



Collision Repair Facility Accreditation:

Implications for the industry and
the public and the role of a
national accreditation program

AN AIA CANADA POSITION PAPER



CANADIAN
COLLISION INDUSTRY
ACCREDITATION PROGRAM

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For permission requests, please contact:

communications@aiacanada.com

Tel: (613) 728-5821 | (800) 808-2920 | Fax: (613) 728-6021

Automotive Industries Association of Canada

180 Elgin Street, Suite 1400

Ottawa, Ontario K2P 2K3

Ph: (800) 808-2920 | Fax: (613) 728-6021

Email: info@aiacanada.com

Website: www.aiacanada.com

Automotive Industries Association of Canada

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Introduction

There are approximately 22 million private passenger vehicles (weighing less than 4500 kilograms) currently circulating in Canada.¹ Passenger vehicles represent the second-most expensive purchase for most consumers, currently, on average, 64% of a year's salary.² Depending on the brand, the Canadian Automobile Association (CAA) has estimated that the cost of owning a vehicle in Canada; e.g. maintenance, insurance, fuel, etc. is on average \$9,000 a year.³

Aside from their expense, automobiles are a qualitatively different product from most others. For over one hundred years vehicle ownership has meant mobility; i.e. access to jobs, essential services and entertainment for most Canadians. The vehicle is tied inexorably to the road infrastructure, the maintenance industry and environmental concerns. Despite this centrality of vehicle ownership and maintenance to daily life, quality control in vehicle repair has only very recently become a matter of critical public interest.

History of technical development

The automotive industry, indeed the motor vehicle itself, has evolved significantly since its infancy. At the beginning of the twentieth century vehicle repair was a relatively simple and safe task. Mechanical repair trades evolved from their metalwork processors, collision repair emerged as a craft industry based on cutting, shaping and filling metal. Low vehicle speeds and an absence of congestion implied that there were few safety concerns related to the repair industry.

Although there has been a long steady progression of vehicle technology since the release of the Ford Model T in 1908, the imposition of fuel economy standards by the US Congress in 1975 presaged an era of incredible change for the automobile. Between 1982 and 2010 fuel economy targets changed by 3.5 miles per gallon. Between 2010 and 2025 the required change is more than 700% of that initial eighteen years. The requirements to date have produced revolutionary changes in materials, structural approaches, attachment methods, steering and suspension designs and entertainment and safety technologies.

1 Statistics Canada, Table 23-10-0067-01, Road Motor Vehicle Registration by Type of Vehicle, available at <<https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=230006701>> accessed 6 June 2018.

2 [J.D. Power's Power Information Network \(PIN\) year-end-review, 2017](#), and Statistics Canada.

3 Bickis I., "[The invisible cost of owning a car](#)", The Canada Press, August 31, 2017, accessed 18 June 2018.

Emergence of Shop Accreditation and Current Status

Over the decades luxury brand manufacturers including Mercedes and BMW have designated certain repair facilities as “eligible and qualified” to repair their vehicles. This system was supported by a set of repair standards including specific training, equipment and customer service requirements. It was enforced by warranty conditions which required repair at these facilities – customers in effect agreed to the ‘restrictive’ repair conditions on purchase of the vehicle.

In the early part of the 2010s mass market manufacturers began launching their own “certified collision repair network” programs*. All set out the equipment, training and business operation standards which are required to belong to the program. A notable difference between these and the luxury brand programs is that they are not enforced by warranty conditions – the sheer volume of vehicles needing collision repair dictates that the manufacturer can only specify ‘preferred’ repairers through their programs.

It should be noted that, because of this lack of warranty enforcement, any collision repair facility can legally repair any vehicle, whether it belongs to the certified repair network program or not.

In general the accredited repair network programs serve the manufacturer interest because they encourage the purchase of OE parts, and most importantly because they promote brand allegiance after a collision.

* A note on terminology: Although there are generally some technical differences between the common usages of “certification” and “accreditation”, in this paper the terms are used interchangeably.

Following is the current status of shop certification in the Canadian marketplace:

- Most niche manufacturers (e.g. Mercedes, BMW, Jaguar) operate their own certified collision repair networks, with very specific equipment and training requirements, all reinforced by warranty-based restrictions on repair and maintenance.
- A number of mass-market manufacturers (e.g. Honda, Toyota, and Volkswagen) are driving their certified collision repair networks with internal control – that is, signing agreements directly with shops – but often with external audit partners.
- Other mass-market manufacturers (e.g. Nissan, Ford, Fiat Chrysler, Hyundai, Kia) are contracting out their repair network operation to an American company, known as Assured Performance Network in the US and Certified Collision Care in Canada.
- Canada's major repair networks (covering around 30% of shops but doing over 70% of repair business in Canada) - CARSTAR, Fix Auto, CSN, Carrosserie ProColor, Assured and Boyd Autobody and Glass, Craftsman Collision, Kirmac Collision, Speedy Collision and Simplicity Car Care - have voiced their support for the Automotive Industries Association of Canada's Canadian Collision Industry Accreditation Program (CCIAP), which is tied to the Automotive Retailers' Association of BC's Certified Collision Repair (CCR) Program in British Columbia.
- The CCIAP/CCR option has also been supported by Economical Insurance.
- The US marketplace also supports Verifacts Automotive, NSF International and, without doubt, other players entering the shop certification terrain.



Implications for Repairers

In general, most repairers benefit from shop accreditation. Progressive shops are investing in training, repairs and facilities and want to be recognized and rewarded for this. An additional benefit comes from the competitive advantage of driving toward high performance levels – shops which do not make the same investment will be relegated to a second tier or driven from the marketplace altogether.

The most obvious problem related to shop accreditation for repairers is the growing number and cost of accreditation options with a dozen or more individual Original Equipment (OE) programs – a handful of amalgamated OE programs – private and public options – and a growing choice of audit agencies. To date there is no established Return on Investment (ROI) for shop certification within the mass-market manufacturer programs.

A second related problem is the diversification of standards within all of these accreditation options. Specific and duplicative equipment requirements – data provision clauses – additional software installations – all add costs to the repairer. And eventually a multiplication of standards is no standard at all. Finally, on the horizon is the threat of the 'Trojan Horse' – once the private accreditation programs are 'inside the walls' of the repairer they will have the traction and leverage to introduce requirements beneficial to the certifier and not the repairer.

A good example of this lies in access to technical information. Access to repair information is paramount if independent repairers are to operate on a level playing field with OE dealer networks. In particular, independent repairers require access to technical information in order to repair today's complex vehicles. A competitive marketplace with equal access to repair information not only leads to greater consumer choice, it also has a direct bearing on public safety. That is to say, vehicles repaired incorrectly due to lack of technical information are a direct threat to safety. Effective competition depends on the degree of competitive balance between OE dealer networks and independent repairers, yet the latter's ability to compete depends on unrestricted access to essential inputs such as technical information.

Another threat of private accreditation programs is their emphasis on OE parts. Parts made on the same production line as the original component of the vehicle, as well as parts made by "same or matching quality" parts manufactures are often cheaper than identical parts bearing the brand of the vehicle manufacturer (OE parts). Alternative supply channels for the distribution of spare parts to independent repairers must remain open. In other words, independent repairers must have access to the full range of parts, including those that are only available from the vehicle manufacturer.

Implications for insurers

Private insurers wrote insurance policies totaling \$21.06 billion in Net Written Premiums (NWP) for automobile insurance in 2016.⁴ Automobile insurance premiums, like all insurance premiums, are determined based on risk. That is to say, the likelihood their customers will make a claim, (frequency) and how much those claims will likely cost (severity) in any given year. In 2016, Canadian private P&C insurers incurred \$2.5 billion in Collision claims. Insurers paid out a further \$2.2 billion in Direct Compensation Physical Damage (DCPD) losses where applicable.⁵ Collision and DCPD claims payouts on Private Passenger Vehicles (PPV) accounted for 22% of the overall automobile NWP or 34% of all PPV claims incurred. Industry data shows not only that collision and DCPD claims, i.e. physical damage, account for a significant portion of loss costs, these costs are also increasing. From 2012 to 2016, collision claims costs rose 9% in Alberta, 30% in Atlantic Canada, 17.5% in Ontario and 3% in Quebec.⁶ Keeping costs down is of paramount importance to insurers, indeed consumers in general.

The emergence of shop accreditation programs generally benefits insurers. Its main 'suppliers' on the auto insurance side deliver better quality service, which results in increased customer satisfaction. Having more competitive qualified shops with reduced error rates and shorter cycle times reduces costs of repair. If a repairer is to remain competitive, costs to improve the operation of the business and the quality of repairs are simply the cost of doing business regardless of accreditation.

There are several aspects of shop accreditation which do not serve the interests of insurers. As mentioned above private accreditation programs may tend to restrict access to up-to-date repair information. The emphasis on OE parts limits the use of appropriate non-OE and recycled parts, increasing the costs of repair. Certain shop certification programs, such as the Assured Performance Network that are tied to particular OE certification, offer rewards and rebates to repairers if internal usage on OE parts and equipment are achieved. Any and all such incentives drive the cost of repairs up.

4 Canadian Underwriter, Vol. 84, No. 6, June 2017.

5 General Insurance Statistical Agency, Actual Loss Ratio Exhibit Private Passenger Automobile Excluding Farmers, Alberta, Atlantic Provinces & Ontario, 2016 and Groupement Des Assureurs Automobiles, Automobile Statistical Plan, General Results, 2016.

6 Ibid.

Implications for Consumers

Consumer interests are affected in both positive and negative ways by the emergence of shop accreditation programs. As mentioned above there is a general increase in repair quality which directly affects consumer safety.

On the downside consumer choice is affected negatively through the self-interest of the vehicle manufacturer, as exemplified in the franchise model of car sales. Franchise agreements have long been the preferred distribution method of carmakers to sell motor vehicles. Through franchises, manufacturers appoint specific dealers in designated territories. The net effect of this structure is the existence of a network of selected retailers representing manufacturers in specified assigned territories. While this model is an efficient and legitimate manner of channeling motor vehicle distribution, there exists however the opportunity for carmakers to use franchising as a means to gain maximum control over the various sub-sectors of the automotive industry; i.e. pre-and post sales services. Carmakers generally allege that the technological complexity inherent to motor vehicles requires that only certain appointed dealers have the required expertise to service their manufactured vehicles. Even though this argument is unsubstantiated, any business behavior associated with this assertion restricts consumer choice, which in turn leads to higher costs of repairs. Fostering such a business environment de facto limits competition in secondary markets by withholding or limiting access to technical information, spare parts, diagnostics, equipment and tools necessary to safely undertake auto repairs. Restrictive practices of this nature can hardly be justified in an open and competitive marketplace which serves consumer choice.

Consumers' interests are or should be a core preoccupation of the automotive and insurance industries, as both share common consumers. In fact, the latter not only generally facilitates repairs; it is also the payer of repairs resulting from an insured loss. Indeed, it should be understood that if consumers, i.e. clients of automobile dealers and independent repairers, are not satisfied with the products and services they are offered, their businesses will be in jeopardy. Thus far while the current system; i.e. the co-existence of dealers and independent repairers, has made it possible to meet consumer expectations, reform is necessary in order to modernize and to bring greater certainty to the automotive repair industry.

The solution is greater competition between OE dealers and independent repairers. Areas of consumers concerns are:

- Cost of repairs
- Safety of car repair
- Availability/diversity of supply
- Proximity of service (easier access)

Owning a vehicle also means having it maintained and repaired safely by professionals. Canadian consumers today can choose between dealer-owned or dealer-partnered repairers and independent repairs. While some consumers deem the link to the brand as a key consideration, many others prefer to go to different service providers according to the different phases of acquisition and use of the vehicle. A system which enables the coexistence of brand networks and independent repairers fully meets those expectations. However to carry out their work, independent repairers must have access to manufacturer's technical information and spare parts, so as to remain competitive in the marketplace.

Thus, delivering on consumer concerns, i.e. cost of repairs, safety of car repair, availability of supply and proximity of service, can only be met within a fair and competitive marketplace. Such a marketplace cannot thrive - in fact repair and maintenance will be less competitive - if brand-specific accreditation programs are the only accreditation options open to the Canadian marketplace. Brand-specific programs attempt to dictate who can and cannot repair vehicles and access information, and they attempt to govern the procurement of parts. As previously noted, these networks aim to maximize carmakers control over the entire automotive industry by placing conditions on who is "qualified" to undertake repairs and what parts and equipment are to be procured.



Table of Consumer Concerns

Issue	Cost of Repairs	Safety of Repairs	Diversity of Supply	Proximity Service/Easier Access
Access to technical information	True competition between OE dealer network and independent repairers	Safe repairs with proper information	Wider consumer choice between OE dealer and independent repairer	More repairers available
Access to quality parts	Diversification of supplies	Safe repairs with increased availability of quality parts	Diversification of supplies. Availability of OE & matching quality parts	More suppliers
Independent repairers	Counter balancing manufacturers Pro-competitive behaviors	Capacity of innovation Securing training: qualification training/ Certification Appropriate brand neutral advice	Development of supply; i.e. investment opportunities for independent repairers	Well- balanced environment
Certification	Increasing competition between repairs	Competition increases the safety and overall quality of service	Development of an elite status of network facilities	Higher density of qualified outlets/stores

A Note on Shop Certification and Public Regulation

Today's public sector regulation of the collision repair industry is a holdover from the past century, being confined to general business operations (involving environmental and consumer protection regulations, worker health and safety etc.) and minimum training levels for technicians (via trades licensing regulations).

At the same time the host of new vehicle manufacturer and private sector shop certification programs which seek to set higher standards for collision repair performance are a sure signal that the baseline of public regulations in place are outdated. Despite this 'advance', the plethora of manufacturer programs, their diversity of standards, and their brand marketing motivations, are acting against the consumer protection priorities of safety, effectiveness, availability and affordability.

It is clear that the public interest demands an advancement of the current regulations to deal with phenomenal advances in vehicle technology. At the same time there is little appetite for further government intervention in the private sector. The winning path in this dichotomy may lie in "co-regulation".

As noted in a recent Organization for Economic Co-operation and Development (OECD) report on the subject:

"... industry self-regulation concerns groups of firms in a particular industry or entire industry sectors that agree to act in prescribed ways, according to a set of rules or principles. Participation by firms in the groups is often voluntary, but could also be legally required.

The groups can be wholly responsible for developing the self-regulatory instruments, monitoring compliance and ensuring enforcement, or they can work with government entities and other stakeholders in these areas, in a co-regulatory capacity.

Co-regulation can be seen as being part of the continuum between self-regulation and government regulation. Self-regulatory schemes entailing some degree of government involvement are common; the level of involvement, however, can vary significantly among schemes⁷."

As noted by the OECD, any advance in industry regulation, which seeks to avoid the traditional, paternal, bureaucracy-heavy regulatory models used in the past must draw on an impartial industry representative body for partnership with government.

The Canadian Collision Industry Accreditation Program (CCIAP) is the only program in Canada which fits the co-regulation model. It is brand neutral and run by a not-for-profit organization. Its sole objective is to ensure that accredited repairers are businesses in excellent standing which adhere to core business, training and equipment standards. It carries no parts or information restrictions and is available to all repairers. CCIAP works for the benefit of consumers, including adherence to industry leading training and safety requirements. It ensures consumers can have confidence in the status of repairers. Independent repairers can also place their confidence in the program, as it is not brand-specific and ensures compliance with operational and structural repairs, regardless of the brand (make & model of the vehicle).

The Future of Certification

It is clear to most industry observers that repair facility certification is in its nascent stages. The majority of accreditation programs were launched within the past five years – today there are at least a dozen in the marketplace.

The industry is also seeing a ‘tiering’ of accreditation programs. Broad industry-driven programs such as CCIAP are being seen as a baseline of quality assurance and are being considered by insurers and governments as a first-line, industry-driven model of self-regulation. OE-specific programs, whether managed in-house by the manufacturers or allocated to third-party agents, are delivering OE-specific marketing and branding. Yet another tier is delivering mid- and post-repair inspections. And finally the luxury vehicle certification programs continue to serve a limited segment of the vehicle park. It is highly likely that the range of shop accreditation programs will reach a peak in the near-term, with some coalescence into a limited number of variations soon after as the market matures.

It can be argued that any “balanced” accreditation matrix (that is, one best serving the interests of all stakeholders including the consumer) must retain mechanisms from each of the approaches noted above. A predominance of OE-driven programs generally does not serve interests beyond those of the brands themselves – further such a state dramatically increases the overall cost and complexity of repairs and hence insurance costs, while limiting consumer choice. At the same time vehicle safety and efficiency improvements, along with critical recommended repair procedures, are advanced through this certification approach. Luxury vehicle programs are necessary for very unique technologies but obviously do not serve the broader vehicle ownership pool.

Just as importantly, no balanced accreditation matrix can exist without a baseline, ‘objective’ program which serves no specific stakeholder interest but is developed for the betterment of consumer, repairer, insurer and manufacturer goals. At present the CCIAP is the only national, not-for-profit, industry-driven program serving these ends. CCIAP incorporates the technical advantages of the OE programs by adopting the major OE repair, equipment and training recommendations, while resisting brand-specific motivations such as parts sales. Unlike OE programs, CCIAP utilizes a neutral and objective audit program. It is intentionally inclusive of the interests of all major industry stakeholders. It is ideally suited to modern regulatory approaches including co-regulation. In the long run, such an industry program is critical to the health and profitability of all industry partners, and to the consumer concerns of safety, availability and accessibility.

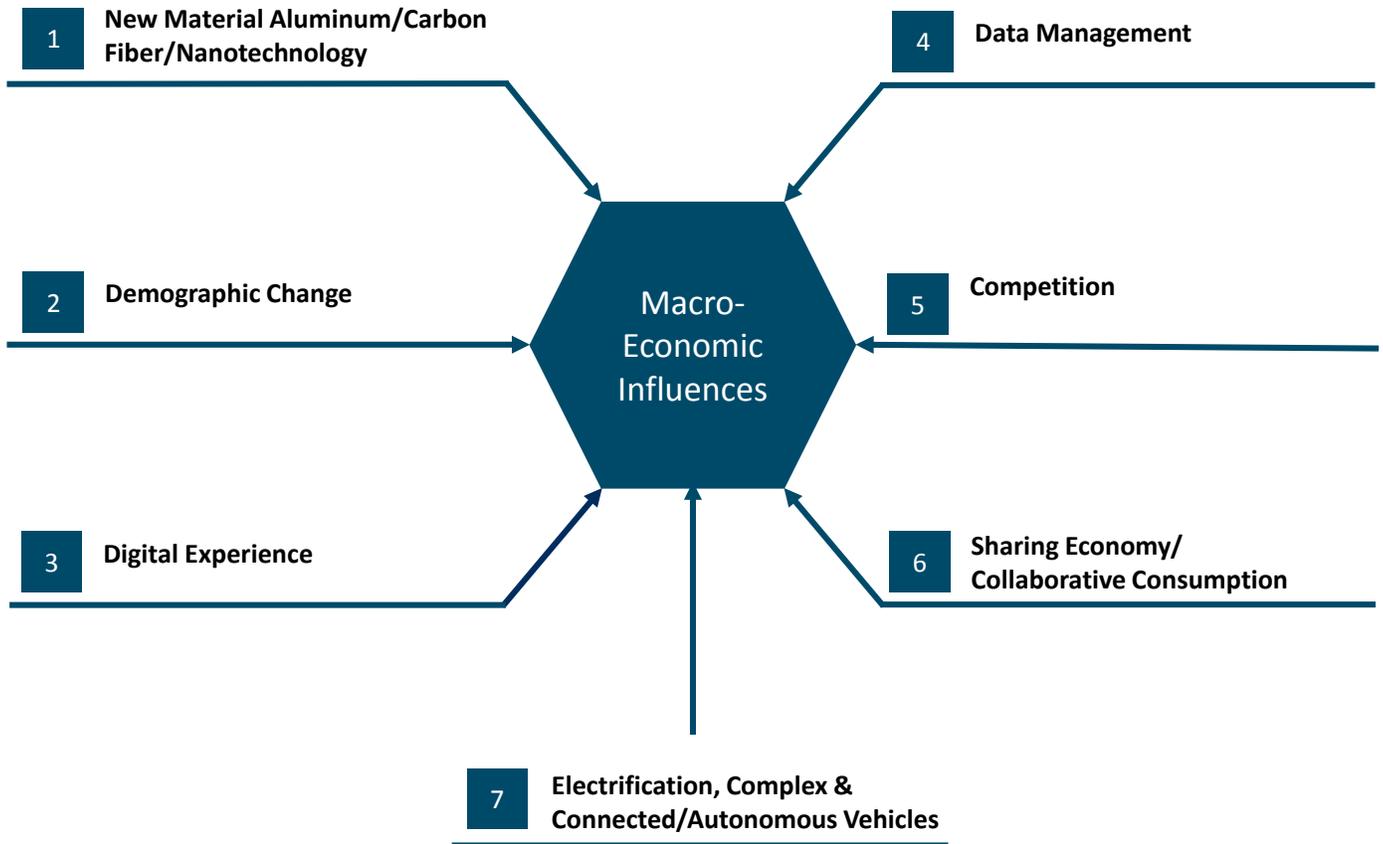


Finally, it must be considered that CCIAP is administered by AIA Canada, a not-for-profit association that is the only national representative of collision repairers and suppliers. Its members conduct almost three-quarters of all repairs in Canada. AIA also administers I-CAR Canada, which delivers the most widely recognized and adopted collision repair training program in North America. These characteristics provide the open accounting, objective oversight and non-partisan management required for a national approach to shop accreditation.

The macro trends in the collision repair context, outlined in Appendix 1, will continue to pose more and more significant challenges to the automotive collision repair sector and its key partners in the manufacturing and insurance industries. Disruption and disintermediation will be the watchwords as very large scale technological and social changes impinge on the industry.

A coherent and balanced approach to collision repair certification will be the foundation of success in this new era.

Appendix 1: Macro-Economic Influences on Collision Repair



New Materials

The increasing use of new materials and construction techniques are having an impact on repair costs and claims severity. How will repairers repair vehicles that have new or special materials? Given the expanded use of specialty materials, more and more repair facilities are investing or need to invest in new equipment and skills training required to repair vehicles safely. In turn, parts and labor costs are increasing.

Demographic Change

The world is rapidly aging as the fertility rate declines and better living conditions are contributing to longer lifespans, resulting in wide-ranging implications for Canadian society. An aging population will likely cause a shortage of skilled labor. What core competencies will be required for a repairer in 3-5 years from now? Repairers must identify their need to develop new skills, recruit new talent, and create a culture of continuous improvement necessary to retain a more skilled workforce.

Digital Experience

With the prevalence of the Internet, more and more people are using mobile devices and social media platforms. As such, consumer expectations are changing. For most of the things consumers require, they expect an answer available online 24/7. Blockchain has the potential to eliminate the need for intermediation transactions. Other factors such as artificial intelligence and machine learning will have profound implications on how business is conducted.

Data Management

More data has been gathered over the past few years than in the entire previous history of the world. Data is the key resource for growth and innovation. The one thing that has not changed with all the innovation from data analytics is that success is still measured by using profit as the ultimate Key Performance Indicator (KPI). Insurers continue to be impacted by claims costs increases in all areas of their operation, not the least of which are auto losses that outpace overall inflation trends. Insurers will be looking to partner with those repairers who can deliver better efficiency to reduce costs and improve customer experience. Data is going to be critical in this regard to understand the next generation performance metrics.

Competition

Due to the financial crisis of 2008/2009, most governments have been pursuing expansionary monetary policies, resulting in excess liquidity that has been stimulating entrepreneurship. Over the past several years there has been speculation that new entrants; e.g. Google, Overstock, Amazon and others, would enter the insurance market. Considerable InsureTech investments are currently in the pipeline, which is a sure sign that disruption and innovation are here to stay. Both repairers and insurers must come to terms with the reality that the competitive landscape is changing and becoming more sophisticated and that innovation is the new norm.

Connected/Autonomous Vehicles

This trend in the automotive industry is nothing short of revolutionary. Complexity of vehicles and repairs will continue to escalate. The frequency of collisions will decline, resulting in fewer repairs. Likewise the demand and supply of automobile insurance will also decline, putting pressure on repairers as insurers attempt to curtail their costs. Through telematics, connected vehicles will communicate with insurers claims management systems which will influence products, pricing, underwriting claims handling, and customer service.

Sharing Economy

New ride-hailing services such as Uber, Lyft, and Grab are disrupting the automotive industry's traditional model of vehicle ownership. While auto-mobility of the future may not see overall driven kilometers by car decrease, OEs, repairers, insurance companies and others will need to invest in opportunities around end-to-end service solutions. Marketing, pricing, customer care, repairs, premiums, etc. will all have to be adapted to new models of car sharing.





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180 Elgin Street, Suite 1400
Ottawa, Ontario K2P 2K3
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