



CCIF Montreal Meeting Report

**Canadian Collision Industry Forum
Delta Centre-Ville, Montreal
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Too Many Repairers and Not Enough Work in the Quebec Market

Remy Rousseau, Rousseau Automotive Communication

The Quebec collision repair market is changing rapidly as networks continue to grow and the industry adjusts to new vehicle and repair technologies. Environmental issues, labour rates and the trend to less repair/more replacement are additional challenges to profitability and the viability of many operators. All this is happening in a market with too much capacity chasing too little work, stated Remy Rousseau. With about 1500 collision repair facilities in Quebec and annual sales of \$786M, the average gross sales per facility is just over \$500,000 per year. Of course, there are many facilities with sales far higher than the average, but even more with sales much lower. For the smaller shops in particular, it must be hard to earn sufficient profit for reinvestment in new technology, staff training and equipment in order to maintain standards in quality and safety of repairs. Remy suggested that even if the total number of facilities in Quebec were reduced by half to create a better balance of supply and demand, the average annual sales per shop would be only a little above \$1M, probably a minimum level at which sufficient net profit is produced for reinvestment.

Further industry consolidation and "right sizing" could be accelerated through the introduction of Province-wide standards and accreditation, said Remy. Quality, safety, productivity and industry image would all benefit from a requirement for shops to meet certain standards in facility, equipment and training. Insurers are increasingly demanding that their repairers meet certain criteria and standards, but the lack of uniformity between them makes it difficult for repairers to establish clear goals. It would be great to see Quebec insurers and repairers develop uniform standards and a recognition process instead of retreating behind the questionable excuse about loss of competitive advantage.

Industry Fact Finding

Tom Bissonnette, Parr Auto Body

Tom had described and shown pictures of a damaged vehicle in a trade magazine, asking readers to participate in a survey by providing repair estimates. Expressing his thanks to those who had completed the survey and reporting now on the results, Tom highlighted some of the wide variations in the estimates and how they were constructed. For example, hourly labour rates varied between \$52 and \$85, paint rates

ranged from 1.5 to 6.5 hours and materials costs from 0 to \$95. The lowest total repair time was 4 hours and the highest 11.6 hours. With regard to the total estimates, the lowest was \$464 and the highest \$1710. One of the low estimators had complained that he could not make money at such a low level, not realizing that his own inaccurate estimating was not only damaging to himself, but to his industry peers, who were trying to estimate on the basis of doing the job properly. Other items not included in some estimates were masking for overspray, hazardous waste disposal, removing / installing trim and glass removal, the last two items being important considerations in repair quality and for paint suppliers' warranties.

The conclusions drawn from the survey results suggest that more attention could be paid to Audatex and Mitchell times, for example, in tasks such as masking, in feather, fill and sand and in corrosion protection. Other items like colour tinting, denib and buffing should also be included if repairers want to be correctly compensated for restoring vehicles to pre-accident condition. With administration time averaging about 5 hours per repair, perhaps repairers should be charging a reasonable amount for that, too, just as independent appraisers do. While discussion on compensation often focuses on the hourly labour rate, it is clear that complete and accurate estimating plays a significant role in achieving suitable compensation for the tasks performed. If current practices and processes defined in the insurer mandated estimating systems were included in both the estimate and the work carried out, then there would be greater consistency of quality, fewer come-backs and a maximization of revenue at the prevailing labour rate.

Labour Market Study by CARS Council **Jennifer Steeves, CARS Council**

The recent CARS Council study of the automotive aftermarket, "Performance Driven" looked at the issues of attracting/retaining staff, training and remuneration/working conditions. Jennifer Steeves explained that the study included mechanical repair shops and jobbers, as well as the collision repair industry segment. The most optimistic outlook on the future came typically from the 25% of shops with an HR plan and budget in place to address attracting/retaining staff, training, skills assessment and hiring apprentices. However, almost one third of employers (31%) do not employ any apprentices, despite a proven return on investment and government programs and tax incentives for doing so. Of those that do hire apprentices, almost a quarter have difficulty in retaining them, while those who provide a formal orientation process fare somewhat better in keeping them.

The survey indicated that currently the national labour market was tight and that over the next few years over 60% of employers foresaw modest or major shortages of paint and body technicians. Employers also anticipated continual introduction of new technology and the constant need for updated training, notably in the areas of paint, new light weight body materials and in hybrid vehicles. These developments would lead to greater specialization of service, equipment and tools, as well as new body shop management and customer relations management systems.

Looking at what skills are considered essential, Jennifer noted that employer opinions differed from those of their employees. Over 50% of employers considered problem solving, continuous learning, computer usage, decision making, job task planning/organization and critical thinking to be essential skills, while 25% or fewer employees considered them so. The study found that employers also valued skills in ability to work with others, verbal communication and ability to find information far

more highly than their employees. Jennifer concluded with the observations that training plans and budget are a critical success factor and that the industry must continue to address the need for steady skills upgrading to ensure the future capability and business success.

CCIF Skills Program

Leanne Blackborow, CCIF Skills Program

Leanne recapped the achievements of the CCIF Skills Program, particularly its success in using the provincial and national Skills Competitions as a marketing tool to raise awareness of collision repair as a career opportunity. With Alberta, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Newfoundland, all sending provincial car painting champions to the 2010 National Skills Competitions in Waterloo, car painting was clearly well re-established across the country among the skilled trades on display. Many thousands of young people had attended these competitions and, based on the fun they had using the Virtual Painting machine and what they learned on the CCIF Skills Program booth, there is a far better chance that they might investigate further, than if car painting and auto body repair had not been represented among the 40 or so skilled trades vying for the young people's attention.

Looking ahead, Leanne announced that the 2011 National Skills Competition would be held in Quebec City on June 1- 4. Volunteers would be welcome, and, like others in the past, could look forward to a truly rewarding experience in working with others in support of their industry. As well as planning and preparing for that event, Leanne would be working with the provinces to help with the organization of their provincial competitions, representing the industry at career events, maximizing media coverage and sharing resources with educators, colleges and industry professionals. Leanne thanked the growing list of CCIF Skills Program sponsors and thanked Remy Rousseau for donating a free advertising page and holding draw for all those who made a contribution at this CCIF, where nearly \$1300 was raised. Leanne concluded by reminding participants that while the CCIF Skills Program is achieving success in its goal of raising awareness, there was still much to be done in getting young people across the threshold and keeping them there.

I-CAR on the Move

Andrew Shepherd, Automotive Industries Association

On the day prior to this CCIF over 100 people had gathered in Montreal for a training day organised for Quebec shop owners and technicians. The agenda had included Advanced Material Damage Analysis and Automotive Foams courses. This was a great start for I-CAR in improving its service for the industry in Quebec, said Andrew, as he promised more material in French and advised that he was seeking volunteers who could help with course translation material.

Andrew was also pleased to report that the whole course registration was being revised in a way that would avoid last minute course cancellations and ensure that courses were run with adequate numbers of trainees. He also advised that due to the rapid advances in vehicle and repair technology, participants could look forward to a range of new I-CAR courses in 2011 covering the latest technology and repair techniques.

Accreditation and Standards

Larry Jefferies, CARSTAR Automotive Canada

As industry leaders gathered at CCIF meetings from across the country, it became clear that there were some common threads in their interest for some kind of accreditation and standards system that would enable insurers to recognize and reward their

repairers according to their capability. Larry Jefferies reminded CCIF participants that it was five years ago when CCIF brought representatives of all stakeholder groups together to discuss how, for example, the innovative programs being driven by ICBC in British Columbia and the principles of Ontario's unimplemented Collision Repair Standards Act (2002) could be drawn up into a national recognition program. The concept was endorsed at that time and a CCIF committee established to work on what a program should look like and how it would be implemented and managed. By 2008 it appeared that the appetite for industry standards and accreditation had waned and there was insufficient support for a national program. Collision repairers did not see the return on investment, insurers didn't believe they had a role to play in supporting a transparent standards system and there was insufficient common ground between all stakeholder groups.

"Today the industry faces serious challenges", said Larry, "in consumer confidence, workforce skills – current and new, profitability, make/model proliferation and a confusing mix of regulations." In the face of these challenges, the rationale for an accreditation and standards system remains valid, but with such variations in the industry profile and insurance model from province to province, there may be more interest in provincial programs that can be developed according to the local situation and needs. Interestingly, though, while Canada hesitates, other countries are looking at accreditation and standards. In the USA, CIC, the equivalent organisation to CCIF, has set up a committee to work on a standards program. In the UK, the insurance industry has established a mandated accreditation program, PAS 125, with third party validation of repair quality and standards by the national British Standards Institute, using its consumer recognized "kite mark" logo. Larry suggested that the initiative will most likely succeed because it was developed by the insurance industry's Thatcham research centre and driven by insurers, who now require repairers to be PAS 125 certified to be on their program. However, it may take a while until repairers see the benefit of this administratively heavy program.

In Canada the repair networks are developing their own programs, some government-run provincial insurer programs are in place and in the private insurance provinces there are different insurer-developed programs. The lack of consistency, particularly for repairers on several insurer programs, seems to be at odds with insurers' drive for increased efficiency and their need to cut costs, which could be realized through reducing administration and oversight of each claim. Larry summed up by asking if it's time to revisit the issue of standards and accreditation. If so, maybe not as a national program, but through various programs suited to the local industry profile and insurance model. In all cases there would need to be clarity on the benefits for all stakeholders. As in the previous initiative, there would have to be the spark to reignite and develop the programs. Above all, it seems clear from observing existing programs that any new ones must be insurer-driven in order to take hold and succeed.

Environmental Certification Program, Clé Verte (Green Wrench)

Robert Comtois, Nature-Action Quebec

Following in the same vein as the previous presentation, Robert Comtois explained the objectives of the Clé Verte (Green Wrench) program that had been launched in Quebec during 2009. It is a certification program designed to improve management of environmental practices in automotive repair facilities. A survey had shown that 89% of owner/managers were willing to improve their current practices and believed this would be to the advantage of future generations. However, more than 70% of them knew little about the laws regulating environmental practices, but did recognize that

customers would appreciate their commitment to respecting the environment if they were to show compliance. Forming a strategic alliance with key industry partners, the Clé Verte program was set up to create, promote and implement a self financing, permanent program for certification of good environmental practices in automotive repair facilities. The broader goal was to contribute to the improvement of air, water and soil quality through providing creative and practical methods that encourage shop owners to change their behaviour. Another goal was inform motorists and to develop a positive image that would help attract new staff.

With over 350 repair facilities signed onto the certification program in the first year, the future of Clé Verte looks bright. With a total of 12,000 automotive repair facilities in Quebec, Robert acknowledged the amount of work still to be done. He hoped that the collision repair sector, not only in Quebec, but across the country, would consider joining the program to show environmental leadership in their industry and improve the quality of the air, water and soil that we all share.

Become a Lean Machine

Ron C Kuehn, DuPont Performance Coatings

Beginning with a look at current market conditions, Ron Kuehn pointed out that repair capacity continues to grow at a time when the number of vehicles being repaired is declining. Fewer collision repair businesses are repairing a larger percentage of that declining number. As in any service business, customers expect timely, quality repairs at a competitive price, but these expectations become more significant in over-supplied markets where customers have too much choice. So what does this have to do with Lean and what is Lean? Recognizing that various aspects of Lean have been featured at CCIF in the past, Ron set out to demystify it and go back to basics in explaining how it can benefit any business.

Lean is a culture that embraces a strategy of Operational Excellence, which enables change for the better, said Ron. It focuses on improving the quality of the product of each process step, as well as the stability of the process. It is a culture in which there is respect for those doing the work and treating each other as internal customers. It seeks to reduce waste by challenging every performed activity and eliminating those that have no real value.

Although less than 20% of North American collision repairers have adopted the Lean culture, the efficiency benefits that they are realizing are increasing market capacity. This makes those highly efficient shops work harder to keep feeding the monster with enough work to fill their capacity. They focus effort on attracting more work because their Lean culture and processes enable them to improve cycle times to a level that is two or three times faster than traditional shops. They have fewer supplements and parts orders, reducing administration and reworks. They have better CSI results, improved cash flow from faster cycle times and fewer parts returns. Of course, all this means less stress and chaos, too. So why doesn't every shop adopt the Lean culture?

The obstacles can include ourselves, lack of long term vision, lack of problem solving skills, a top-down management culture and a fluctuating workload. A good way to get started on the path towards a Lean culture would be to read some books, seek guidance and support from your paint supplier and repairers at CCIF who reaping the benefits of Lean in their own shops. In closing, Ron proposed that the first areas to address should be:-

- Pre-production - Preparing a complete final bill prior to repair
- Parts Organization – One order, storage, verification, movement

- Production – Fewer vehicles in process, more hands on vehicles
- Admin. – Map the value stream and remove waste

You're Still Calling Suppliers?

Patrick Turcotte, Progi-Pac

The traditional way to buy parts often involves multiple calls to find the right ones, waiting on line and dealing with errors afterwards. But it needn't be like that, said Patrick Turcotte. There's a better way, and that is by going digital for parts procurement. Patrick explained how specialized software programs can centralize the on-line process by listing the parts required and obtaining confirmation of pricing and availability of OE, recycled and aftermarket options. The user can compare offers from various suppliers and then place the order with the click of the mouse. The advantages over traditional methods are fewer phone calls, ability to see offers from various suppliers simultaneously, simplified work for all involved, easy tracking and recording of orders and statistics.

Estimating software can play a key role in helping repairers, not only in charging correctly for all parts and labour, as Tom Bissonnette had shown earlier, but also help with easier exchange of data and cutting out double entry. Don't be afraid of technology, said Patrick. With just a little work, it can simplify your life.

Low VOC Conversion News

Patrice Marcil, DuPont Performance Coatings

It was back in 2006 when it first became clear that the collision repair would be one of the target industries for new regulations to reduce VOC emissions. It also became clear the only way that the new limits could be achieved was through changes in the products and processes used at repair facilities. The task of introducing new technology products and equipment into every shop in Canada by 2009 sounded daunting, said Patrice Marcil. But there was acceptance of the environmental benefits and that paint suppliers and collision repairers would do what needed to be done. The principal feature of the conversion to lower VOC products was the need for waterborne basecoat, a technology that had been available for several years, but that had not been widely adopted.

Initially, the conversion rate was slow, with only 500 of Canada's 8,000 shops converted by the end of 2007, but the paint suppliers maintained their focus in helping repairers through the conversion process. After a revision of the date by which current technology products could no longer be sold, the industry is finally nearing the end of the journey, as it heads towards the "stop sale" date of December 18th, after which it will no longer be possible to buy current VOC technology products for professional auto refinishing. A few shops are still using solvent-borne basecoats, but they tend to be smaller businesses buying jobber- mixed colours. Patrice felt that 2011 would be a time for all industry stakeholders to pride themselves on completing this massive conversion exercise that will result in 40% less solvent, or 2.8 kilotonnes per year, being released into the atmosphere. It will be congratulations to a cleaner industry for enabling us to breathe cleaner air.

Looking to the future, it is clear that more will have to be done to reduce air pollution. Whether by future regulation or by market demand, paint suppliers will continue to push technology further, perhaps towards products with no VOCs and no polyisocyanates, electronic volume calculators and 100% transfer efficiency. Collision repairers have always been ready to meet the challenges of new technology, said Patrice. The Low VOC Conversion has proven their ability and willingness to adapt, and these attributes will stand them in good stead in the future.

CCIF would like to thank the sponsors for their generous contributions that made this meeting possible and that enable CCIF to maintain its drive to help the industry share information, network and find solutions:-

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