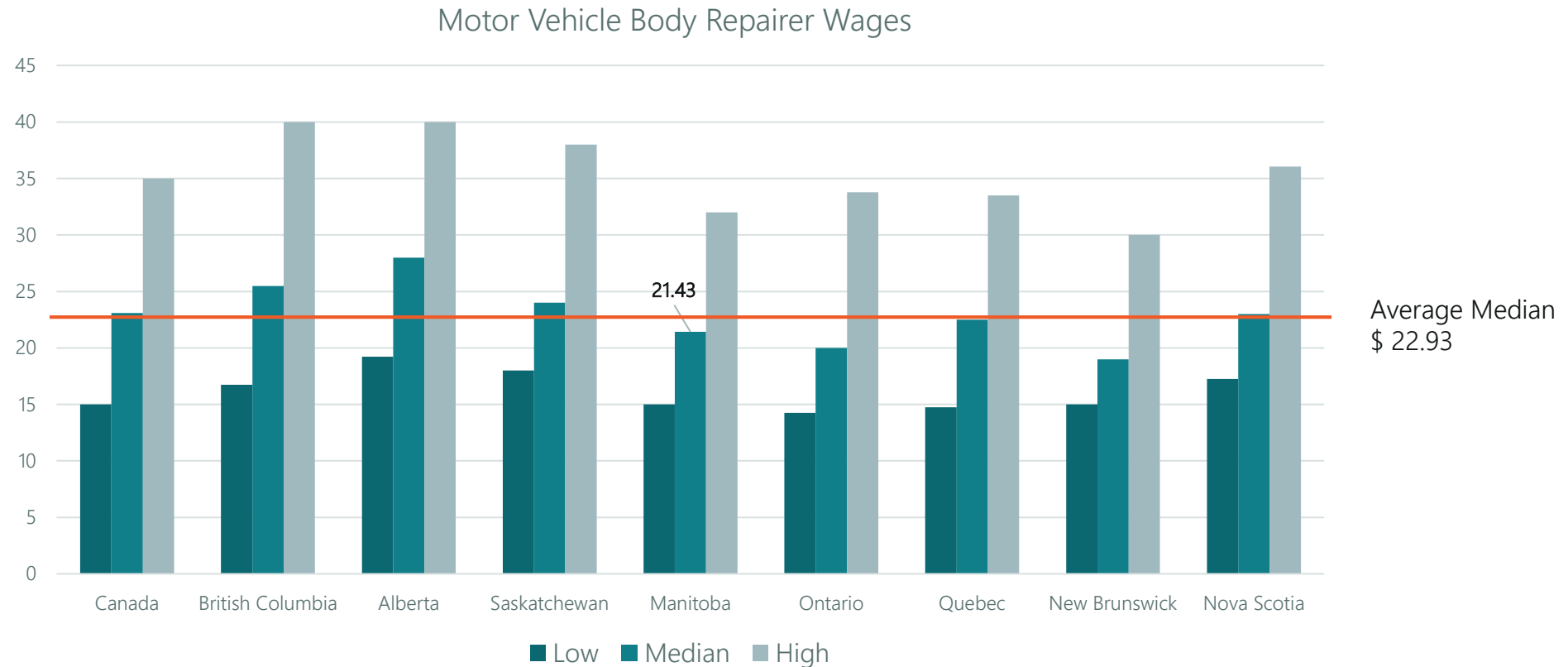


Average Paint & Material Rate



- The MPI Average Mechanical Rate is 20% below the average rate in Alberta, Saskatchewan and BC. SK has the lowest rate of these three in this category in 2020. Only Quebec has a lower average mechanical rate.
- Paint and material rates do not group the same as other categories. The MPI Average Paint & Material Rate is 'mid-pack', and shows an effective decline of 4% over the period. AB, ON & Atlantic also show an effective decline. SK, PQ and BC have higher rates, and show increases of 14-25% over the same period

Technician Wages



- Median technician wages in Manitoba are approximately 93% of the national average median¹.
- Total compensation overall (all industries) tends to be lower in Manitoba compared to the national average. Total compensation in Manitoba for *all industries* was 89.5% of the average for Canada overall²

Source: Job Bank <https://www.jobbank.gc.ca/wagereport/occupation/7662>, based on Statistics Canada data

Source: Statistics Canada, Table 36-10-0480-01

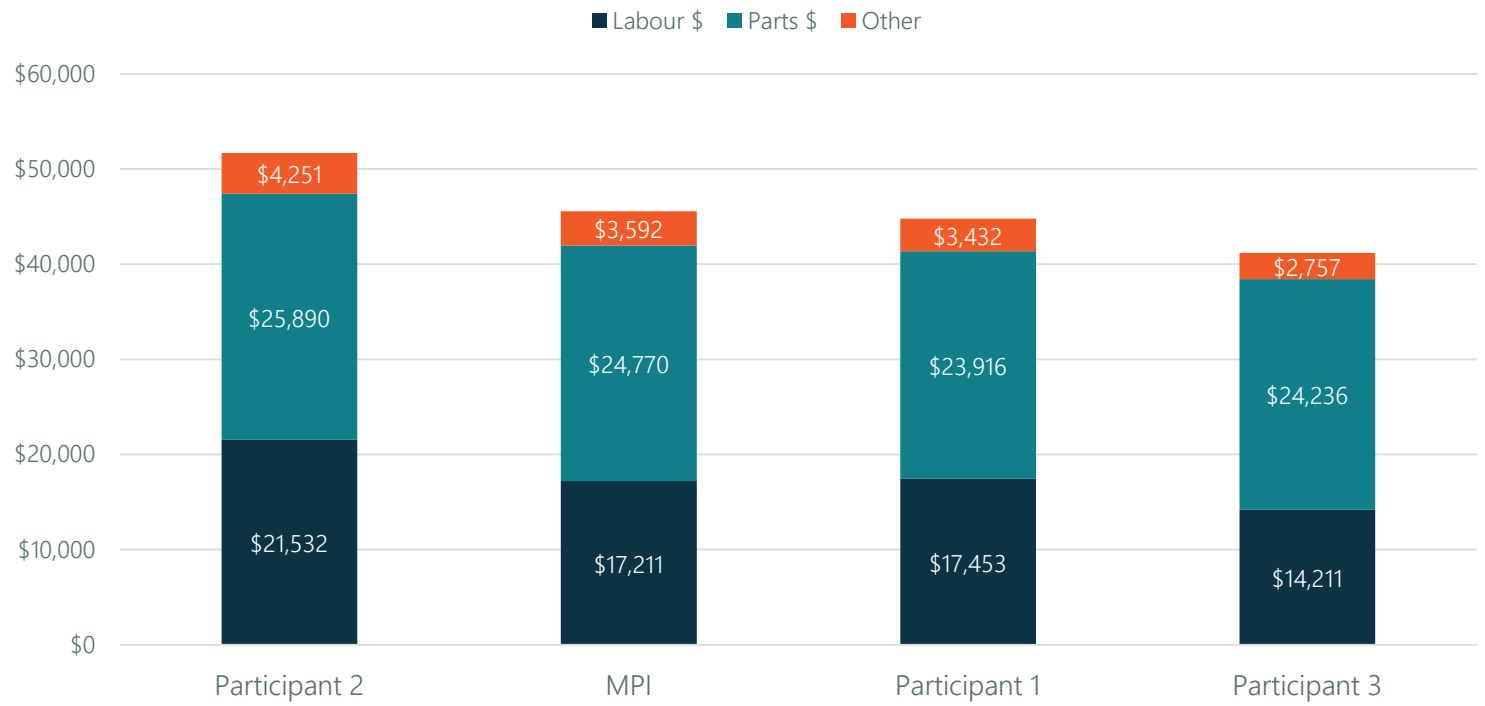
Total Claim Compensation

- Labour rates combine with estimating policies to result in total compensation on a claim

MB Ranked 2nd of 4 Insurers on Estimate Review **MNP**

MPI ranked 2nd in total compensation for a combined comparison of five scenarios. MPI allowed the highest number of labour hours for the set of collision scenarios.

Total Compensation by Component for Five Collision Scenarios



In 2018, MNP compiled a comparison of claim values for five collision scenarios, prepared by MPI and 3 other insurers, each from a different province. The scenarios included representative vehicles by class – economy, luxury, truck, etc

Each insurer applied their own business rules and policies to the same set of information.

5-Collision Scenario Comparison



Total Compensation by Category for Five Collision Estimates Combined									
	Total	Labour (1)	Body Labour	Refinish Labour	Frame labour	Mechanical Labour	Glass Labour	Parts (2)	Other (3)
High	\$51,674.03	\$21,532.42	\$10,589.70	\$6,237.37	\$2,441.49	\$3,305.88	\$139.02	\$25,890.32	\$4,251.29
Low	\$41,114.46	\$14,210.73	\$6,833.86	\$3,55.74	\$1,260.45	\$2,098.27	\$110.12	\$23,915.74	\$2,756.91
Range	\$10,559.57	\$7,321.69	\$3,755.84	\$2,661.63	\$1,181.04	\$1,207.61	\$28.90	\$1,974.58	\$1,494.38
Average	\$45,790.45	\$17,601.73	\$8,201.54	\$4,754.01	\$1,934.58	\$2,599.17	\$120.26	\$24,702.81	\$3,508.16
Median	\$45,186.65	\$17,331.88	\$7,691.29	\$4,601.46	\$2,018.19	\$2,496.26	\$111.65	\$24,502.59	\$3,512.21
MPI	\$45,572.81	\$17,211.25	\$7,740.39	\$4,636.81	\$2,422.32	\$2,299.90	111.65	\$24,769.56	\$3,592.18
MPI Rank	2	3	2	2	2	3	2	2	2

(1) Labour includes: Body, frame, refinish, glass, and mechanical labour, sublet, sublet service fee

(2) Parts includes: OEM, recycled, remanufactured, and aftermarket parts, less betterment

(3) Other includes: Shop materials, paint materials, administration fee, hazardous waste disposal, clean vehicle

Hours were made up of 49% Body Labour, 28% Refinish, 12% Frame, 10% Mechanical and 1% Glass

Within the range of collision scenario estimates submitted by study participants, MPI ranks second highest of the four insurers. MPI ranks highest in terms of the number of labour hours allowed for the set of collision scenario estimates.

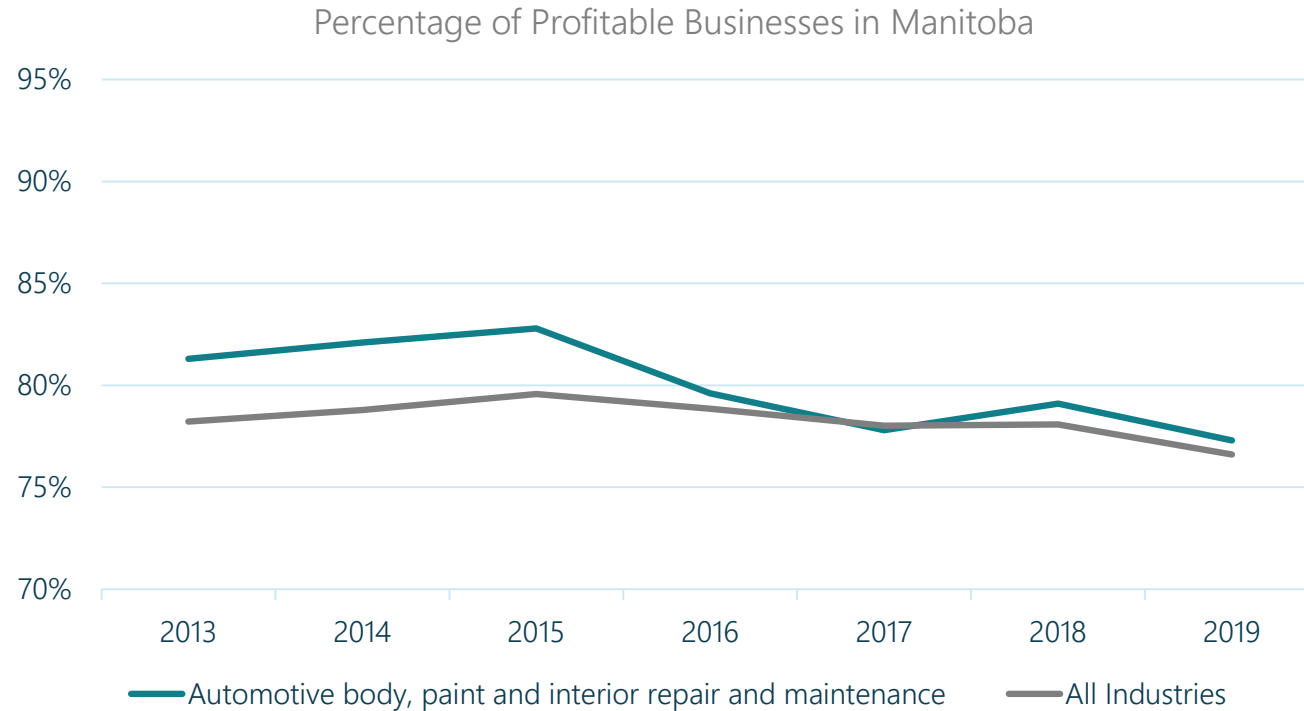
The current MPI Direct Repair Shop program includes an additional fee of \$81 payable on each claim processed by a direct repair shop (subject to exclusions detailed in the MPI Light Vehicle Industry Agreement). This fee is paid quarterly to Direct Repair shops and is therefore not included as a line item on estimates, nor reflected in the sample of estimates completed for this study. MPI also pays a fee of \$15 to all repair shops for each claim. This fee is included in the "other" category in the estimates.

MPI's policies do not allow the use of aftermarket sheet metal on vehicles five years old or less. Participant policies vary from applying a similar rule to two-year-old vehicles to no restriction on aftermarket sheet metal at all. MPI's vehicle age restriction on the use of aftermarket parts is the most generous of the four participants.

Profitability

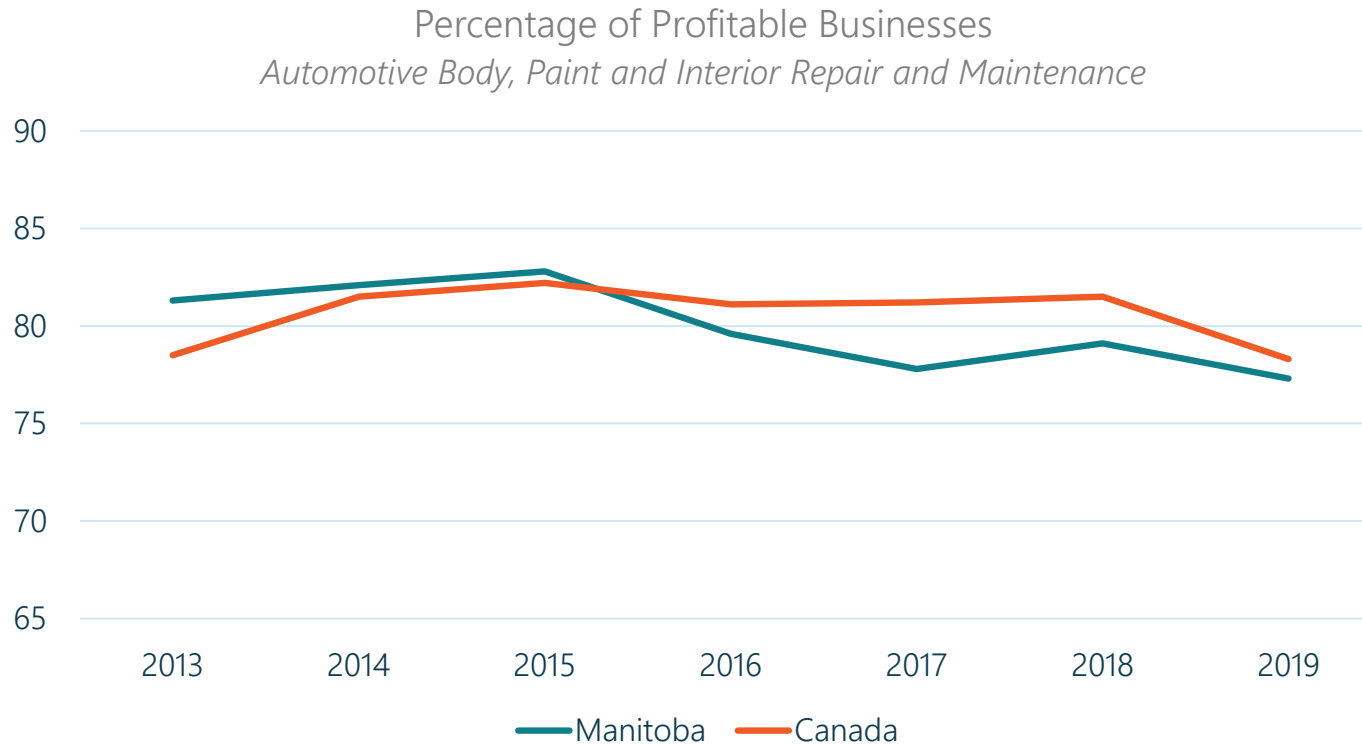
- % of profitable businesses
- EBITDA
 - Note: Statistics Canada data reflects businesses with up to \$5M in revenue. In MB this will exclude 3-4% of businesses (and will similarly exclude the largest businesses in other provinces).
- Shop Volume

Percentage of Profitable Businesses



- Over 80% of autobody businesses in Manitoba were profitable between 2013 to 2015, 2-3 % points over the average of all industries. From 2016 to 2019, autobody tracked similar to all industries.

Percentage of Profitable Businesses

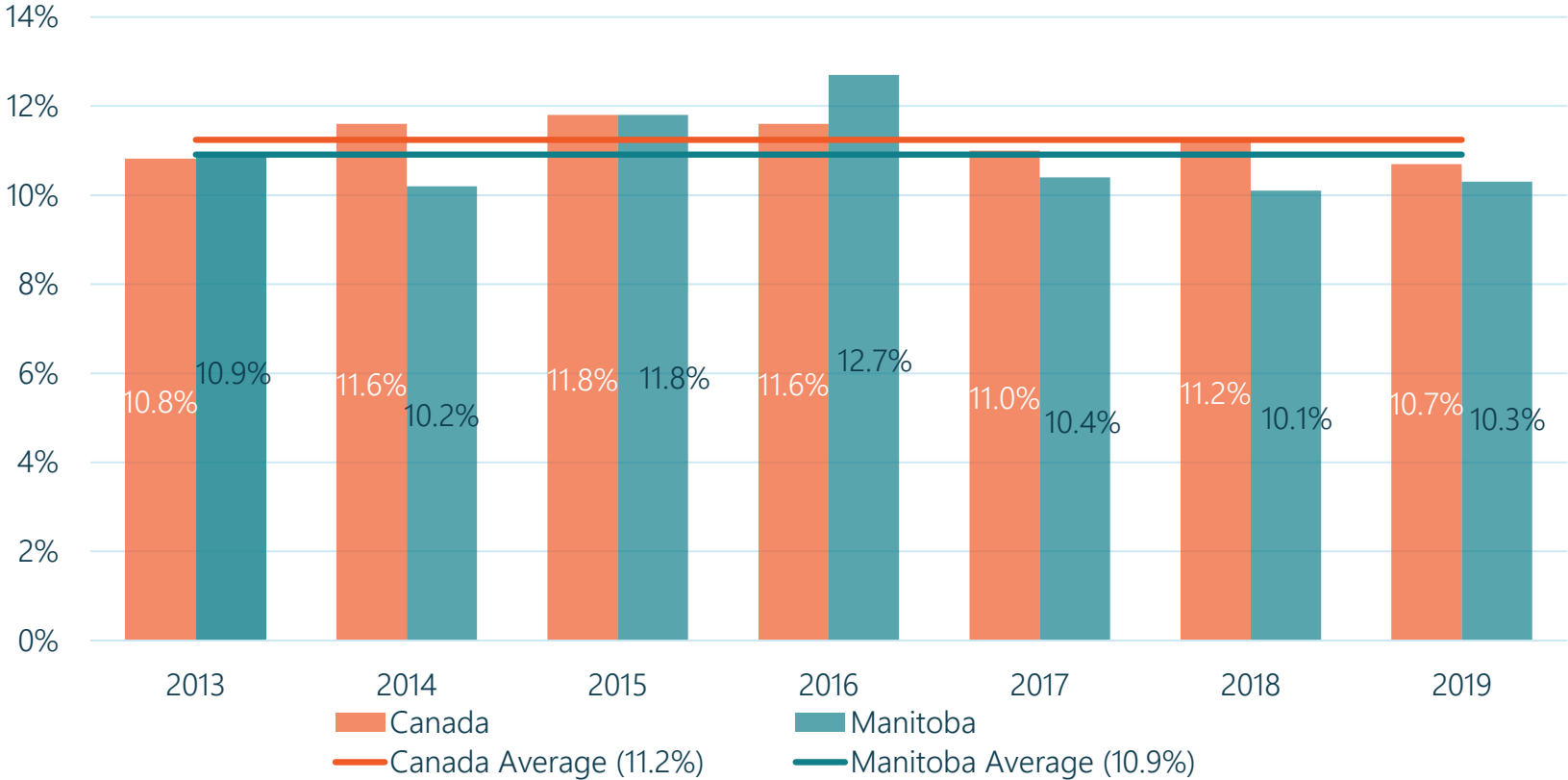


- Manitoba had more profitable businesses in the autobody industry than the Canadian average from 2013-2015. Manitoba fell below the average in 2016-2018 before returning to within 1 point of the Canadian average in 2019, with 77.3% of repair shops in Manitoba profitable versus the Canadian average of 78.3%.

EBITDA Margins Generally Steady

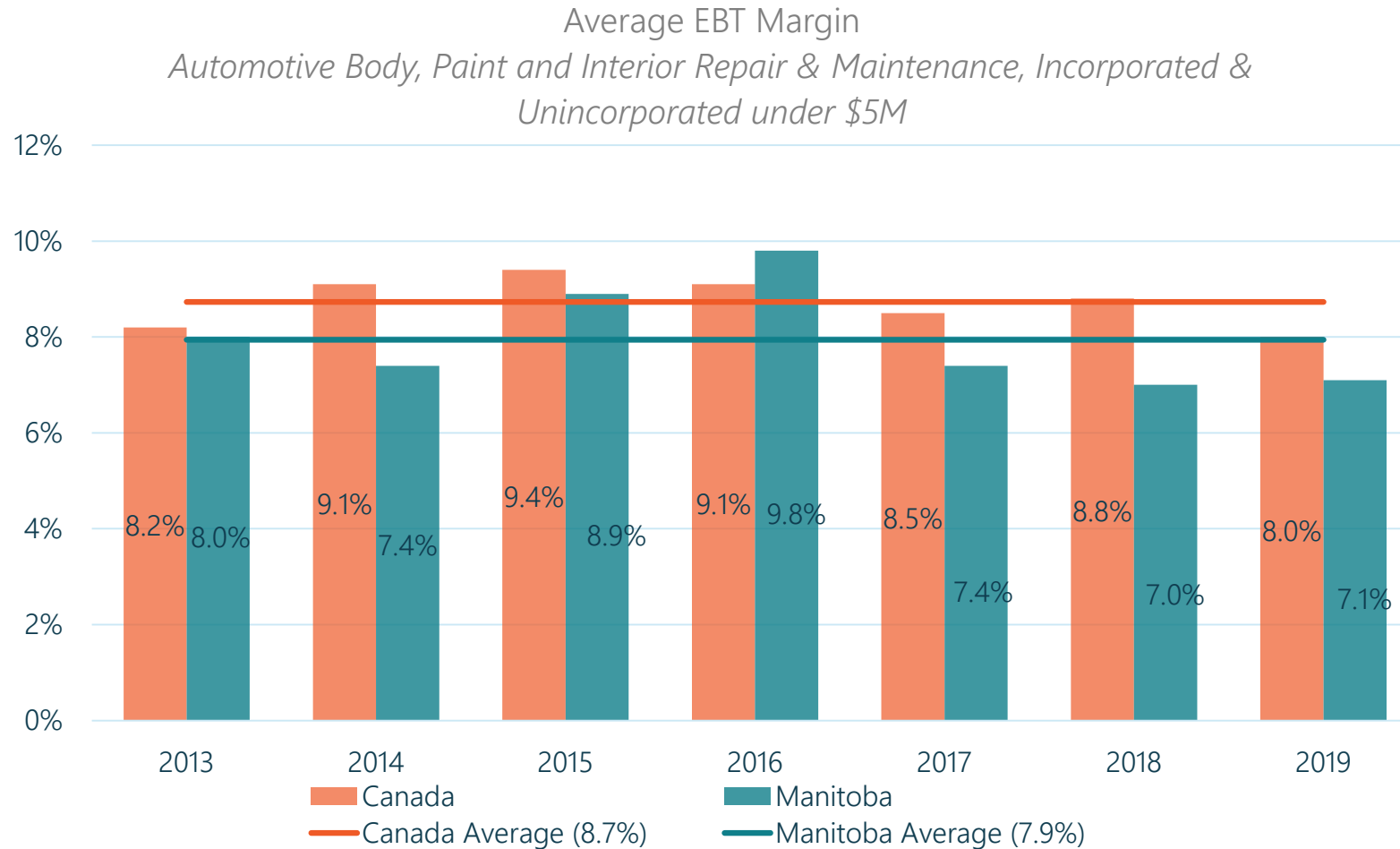


Average EBITDA Margin
Automotive Body, Paint and Interior Repair & Maintenance, Incorporated & Unincorporated under \$5M



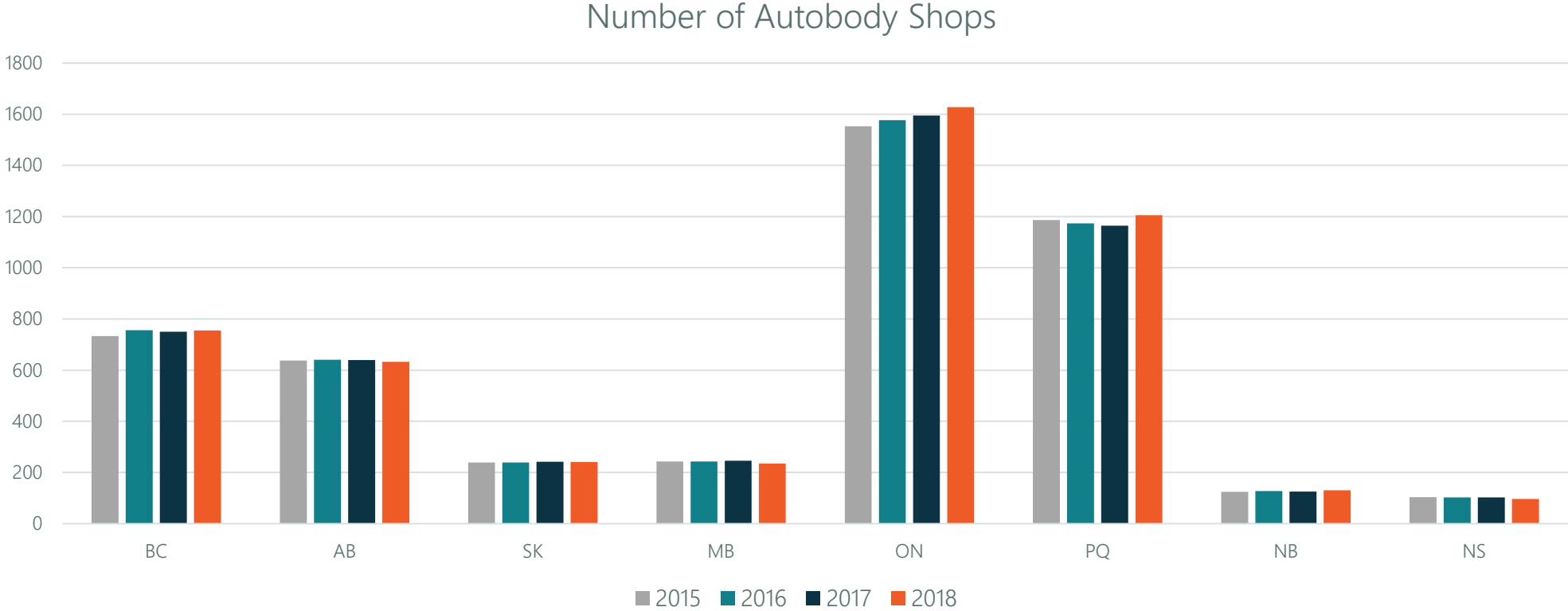
EBITDA has consistently exceeded 10%. Profitability in 2015 and 2016 were higher than what appears to be the norm in five of the seven years 2013-2019.

Earnings Before Tax Margins Generally Steady



EBITDA has consistently exceeded 7%. Profitability in 2015 and 2016 were higher than what appears to be the norm in five of the seven years 2013-2019. The Manitoba and Canada averages from 2013 to 2019 were 7.9% and 8.7%, respectively.

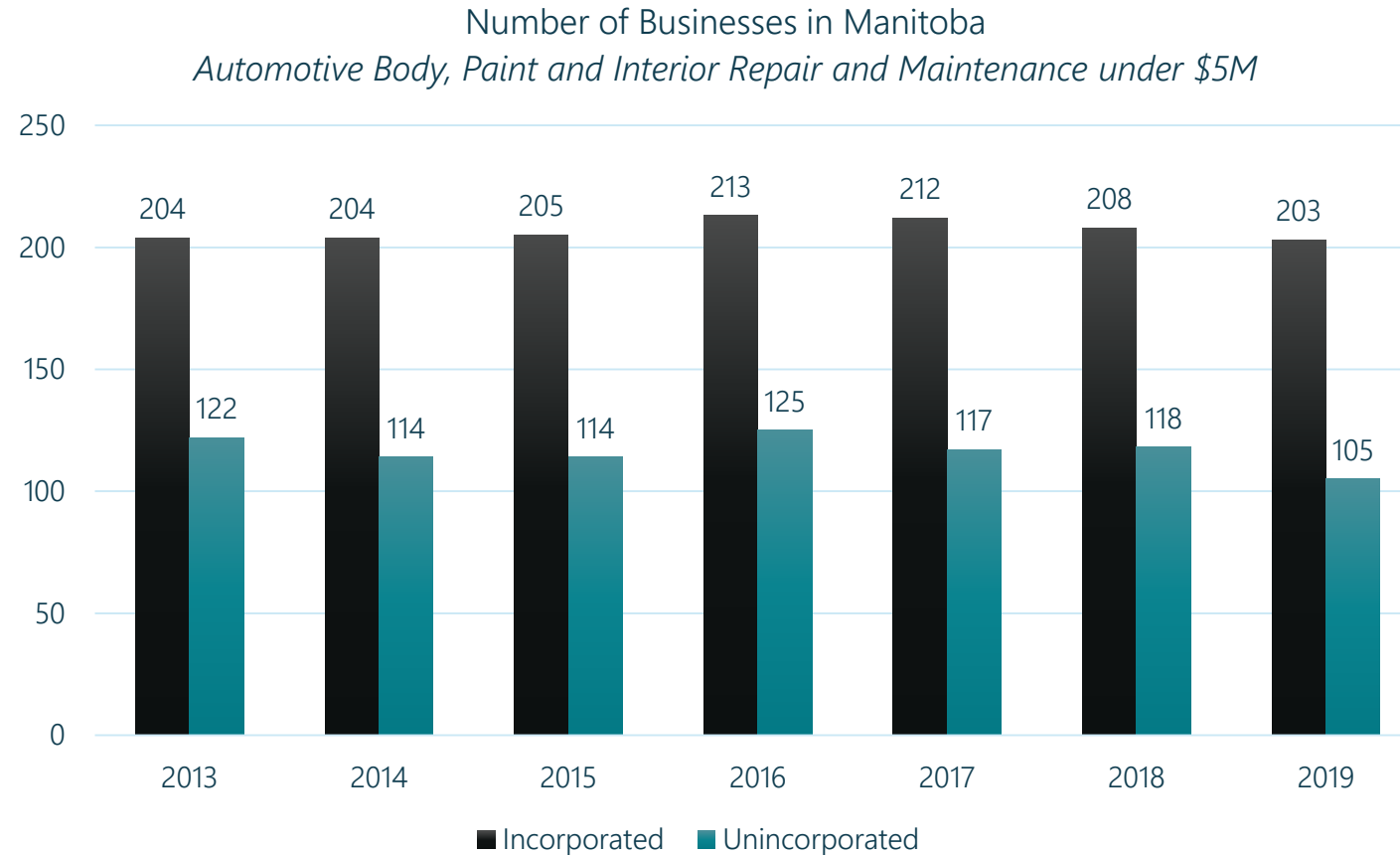
Number of Shops Stable



The number of shops is relatively flat in most markets, with Ontario as the exception with an increase of 5% from 2015-2018

Source: 2019 Canadian Collision Repair Industry Yearbook

Number of Shops in Manitoba Stable



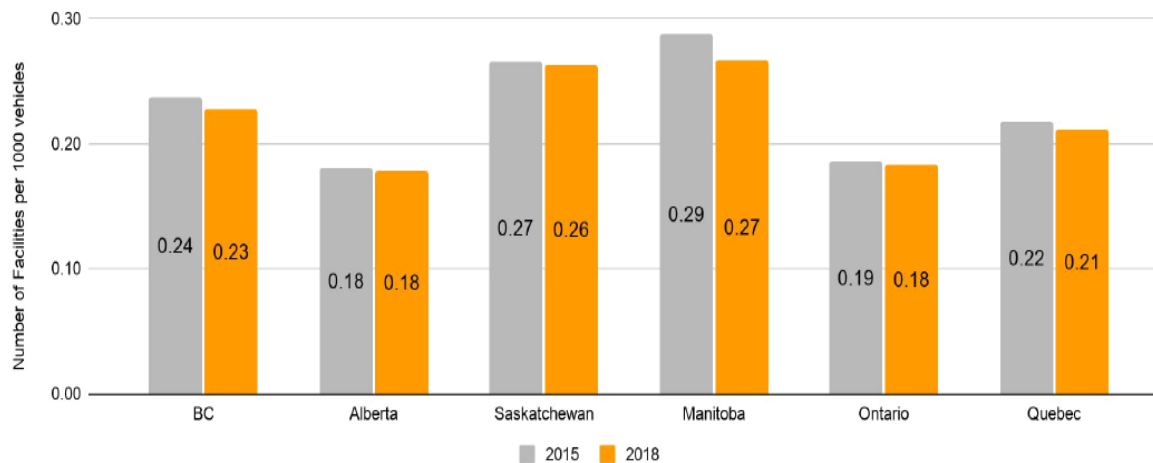
- The number of auto repair shops in Manitoba has remained relatively consistent since 2013, with unincorporated businesses experiencing their largest drop in 2019 and incorporated business relatively unchanged since 2013.

Higher Ratio of Repair Shops in MB

Manitoba has more repair shops than all other provinces for the volume of registered vehicles.

Higher ratio of facilities to vehicles in public insurance markets

Number of Facilities per 1,000 Vehicles

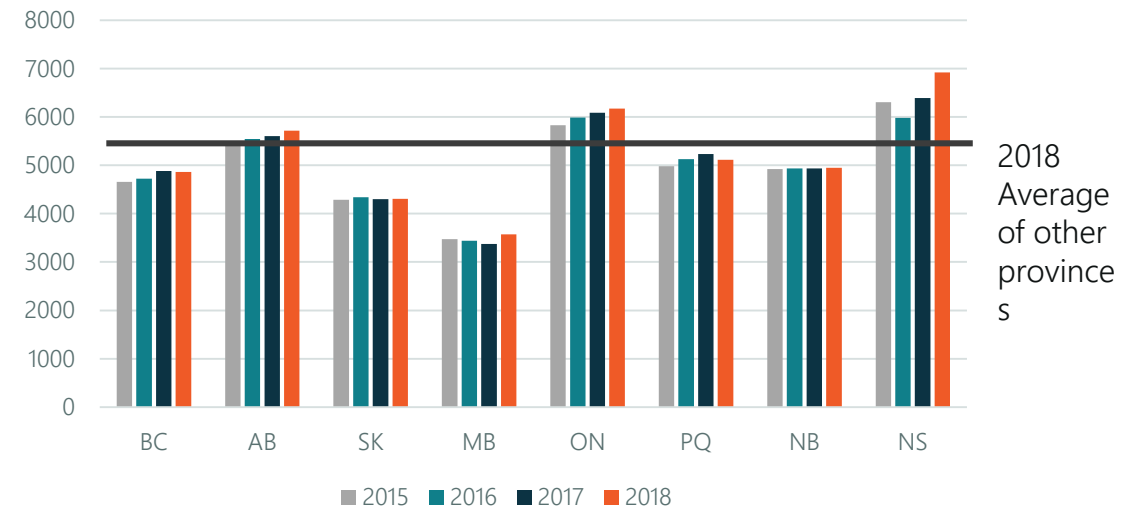


Source: Automotive Industries Association, Statistics Canada, PwC Analysis

“All provinces with public insurance markets showed a higher saturation of suppliers than provinces with solely private insurance markets.”

Collision & Glass Repair in BC *Post Implementation Business Review (PIBR) of ICBC Suppliers*

Registered Vehicles per Shop



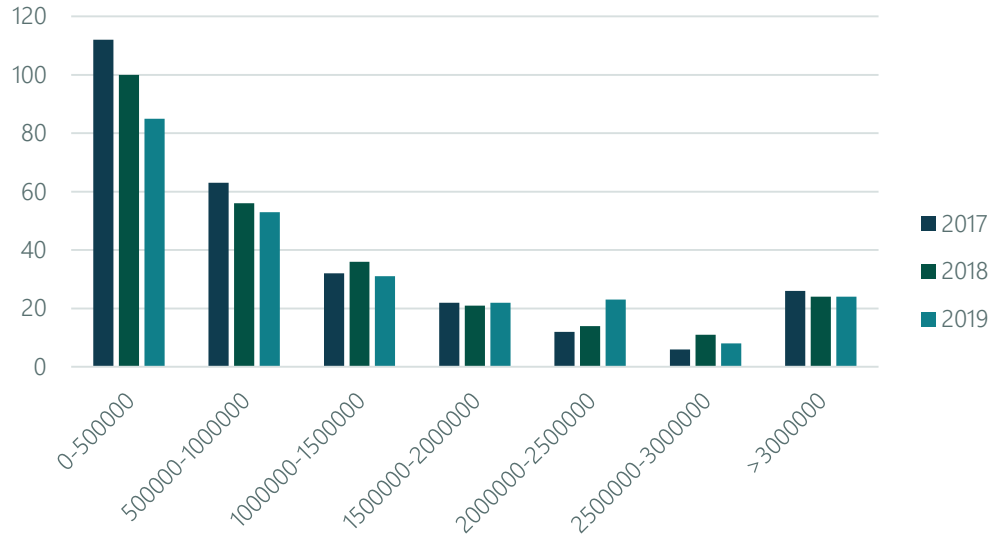
Source - Canadian Collision Repair Industry Yearbook, 2019

The number of registered vehicles per shop in Manitoba is 34% less than the average of all other provinces.

Volume of Claims-Driven Activity (MB)



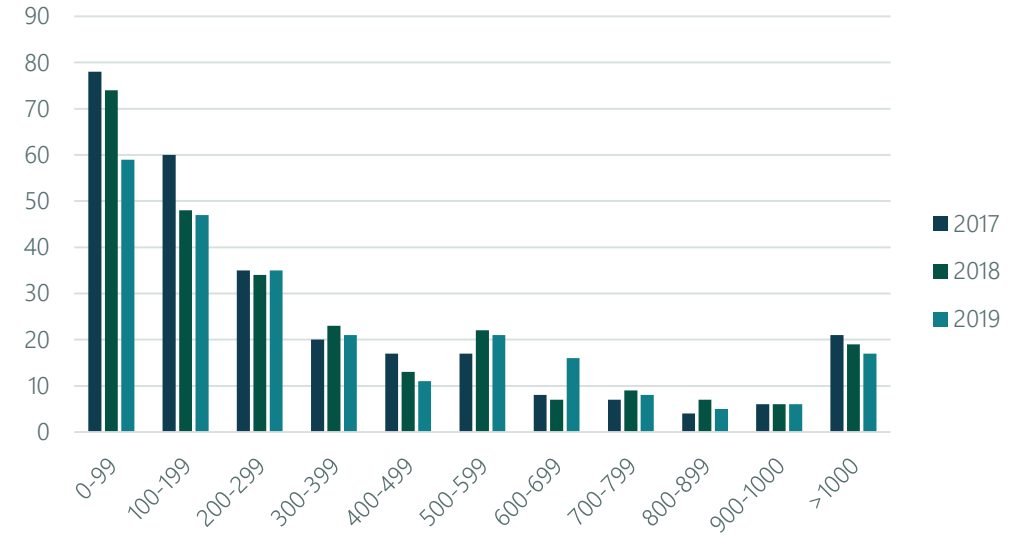
Number of Shops by MPI Revenue



35% of shops had <\$500,000 in claims revenue from MPI in 2019. Profitability in the industry is significantly affected by scale.

- In 2017, the 44 shops (16%) with revenue over \$2M hold a 54% share of total MPI claim revenue.
- In 2019, 55 shops (22%) with revenue over \$2M hold a 60% share of MPI claim revenue.

Number of Shops by Number of Repairs



24% of shops handled less than 100 repairs for MPI.

These shops may have other lines of business that contribute to both revenue and profitability.