



## **Vehicle Sales and Service**

### **Introduction**

These groups represent a diverse variety of businesses such as automobile, truck and recreation vehicle sales and services: aftermarket sales; recycling; auto repair and refinishing; tire wholesalers; and retail tire and wholesale suppliers. The Vehicle sales and service sub-sector includes rate groups;

- 630 vehicle Services repair
- 636 retail non-food specialty stores
- 657 automobile and truck dealers
- 659 other motor vehicles and trailers and
- 660 home and auto supply stores

### **Economic Trends**

The global auto business is by no means static. A vast restructuring is underway, with active consolidations, shifting alliances, increasing competition, and outside forces entering the business.<sup>1</sup>

TD Economics said the engine of Canada's auto and parts sector will sputter this year, but not break down. This sector, based largely in Ontario, is battling a number of headwinds, notably in the form of falling light-vehicle sales in North America and the restructuring efforts of the Big Three car makers General Motors, Ford and DaimlerChrysler. Canadian output of autos and light trucks will likely decline by 1.2 per cent this year but that compares to a drop of 2.6 per cent in the U.S.<sup>2</sup>

An analysis of Statistics Canada data indicated that profits for the overall auto industry, which fell to \$886 million (Canadian) last year, are expected to climb back up to \$1.3 billion this year, then to \$2.1 billion in 2007. The report noted that the rise in value of Canada's dollar and China's growing importance as a vehicle and parts maker will affect auto makers and parts companies operating in Canada.<sup>3</sup> Auto union leader Buzz Hargrove says a tour of the Far East has convinced him that China will completely overrun the North American vehicle industry within 2 decades unless governments take action to thwart a potential flood of imports.<sup>4</sup>

In 2005, 8,730 dealers and 22,877 salespersons were registered under the Motor Vehicle Dealers Act (MVDA). Registration is mandatory for motor vehicle dealers and salespersons in Ontario and is valid for a two year period.<sup>5</sup>

Despite fluctuations in the second half of the year, 2006 sales of new motor vehicles continued their relatively stable upward trend. Prior to 2006, sales showed sizable

fluctuations throughout 2005 with the introduction and subsequent removal of dealer incentive programs.<sup>6</sup>

More bankruptcies are looming in the troubled auto parts sector. A record number of auto parts supplier bankruptcies in North America and Europe could be filed in February. The number of distressed suppliers on the auto maker's watch list has grown by 44 per cent since last year at this time and pointed to excess capacity among plastic-injection moulding companies, makers of interior parts and metal stamping operators.<sup>7</sup>

According to the OSSA Vehicle Sales and Service Advisory committee (VSSAC) the vehicle sales and service sub-sector continues to battle two significant local challenges.

Firstly, underground businesses are threatening the sustainability of legitimate companies in Ontario. It was estimated that 18-20% of these businesses do not register with the WSIB. Underground businesses tend to be cash only businesses that operate a fly-by-night business. If discovered by the MOL they often shut down and then reopen the same location with a different name. There are concerns in the VSSAC that the health and safety of the employees at these locations may not be the highest priority for these businesses, which often do not register with the WSIB. They also feel customers are especially vulnerable to this as they usually aren't aware if it is a legitimate business.<sup>8</sup>

A second challenge is that customers who have an accident are increasingly more adverse to submitting an auto insurance claim. In order to avoid paying increased premiums to auto insurance companies they do not submit a claim and pay for it directly. The number of customers paying out of pocket has risen dramatically over the last couple of years. In Ontario's "No Fault" program even car drivers not responsible for the accident will have premiums increase if a claim is made. To combat that insurance companies are now advertising that you can have 1 accident without a premium increase, but that is a premium service that you pay extra for.<sup>9</sup>

Additionally, while more than 30 percent of auto insurance customers who chose not to file a claim after a collision feared their premium would increase, 62 percent of respondent who did file a claim more than six months prior to being surveyed indicate their premium has not been re-adjusted by their insurer.<sup>10</sup>

## **Social & Demographic Trends**

The vehicle sales and service sub-sector has significant impact on Ontario's economy due to the number of workers the entire industry employs. Employment opportunities are available and attracting people to the roles similar to other sub-sectors continues to be a challenge. A new program hopes to encourage students to enter apprenticeship programs. Although this kind of program is of benefit to the workforce currently there is a challenge of training its current workforce.

The auto sector, Canada biggest manufacturing industry, is concentrated in southern Ontario with 11 assembly plants and hundreds of parts makers. They employ about

150,000 workers directly and produced more than \$1000 billion in vehicle and parts shipments last year.<sup>11</sup>

The auto parts sector, which employs about 90,000 people, is Canada's most important manufacturing industry and a key exporter. However, the sector has lost about 10,000 jobs in the last two years and expects another 5,000 layoffs in 2007 because of relentless price pressure from customers and rising material and energy expenses.<sup>12</sup>

A job-seeker's market is opening up in Ontario's automotive industry as it prepares for a significant shortage of skilled trades people by the end of the decade. The auto parts manufacturing industry in particular is expected to have nearly half (42%), of its skilled trades jobs unfilled by 2010. While that's the worst of it, other sectors in the auto industry are expected to have shortages ranging from the high 20 percentile, into 30% and 40%. The industry currently employs about 330,000 Ontarians and brings in about 20% of the province's gross domestic product, while representing about 13% of the national GDP.<sup>13</sup>

As part of its Learning to 18 strategy, the province is adding pre-apprenticeship and other programs for high school students at risk of dropping out. It has set a goal of 26,000 new apprenticeship registrants each year by 2008, an increase of more than 50 per cent.<sup>14</sup> To train new workers to enter this industry, better collaboration is required between the industry and educators, as many in the industry feel that the students do not leave post secondary education with the skills they need to do the job. In addition to this, the equipment used by educational institutions to train the students and is often outdated and not relevant to actual workplaces. The challenge continues once the student enters the workforce where there is a shortage of qualified ethnicities to provide training and support.

When employers have managed to find and retain qualified staff, they then need to keep workers trained on rapidly changing technology. Employers claim they are hard-pressed to spare employees for training during business hours, and the majority of employees said they do not have the time or resources to pursue training outside of work hours. Access to training also varies widely across this sub-sector, depending on region.<sup>15</sup> There is a need in this industry for more programs that encourage development of internal staff.

## **Technology & Industry Trends**

Many new technologies have been introduced or improved such as: the expansion of fuel saving initiatives including, hybrid cars, cleaner diesel engines and nitrogen in tires. Also a company invented a car that detects drunk-drivers. Challenges still continue for independent repair facilities and access to information and for them to keep up with the computerization that the dealers have.

An explosion of interest in fuel-saving vehicles and the obvious link between oil and national security are having a profound effect on the auto industry. Companies are scrambling to develop energy-saving earth friendly technologies that meet consumer demands for no-compromise transportation, while also cutting the reliance on imported oil.<sup>16</sup>

DaimlerChrysler and Volkswagen announced an agreement to jointly use a clean diesel technology developed by Mercedes-Benz. Under the agreement, both companies will use the term Bluetec to promote the technology of low-emission advanced diesel engines for passenger cars and trucks.<sup>17</sup> Hybrids are expected to be in increasingly high demand over the next five-years, especially lower-cost models influenced by the expansion of consumer buying power in developing countries. On the other hand, sales of minivans, SUVs, and large pickup trucks, with crossovers and luxury vehicles are expecting to see a decline in sales.<sup>18</sup>

Fuel efficiency can also be found by replacing Nitrogen in tires instead of standard air. With nitrogen tire inflation, improvements can be noted in a vehicle's handling, fuel efficiency and tire life through better tire pressure retention, improved fuel economy and cooler running tire temperatures.<sup>19</sup>

Toyota Motor Corp. is developing a fail-safe system for cars that detects drunken drivers and automatically shuts the vehicle down if sensors pick up signs of excessive alcohol consumption. The world's number two auto maker hopes to fit cars with the system by the end of 2009. Similar technologies, such as alcohol ignition interlocks are in use in North America.<sup>20</sup>

Due to the increased sophistication of today's vehicles, it is gradually becoming more difficult for independent repair facilities to access the information and develop the skills required to service vehicles; however, vehicle manufacturers are restricting access to tools, training and software to the aftermarket industry. By reserving some of this information for dealership networks, vehicle manufacturers are putting the aftermarket industry at an unfair disadvantage.<sup>21</sup>

With all the advances in vehicle technology, it's the sales team that is being left behind. There is a lack of computerization within dealerships; most of the business is still paper based which affects the business's efficiency.<sup>22</sup>

## **Legislation & Policy**

The Automotive Parts Manufacturer's Association indicated in a policy paper that Ottawa's progress is "poor" in dealing with almost 20 issues, ranging from tax credits and immigration to training assistance and border bottlenecks. Ottawa and the Ontario government have each committed \$500 million in aid including a research and training component, to attract new investment to the auto sector in Canada. The two governments have sent most of the aid to auto assembly companies.<sup>23</sup>

Firms are asking Ottawa to:

- Keep the dollar at or below 86 cents (U.S.)
- Enhance tax credits for innovation and commercialization
- Integrate customs and security systems to improve border crossings
- Make it easier for trades-people to immigrate to fill critical jobs
- Let employers tap the federal employment insurance fund to educate workers<sup>24</sup>

The OSSA VSS Advisory Committee would like to see the MOL become more comprehensive in its inspections of auto body shops. In an effort to improve the process they are suggesting that if an inspector is visiting one shop in a location then they should visit all the shops in the same neighbourhood. They believe this will help drive compliance and education about initiatives and policies within a community and further reduce injuries within the sector. There is some concern that businesses may be having problems but are not reporting them to the MOL.<sup>25</sup>

## **Health & Safety**

The vehicle sales and service sub-sector deals with a wide variety of hazards. According to the Ministry of Labour, major hazards include: lifting devices and hoists; improper blocking; strains, sprains and ergonomics; vehicles moving in gear during repair; tire inflation; noise; solvents, OELs, DSRs, carbon monoxide, isocyanates; falls from ladders or trucks, slips on floor; burns from exposure to flammables such as gas tank repairs; and traffic control (especially within the tow truck industry).

This sub-sector is very concerned about the aging worker population and some employers are worried about an increase in critical incidents. They are also considering how to accommodate older workers and reduce their physical workload.<sup>26</sup> The OSSA advisory committee members also sighted a number of other specific health and safety concerns including the need for signallers behind reversing trucks, the number of companies not reporting injuries, and the difficulties resulting from employees working two jobs.<sup>27</sup>

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- <sup>1</sup> KPMG International, *Automotive Momentum*, January 2007.
- <sup>2</sup> Tara Perkins, "Ontario fares poorly in employment report," *Toronto Star*, 26 January, 2007.
- <sup>3</sup> Greg Keenan, "Layoffs loom at big rig plants," *Globe & Mail*, 6 December, 2006.
- <sup>4</sup> Tony Van Alphen, "Warning from Hargrove," *Toronto Star*, 29 November, 2006.
- <sup>5</sup> Ontario Motor Vehicle Industry Council, "2005 Annual Report & 2006 Business Plan", page 17.
- <sup>6</sup> Statistics Canada, "New Motor Vehicle Sales November 2006," 16 January, 2007. Cat. No 63-007-XWE.
- <sup>7</sup> Greg Keenan, "Clouds continue to gather over battered parts sector," *Globe & Mail*, 19 January, 2007.
- <sup>8</sup> Ontario Service Safety Alliance Vehicle Sales and Service Advisory Committee, Quarterly Meeting, 4 December, 2006.
- <sup>9</sup> Ontario Service Safety Alliance Vehicle Sales and Service Advisory Committee, Quarterly Meeting, 4 December, 2006.
- <sup>10</sup> "J.D. Power and Associates Reports: Nearly 20 Percent of Customers Consider Switching Auto Insurance Companies Following Their Most Recent Collision Claim," Insurance Canada.ca, <<http://www.insurance-canada.ca/claims/canada/2007/JD-Power-Switching-After-Claim-701.php>>, 13 January 2007.
- <sup>11</sup> Tony Van Alphen, "Warning from Hargrove," *Toronto Star*, 29 November, 2006.
- <sup>12</sup> Tony Van Alphen, "Ottawa said failing on Auto Parts," *Toronto Star*, 19 December, 2006.
- <sup>13</sup> JobBoom, "ONTARIO@WORK - The auto sector needs you!" <<http://jobboomcc.canoe.ca/News/2004/10/27/1225739-sun.html>>
- <sup>14</sup> Daniel Girard, "Skilled trades should be viable option for students," *Toronto Star*, 20 February, 2007.
- <sup>15</sup> Ontario Service Safety Alliance Vehicle Sales and Service Advisory Committee, Quarterly Meeting, 4 December, 2006.
- <sup>16</sup> Jeremy Cato, "Who's reviving the electric car?" *Globe & Mail*, 7 December, 2006.
- <sup>17</sup> Jeremy Cato, "Who's reviving the electric car?" *Globe & Mail*, 7 December, 2006.
- <sup>18</sup> KPMG International, *Automotive Momentum*, January 2007.
- <sup>19</sup> Get Nitrogen Institute, < <http://www.getnitrogen.org/> >
- <sup>20</sup> Associated Press, "Toyota works on device to detect drunk drivers," *Toronto Star*, 4 January 2007.
- <sup>21</sup> Automotive Industries Association of Canada "Right to Repair" <<http://www.righttorepair.ca/>>
- <sup>22</sup> Ontario Service Safety Alliance Vehicle Sales and Service Advisory Committee, Quarterly Meeting, 4 December, 2006.
- <sup>23</sup> Tony Van Alphen, "Ottawa said failing on Auto Parts," *Toronto Star*, 19 December, 2006.
- <sup>24</sup> Tony Van Alphen, "Ottawa said failing on Auto Parts," *Toronto Star*, 19 December, 2006.
- <sup>25</sup> Ontario Service Safety Alliance Vehicle Sales and Service Advisory Committee, Quarterly Meeting, 4 December, 2006.
- <sup>26</sup> Ontario Service Safety Alliance Vehicle Sales and Service Advisory Committee, Quarterly Meeting, 4 December, 2006
- <sup>27</sup> Ontario Service Safety Alliance Vehicle Sales and Service Advisory Committee, Quarterly Meeting, 4 December, 2006