

## Presenters

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## Organization Background

The ATA is entirely volunteer run by its Board of Directors. A two-year, now discontinued grant was provided by MPI to the Board. Contrast this with annual grants to IBAM.

Originally formed and active since the 1930's, and re-registered in 1986 the ATA's mandate is:

*"To promote and further the interests of members regularly engaged in the automotive repair industry to the general public, civic, or government bodies."*

This mandate has grown becoming more comprehensive over the decades in keeping with the evolution of MPI and the Industry.

Today MPI and other stakeholders form a vast multi-faceted network of interrelated initiatives and processes which ultimately benefit the trade, MPI, and the Manitoba consumer.

The only way that such an integrated system of insurance and repair delivery can continue to benefit the consumer is by MPI investment, support and a transparent fair course of dealing with the repair industry. In past months we experienced challenges with the MPI culture not being fair, open, transparent and committed to common goals.

The issues as we see them are:

1. Present and emerging gaps within Manitoba's Public Insurance system threatening ratepayers' future access to safe and proper repairs, long-term rate consistency, and retention of vehicular present values following vehicle repairs
2. Increasing bureaucratic red tape, inefficiencies and offloading of costs
3. Absence of MPI & Stakeholder Alignment

### Issue #1 - Examples of present and growing gaps:

- a) Affordability of ongoing advanced and safety training
- b) Ability of repairers to bear the ongoing and increasing costs of obtaining crucial equipment, technology and information to ensure driver, occupant and third-party safety post repair
- c) Reduced opportunity for repairers to "throw-in unpaid labour or materials" to produce the highest quality repair. Unaffordability breeds mediocrity; not excellence (e.g. weld damage repair)
- d) Diminished value of the insured vehicles post repair resulting from increased use of "alternative" parts.
- e) No plans for redistributing insurance premium revenues based on actual and predicted knowledge and specialized equipment arising from technological change

***ATA has this to say on the Affordability of ongoing advanced and safety training ...***

Manitoba has the honorable distinction of having the most advanced trained repairers in North America. The cost of this advanced training is entirely born by the businesses, except for a now discontinued annual I-Car allowance from MPI of \$189.

To qualify for I-Car Gold & Retain MPI Accreditation, Manitoba shops

- paid out between \$5,000 and \$10,670
- pay out \$1,080 yearly for continuing education for 4 Roles. This doubles to \$2,160 beginning Oct 7 and exclude cost of welding training from \$850 to \$2550 per person.
- This fall requirements are changing and the cost of training jumps by approximately 68% to between \$8,000 and \$17,890 as the minimum employee count in structural and non-structural designated roles changes from 1 person to 2 persons.

**This price spike will place even more pressure on repairers' ability to retain their accreditation leading to possible closures, sale to consolidators or becoming a nonaccredited repairer. Rural and remote locations are more at risk for losing an accredited shop than urban areas.**

While MPI facilitated a large percentage of the hands-on training at its JW Zacharias Physical Damage Research Training Centre repair shops also took up the call to provide needed space and trainers to teach I-Car courses. I-Car Canada pays trainer costs from tuition fees and provides shops with an honorarium for hosting the training.

Safety training and tooling are still other critical ongoing shop costs. To become a SafeWork Certified Shop the initial outlay for training is about \$12,000 when an outside consultant is used.

***On Gap #2 – The ability of repairers to bear the ongoing and increasing costs of obtaining crucial equipment, technology and information to ensure safety post repair, ATA has this to say ...***

- Tooling the average shop is equivalent to putting a student through a 4-year university program
- Average cost per shop is about \$81,000 to acquire the basic equipment (resistance welder, pulse welder, 3-dimensional measuring system, and a scan tool). Extra if a frame bench is required.
- For shops certified to repair Hondas, Ford F150s add another \$50,000 per shop (for a rivet gun, anchoring plus aluminum dust extraction systems)
- For future GM repairs add another \$30,000 to replace the resistance welder if it isn't compatible with GM's new requirements
- Double and triple this investment for shops repairing European and top end brands (Audi, Volkswagen, Volvo, Lexus, Infiniti, Mercedes, BMW etc.)
- For all shops add \$900 per tool requiring annual software updates, minimum 2,700 for 3 pieces of basic equipment (\$2,700 for 3D measuring, scan tool & wheel alignment – more for other subscriptions)
- Add \$20 to \$50 (US) for each vehicle model to download OEM procedures for noncertified shops
- Add an average of \$6,000 per year for each Manufacturer Certification and much more for European and top end models

**The effect of these expenditures on the consumer may lead to longer queues, longer cycle times and further travel distances as fewer shops will be able to afford the specialty equipment required to retain their technical ability to perform safe repairs**

***On Gap #3 Diminished value of the insured vehicles post repair resulting from increased use of "alternative, ATA has this to say ...***

- Containing severity costs is important to all parties.
- Aftermarket parts do not always fit precisely as an OEM part. This mean the repairer must spend more time in adjusting the fit adding to cycle time
- Recycled parts may offer a solution to the "fit" issue but may requiring cleaning to bring the part to the pre accident condition of the consumer's vehicle.
- Page 7 of the 2019 Guide To Autopac Insurance MPI promises to pay for repairing {your vehicle} to pre-incident condition.
- Page 8 provides an example of parts usage for a 5-year old vehicle and states options include using recycled or ***brand new factory-manufactured parts***. To an average consumer brand new suggests OEM not aftermarket. The example is also misleading because it implies vehicles under 5 years might have different options. Is this being transparent?
- Has MPI approached OEMs for better pricing as an alternative to aftermarket parts?
- Best Value for Consumers = OEM (new) Parts + Recycled Parts.

**Consumers care about the value of their vehicle and the price they can get at trade-in, lease return or private sale. How is vehicle value and price affected when alternative parts are used? Are consumers able to purchase extension policies for OEM parts through MPI or other insurers?**

***GAP #4 - Absence of plans to redistribute insurance premium revenues based on actual and predicted knowledge and specialized equipment deficits arising from technological change***

With a reported surplus of \$158 Million redistributing revenues should be possible without affecting ratepayers and consumers. Here are 2 examples of potential financial efficiencies:

- As of September 2019, MPI reports it employs 70 estimators (80 prior to DR) performing estimating and audit functions
- As of the same time period, there are 170 DirectRepair Shops performing estimates
- Third party repair verification companies could provide repair verification services for 170 shops for \$116,000 each month or \$1,392,300 annually. Contrast this with Estimator wages.
- The JW Zacharias Physical Damage Research Centre cost a reported \$6.4 million. Its annual operating costs are not disclosed. How do its operating costs continue to provide a benefit stream to stakeholders?

Moving on to the next issue ...

**Issue # 2 Increasing bureaucratic red tape, inefficiencies and offloading of costs.** Examples include

**a. DR Estimating**

- increased personnel – estimators with annual wages averaging \$60,000;
- increased administrative workloads on all shops particularly smaller volume DR shops unable to afford to hire a dedicated estimator
- increased materials costs – paper and printing of

b. ***In-process & post vehicle repair status notification***

- The new cloud-based Mitchell Connect does not integrate with its own Management System, Mitchell Repair Centre, or other proprietary collision repair management systems
- This incompatibility drives shop inefficiencies and is also unfair because MPI procedures require shop staff to double-enter vehicles repair status in their respective management systems and Mitchell Connect to alert MPI auditors to perform a repair verification at the designated shop
- Failure to comply with the time frame to reenter repair status will result in points being deducted from the Collision Shop's Report Card.

Moving on to the 3<sup>rd</sup> and final issue we are presenting today is ...

**Issue #3 Absence of MPI & Stakeholder Alignment**

There is a need to build a new momentum and rhythm among all stakeholders reflecting the new reality in the automotive insurance and stakeholder network. For alignment to come about there must be a commitment to equity and transparency even when the information and facts are controversial or complicated.

Examples of information withheld and/or released without reasonable notice include:

- Refusal to release severity data to Mitchell International as private insurance companies do for benchmarking in Mitchell's Industry Trends Report: Auto Physical Damage Edition.
- MPI quickly points out labour rates are amongst the highest in Canada without disclosing Manitoba's severity rates will be amongst the lowest in the country.
- How are high labour and low severity rates possible? Because the estimating software, UltraMate, contains more excluded operations than its competitors allowing MPI to establish lower labour times through estimating policies.
- Also, through MPI's unique licensing arrangements with Mitchell an undetermined number of operations in its estimating platform were altered resulting in fewer labour hours paid out to the Trade (e.g. finish, sand & Buff; de-nib & finesse, mask for overspray, weld burn damage to name a few).
- MPI's Paintless Dent Removal initiative is a prime example of unreasonable notice. Announced in June one week before a July rollout date shops were informed PDR could only be done at an authorized facility leaving many shops unprepared to absorb financial losses resulting from the removal of this work. Having promised to provide the Trade with a Post Implementation Report, the report eventually released was incomplete and contained misinformation.
- Respect and equality are essential to bring about alignment in this complicated network. MPI's senior officers have made efforts to improve openness, information sharing and consensus building through various stakeholder committees and outreach. Unfortunately, these well-intended overtures are often derailed due to regular reminders that the insurer is not under any obligation to collaborate nor consult with industry stakeholders prior to implementing its strategic direction. Such reminders only serve to instill a sense of inferiority within the Trade as the powers of the Corporation are already clearly enunciated in the MPI Act and the Industry Agreement.

- Another example of inequity is requiring shops to change OEM parts to aftermarket even when the OEM list price is lower and directing the aftermarket vendor to lower the price below the OEM's list price. This practice also causes a supplement to be created.

In conclusion, ATA's 150 member shops are hardworking businesspeople with a dedication to their craft, a commitment to repairing vehicles professionally and safely, with a large investment in a technologically demanding industry. They want to repair Manitobans' vehicles with skill, and efficiency and return a safe vehicle to the public that is as good as it was before the accident.

The ATA will be monitoring the evidence in this General Rate Application, especially as it relates to how MPI deals with its business partners (this year's) such as IBAM.

The ATA has provided numerous draft questions to the existing Intervenors (primarily CAC) to help get answers that may be valuable in painting a comprehensive perspective in how insurance repair is provided to Manitobans.

Our presentation this year serves as the foundation for an anticipated application by ATA as an intervenor in the 2021 GRA, contingent on the relevance of those issues to that application once filed.

We have some time then, and we trust that our attendance today in this brief presentation alerts the Board to the importance of well managed interdependencies and having a strong repair industry properly supported by a transparent and fair MPI, with the result benefitting the insurance consumer with a safe repair and to the standard that the consumer is paying MPI to provide through the repair industry.

Thank you for your time and attention. We can certainly address any questions of the Board.