



# ICBC Towing Business Review (TBR)

Creating leaders, inspiring people and bringing perspectives together to achieve what matters most.

# Contents

---

Please note that Executive Summary of this report has been organized to provide an overview of the analysis, key findings, and considerations for future industry reviews. Supporting information has been structured into two appendix sections for simplicity. Appendix 1 provides a description of the context behind the TBR, PwC's approach to data collection, an overview of the vehicle Towing and Storage industries, and insights based on the survey and analysis conducted. Appendix 2 provides additional information and supporting analysis used to generate the report insights.

---

<b>Glossary of terms</b>	<b>3</b>
<b>Notice to reader</b>	<b>5</b>
<b>Executive summary</b>	<b>6</b>
Introduction to Towing Business Review	6
Approach to analysis & Structure of observations	7
Key findings	8
Impacts to the future of the Towing & Storage industry	20
Looking ahead	21
<b>Appendix 1: Context, Market, and Complete Findings</b>	<b>22</b>
Context behind the Towing Business Review	25
Market overview: Canada & BC	29
Analysis findings	44
o Revenue	
o Profitability & Costs	
o General information	
o Efficiency	
o Workforce	
o Future considerations	
Towing & Storage Industry trends	58
<b>Appendix 2: Supporting Survey Analysis</b>	<b>69</b>
Data collection framework	71
Industry survey	79
Sentiment analysis	81
Industry survey questions	83
Industry Working Group members	86
Data validation	87

# Glossary of terms

Term	Description
<b>“Large” ICBC Suppliers</b>	ICBC Towing & Storage suppliers which generate \$100,000 or more in revenues from ICBC in a given year.
<b>“Medium” ICBC Suppliers</b>	ICBC Towing & Storage suppliers which generate at least \$25,000, but less than \$100,000 in revenues from ICBC in a given year.
<b>“Small” ICBC Suppliers</b>	ICBC Towing & Storage suppliers which generate under \$25,000 in revenues from ICBC in a given year.
<b>ARA</b>	Automotive Retailers Association is an association representing the interests of its members, which include some of the Towing & Storage suppliers involved in this review.
<b>Assessment Value</b>	The price of real estate property stated by an independent, third-party entity, such as BC Assessment.
<b>Base Supplier</b>	Initial tier of facilities who meet ICBC’s minimum requirements to be classified as an Towing and Storage supplier, such as 24-hour dispatch and proof of a properly zoned storage yard.
<b>CPI</b>	The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services. Changes in the CPI are used to assess price changes associated with the cost of living.
<b>Direct Expenses</b>	Direct expenses, or cost of sales, represents direct costs incurred by businesses from the process of selling goods such as wages, materials purchases, and inventory.
<b>Dispatcher</b>	Refers to employees of suppliers whose role is to triage calls and requests for towing services and direct Supplier resources to respond accordingly.
<b>Dolly</b>	Trailer equipped to connect to a tow bar on the rear of a motor vehicle that is used to tow another vehicle. The front or rear wheels of the towed vehicle are secured to the tow dolly.
<b>Facility</b>	Refers to a location owned by an ICBC supplier from which Towing & Storage operations are run.
<b>ICBC Core Towing Revenue</b>	Supplier revenue generated from ICBC payments for services classified as First and/or Additional Tow on ICBC’s Rate Payment Schedule.
<b>ICBC Non-Core Towing Revenue</b>	Supplier revenue generated from ICBC payments for services other than First or Additional Tows. These include Loading & Securing, Additional Support, Recovery, Fuel Surcharges, Standby, or Other Items on ICBC’s Rate Payment Schedule.
<b>ICBC Towing &amp; Storage Supplier</b>	Facilities that offer both vehicle towing and storage services. This includes facilities who are registered with ICBC and have a vendor number, as well as unregistered facilities who have submitted invoices and received payment from ICBC.
<b>ICBC Towing &amp; Storage Revenue</b>	Total revenue generated by ICBC Towing and Storage suppliers ICBC supplier who performed towing and storage related services for ICBC customers.
<b>Indirect Expenses</b>	Indirect expenses, or operating costs, represent other expenses incurred in the course of running the business or in the operation of the business including, but not limited to: labour commissions, amortization, repairs, utilities, and rent.
<b>Loading &amp; Securing</b>	The securing of the towed vehicle to the towing vehicle for transport
<b>Multi-Location Supplier</b>	ICBC Suppliers which own and operate multiple Facilities.
<b>MPI</b>	Manitoba Public Insurance (MPI) Corporation is the non-profit Crown corporation which administers public auto insurance, motor vehicle registration, and driver licensing in Manitoba.

# Glossary of terms

Term	Description
<b>OEMs</b>	An Original Equipment Manufacturer (OEM) in the context of this report refers to the manufacturers of personal or commercial vehicles.
<b>Product and Materials Cost</b>	Refers to any One-time costs incurred by a supplier to perform a tow.
<b>Private Market</b>	Refers to provinces whose automotive insurance is exclusively sold through private insurers not directly affiliated with the provincial government. Due to data availability, this includes the largest markets of Ontario, Quebec, and Alberta only.
<b>Public Market</b>	Refers to provinces whose automotive insurance is predominantly administered through a Crown agency, and includes British Columbia, Saskatchewan, and Manitoba.
<b>Rate Schedule</b>	Refers to a breakdown of prices to be used by suppliers in a specific jurisdiction for Towing & Storage services. Rate schedules may be posted by ICBC or other entities.
<b>Rural Suppliers</b>	Suppliers located in areas which have been identified by ICBC with lower-density populations. These suppliers fall into Storage Zones 3 and 4.
<b>SGI</b>	Saskatchewan Government Insurance (SGI) is an automotive insurance provider and Crown corporation wholly owned by the Government of Saskatchewan.
<b>Single Location Supplier</b>	ICBC Suppliers which own and operate a single Facility.
<b>Standby</b>	A defined period of time during which a crew member is required by the towing operator to be available to assist in towing services without an intervening rest period
<b>Sublet Cost</b>	Refers to costs incurred by suppliers to hire another vendor to support in providing their services (ie. hiring an external flagging crew, or resources required to support on spill clean-up)
<b>Towing &amp; Recovery Plus (T&amp;R+) Supplier</b>	Higher tier of ICBC Towing and Storage suppliers who meet additional operational requirements beyond the minimum requirements associated with Base suppliers, such as electronic dispatching and the use of uniforms. Relative to Base suppliers, T&R+ suppliers receive higher rates for services provided.



# Notice to reader

This Report is issued by PricewaterhouseCoopers LLP (“PwC”) for the exclusive use of the Insurance Corporation of British Columbia (“ICBC”) in connection with PwC’s role in the Towing Business Review (“TBR”). PwC was hired by ICBC to perform an independent review of the vehicle Towing and Storage industries.

Our work did not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls nor attestation nor review services in accordance with the standards established by the Chartered Professional Accountants of Canada. Accordingly, we do not express an opinion nor any other form of assurance on the financial or other information, or operating internal controls, of ICBC Towing and Storage facilities or the industry as a whole.

We did not examine, compile or apply agreed upon procedures to satisfy the requirements of the Chartered Professional Accountants of Canada to the financial information used in this Report and we therefore are unable to express assurances on such information except where expressly stated in the Report to form part of the scope of our work.

Further this Report does not constitute an opinion as to legal matters, including the interpretation of the Insurance Corporation Act or any other similar matters.

We fully complied to both the letter and the spirit of the federal Competition Act. Data collected was anonymized and aggregated before sharing with ICBC to maintain adherence to the Act. We chaired all meetings with industry representatives and did not permit discussion related to any anti-competitive activities that may contravene the Act, such as price-fixing or supply restrictions. Rules and obligations of all participants were read aloud prior to each meeting to ensure these discussions were avoided.

Our work is based primarily on the information and assumptions listed in the body of this Report. While we incorporated information from various sources we did not perform checking or verification procedures except where expressly stated in the Report to form part of the scope of our work. Our work and commentary is subject to assumptions, which may change with the benefit of further detailed information. We make no representation regarding the sufficiency of our work and had we been asked to perform additional work, additional matters may have come to our attention that would have been reported upon.

Some of the documents and figures we reviewed were produced by third parties. We did not corroborate or verify these documents and figures with these parties. It is outside the scope of our review to evaluate the methodology used to conduct independent studies; therefore, we have accepted the information as presented, including conclusions. Furthermore, ICBC established the scope of this review with feedback from the Industry Working Group and contemplated the need for us (“PwC”) to incorporate information from third parties to perform analysis.

The outputs of the Report are intended to provide ICBC with a representation of the financial health and sustainability of the industry to assist in informing their decision-making process pertaining to their supplier programs. PwC accepts no liability in respect of any loss, damage or expense of whatsoever nature caused by any use the reader may choose to make of this Report, or which is otherwise consequent upon the gaining of access to the Report by the reader.

Our Report, including schedules and appendices, must be considered in its entirety by the reader. It may be misleading to select and rely on specific portions of the analyses, or consider factors in isolation.

# Executive summary

## Towing Business Review

ICBC continues to periodically assess supplier industries associated with the Material Damage portion of a vehicle claim. In February 2021, ICBC commissioned a Towing Business Review (TBR) to better understand the vehicle Towing and Storage industry in BC. As the largest provider auto insurance in the province, ICBC relies on these suppliers to provide safe and effective vehicle towing and storage services to British Columbians. This includes suppliers who provide services for both Personal and Commercial claims and received payment from ICBC.

PwC was engaged by ICBC to perform the Towing Business Review, with the goal of identifying compensation and operational changes that would benefit ICBC, Towing and Storage suppliers, and their mutual customers.

### **Report Objective: assess the costs, performance and service levels of the vehicle Towing and Storage market in BC**

Information gathered from suppliers was only shared with ICBC and the industry in aggregated, anonymized formats to maintain confidentiality and comply with the federal Competition Act.

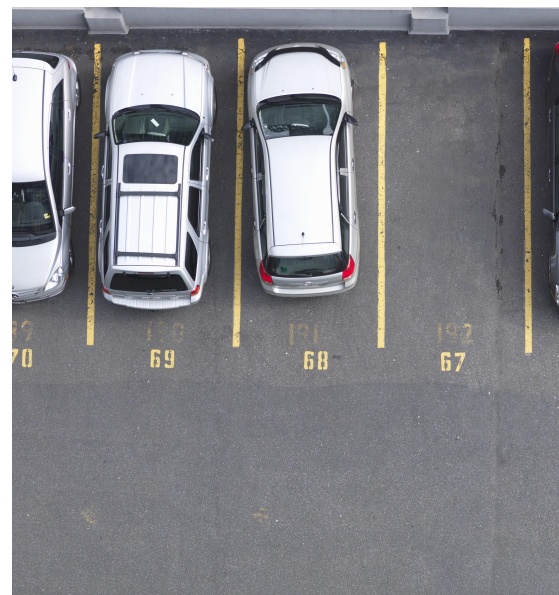
## Approach & Scope

*Please refer to Appendix 1 - Context behind the TBR Report for more information.*

With consultation from ICBC, an Industry Working Group composed of vehicle towing and storage suppliers across British Columbia, and representatives of the Automotive Retailers Association (ARA), PwC completed the following steps as part of the TBR:

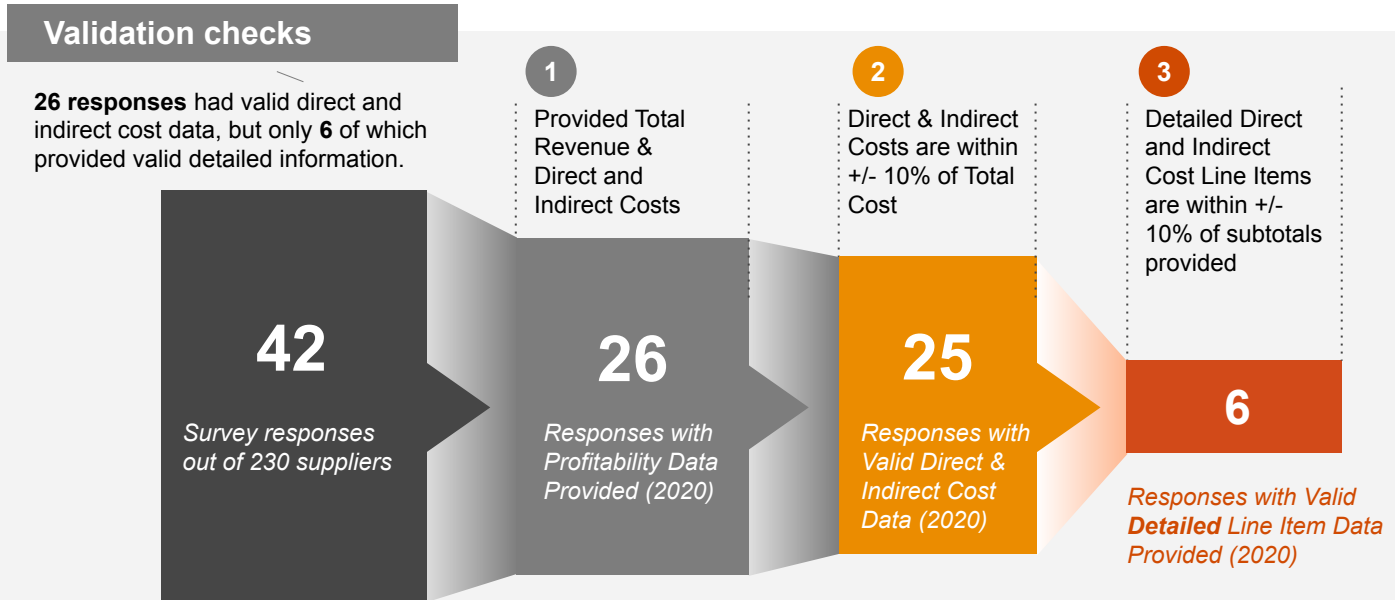
- 1 Defined the scope of the analysis and data required to assess the performance of vehicle Towing and Storage suppliers in BC.
- 2 Identified the data sources to collect the required information, including ICBC spend, data from suppliers that work with ICBC, and benchmarks from third party reports.
- 3 Conducted market research to generate hypotheses on market size, structure, trends, and performance within Canada, BC, and other provinces with public insurance models.
- 4 Consulted with ICBC and the Industry Working Group to design a survey to be sent to ICBC suppliers to gather financial, operational and workforce data, reviewed the survey design and timeline for completion.
- 5 Developed and executed a plan to engage roughly 230 Towing and Storage facilities that invoiced ICBC for services performed in the past three years. Coordinated outreach with ICBC and Working Group members in order to promote survey completion.
- 6 Assessed survey responses for completeness and accuracy, and generated additional hypotheses on industry structure and performance where information was sufficient.
- 7 Discussed market analysis and survey results with the Industry Working Group, ICBC, and suppliers with a national footprint to validate trends and generate findings on the BC industry.
- 8 Summarized the findings in an Industry Report for ICBC, the Industry Working Group and the broader supplier community.

This review was based on full access to ICBC information, staff and certain other materials or data, not including public comment or input. Additional input was solicited from a working group of industry representatives and the supplier community.



## Note on survey participation

Only 26 out of the 42 suppliers who participated in the Towing & Storage Industry Survey provided valid direct and indirect cost information that could be used to generate insights industry financial performance. Many of these submissions did not pass rules-based validation checks to confirm the information provided. The high degree of variation across responses, coupled with the small number of responses, did not provide sufficient confidence to report on industry costs. A full breakdown of the validation checks performed on survey submissions is contained in Appendix 2.



## Structure of findings

Based on this analysis, PwC was able to generate findings on the market size, structure, workforce and efficiency of the vehicle Towing and Storage industry. Relevant comparisons to Canadian benchmarks and other provinces with both public and private insurance models have also been provided. Due to low survey participation, no findings on BC industry costs and profitability have been provided. However, findings on the revenue and cost structure of the overall Canadian market have been provided to draw inferences where appropriate.

All findings are focused on the reporting years of 2016 through 2020, unless otherwise specified. These findings should therefore be considered a retrospective view of these industries. Given the unique macroeconomic impacts caused by COVID-19, many findings have been reported separately for 2020.

The following table summarizes the observations PwC has provided for vehicle Towing and Storage industry in Canada and BC, and the data sources that were used to generate them:

Finding Type	Canada	BC	Source(s)
Market Overview	✓	✓	Third party data
Supplier Revenues		✓	ICBC data
Costs & Profitability	✓		Third party data
Workforce		✓	ICBC suppliers
Efficiency		✓	ICBC suppliers
Market Trends	✓	✓	Third party data

A consolidated version of these findings has been provided in this Executive Summary. A complete set of detailed findings is contained in Appendix 1.

## Findings: Market Overview

Please refer to Appendix 1 - Market overview for more information.

### Market for all vehicle Towing & Storage services is ~\$1.2 billion

Across retail, public and insurance customers, the Canadian market for vehicle Towing and Storage services is estimated to be \$1.2 billion in 2020. A breakdown of the Canadian industry using publicly available information reveals that BC is the third largest market for vehicle towing. BC contributes roughly 14% of the Canadian market, behind Quebec which represents roughly 22% and Ontario which represents roughly 40%.

Despite being the third largest market, information suggests that the average revenue earned by a vehicle towing facility in BC is the highest among all provinces at \$522,400 in 2020. This was 23% higher than the national average, which was roughly \$423,200 per facility.

Market Size breakdown (2019)		
Province/territory	Total Revenues (millions)	Avg Facility Revenue (thousands)
Ontario	\$508.1	\$342.6
Quebec	\$274.9	\$490.0
<b>British Columbia</b>	<b>\$174.0</b>	<b>\$522.4</b>
Alberta	\$135.8	\$488.4
Saskatchewan	\$60.4	\$516.4
Manitoba	\$30.7	\$304.0
Atlantic*	\$57.1	\$423.2
Territories*	\$1.7	\$423.2
<b>Canada</b>	<b>\$1,242.7</b>	<b>\$423.2</b>

Source: Statistics Canada, PwC analysis

### Local governments are the largest revenue driver for suppliers

Vehicle Towing and Storage suppliers provide services to private corporations, governments and municipalities through public contracts, and individual customers.

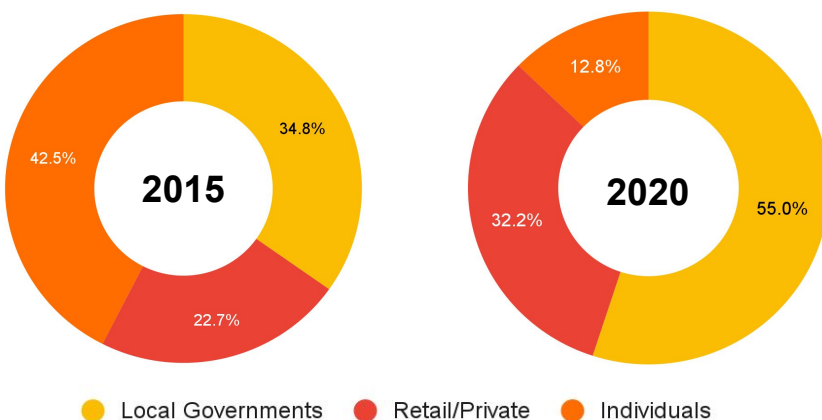
Private customers hire services to tow vehicles parked illegally on their premises (e.g. university campuses), or contract towing services to move large pieces of equipment (e.g. construction). Local government customers consist of municipalities, law enforcement, and other emergency service teams seeking exclusive or preferred contracts for towing and storage services in a designated geographic area. Lastly, individuals pay for roadside assistance services when their vehicle breaks down, or their insurer pays on their behalf when they have been in an accident.

Governments represent the largest market for suppliers, representing roughly 55.0% of revenues generated in 2020 (\$709.2 million). This grew from 34.8% between 2015 and 2020, reinforcing the government segment's significance as a buyer of towing and storage services. Revenues from retail / private customers, the second largest revenue source, increasing to 33.2% of total industry revenues in 2020. Lastly, revenue from individuals reduced from 42.5% of total industry revenues to 12.8% in 2020.

An important distinction in the market exists between the customer requesting the service and the payor. Across all three segments (Government, Retail/Private, Individual), vehicle owners and insurers are responsible for paying. In the context of the BC market, ICBC is a payor of towing and storage services.

### Breakdown of revenue by customer (\$) from 2015 to 2020

Canada



#### Who pays?

##### Local Governments:

Vehicle owners and Insurers

##### Retail / Private Customers:

Vehicle owners

##### Individuals:

Vehicle owners and Insurers

Source: IBISWorld, PwC analysis

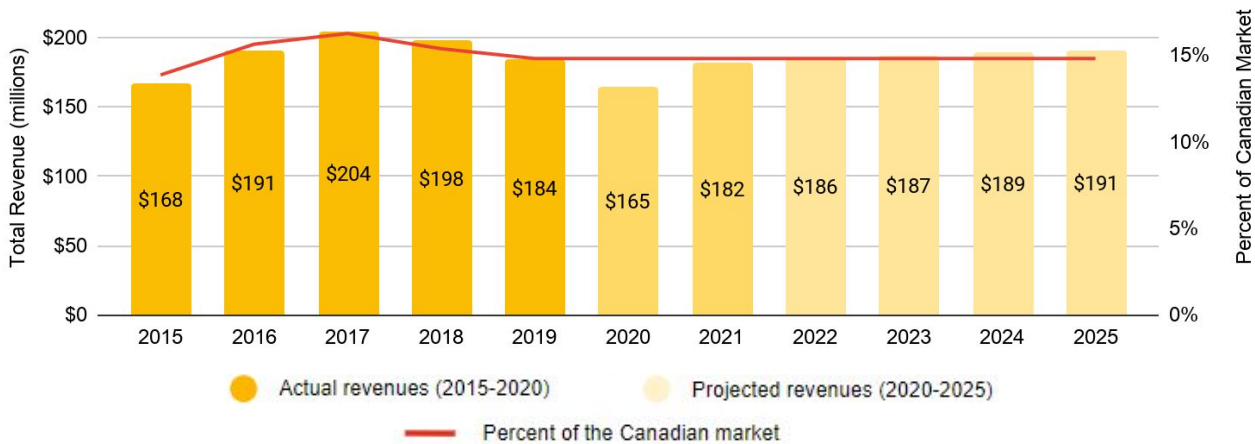


## BC Towing & Storage market declined, but is expected to recover

The BC vehicle Towing and Storage market generated \$184 million in revenue in 2019, reaching peak revenues of \$204 million in 2017, one year before the Canadian market revenues peaked in 2018. From 2015 to 2017, the BC Towing and Storage market grew 10.9% annually, compared to the national Towing and Storage annual growth rate of 1.9%.

The market declined from 2017 to 2020 to \$165 million due in part to a provincial shift in vehicle mix towards newer vehicles and increasing gas prices from 2017 onwards which reduced provincial traffic. An additional market decline of 10.3% is expected to have taken place through 2020 during the COVID-19 pandemic, where reduced economic activity decreased new vehicle sales and vehicle collisions, in line with national trends. Through 2020 in British Columbia, new car sales declined by 18%, and ICBC collisions declined by 35%, which resulted in a significantly lower demand for towing and storage services. Following the provincial lockdowns, industry revenues are expected to recover in 2021 and 2022.

### British Columbia Towing & Storage Market Size by Revenue



Source: Statistics Canada, IBISWorld, PwC analysis

## Fragmented market compared to the rest of Canada

The Towing and Storage industry in British Columbia has a higher proportion of suppliers who generate revenues of under \$5 million annually (82.6%) compared to the rest of Canada (76.0%).

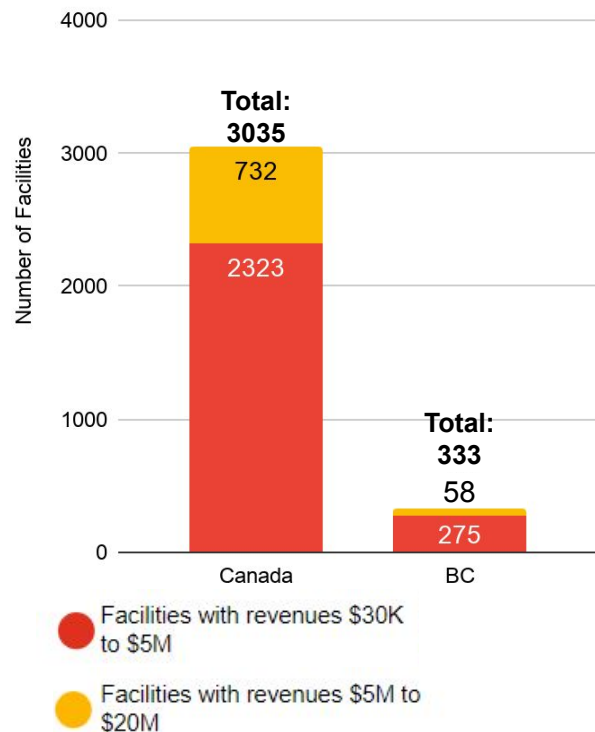
There are several factors accounting for the increased market fragmentation, including market consolidation in larger, private markets such as Ontario and Quebec, and increased usage of exclusive government contracts, leading to a smaller group of large suppliers growing their share of the Canadian Towing and Storage market.

Facility type % breakdown		
	Canada	BC
Facility Revenue \$30K to \$5M	76.0%	82.6%
Facility Revenue \$5M to \$20M	24.0%	17.4%

Source: Statistics Canada, PwC analysis

### Number of Facilities

Canada vs. British Columbia, 2019





## ICBC as a payor of Towing & Storage services

ICBC paid Towing and Storage suppliers \$32.2 million in 2020 for accident related services. Between 2016 and 2019, Towing and Storage spend increased by an average of 6.8% per year, reaching \$37.3 million. When compared to the total market, this represents ~20% of all revenues earned by vehicle Towing and Storage suppliers in the market.

Towing & Storage Market (2020)	
ICBC Spend (millions)	Percent of Market
\$32.2	19.5%

## Rising spend on Towing & Storage per claim

ICBC is facing growing spend pressures associated with the towing portion of material damage claims. These spend values increased over the past five years, including during the COVID-19 pandemic.

The average spend of an ICBC towing claim increased by roughly 5% per year for the past five years, from \$284 in 2016 to \$347 in 2020. The volume of towing claims remained relatively stable this period, excluding the noticeable decline in 2020, which can be attributed to fewer vehicles on the road due to restrictions implemented by the BC Government for COVID-19.

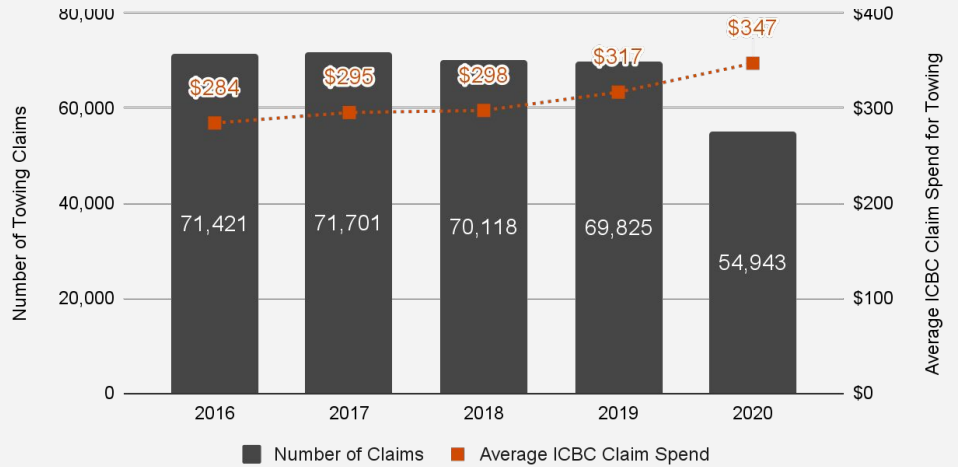
When considered together, rising average spend and declining volumes suggests that a smaller amount of more expensive tows have been performed, contributing to an higher average spend per claim. This can be attributed to a shift towards light trucks and luxury vehicles, which have more complex requirements relative to traditional vehicles. Vehicle sanitation measures implemented during the pandemic also contributed to higher costs.

Costs for vehicle storage are also escalating. They consists of daily rates charged for keeping a vehicle until it is transferred to a repair facility, ICBC estimating facility or salvage yard.

The average spend on an ICBC storage claim increased by roughly 10% per year between 2016 and 2020, reaching \$248. The average spend on storage per claim increased at twice the rate of towing over the past five years.

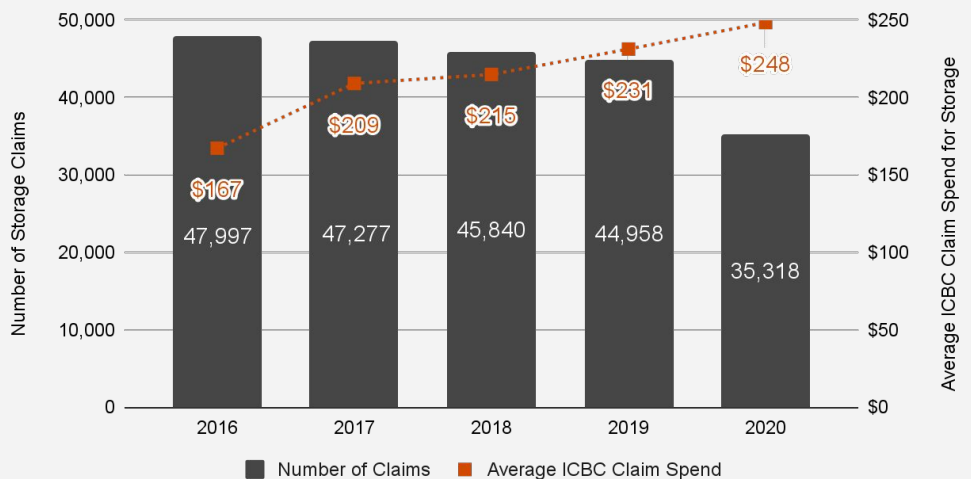
The volume of storage claims also declined, including a sharp decline in 2020 due to COVID-19. Rising average spend and declining volumes suggests that a smaller number of claims are requiring storage for longer durations. This is largely driven by ICBC suppliers operating in rural regions, who have held vehicles in storage for increasingly long periods of time over the last five years. On average, vehicles in these regions are spending two to three times as long in storage relative to urban regions.

### Towing Claim Volume & Average ICBC Claim Spend



Source: ICBC-provided data, PwC analysis

### Storage Claim Volume & Average ICBC Claim Spend



Source: ICBC-provided data, PwC analysis

## Regulatory differences between public and private insurance provinces

Provincial and municipal governments regulate the towing and storage industry differently depending on whether auto insurance is offered by a public provider or in an exclusively private market. In exclusively private markets, regulations for suppliers are typically defined by each province's Ministry of Transportation. Insurers have a limited ability to impose standardization of operations, rates, or protocols in the industry. This means that municipalities have the greatest influence over towing and storage rates for services and operations through their preferred vendor programs. In provinces with predominantly public insurers, most insurers require towing and storage suppliers to follow vehicle registration, licensing and safety outline by their Ministry of Transportation. For example, ICBC towing suppliers must comply with all applicable laws and regulations pertaining to vehicle ownership and safety outlined by the Commercial Vehicle Safety and Enforcement (CVSE) office. In these provinces, municipalities also define their own rate schedule for non-insurance related towing and storage services.

## Additional differences in accident towing rates

Among the three Canadian public insurers, ICBC has the largest number of supplier segments and tiers. Additionally, ICBC segments its rates in more ways than any other provincial insurer, and has eight invoice items that it acknowledges as separate payable services from suppliers. Comparatively, SGI has the least complex segmentation which is only by towed vehicle weight. For storage, SGI has issued a flat rate and defined maximum prices for all items in addition to the base tow. MPI has a similar rate segmentation structure to SGI with an additional segmentation by geography. MPI also enforces the lowest rates to its suppliers among all Canadian provincial insurers. For a full breakdown of provincial rates among public automotive insurers, please see Appendix 1.

## Cities within BC also use different rate structures

While ICBC does not coordinate or encourage municipalities to use their published rates for other services, their rates and rate structure remain used by some entities across the province. Given ICBC's breadth of supplier relationships and volume of services performed for customers, many groups rely on ICBC rates as a market benchmark when setting their own prices. For example, RoadSafety BC uses a very similar rate structure as ICBC, and several cities, municipalities and police rotational call lists use ICBC's rates to set the price for services in their jurisdictions.

Rates are not always specified by each city or town, however the BC government has created a Vehicle Impound Refund Calculator to estimate towing and storage costs based on the ICBC rate schedule structure using the city of Vancouver's rates. A comparison of how ICBC rates are used in a sample of municipalities across BC has been provided below.

Stakeholder	Description	Applicable services
ICBC	ICBC rates are used for insurance-related towing and storage, and Roadsafety BC for highway traffic violations (e.g. excessive speed, careless driving)	<ul style="list-style-type: none"> <li>Accident recovery</li> <li>Accident storage</li> <li>Roadsafety BC violations</li> </ul>
Municipalities	Municipal rates are used for parking and bylaw infractions	<ul style="list-style-type: none"> <li>Bylaw Infraction Towing</li> <li>Bylaw Infraction Impoundment</li> </ul>

Rate Structure	Sample Municipalities											
	Vancouver	Victoria	Kelowna	Nanaimo	Prince George	Kamloops	Abbotsford	Vernon	Chilliwack	Sooke	White Rock	Castlegar
	Green	Red	Red	Green	Red	Green	Green	Grey	Red	Red	Red	Red

Green Rate structures and rates are the same/ similar to ICBC

Red Rate structures and rates differ from ICBC

Grey Rate structures and rates could not be disclosed

Source: PwC Analysis, Towing and Storage Rate Payment Schedule - ICBC, municipal police and bylaw services for each of the sample municipalities

## Quantifying ICBC's impact as a buyer of Towing & Storage services

Suppliers typically collect the majority of their revenues from public or private contracts, in addition to revenues earned from Public Insurers such as ICBC. Based on conversations with industry representatives and information provided by the Towing & Storage Industry Survey, BC suppliers collect roughly 20% of their revenue from Insurance-related Towing & Storage services, which are directly dictated by the rates set out by ICBC.

However, ICBC rates also have secondary impacts on revenues earned from public contracts, as many public entities set rates which closely follow ICBC. When these contracts are included, ICBC rates are estimated impact roughly 40% to 50% of total revenues earned by Towing and Storage suppliers in the province.

Responses from ICBC suppliers indicated that on average, ICBC rates directly or indirectly impacted 37% of their total revenues, including serving as a benchmark for service contracts with local municipalities. Conversations with industry representatives indicated that revenue indirectly impacted by ICBC are likely to include municipal contracts and work conducted for Roadsafe BC.

Additional information was requested from ICBC suppliers to further examine ICBC's direct impact, however, low survey participation did not provide PwC with sufficient information to draw conclusions or insights,

### Average Proportion of Revenues Impacted by ICBC



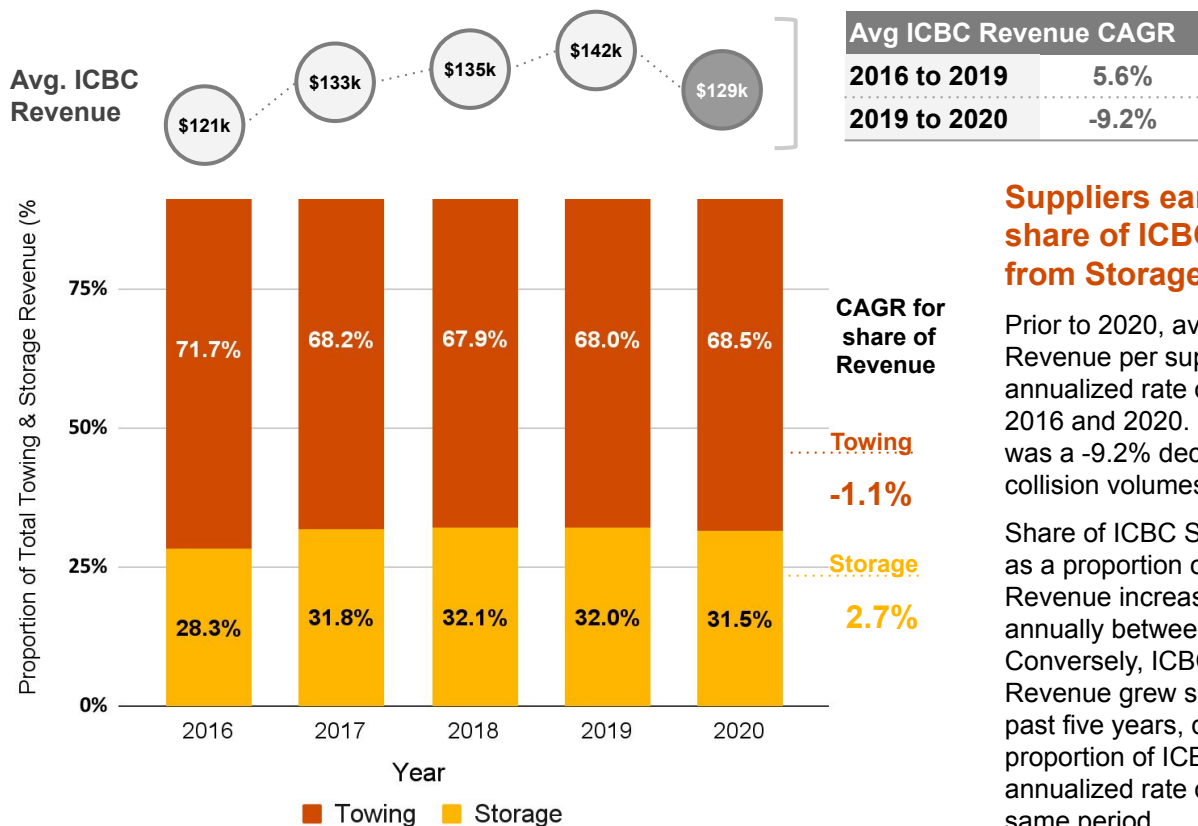
- Proportion of revenues impacted by ICBC
- Proportion of revenues not impacted by ICBC

Source: Towing & Storage Industry Survey, n = 32 suppliers

### Findings: ICBC Supplier Revenues

Please refer to Appendix 1 - Analysis Findings: Revenues for more information.

### ICBC Towing & Storage Supplier Revenue Breakdown by Year



### Suppliers earning a larger share of ICBC revenues from Storage

Prior to 2020, average ICBC Revenue per supplier grew at an annualized rate of 5.6% between 2016 and 2020. In 2020, there was a -9.2% decline due to lower collision volumes.

Share of ICBC Storage Revenue as a proportion of Total ICBC Revenue increased by 2.7% annually between 2016 and 2020. Conversely, ICBC Towing Revenue grew slower over the past five years, decreasing its proportion of ICBC Revenue at an annualized rate of 1.1% over the same period.

Source: PwC Analysis, ICBC-provided data for 290 suppliers from 2016-2020

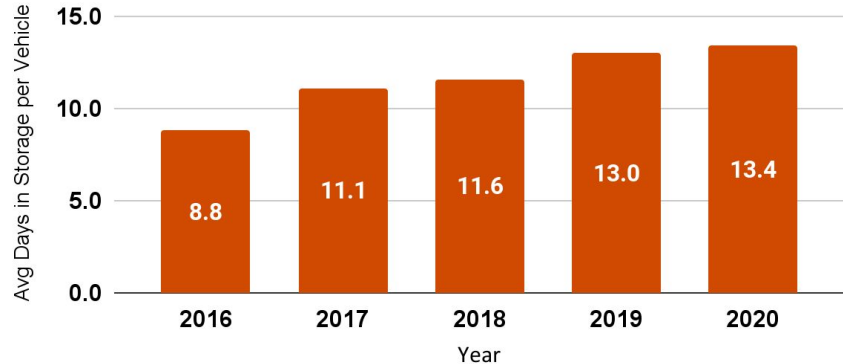
## Increasing storage duration in rural Zones

Storage duration has contributed to the increase in ICBC Storage Revenues. ICBC segments suppliers into four Storage Zones, which dictate rates paid to suppliers. The classification of Zones follows a relative scale of population density; Zone 1 and 2 representing suppliers located in higher density areas (classified as “urban” suppliers), and Zone 3 and 4 representing suppliers in lower density areas (classified as “rural” suppliers).

The average number of days a vehicle spent in a storage yard increased over the past five years, from 9 days in 2016 to 13 days in 2020. Continued increases in duration will further raise the portion of revenue suppliers earn from ICBC storage rates.

Rural suppliers had a longer storage duration than urban suppliers in 2020. Suppliers in Zone 3 and 4 had an average of 9 and 22 days in storage, while those in Zone 1 and 2 had an average of 4 and 5 days, respectively.

### Average Days in Storage by Year - ICBC Suppliers



Source: PwC Analysis, ICBC-provided data for 290 suppliers from 2016-2020

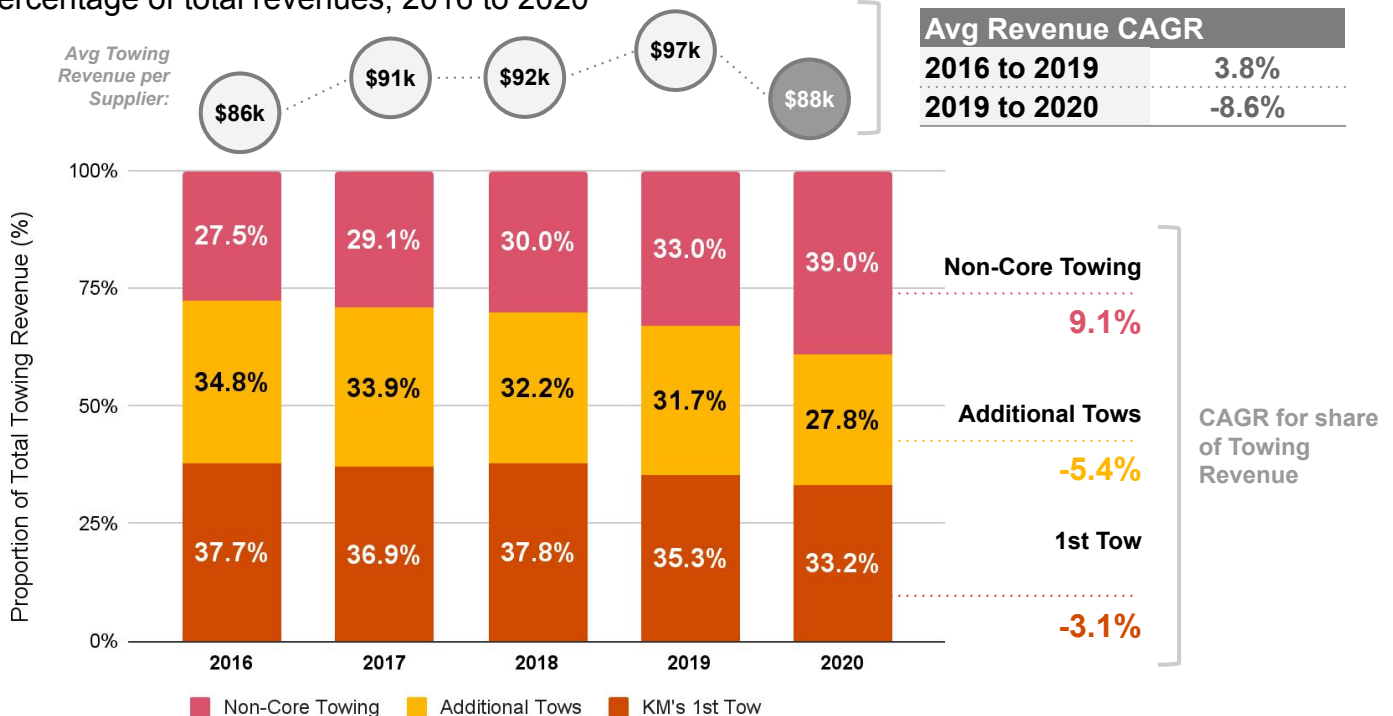
Suppliers in more heavily populated areas are likely to be closer to an ICBC-owned storage lot. As such, vehicles stored with urban suppliers are likely to be picked up sooner and moved to an ICBC facility for estimation and further processing, whereas rural suppliers will likely hold onto the vehicle for a longer duration until the vehicle is picked up by the owner, salvaged, transferred to a body shop, or otherwise removed from the facility.

## Within Towing, suppliers are earning more ICBC revenues from ‘Non Core’ activities

Average ICBC Towing Revenue per supplier increased by 3.8% annually from 2016 to 2019, from approximately \$86,400 to \$96,600, followed by an 8.6% decrease in 2020 due to volume-related decreases in Towing services during the year. Core Towing decreased in contribution to a suppliers total revenue from ICBC over the past five years. This shift began in the years prior to the COVID-19 pandemic, and caused Core Towing to decrease in contribution to ICBC Towing Revenue by 12 percentage points, from 72.5% to 61.0% between 2016 and 2020.

### Towing revenue breakdown

Percentage of total revenues, 2016 to 2020



Source: PwC Analysis, ICBC-provided data for 290 suppliers from 2016-2020

## Growth in 'Non-Core' revenues is driven by Loading & Securing and Other Items

Non-Core Towing Revenues reached 39.0% of all ICBC Towing Revenue in 2020, indicating a shift in the type of work conducted by Towing suppliers. It suggests that a larger proportion of efforts and costs are occurring outside of the traditional per-kilometre towing charges.

Average Non-Core ICBC Towing Revenue per supplier increased from roughly \$23,800 to \$31,900 between 2016 and 2019, at an annual growth rate of 10.3%. Non-Core Towing Revenues increased again in 2020 to a total of approximately \$34,400 per supplier, despite the volume-related impacts of the COVID-19 pandemic.

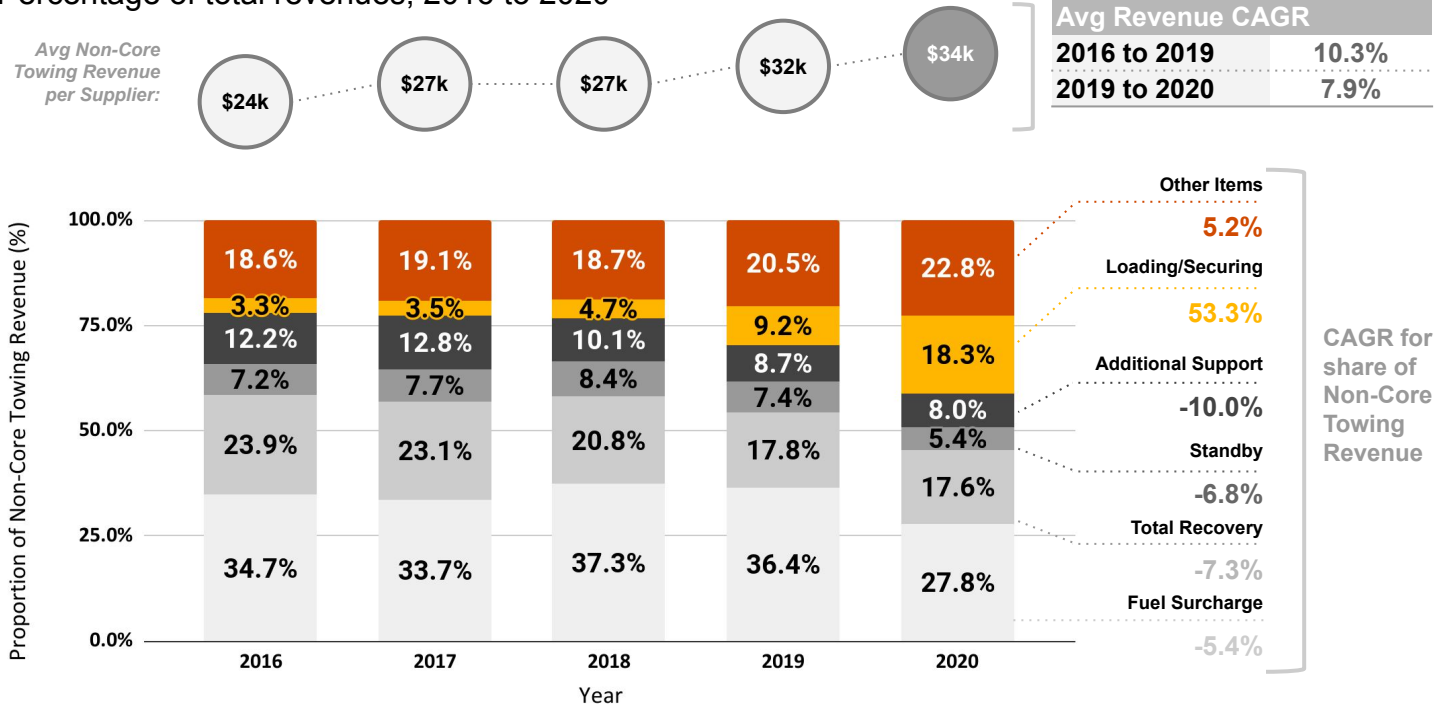
Fuel Surcharge and Total Recovery, the two largest Revenue items in 2016, fell to 45.4% of Non-Core items in 2020, dropping 13 percentage points since 2016.

Growth of Non-Core Towing Revenues has come from activities such as Loading & Securing and other Non-Core items. Conversations with industry representatives indicate that the growth in these Non-Core towing items is related to the increasing complexity associated with towing activities in recent years. Shifts in personal vehicle preferences towards All Wheel Drive (AWD) and Electric Vehicles (EV) require additional time spent to be secured for safe transportation.

Other items can be attributed to increasing fees such as clean up charges, triage photos, or sublets. Discussions with industry representatives indicated that the growth in these other items will continue due to increasing claim severity across the province.

### Non-core towing revenue breakdown by year

Percentage of total revenues, 2016 to 2020



Source: PwC Analysis, ICBC-provided data for 290 suppliers from 2016-2020

### Annual Non-Core Towing Revenues have been grouped as follows:

Other Items	Loading/Securing	Additional Support	Standby	Total Recovery	Fuel Surcharge
<ul style="list-style-type: none"> <li>• Difficult Road Fees</li> <li>• Drive Shafts/Air Brakes</li> <li>• Flares &amp; Consumables</li> <li>• No Wheels/Tires</li> <li>• Paved/Gravel</li> <li>• Tolls</li> <li>• Triage Photos</li> <li>• Sublet Charges</li> <li>• Clean Up</li> <li>• Storage Facility Access</li> <li>• Disposal Fees</li> </ul>	<ul style="list-style-type: none"> <li>• Loading/ Securing</li> <li>• Dollies</li> </ul>	<ul style="list-style-type: none"> <li>• Additional Truck</li> <li>• Extra Person/ Flag Person</li> <li>• Traffic Control Vehicle</li> </ul>	<ul style="list-style-type: none"> <li>• Standby Charge</li> </ul>	<ul style="list-style-type: none"> <li>• Recovery Scene Coordinator</li> <li>• Recovery with Service Truck</li> </ul>	<ul style="list-style-type: none"> <li>• Fuel Surcharge</li> </ul>



## Findings: Costs & Profitability

Please refer to Appendix 1 - Costs & Profitability for more information.

Due to low survey participation, PwC conducted third party research to assess the financial health and performance of the Canadian vehicle towing and storage market. Information was summarized by PwC to generate insights on cost structure and profitability over the past five years. Insights were then validated through conversations with industry representatives and national service providers operating in multiple provinces.

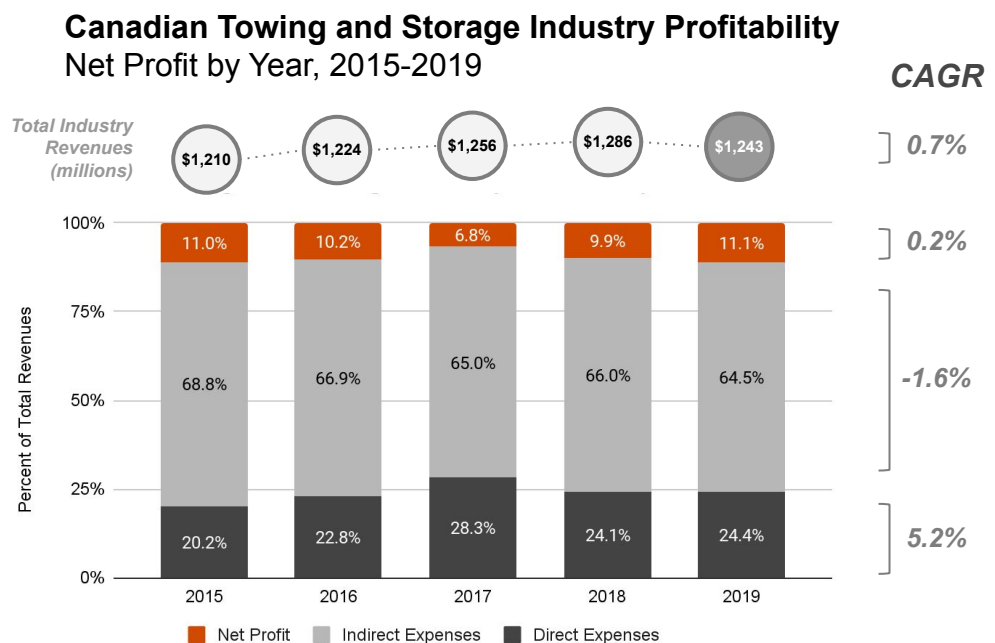
Conversations with industry representatives indicated that towing and storage facilities across Canada have significant cash operations, which may contribute to understated total revenues reported by Statistics Canada. Given that costs are reported as a percentage of revenues, understated values may have influenced the annual fluctuations in costs reported.

For the purposes of the Towing Business Review, net profit was defined as the profit or loss resulting from normal business operations, recorded before income taxes, extraordinary items and other income not related to normal operations. Net profit was used as the indicator for profitability rather than EBITDA due to limitation in available third party information. This figure is different from EBITDA, as it includes depreciation, amortization and interest, and should not be used to perform comparisons to PwC findings on the profitability of the Collision Repair industry outlined in the Post-Implementation Business Review report.

## Fluctuating industry profitability over the past 5 years

According to *Statistics Canada*, the profitability of the Canadian vehicle towing and storage industry has fluctuated over the past five years, ranging from a minimum of 6.8% of total revenues in 2017 to a maximum of 11.1% in 2019.

A historical analysis of the Canadian market back to 2012 was conducted to understand if these fluctuations are common. Between 2012 and 2015, net profit reached a minimum of 6.9% and a maximum of 11.0%. Fluctuations in profitability have largely been driven by direct expenses. Direct costs grew at an average of 5.2% per year between 2015 and 2019, outpacing average industry revenue growth of 0.7%. These differences indicate that direct costs, such as fuel, equipment, wages and benefits have had the largest impact on the profitability of a towing and storage facility in Canada.



Source: Statistics Canada, PwC analysis  
2019 data, n = 625 suppliers

## Costs are primarily driven by wage and labour expenses

Labour, wages, and benefits make up the largest proportion of total spend by towing and storage suppliers in Canada at 32.1%. This is indicative of the labour-intensive nature of the industry, which relies heavily on drivers and dispatchers to coordinate and perform towing services.

Labour is a greater factor of direct costs in the provinces with public automotive insurance (38.4%), compared to provinces with private insurance (29.0%). According to *Canada Job Bank*, the average hourly wage earned by a tow truck driver in Canada ranges from \$15 to \$34, with a median of \$22. Suppliers in provinces with public insurance have a 13.8% greater median revenue of \$25.25/hour compared to provinces with private insurance of \$22.20/hour. This could be reflective of the increased competition for skilled trades employees with major industries in these provinces, such as oil, gas and other natural resources.

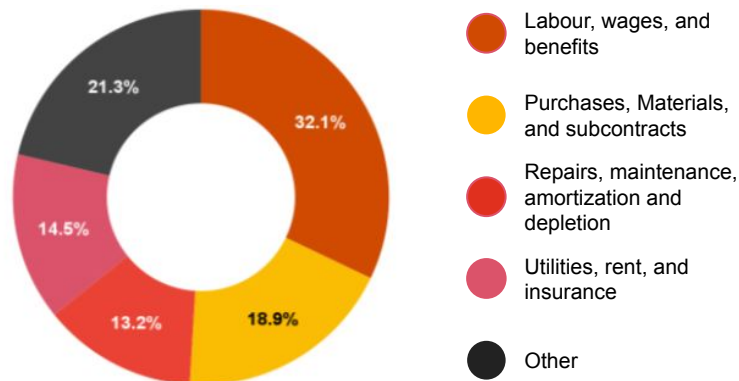
Towing suppliers in BC must structure employee shifts according to the regulations established by the Commercial Vehicle Safety and Enforcement office. Moreover, labour legislation requires suppliers to pay double an employee's hourly rate for every hour worked after the twelfth hour of a shift. These regulatory requirements may be contributing to a higher median wage in the province.

Purchases, materials and sub-contracts also represent a significant portion of supplier costs, contributing to 18.9% of total spend. These represent costs associated with directly performing towing services, such as fuel and equipment.

Unlike labour, the remaining cost categories exhibited little variation between suppliers operating in provinces with public and private insurance. Differences ranged from 2 to 5% depending on the specific cost item.

Wage and Labour Costs (as a percent of total costs)	
ON, QC, and AB	BC, MB, and SK
29.0%	38.4%

### Costs for Canadian Towing & Storage Suppliers Percentage of Total Costs, 2019



Source: Statistics Canada, PwC analysis

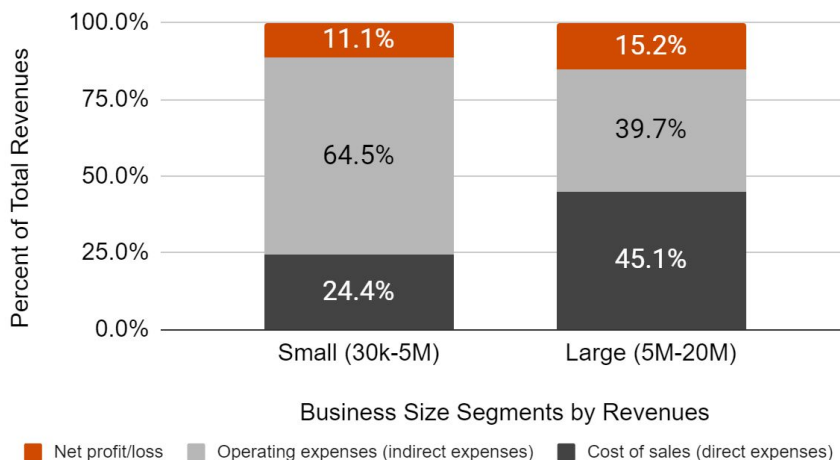
### Large towing and storage suppliers are more profitable than small suppliers

Suppliers' size has a direct impact on profitability, with larger suppliers reporting higher profits on average. In 2019, the average net profit of a Canadian towing and storage supplier with revenues of less than \$5 million was 11.1%, compared to net profit of 15.2% among those with revenues greater than \$5 million.

Higher profitability among large suppliers is driven by lower indirect expenses relative to smaller suppliers. Indirect expenses represented, on average, 39.7% of total revenues in 2019 for large suppliers compared to 64.5% among smaller suppliers.

Differences in indirect cost structure can be attributed to economies of scale generated by larger suppliers. This translates into savings in several cost areas, such as labour and commission expenses (6.5% lower than small suppliers), unclassified expenses (6.5% lower than small suppliers), and utility expenses (3.3% lower than small suppliers).

### Profitability for Towing & Storage Suppliers by Size Small and Large Canadian Suppliers, 2019



National Average Revenue (000's, 2019)	
Small (30k-5M)	Large (5M-20M)
\$104.7	\$8,584.6
n= 625	n= 36

Source: Statistics Canada, PwC analysis

Statistics Canada does not provide a breakdown on unclassified expenses, which could include several items such as office expenses, property taxes, business taxes and licenses.

Furthering this gap between small and large towing and storage providers in the Canadian market, industry experts have noted that there are growing levels of market consolidation in Canada. This consolidation is most notable in Ontario, where the proportion of large suppliers whose revenues are greater than \$5 million comprise 26.6% of all operators in the province, compared to the national average of 24.0%. This consolidation is gradually spreading throughout all Canadian provinces. Additionally, the shift towards commercial towing operations among BC towing and storage suppliers increases revenue per tow, and requires new equipment to perform commercial towing service operations. It is possible that this shift will further widen the profitability differences between small and large suppliers in the market.

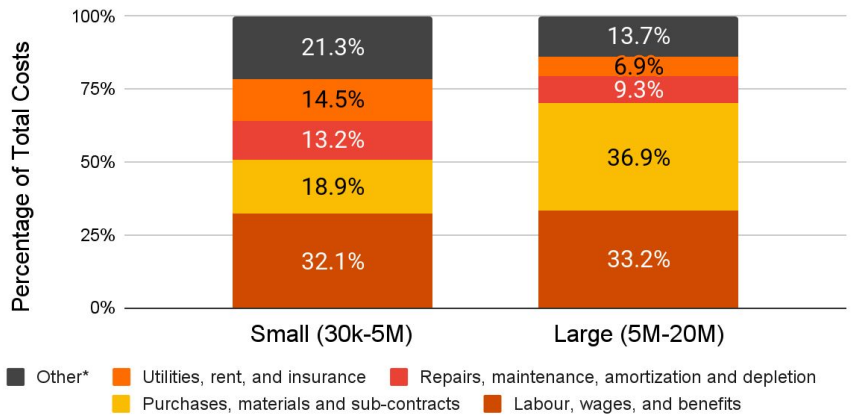
## Large suppliers have different cost structures compared to small suppliers

Large suppliers have higher purchases and materials expenses, which is contributing to higher direct costs as a percent of total spend. This category makes up 36.9% of total spend compared to 18.6% for small suppliers. Conversely, utilities, rent, repairs, maintenance, amortization, and other expenses make up a combined 49.0% of total costs for small suppliers, while only making up 29.9% of total costs for large suppliers, due to the scalability of operating expenses in the industry. Conversations with industry representatives indicated that higher purchase and material expenses among larger companies are driven by new equipment purchase costs, compared to a higher likelihood of performing repairs and maintenance on existing equipment by small suppliers.

Wage costs are almost identical between the two business size segments, indicating that revenues are driven in direct proportion to labour, with little opportunity to scale.

### Costs for Canadian Towing & Storage Suppliers by Size

Cost items as % of total costs, 2019



\*Other Expenses include: Interest and bank charges, Professional and business fees, Advertising and promotion, Delivery, shipping and warehouse expenses, and Unclassified expenses.

Suppliers classified as "small" generate revenues of \$30,000 - \$5,000,000 annually, while "large" operators generate \$5,000,000 - \$20,000,000 annually

Source: Statistics Canada, PwC analysis

## Findings: Workforce

Please refer to Appendix 1 - Workforce for more information

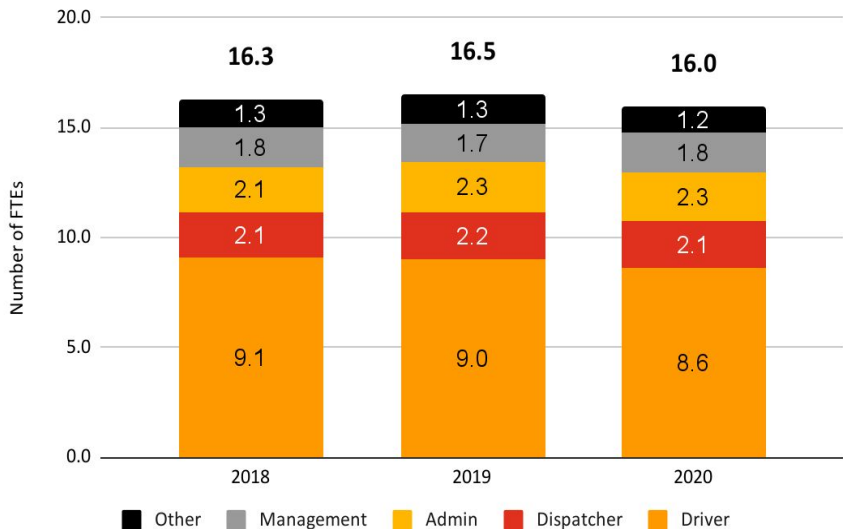
### Drivers appear to represent the majority of an ICBC Towing & Storage supplier's workforce

Based on survey responses, total headcount across all positions appears to have remained stable over the past three years, fluctuating between 16.0 and 16.5 FTEs from 2018 to 2020. Recent declines in the number of employees appears to be primarily driven by a smaller number of drivers in 2020. This suggests that survey respondents may continue to experience growing challenges attracting and retaining Drivers in this industry..

The decrease in drivers employed in 2020, and decrease in total employment more broadly, can be attributed to a lower volume of tows performed due to COVID-19. The number of remaining staff (management, admin, dispatchers, and other) have remained relatively consistent. Looking ahead, Industry Working Group members indicated that automation of dispatch and other operational systems may allow them to reduce staff in administrative or dispatching roles, or reallocate their responsibilities into other activities.

### BC Towing & Storage Market

Average headcount breakdown by job type, 2018 to 2020



Source: Towing Industry Survey, PwC analysis

2018 (n=36) data | 2019 (n=36) data | 2020 (n=39) data

## Most staff appear to be compensated on a commission or hourly basis

Based on survey responses, it appears that half of ICBC supplier staff may be compensated on a commission basis, representing 51% of the workforce in 2020. These observations indicate a connection between labour cost and volume of services performed. This proportion is aligned with headcount breakdowns provided, where Drivers represented roughly half of all staff in 2020, and who are most likely to be commission-based.

Between 2018 to 2020, there was no observed difference in the way the survey respondents paid their staff members.

A large proportion of staff also appear to be compensated hourly. On average, 35% of the survey respondents workforce was paid hourly in 2020, likely representing employees who support and/or coordinate towing services such as Dispatchers. When factoring in both Commission-based and Hourly staff, 86% of staff receive some type of variable compensation, which is more likely to fluctuate based on demand for services. Conversations with industry representatives indicated that the high rate of variable compensation plays a role in the limited ability to attract and retain employees to the industry. The significance of variable compensation was also linked to large changes in direct expenses observed in the national benchmarks from *Statistics Canada*.

The remaining group of staff are compensated through a salary, which likely represents Management and Administrative staff members.

The significance of variable compensation could contribute to large swings in direct expenses for suppliers.

## Findings: Efficiency

Please refer to Appendix 1 - Efficiency for more information.

## Most ICBC suppliers appear to be investing in initiatives to improve operational efficiency

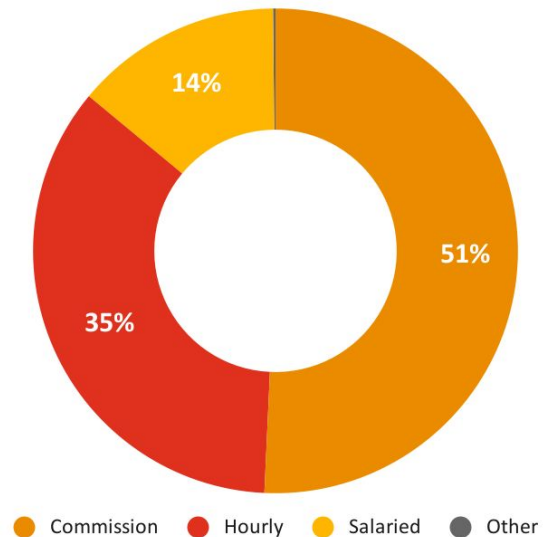
ICBC suppliers were asked to outline if and what actions they have undertaken to increase operational efficiency within their business.

Nearly two thirds (64%) of survey respondents state that they are pursuing initiatives to improve operational efficiency. These initiatives include investments in technology (e.g. GPS, digitizing dispatch process), accounting programs, and consolidation of office space.

Low survey participation did not provide PwC with sufficient information to draw conclusions related to the impact of operational efficiency initiatives on the profitability of ICBC suppliers.

### BC Towing & Storage Market

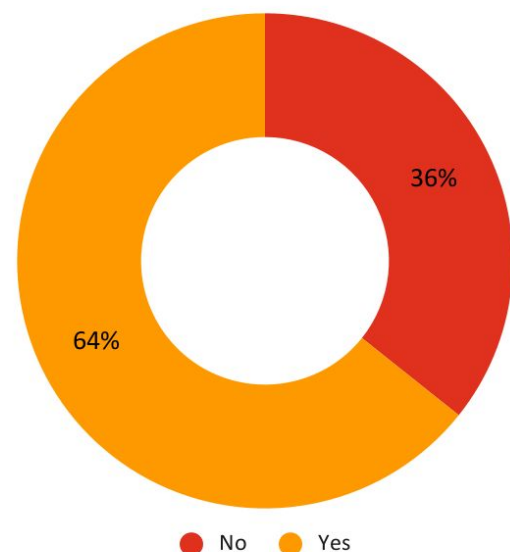
Average headcount breakdown by wage type, 2020



Source: Towing & Storage Industry Survey, PwC analysis 2020 data, n = 39 suppliers

### BC Towing & Storage Market

% suppliers invested in efficiency initiatives, 2020



Source: Towing & Storage Industry Survey, PwC analysis 2020 data, n = 42 suppliers

## Findings: Market Trends

Please refer to Appendix 1 - Impacts to the Towing & Storage industry for more information.

### Trends impacting the Towing and Storage industry

PwC assessed the trends that will influence the future of the vehicle Towing and Storage industry. While these trends apply to the industry as a whole, analysis of the BC market indicates that they are already impacting the viability of ICBC's suppliers.

Theme	Trend
Changing competitive landscape	<p><b>Crowded private market for roadside assistance</b> Diverse group of roadside assistance competitors consists of auto clubs, OEMs, dealerships, financial institutions and global service networks, many of which influence the demand for towing services.</p>
	<p><b>Influence of public stakeholders</b> Municipalities and police services influence service volumes through preferred contracts, particularly in provinces with predominantly public auto insurance.</p>
	<p><b>Initiatives to expand capacity</b> Facilities are pursuing initiatives to expand capacity, such as fleet expansion or revenue diversification.</p>
Regulation impacting the industry	<p><b>Governments addressing organized crime</b> The presence of organized crime in certain provinces, most notably Ontario and Quebec, has caused governments to pursue reforms to protect customers and improve transparency.</p>
	<p><b>Increased focus on accident scene safety</b> Governments and associations have enforced safe working practices to eliminate or control hazards.</p>
	<p><b>Protecting the environment</b> Rules for managing hazardous waste and recycling materials have created operational complexity.</p>
	<p><b>Land zoning</b> Municipal zoning bylaws affect land available for vehicle storage, limiting operational flexibility.</p>
Technology disruption	<p><b>Connected operations</b> Opportunities to improve the efficiency and transparency of towing and storage processes have emerged for dispatchers, facilities and insurers.</p>
	<p><b>Digital customer experience</b> Historical low adoption of technology in the towing market has created opportunities for new entrants and prompted the need for facilities and insurers to invest in new technologies.</p>
Changing vehicle and towing requirements	<p><b>Shrinking demand for personal vehicles</b> Declining demand for personal vehicles, coupled with the growth in car and ride sharing services, may contribute to continued decline in the demand for towing services.</p>
	<p><b>Change in vehicle mix</b> Light trucks have grown in popularity, placing new equipment demands on towing facilities, such as the investment in flatbeds and dollies.</p>
	<p><b>Share of luxury and zero-emission vehicles</b> Many luxury and electric vehicles require facilities to follow specific OEM procedures, resulting in additional complexity for facilities and higher costs for insurers.</p>
Operational pressures	<p><b>Real estate costs</b> Scarcity of available industrial properties has led to increases in the price of land, creating growing cost pressures.</p>
	<p><b>Labour availability</b> Facilities are in direct competition for talent with other trades and are struggling to attract and retain tow truck drivers.</p>



## Labour availability and equipment costs cited as the most pressing concerns

When asked to assess the relative impact of the above industry trends, the most prevalent concern for respondents was labour availability, which aligns with the shortage of skilled workers in the transportation/trucking industry and the broader trades, and the increase in direct labour costs in BC.

The second highest concern amongst respondents was growing equipment costs, associated with new vehicle purchases, maintenance, repairs, and additional support equipment required to perform a tow (e.g. Dollies). Another important concern for the observed ICBC supplier group was reliance on contracts, which reinforces the influence held by local governments and municipalities as a buyer of towing and storage services.

Rank	Industry trend
1	Labour availability
2	Growing equipment costs
3	Reliance on contracts
4	Rising real estate costs
5	Changing operational requirements
6	Market consolidation
7	Changes in technology
8	Other

Source: Towing Industry Survey

## Changes to rates and operating practices are the key areas of concern for ICBC suppliers

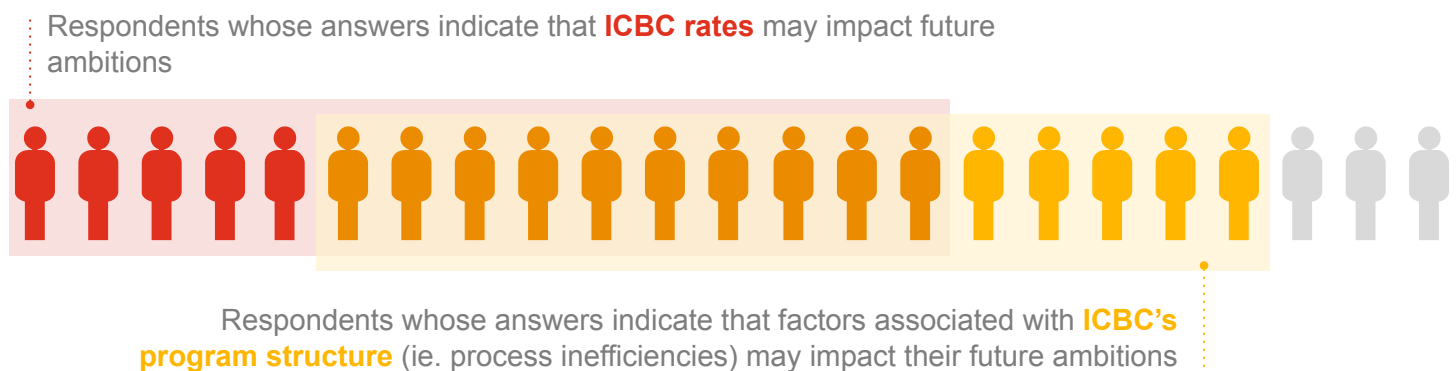
Survey respondents were also asked open-ended questions about key factors impacting their business. Out of the 23 respondents who provided an answer for either of these questions, rate changes and operating practices were the major areas of concern.

15 out of 23 respondents stated that ICBC rates are a key factor in allowing them to achieve their goals. The same proportion of respondents (15 out of 23) mentioned that changes to ICBC's program are required to allow them to progress towards their ambitions as a facility.

Suggested structural changes to the ICBC program included:

- Simplification of billing and invoicing
- Removal of paper-based documentation
- Adjustments to accreditation requirements
- Increased regional differentiation and segmentation for ICBC Towing and Storage suppliers.

When considered together, these suggestions indicate there are multiple opportunities to improve ease of doing business with ICBC.



Source: Towing Industry Survey, PwC analysis

## Implications for ICBC

The Towing Business Review was rooted in a commitment from ICBC to better understand the financial health and performance of its key suppliers associated with material damage claims. PwC was requested to conduct a review of the vehicle Towing and Storage industry to identify trends impacting costs and performance, compare current practices to other provinces, and collect primary supplier data in a secure, confidential format to inform ICBC's future decisions regarding their supplier programs.

Observations pertaining to rate structures, digital tools, and invoicing practices should be used to inform ICBC's future towing management program, as there are immediate improvements that can be made to enhance the ease of doing business, in line with roadside assistance providers and other insurers in the industry.

While survey participation did not meet the minimum thresholds to generate a representative set of insights on the costs and profitability of ICBC suppliers, it did provide a view of the operational changes faced by the industry, particularly a growing concern on labour availability and an increasing reliance on services outside of passenger vehicle towing.

As ICBC continues to build a cooperative relationship with the vehicle Towing and Storage industry, it will be beneficial to track macroeconomic factors that have direct implications on the costs a towing operator incurs, such as fuel costs, labour rates, and CPI.

Continued participation and engagement from key stakeholders, such as individual facilities, the Industry Working Group and industry associations, is essential to understanding the nuances of the industry and will support ICBC to take actions that sustain the services provided to drivers in British Columbia.





# Appendix 1

# Appendix 1 contents

---

<b>Context behind the Towing Business Review</b>	<b>25</b>
<b>Market overview: Canada &amp; BC</b>	<b>29</b>
<b>Analysis findings</b>	<b>44</b>
○ Revenue	
○ Profitability & Costs	
○ General Information	
○ Efficiency	
○ Workforce	
○ Future considerations	
<b>Towing &amp; Storage Industry trends</b>	<b>58</b>



## Structure of Appendix

### Context behind the TBR

Background information related to ICBC, the purpose and scope of the Towing Business Review (TBR). This section also introduces PwC's phased approach to conducting the review and the target outcomes.

### Market overview

Overview of the Towing and Storage market in Canada and BC, including size, growth rates, structure and differences between provinces with public and private auto insurers.

### Analysis findings

Analysis of the financial health and performance of Towing and Storage facilities. Findings are organized into sub-categories related to revenues, costs, profitability, workforce and efficiency, and include comparisons to national and provincial benchmarks where applicable. Additional breakdowns are provided where possible to illustrate differences within the BC market across region, storage zone, ownership structure and revenue from ICBC.

### Industry trends

Perspective on the trends influencing the Towing and Storage suppliers, informed by insights from interviews with Industry Working Group members, private and public insurers, service providers and provincial towing associations. This section also articulates the future outlook for these industries.





# Context behind the TBR

## Purpose

### Introduction to ICBC

The Insurance Corporation of British Columbia (“ICBC” or the “Corporation”) is a commercial Crown corporation created in 1973 to provide universal compulsory auto insurance to motorists in British Columbia (“BC”). ICBC’s governance is defined through legislation applicable to all Crown corporations, and legislation specific to the Corporation itself. ICBC’s mandate is to provide basic, cost effective vehicle insurance for BC motorists through the Insurance Corporation Act, Insurance (Vehicle) Act and the Motor Vehicle Act.

ICBC Basic Autoplan is the mandatory coverage needed for a vehicle in British Columbia. In addition to Basic Autoplan, drivers in British Columbia have the option to purchase Optional Insurance from ICBC or other private insurers. ICBC Optional Insurance policies provide additional coverage beyond the Basic Autoplan Insurance policy, such as extended third party liability, collision, and comprehensive. ICBC sells Optional auto insurance in a competitive marketplace, among national and provincial insurance providers.

Basic auto insurance rates are regulated by the British Columbia Utilities Commission (“BCUC”), an independent regulator. The BCUC approves Basic rates and ensures the Basic insurance product is adequate, efficient, just and reasonable.

In addition, ICBC provides driver licensing, vehicle registration and licensing, and violation ticket and government fine collections services on behalf of the Province under a Service Agreement with the provincial government. ICBC also implements road safety initiatives to reduce collisions and losses on BC roads and to assist in managing claims costs.



### Towing Business Review

ICBC continues to assess supplier industries associated with the Material Damage portion of an insurance claim. In February 2021, they announced they would complete a Towing Business Review (TBR) to help make timely and informed decisions related to their role in the vehicle Towing and Storage industry in BC.

PwC was hired by ICBC to perform the Towing Business Review, with the goal of identifying compensation and operational changes that would benefit ICBC, Towing and Storage suppliers, and their mutual customers.

As part of this review, PwC was asked to:

- **Conduct market research and benchmarking** to identify trends and compare rates across the industry using data from ICBC and other third parties
- **Engage the supplier community** to gather facility-level financial, operational and workforce data to assess cost-drivers and efficiency-drivers of suppliers within BC
- **Analyze Towing & Storage supplier data** to generate insights on performance across the province, including differences by region, size or ownership type
- **Summarize findings in an Industry Report** that compares BC against national and provincial rate and cost benchmarks, and outlines the broader market trends and challenges facing Towing & Storage suppliers

## Scope

The Towing Business Review was based on full access to ICBC information, staff and certain other materials or data, not including public comment or input. Additional input was solicited from a working group of industry representatives.

The review is based on comparisons of performance and operating models of other segments in the insurance industry and their approach to Towing and Storage vendors, including Canadian provinces with both public and private auto insurance.

The scope of the Towing Business Review is limited to ICBC Towing and Storage suppliers. This includes suppliers who provide services for both Personal and Commercial claims and received payment from ICBC. It does not include other material damage vendors involved in the claims process, such as Collision Repair or Auto Glass.





## Approach: Methodology & Target Outcomes

The TBR was designed to be a comprehensive, independent representation of the financial health and sustainability of the vehicle Towing and Storage industry, with a focus on understanding industry costs and operational challenges.

PwC adhered to a four-phased approach to assessing the industry, defining future methodology, socializing information gathered, and communicating results to stakeholders. To conduct the review with the industry in mind, PwC and ICBC formed an Industry Working Group, which was engaged in each phase to discuss data collection, trends and validate initial findings and hypotheses.

Phase 1: Mobilize & Define Data Methodology	Phase 2: Data Collection & Market Analysis	Phase 3: Survey Data Analysis	Phase 4: Draft Industry Report
<ul style="list-style-type: none"> <li>Collect data from ICBC and PwC sources</li> <li>Develop Supplier Engagement &amp; Communications Plan</li> <li>Define Data Collection Framework</li> <li>Create Supplier Data Request and Assessment Survey</li> <li>Connect with industry contacts</li> <li>Conduct initial session with industry working group</li> <li>Schedule and begin conducting interviews with ICBC Towing stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Send survey to supplier population</li> <li>Conduct market research (rates and costs across Canada) and gather PwC benchmarks / ICBC data</li> <li>Draft list of initial hypotheses</li> <li>Conduct one-on-one sessions with industry working group members to receive input on performance/ trends</li> <li>Conduct working session with industry working group to review and test market research findings</li> </ul>	<ul style="list-style-type: none"> <li>Synthesize survey data collected from ICBC's supplier population</li> <li>Perform data analysis to test for statistical significance, outliers, anomalies in reporting, correlations, and measure against market research.</li> <li>Measure survey findings against benchmarks</li> <li>Conduct session with Industry Working Group to review and validate survey findings</li> </ul> <p><b>Phase 3 was dependent on receiving sufficient responses from supplier population</b></p>	<ul style="list-style-type: none"> <li>Draft Industry Assessment Report based on market analysis, supplemented by survey data (if applicable)</li> <li>Review Industry Assessment Report with ICBC</li> <li>Finalize report</li> </ul>

The approach was developed by PwC and reviewed by ICBC and representatives from the Industry Working Group to align on successful delivery of the following target outcomes:

<p><b>Engagement from Towing &amp; Storage suppliers</b></p> <p>Continuous involvement from Towing &amp; Storage suppliers to promote data collection and participation</p> 	<p><b>Comprehensive review</b></p> <p>Comprehensive review of supplier performance and industry viability</p> 	<p><b>Repeatable process</b></p> <p>Relevant and repeatable model for assessing suppliers</p> 	<p><b>Stakeholder alignment</b></p> <p>Alignment on supplier viability across internal and external stakeholders</p> 
---	---	---	--

## Context

### Rising spend for Towing & Storage claims

#### Steadily increasing spend for an ICBC Tow

ICBC is facing growing spend pressures associated with the towing portion of material damage claims. This spend includes charges for recovery at the accident scene, towing a vehicle to a storage yard, and in some cases, to an ICBC estimating facility. The value of these claims has steadily increased over the past five years, including during the COVID-19 pandemic.

The average spend for an ICBC towing claim increased by roughly 5% per year for the past five years, from \$284 in 2016 to \$347 in 2020. The volume of towing claims remained relatively stable over the same time period, excluding the noticeable decline in 2020, which can be attributed to fewer vehicles on the road due to stay at home restrictions implemented by the BC Government for COVID-19. When considered together, rising average spend and declining volumes suggests that a smaller group of more expensive tows are being performed, contributing to an increase in average claim spend.

#### Sharp increases in ICBC Storage spend

In addition to Towing spend, ICBC is facing escalating spend pressure from vehicle storage. This spend consists of daily rates charged for keeping a vehicle until it is transferred to a repair facility, ICBC estimating facility or salvage yard.

The average spend for an ICBC storage claim increased by roughly 10% per year between 2016 and 2020, reaching \$248. The average storage spend increased at twice the rate of towing over the past five years.

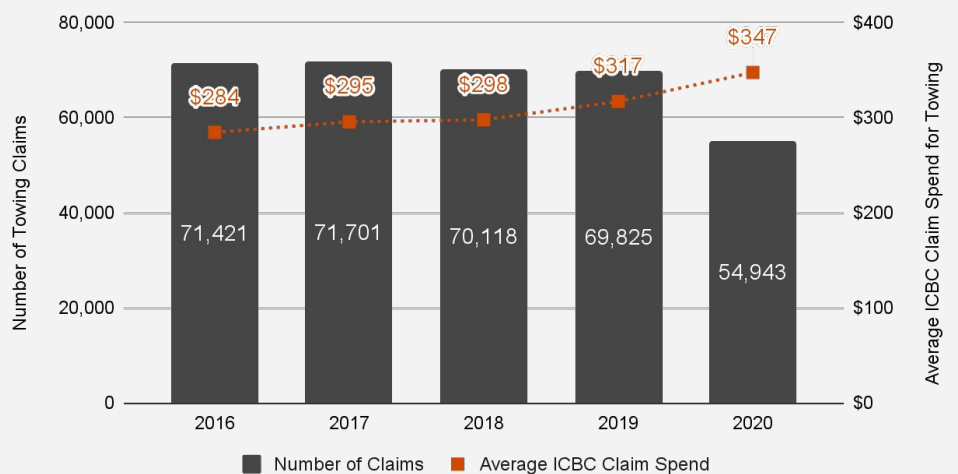
The volume of storage claims has also declined, including a sharp decline in 2020 due to COVID-19. Rising average spend and declining volumes suggests that a smaller number of claims are requiring storage for longer durations.

ICBC uses four vehicle storage zones to compensate suppliers based on their geographic location. Zones 1 and 2 represent urban and suburban areas, and Zones 3 and 4 representing rural areas. Many facilities in Zones 1 and 2 are managed by ICBC.

Storage duration was consistent in Zones 1 and 2, averaging 4 and 6 days, respectively. Conversely, average storage duration in rural zones (3 and 4) increased over the same time period to 11 and 23 days, respectively.

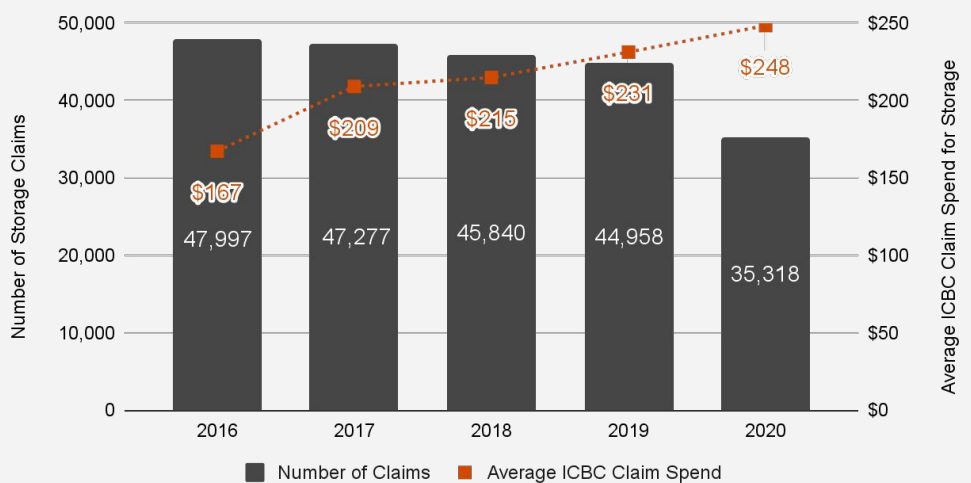
These differences indicate that storage spend is rising in zones not managed by ICBC.

#### Towing Claim Volume & Average ICBC Claim Spend



Source: ICBC-provided data, PwC analysis

#### Storage Claim Volume & Average ICBC Claim Spend



Source: ICBC-provided data, PwC analysis

## ICBC spend on Towing & Storage services

Vendor management is a common component of Claims departments that enable insurers to proactively manage their costs of services and drive service excellence. ICBC is a significant source of revenue for vendors that provide services associated with material damage of automobile insurance claims, such as Towing and Storage, Salvage, and Collision Repair.

ICBC Material Damage spend is significant, representing a large category of claims vendor spend. A breakdown of the top five categories of Material Damage spend indicates that Towing & Storage suppliers represent roughly 4% of total spend, excluding total loss payments.

However, ICBC's spend on Towing and Storage suppliers represents one of the few categories that has seen continued growth. Between 2016 and 2020, ICBC's spend on Towing and Storage increased by an average of 0.9% per year, from \$31.1 million to \$32.2 million. This was the third largest increase in Material Damage supplier spend behind Auto Glass repair and Heavy Equipment, which grew by an average of 6.6% per year and 2.1% per year over the same time period. Glass costs include parts, labour and materials charges for repairs and replacements of a vehicle's windshield, rear or side glass panels, and Heavy Equipment includes trucks, trailers, buses and other large commercial vehicles.

Between 2016 and 2019, Towing and Storage spend increased by an average of 6.8% per year, reaching a maximum of \$37.3 million. This increase is larger than the five-year change of 0.9% per year, indicating that a lower volume of services due to COVID-19 may have temporarily decreased spend. These differences suggest that ICBC may experience future increases in Towing and Storage spend after 2020 when service demand returns to normal.

## ICBC's work with Towing & Storage suppliers

In order to obtain an ICBC vendor number, suppliers must meet various requirements. For example, they offer both towing and storage services. During a claim, they are then able to invoice ICBC directly for:

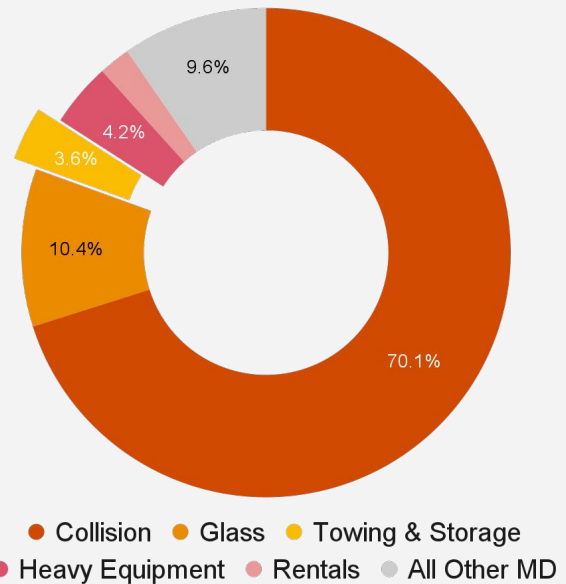
- Recovery and towing from the accident scene to their storage lot
- Storage of vehicle in their lot
- Fuel used when performing the tow
- Additional towing of the vehicle to an ICBC facility for estimating purposes, to a repair facility, or to an ICBC salvage facility when a Total Loss occurs

In most cases, these services are provided to ICBC customers before a claim has been authorized. Once services have been provided, facilities submit an invoice using applicable rates outlined in ICBC's Towing & Storage Rate Payment Schedule. These invoices are submitted to ICBC manually for review and payment. It is possible for certain facilities to receive a payment from ICBC without being a supplier.

ICBC does not manage Towing and Storage suppliers with a formalized program similar to Collision or Glass Repair, and is the the process of developing a strategy to enhance industry engagement and improve existing processes in order to manage cost and efficiency.

Looking ahead, ICBC plans to use the findings from the Towing Business Review to better understand the industry and develop an enhanced program for Towing and Storage suppliers.

## ICBC Total Material Damage Spend 2020



Source: ICBC-provided data, PwC analysis  
Excludes total loss payouts

	ICBC Total MD Spend 2020 (millions)	Average Annual Percent Change 2016-2020
Collision	\$634.9	-1.8%
Glass	\$94.4	6.6%
Towing & Storage	\$32.2	0.9%
Heavy Equipment	\$38.1	2.1%
Rentals	\$18.8	-5.5%
All Other MD	\$87.1	-5.8%
<b>Total</b>	<b>\$827.2*</b>	

Source: ICBC-provided data, PwC analysis. Excludes total loss payouts



# Market overview

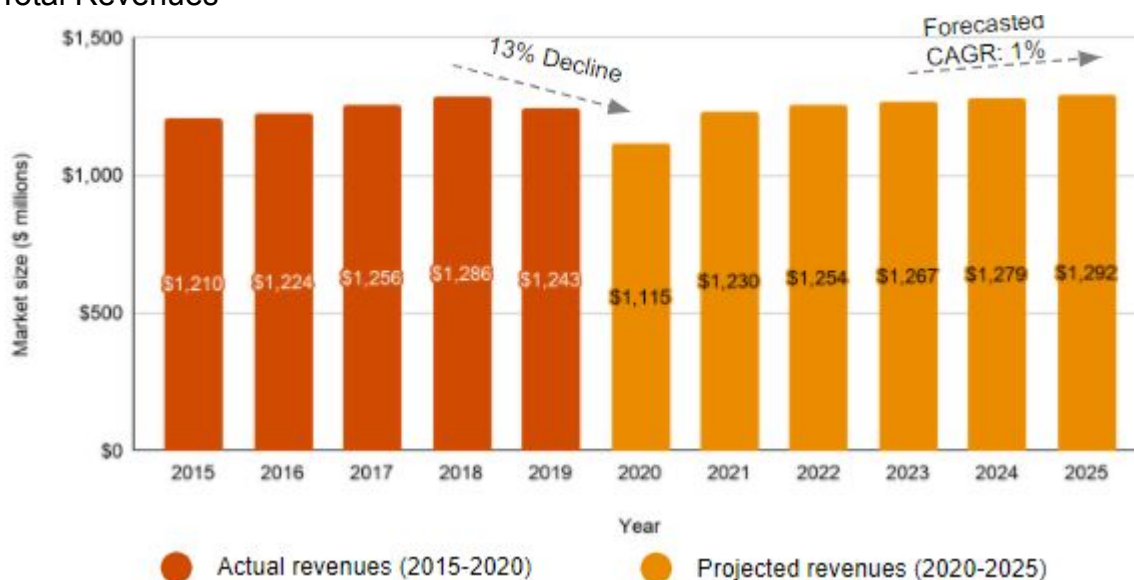
## Towing and Storage in Canada

### Low industry growth after a period of decline

The Canadian Towing and Storage industry is expected to continue with low growth after recovering from a period of declining revenues between 2018 and 2020. The industry generated revenues of \$1.24 billion annually in 2019 after annual growth of 0.5% from 2015 to 2019, reaching a peak of \$1.29 billion in 2018. Despite stable annual growth from 2015 to 2018, the market began to decline and is expected to have continued this decline through 2020. Over these two years, industry revenues dropped from \$1.29 billion to \$1.11 billion at an annual rate of -6.7%. Part of this decline can be attributed to the COVID-19 pandemic and subsequent provincial lockdowns, which reduced economic activity. According to Driving.ca, demand for towing and storage services were reduced as new car sales in Canada declined by approximately 17.8%, and automotive collisions declined by approximately 32.9%. These factors translated into an expected industry decline of 10.3% in annual revenues for 2020. As lockdown restrictions ease across the country, the Canadian Towing and Storage industry is expected to recover these losses between 2021 and 2022, growing by 10.3% and 2.0% respectively in those years. Low, stable growth in the industry is expected from 2023 onwards at an annual growth rate of 1.0%, with the industry reaching total revenues of \$1.29 billion by 2025.



### Canadian Vehicle Towing & Storage Market Total Revenues

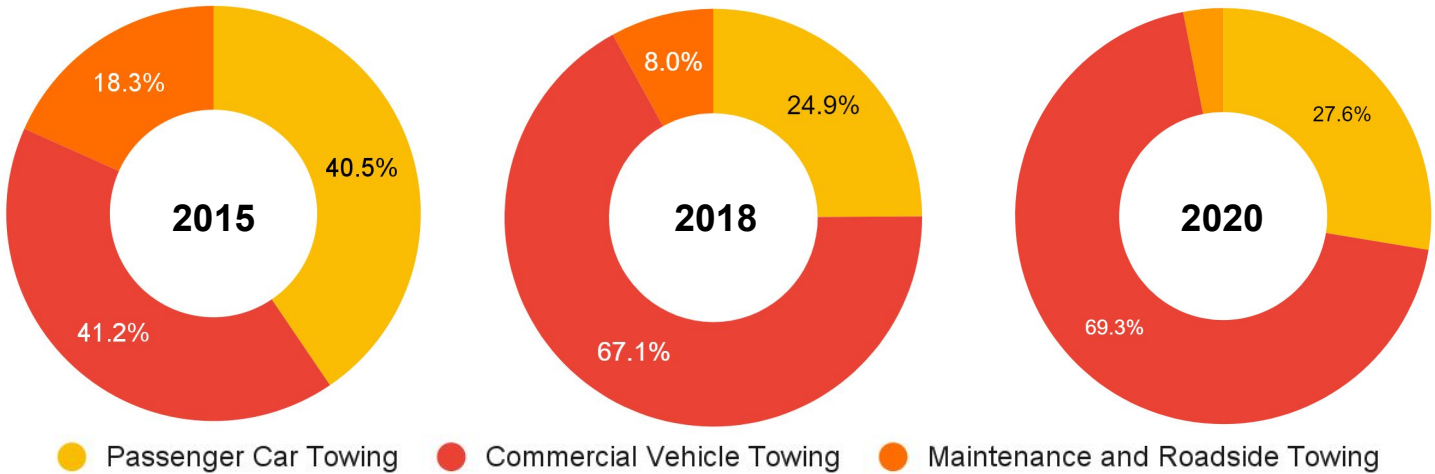


Source: Statistics Canada, IBISWorld, PwC analysis



## Greater revenues from the commercial vehicle towing segment

### Breakdown of revenue by product / service line (\$) from 2015 to 2020



Source: IBISWorld, PwC analysis



Revenue sources from products and services in the Canadian towing and storage market are segmented in three ways:

**Commercial Vehicle Towing:** towing, recovery and storage for light duty trucks, sports utility vehicles, and heavy trucks that carry cargo.

**Passenger Vehicle Towing:** towing, recovery and storage services for vehicles that do not carry cargo and are mainly used by individual drivers and passengers.

**Maintenance and Roadside Towing:** roadside servicing of passenger vehicles, including resupplying fuel, tire changes and battery recharge or replacement.

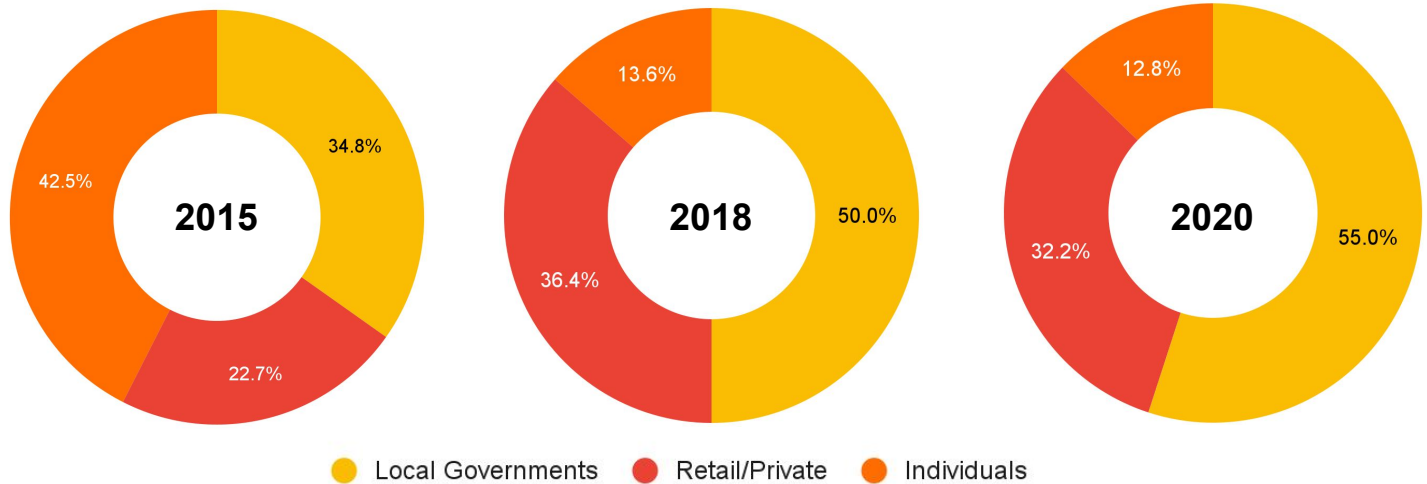
Commercial vehicle towing has grown the most as a share of total revenue as it requires specialized skill sets and equipment to service, and suppliers can charge a premium to offset the increased investment. This segment makes up the majority of revenues in the market, growing from 41.2% to 69.3% of all revenues earned by Towing and Storage suppliers from 2015 to 2020. Commercial towing generated \$893.6 million of Canadian Towing and Storage revenues in 2020. Note that this definition differs from ICBC, which classifies light duty trucks and sports utility vehicles as personal vehicles. A breakdown of ICBC's Commercial and Personal towing segments is contained in the Analysis section.

The Passenger vehicle towing market includes towing for motor vehicle accidents, road safety and emergencies. It has experienced reduced demand due to increasing vehicle reliability and standard safety features, as well as larger growth from the commercial towing segment. This market segment declined from 40.5% of market revenues in 2015 to 27.6% of market revenues in 2020, only representing \$355.9 million of industry revenues.

Maintenance and Roadside Towing revenues dropped significantly. This segment declined from 18.3% in 2015 to 3.1% of industry revenues in 2020, generating \$40.0 million in 2020 compared to \$229.8 million in 2015. Towing suppliers are often contracted by dispatch companies and roadside programs (e.g. CAA) and are paid lower fees for services compared to the other product and service segments.

## Local governments have become the largest revenue driver for towing suppliers

### Breakdown of revenue by customer (\$) from 2015 to 2020



Source: IBISWorld, PwC analysis

## Across Canada, vehicle towing and storage revenues are generated from three major markets:

### Local Governments:

Local government customers are typically made up of municipalities, law enforcement, and other emergency service teams who provide exclusive or preferred contracts to towing and storage suppliers in a designated geographic area. If the contracts are preferred rather than exclusive, multiple towing and storage suppliers are dispatched on a rotational basis by the local government customer.

Who Pays: Vehicle owners and Insurers

### Retail / Private Customers:

Commercial customers are commercial entities or private customers such as real estate management companies, retailers, college / university campuses and owned office locations who hire impound services to tow vehicles that are parked illegally on their properties. It also includes businesses with large fleets.

Who Pays: Vehicle owners

### Individuals:

Individual customers are individual drivers who require towing and storage services when their car is not functioning properly, or they have been in an accident. This segment typically pays through insurance services, but can also pay directly out-of-pocket.

Who Pays: Vehicle owners and Insurers

Governments are the largest market for suppliers, representing 55.0% of revenues generated in 2020 (\$709.2 million). This grew from 34.8% in 2015 (\$448.8 million), reinforcing the government segment's significance as a buyer of towing and storage services through municipal and police contracts and programs. As this segment continues to grow, suppliers will increasingly depend on this segment for revenues, increasing the influence local governments have over towing and storage supplier operations.

Revenues from retail / private customers increased to 33.2% (\$415.2 million) of total industry revenues in 2020 from 22.7% (\$292.7 million) in 2015. These customers represented the second largest revenue source for towing and storage suppliers in 2020.

Revenue from Individuals reduced from 42.5% of all market segments in 2015 (\$548.0 million) to 12.8% (\$165.1 million) in 2020 due in part to improved vehicle safety features. The largest shift took place in 2018, where revenues decreased to 13.6% of total market revenue. This market is expected to have a continued to drop through 2021 due to the reduction in demand for towing and storage services in 2020.

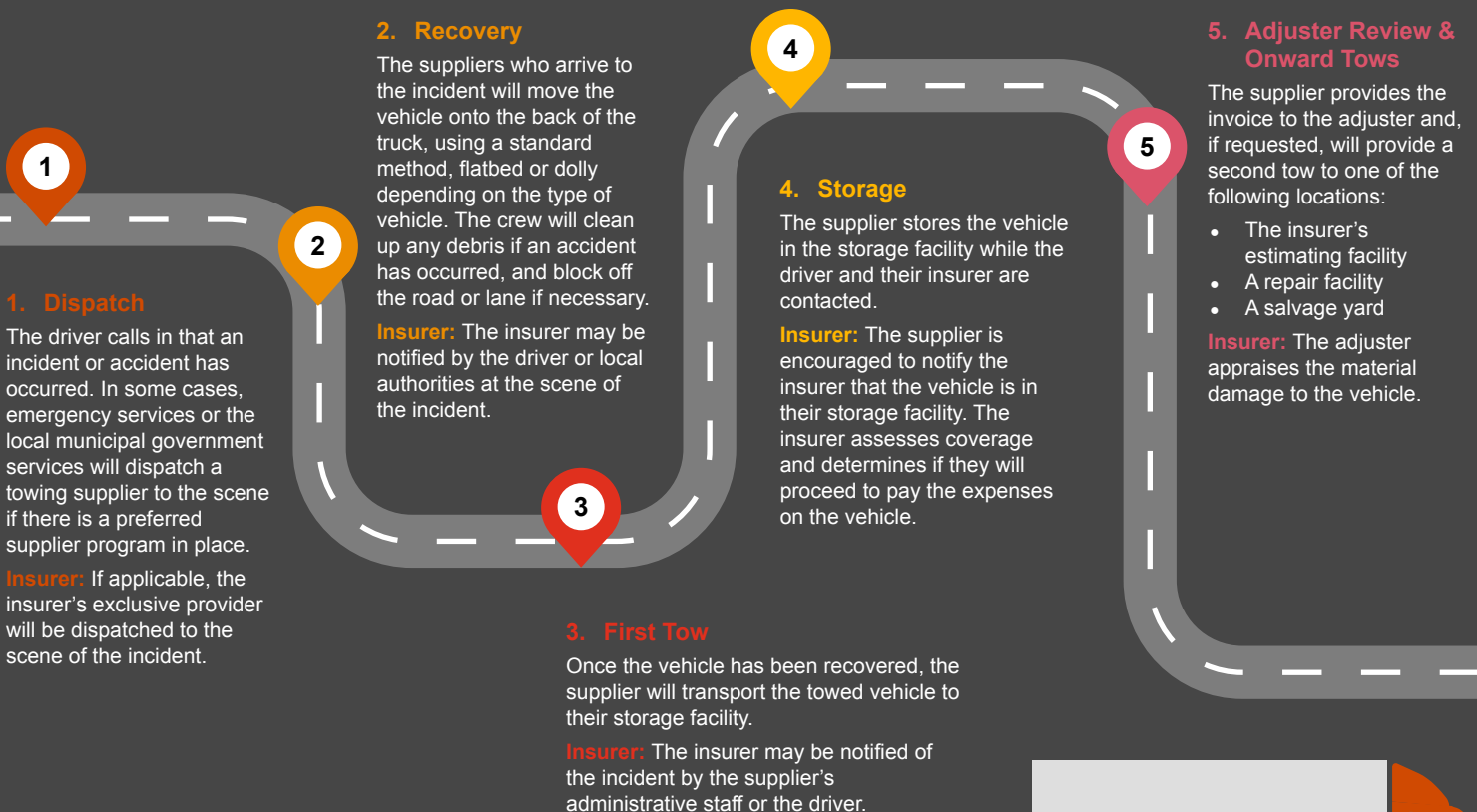
## Vehicle towing and storage process

The towing and storage process as it relates to insurer operations is comprised of five steps:

1. **Dispatch:** the supplier is called to the scene of an accident or incident,
2. **Recovery:** the supplier recovers the vehicle if it has left the road and cannot be immediately attached to the towing vehicle,
3. **First Tow:** the supplier takes the vehicle from the scene of the accident or incident to a storage facility,
4. **Storage:** the supplier stores the vehicle in the impound lot, and;
5. **Adjuster Review & Onward Tows:** the insurer recovers the vehicle and takes it to an estimating facility, scrap yard or salvage yard. This creates scenarios where a vehicle can be towed up to three times if the vehicle is deemed to be a write off and requires a tow to a salvage facility.

The insurer may be informed of the accident at any stage from dispatch to storage. In addition to an insurer requesting the vehicle to be towed, a first responder (e.g. police, fire department) or the driver can initiate the request for the vehicle to be towed. This can cause issues with accuracy of invoices as the insurer often has limited visibility into the initiation of activities for recovery, towing, and storage. In provincial markets where automotive insurance is privatized, or standard rates for services are not mandated by the province, invoices for services are more varied by supplier and incident.

### The towing and storage process provides limited visibility to insurers, who are engaged inconsistently throughout the process:



## Relationship structures between insurers and suppliers differ by province

In provinces with predominantly public insurance, towing and storage suppliers are obligated to work with the government-run provincial insurer for vehicle accident towing and storage claims. This obligation translates into greater influence over rates paid by the insurer. In provinces with only competing private insurers, insurers cannot enforce standardized rate schedules, limiting their ability to influence towing and storage suppliers' operations.



*"Out of six Canadian Insurers surveyed, three stated that they currently have a vendor management program with preferred or exclusive contracts in place for Towing & Storage suppliers"*



*"Out of three Canadian Insurers who said they have a Towing & Storage vendor management program, all three stated that their program has helped them to manage claims costs"*

	Private Insurers	Public Insurers
Relationship Structure	Private insurers have limited bargaining power with suppliers as they cannot influence a set of standardized rates nationwide.	Having a provincial automotive insurance monopoly allows public insurers (i.e. SGI, MPI, ICBC) to have greater control over their relationship with suppliers.
Contract Management	<ul style="list-style-type: none"> <li>Private insurers rarely have supplier programs in place as the towing and storage market is fragmented, making the creation and execution of a preferred program difficult. In some markets, insurers are able to set rates with larger regional suppliers driven by volume.</li> <li>In some cases, insurers manage relationships through Towing &amp; Storage dispatchers, who operate a network of service providers across Canada.</li> </ul>	<ul style="list-style-type: none"> <li>Public insurers are able to define working guidelines between themselves and suppliers, requiring all suppliers to adhere to a broad set of requirements to part of their towing and storage vendor program.</li> </ul>
Rate setting	<ul style="list-style-type: none"> <li>Private insurers do not have enforceable rate schedules, but can refer to historical invoice data to standardize invoice expectations with suppliers.</li> <li>Bylaw rates set by municipalities are used where they exist. Where there are no mandated rates, Towing &amp; Storage suppliers are able to set their own rates to the Insurer.</li> </ul>	<ul style="list-style-type: none"> <li>Public insurers are able to set rates for Towing &amp; Storage services provided to them as control the majority of the insurance market.</li> <li>Storage rates tend to be segmented by geography (i.e. urban, suburban, and rural).</li> <li>Towing rates tend to be segmented by distance travelled.</li> </ul>
Invoicing	<ul style="list-style-type: none"> <li>Private insurers do not have defined invoice line items that they accept for billing.</li> <li>Insurers are billed after an accident/incident has taken place, making it difficult to control rates.</li> <li>Adjudication process includes negotiations with suppliers on final invoice amount.</li> </ul>	<ul style="list-style-type: none"> <li>Chargeable items that make up an invoice are established by the insurer with feedback from provincial suppliers taken into consideration.</li> </ul>

Source: PwC Analysis, Towing and Storage Rate Payment Schedule - ICBC, MPI Non-Contract Towing Rates, SGI Vehicle Impoundments



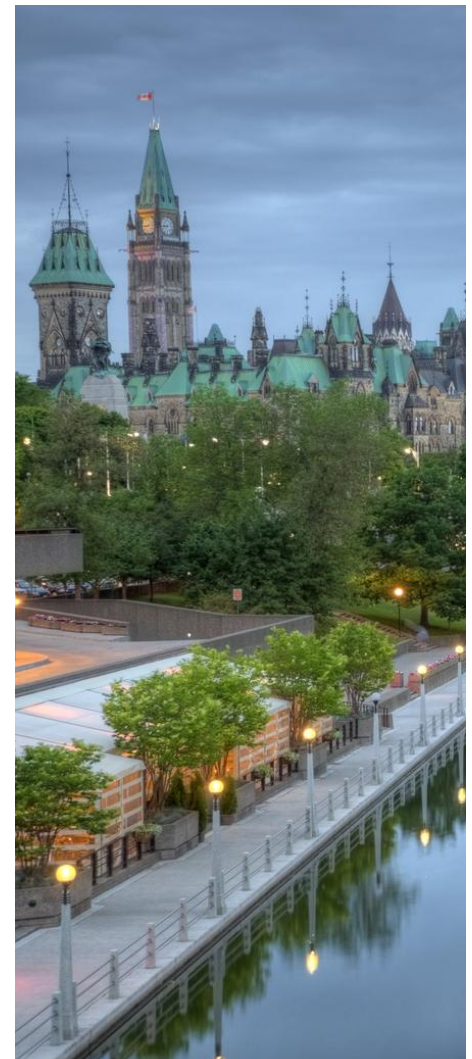
## Each level of government plays a role in regulating the industry

The federal, provincial, and municipal governments in Canada each play a role in defining the rules and regulations of the towing and storage industry. Provincial governments play the largest role in regulating the industry, while municipal governments play an optional role by defining preferred vendor programs and zoning laws. Minimum certifications are also required to operate in the industry (e.g. WHMIS), however they are not a government entity that can enforce regulations on suppliers. The authority each level of government has over the industry are as follows:

**The federal government** plays a relatively small role in the Towing & Storage industry, regulating cross-border transportation, federal highways, and transportation of hazardous waste.

**Provincial governments** play an active role in defining the rules and regulations under which Towing & Storage suppliers must operate, including vehicle specifications, employee safety requirements, road safety, automotive insurance administration (Manitoba, Saskatchewan, and BC only), and disposal of hazardous materials and waste.

**Municipal governments** also play a role in the Towing & Storage industry. Most cities and municipalities a standardized approach to towing services for impounded vehicles, with defined programs for preferred suppliers and rate schedules. Some municipalities' rate schedules may use similar rates and segmentation models as the public insurer, with the exception of Manitoba, where there are provincially defined rates. Additionally, municipalities define the zoning restrictions that limit the areas in which suppliers can base their fleet and storage facilities.



Regulatory area	Regulatory body			
	Federal Government	Provincial Government	Municipal Government	Other*
Commercial vehicle specifications & licensing	●	●		
Employee safety		●		●
Road safety	●	●		●
Environment	●	●		●
Insurance		●		
Consumer protection		●		
Rate setting		●	●	
Zoning Restrictions			●	

\*Other bodies include organizations that advocate for employee health and safety or provide additional training, but do not have the power to unilaterally impose regulations that Towing and Storage suppliers must follow.



## In BC, the Provincial and municipal governments have the most influence on operational requirements

Towing and storage regulations in the province of British Columbia are mainly defined at the provincial government level, while municipal rates and supplier contracts have a large impact on supplier revenues.

As a province with a public insurer, ICBC has greater influence over rates, conduct, and protocols for towing and storage operations relative to provinces with private auto insurance.

Additionally, RoadSafetyBC, another provincial entity unique to BC, governs drivers and implements road safety policies to help reduce the number of road collisions.



Regulatory body	Authority (in the context of British Columbia)
Federal Government	<p><b>Transportation governance:</b> Transport Canada regulates federal highway safety throughout the country, monitoring collision statistics reported to the towing and storage industry, and commercial and passenger vehicle safety on Canadian highways .</p> <p><b>Environmental regulation:</b> Under the Canadian Environmental Protection Act, the federal government regulates transboundary movements of hazardous waste and hazardous recyclable material by towing suppliers from accident scene cleanups, typically between Alberta, Yukon, or Northwest Territories.</p>
Provincial Government	<p><b>Commercial vehicle specifications and licensing:</b> The Commercial Transport Act regulates vehicles specifications such as required sizes and weight for passenger and commercial towing. Based on these specifications, vehicles are designated different classes and licensed accordingly in British Columbia.</p> <p><b>Employee safety:</b> WorkSafeBC defines safety requirements, equipment, and workplace training required across industries in the province such as traffic control persons training for towing and storage suppliers.</p> <p><b>Road safety:</b> RoadSafetyBC provides services and equipment for traffic closures at an accident scene.</p> <p><b>Environmental regulation:</b> Under the Canadian Environmental Protection Act, the provincial government licenses hazardous-waste generators, carriers, and treatment facilities, in addition to controlling movements of waste within their jurisdictions. These regulations apply to towing and storage suppliers moving accident scene waste other hazardous materials for salvage operations.</p> <p><b>Insurance regulations:</b> ICBC regulates towing and storage supplier conduct and protocols in case of a collision or breakdown of commercial and passenger vehicles.</p>
Municipal Government	<p><b>Towing &amp; storage rates:</b> Municipal bylaws define Towing &amp; Storage rates for all non-insurer related operations (e.g. The City of Vancouver has set its own rate schedule for Towing &amp; Storage impoundments).</p> <p><b>Preferred suppliers:</b> While not officially regulated, many municipalities have preferred or exclusive contracts with towing and storage suppliers for impoundment services.</p> <p><b>Zoning laws:</b> Municipalities define zoning boundaries which restrict areas in which suppliers can operate their towing and storage facilities.</p>
Additional Regulatory Bodies	<p><b>Health and safety entities:</b> Some global / national workplace safety bodies that are not directly affiliated with a regulatory body offer mandatory training for dealing with hazardous waste to towing and storage suppliers (e.g. WHMIS).</p> <p><b>Professional certifications:</b> Certification and designation providers offer non-mandatory, formal training that is recognized throughout the towing and storage industry (e.g. Wreckmaster).</p>

## Regulations set by provincial governments differ by province

Provincial and municipal governments regulate the towing and storage industry differently depending on whether the province has a public insurer or multiple private insurers. In private markets, regulations for suppliers are typically defined by each province's Ministry of Transportation. Insurers have a limited ability to impose standardization of operations, rates, or protocols in the industry. This means that municipalities have the greatest influence over towing and storage rates for services and operations through their preferred vendor programs. In public auto insurance markets, insurers work with Ministries of Transport to administer vehicle registration and licensing for towing and storage suppliers in the province. In these provinces, municipalities can also define their own rate schedule for non-insurance related towing and storage services.

Regulatory Provincial Entities in the Towing and Storage Industry			
Regulatory area	Difference between markets?	Public Insurance Market	Private Insurance Market
		Provincial governments	
Commercial vehicle specifications and licensing	Yes	Duties are split between the insurer and the Ministry of Transportation (vehicle specifications and safety requirements) and the public insurer (registration and licensing).	Each provincial government has its own ministry of transportation that dictates vehicle safety requirements, licensing and registration requirements, and weight classes. Examples include the Alberta Ministry of Transportation and Transports Quebec.
Employee safety	No	Workers compensation boards enforce occupational health and safety requirements.	
Road safety	Yes	Road safety in Manitoba and Saskatchewan is monitored by the provincial insurers; British Columbia is the exception as it is regulated by RoadSafety BC.	Road safety tends to be regulated by the provincial Ministry of Transportation or Public Safety (e.g. The New Brunswick Department of Justice and Public Safety) or regulated by its own administrative branch (e.g. SafeRoads Alberta). New regulations are being advocated for by insurers, such as the proposed MOMS Act in Ontario which is intended to strengthen government oversight and address organized crime
Environmental regulation	No	Environment ministries enforce regulations for handling of hazardous materials.	
Consumer protection	Yes	Consumer protection is governed by Consumer Protection BC in British Columbia and in Saskatchewan it is regulated by the Financial and Consumer Affairs Authority of Saskatchewan. In Manitoba, the government has created The Consumer Protection Amendment Act to include Motor Vehicle Work and Repairs.	Dedicated Consumer Protection departments that govern business practice complaints and investigations. In Ontario, there are ongoing amendments to the Consumer Protection Act specifically for towing and storage that define the information a supplier is obligated to give a customer before the tow takes place.
Municipal governments			
Towing & Storage rate setting	Yes	Municipal governments set towing and storage rates based on the provincial insurer's rate schedule, or create their own rate schedule if conditions vary significantly within the province (e.g. property value, demand for towing and storage services).	Municipal governments throughout Canada who are not part of a province with public insurance have greater pressure to implement pricing guides and limitations for towing & storage services as private insurers cannot dictate rates.

## Collision towing and storage rates differ across public insurance markets

ICBC has the most pricing segments among the three Canadian public insurers. Additionally, ICBC segments its rates in more ways than any other provincial insurer, and has eight invoice items that it acknowledges as separate payable services from suppliers. Comparatively, SGI has the least complex segmentation which is only by towed vehicle weight. For storage, SGI has issued a flat rate and defined maximum prices for all items in addition to the base tow. MPI has a similar rate segmentation structure to SGI with an additional segmentation by geography. MPI also enforces the lowest rates to its suppliers among all Canadian provincial insurers. For storage, there is no formal methodology to monitor or adjust rates on an ongoing basis among any of the three provincial insurers.

Rate type	ICBC	SGI	MPI
Towing rate	Towing rates are segmented by: <ul style="list-style-type: none"> <li>4 geography-based zones</li> <li>Light vs Medium duty</li> <li>Base suppliers vs T&amp;R+ suppliers</li> <li>Kilometer-based rates decrease with additional distance</li> </ul>	Towing rates are segmented by: <ul style="list-style-type: none"> <li>Light medium, and heavy duty vehicles</li> </ul>	Towing rates are segmented by: <ul style="list-style-type: none"> <li>Southern and Northern Manitoba</li> <li>Heavy Towing and Light Towing</li> </ul> Exclusive towing rights are granted in Winnipeg and Brandon
	<b>First Tow (Light Tow):</b> \$77.46*	<b>First Tow (Light Duty):</b> \$80.00	<b>First Tow (Light Tow):</b> \$58.90** (Average)
Storage rates	Storage rates are based on: <ul style="list-style-type: none"> <li>4 geography-based zones</li> <li>Base suppliers vs T&amp;R+ suppliers</li> </ul>	Storage rates are set to a flat maximum fee across the province	Storage rates are based on: <ul style="list-style-type: none"> <li>Secured lots and open lots</li> <li>MPI facilities (Winnipeg only) and supplier facilities</li> </ul>
	<b>Range:</b> \$11.43 - \$23.28 / day	<b>Flat Rate:</b> \$10.00 / day	<b>Range:</b> \$3.15 - \$5.50 / day
Additional fees	ICBC acknowledges eight (8) other fees that are included on invoices including, but not limited to: <ul style="list-style-type: none"> <li>Cleanup</li> <li>Standby Time</li> <li>Sublet services or charges</li> <li>Special services for vehicles over 3,000 kgs</li> <li>Traffic control vehicles</li> <li>Extra person/flag person</li> <li>Vehicle triage photo request</li> <li>Unusually difficult road condition</li> </ul>	SGI has defined rates for: <ul style="list-style-type: none"> <li>Deck trucks</li> <li>Dollies</li> <li>Winching</li> <li>Remote recovery</li> </ul>	MPI has defined maximum rates for: <ul style="list-style-type: none"> <li>Winching</li> <li>Dollies and flatbeds</li> <li>Extra man</li> </ul>

\*ICBC Towing & Recovery Plus (T&R+) rate used

\*\*Price is an average of MPI's base towing rates for Northern and Southern Manitoba

Source: PwC Analysis, Towing and Storage Rate Payment Schedule - ICBC, MPI Non-Contract Towing Rates, SGI Vehicle Impoundments

## Impoundment rates in Saskatchewan are not defined at the municipal level

Rate structures and prices for non-insurance-related towing and storage services throughout Saskatchewan differ from rates set by Saskatchewan Government Insurance. This means that the prices of all non-insurance-related towing services are defined by the towing and storage suppliers, and do not tend to be regulated by the province or local municipalities. One exception is that vehicle impoundment and storage service rates are defined by the city of Saskatoon.



	Non-Insurance Towing in Saskatchewan		
	SGI	Saskatoon	Regina
Rate structure	Segmented by vehicle weight only. All other services are priced at a flat rate		
Towing payment	Vehicle weight under 15,000 kg: \$67.89 + \$2.87 per loaded Km Vehicle weight over 15,000 kg: \$156.67 + \$3.13 per loaded km	Varies between \$100.00-\$200.00	Not defined by the city - defined by towing & storage supplier
Storage payment	\$17.00/day flat rate \$125.00 for Release Certificate	Impound Fee: \$65.00 Daily Storage Fee: \$17.00/day Administration Fee: \$25.00	Not defined by the city - defined by towing & storage supplier

■ Rate structures are the same or similar as provincial insurer
 ■ Rate structures are comparable to the provincial insurer
 ■ Rate structures differ from provincial insurer

## Standardized impoundment towing rates are set in Manitoba

The province of Manitoba has standardized rates defined in the province's Highway Traffic Act for all non-insurance related towing and storage services. These rates follow a different structure than those defined by Manitoba Public Insurance, however similarly to MPI, rates are segmented by vehicle weight and by rural and urban population demographics. Non-MPI rates are defined based on where the vehicle is seized and then impounded, not by municipality.

	Non-Insurance Towing in Manitoba			
	MPI	Seizure and impoundment within a city	Seizure and impoundment outside of a city	Seizure outside of a city, impoundment within a city
Rate structure	Segmented by vehicle weight (heavy and light towing) and geography (Northern Manitoba and Southern Manitoba)			
Towing payment	Northern Manitoba Light Towing: \$61.70 Southern Manitoba Light Towing: \$56.10 Northern Manitoba Heavy Towing: \$154.00 Southern Manitoba Heavy Towing: \$148.00	Vehicles under 4,540kg: \$59.90 Vehicles over 4,540kg: \$128.50	Vehicles under 4,540kg: \$49.50 + \$2.20 per loaded kilometre Vehicles over 4,540kg: \$92.45 plus \$3 per loaded kilometre	Vehicles under 4,540kg: \$59.90 + \$2.20 per loaded kilometre Vehicles over 4,540kg: \$128.50 plus \$3 per loaded kilometre
Storage payment	Secured Compound maximum: \$5.50/day Open Lot Storage maximum: \$3.15/day	Flat rate: \$15.00/day	Flat rate: \$15.00/day	Flat rate: \$15.00/day

Source: PwC Analysis, SGI Vehicle Impoundments, City of Saskatoon, City of Regina MPI Non-Contract Towing Rates, City of Saskatoon, The Highway Traffic Act - Impoundment of Vehicles Fees Regulation





## Cities in British Columbia use a different rate structures

ICBC's rates and rate structure are used by different entities throughout the province to develop their own structures. RoadSafety BC uses a very similar rate structure as ICBC, and several cities and municipalities base their rates on ICBC's rates for towing and storage services in their jurisdictions. Given ICBC's breadth of supplier relationships and volume of services performed for customers, many of these groups rely on ICBC rates as a market benchmark when setting their own prices. ICBC does not coordinate with municipalities or other organizations and does not encourage the use of their published rates for other services.

Stakeholder	Description	Applicable services
ICBC	ICBC rates are used for insurance-related towing and storage, and RoadSafety BC for highway traffic violations (e.g. excessive speed, careless driving)	<ul style="list-style-type: none"> <li>Accident recovery</li> <li>Accident storage</li> <li>RoadSafety BC violations</li> </ul>
Municipalities	Municipal rates are used for parking and bylaw infractions	<ul style="list-style-type: none"> <li>Bylaw Infraction Towing</li> <li>Bylaw Infraction Impoundment</li> </ul>

Rates are not always specified by each city or town, however the BC government has created a Vehicle Impound Refund Calculator to estimate towing and storage costs based on the ICBC rate schedule structure using the city of Vancouver's rates. A sample comparison of how ICBC rates are used in a sample of cities and towns throughout BC has been provided below. ICBC rates for Towing & Recovery Plus suppliers were used for this comparison.

		Sample Cities			
		ICBC	Vancouver	Victoria	Kelowna
Rate Structure	Segmented by tier, vehicle weight, and geography		Same structure as ICBC	Different structure from ICBC	Different structure from ICBC
Towing Payment	Light Duty (Up to 2,999 kgs): \$77.46* Medium Duty (3,000 - 6,300 kgs): \$81.80* Heavy Duty (6,301 - 9,072 kgs): \$129.67* Heavy Duty (\$9,073 kgs): \$172.47*		Light Duty \$77.46 Medium Duty: \$81.80 Heavy Duty: \$129.67 Heavy Duty: \$172.47	No dolly or sling required: \$85 flat rate Dolly or sling required: \$119 flat rate	Flat rate: \$72.00/day Vehicles larger than 10,900kg: \$200.00
Storage Payment	Zone 1 (North Vancouver, Vancouver): \$23.28 Zone 2 (Victoria): \$22.22 Zone 3 (small urban areas): \$20.11 Zone 4 (all other areas): \$15.87		Flat rate: \$23.28/day (same as T&R+ rate)	Flat rate: 20.50/day	Flat rate: \$9.75/day Vehicles larger than 10,900kg: \$12.75/day

\*ICBC Towing & Recovery Plus (T&R+) rate used

		Sample Municipalities								
		Nanaimo	Prince George	Kamloops	Abbotsford	Vernon	Chilliwack	Sooke	White Rock	Castlegar
Rate Structure										

Rate structures and rates are the same/ similar to ICBC

Rate structures and rates differ from ICBC

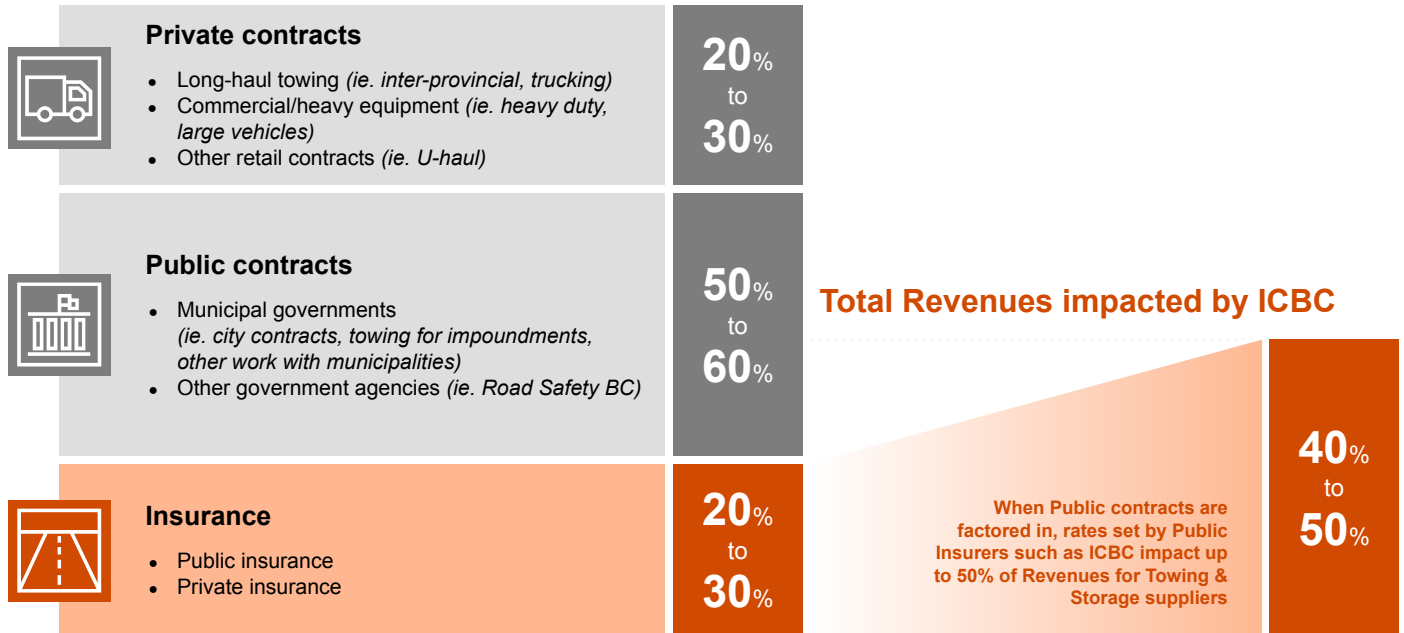
Rate structures and rates could not be disclosed

Source: PwC Analysis, Towing and Storage Rate Payment Schedule - ICBC, municipal police and bylaw services for each of the sample municipalities

## Impact of ICBC on Towing & Storage rates

Towing & Storage suppliers typically collect the majority of their revenues from public or private contracts, in addition to revenues earned from Public Insurers such as ICBC. Based on conversations with industry representatives and information provided by the Towing & Storage Industry Survey, BC suppliers collect roughly 20% to 30% of their revenue from Insurance-related Towing & Storage services, which are directly dictated by the rates set out by ICBC.

However, ICBC rates also have secondary impacts on revenues earned from public contracts, as many public entities set rates which closely follow ICBC. When these contracts are included, ICBC rates are estimated to impact roughly 40% to 50% of total revenues earned by Towing and Storage suppliers in the province.



Source: PwC Analysis, Towing and Storage Rate Payment Schedule - ICBC, municipal police and bylaw services for each of the sample municipalities

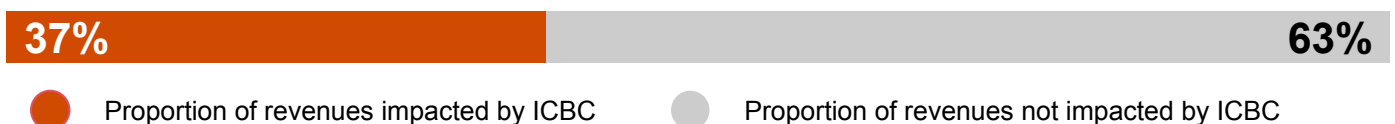
## Survey respondents indicated that ~37% of their total revenues are directly or indirectly impact by ICBC rates

Responses from ICBC suppliers indicated that on average, ICBC rates directly or indirectly impacted 37% of their total revenues, including serving as a benchmark for service contracts with local municipalities.

Conversations with industry representatives indicated that revenues indirectly impacted by ICBC are likely to include municipal contracts and work conducted for Roadsafe BCty.

As part of the Towing and Storage Industry Survey, ICBC suppliers were also asked to provide their Total Revenue. This information was requested in order to further assess ICBC's direct impact on supplier revenues. However, low survey participation did not provide PwC with sufficient information to draw conclusions or insights related to the proportion of supplier revenues directly related to ICBC towing and storage services.

## Average Proportion of Revenues Impacted by ICBC



Source: Towing & Storage Industry Survey, n = 32 suppliers

# Towing and Storage in British Columbia

## BC is the third largest market, behind Ontario and Quebec

A breakdown of the Canadian industry using publicly available information reveals that BC is the third largest market for vehicle towing. BC contributes roughly 14% of the Canadian market, behind Quebec which represents roughly 22% and Ontario which represents roughly 40%. Provinces that have predominantly public auto insurance (BC, Saskatchewan and Manitoba) represent roughly 20% of the total Canadian market, while those who operate with private insurance models represent the remaining 80%.

Despite being the third largest market, information suggests that the average revenue earned by a vehicle towing facility in BC is the highest among all provinces at \$522,400 in 2020. This was 23% higher than the national average, which was roughly \$423,200 per facility.

## The BC Towing and Storage market has declined, but is expected to recover

The British Columbia Towing and Storage market generated \$184 million in revenue in 2019, reaching peak revenues of \$204 million in 2017. From 2015 to 2017, the BC

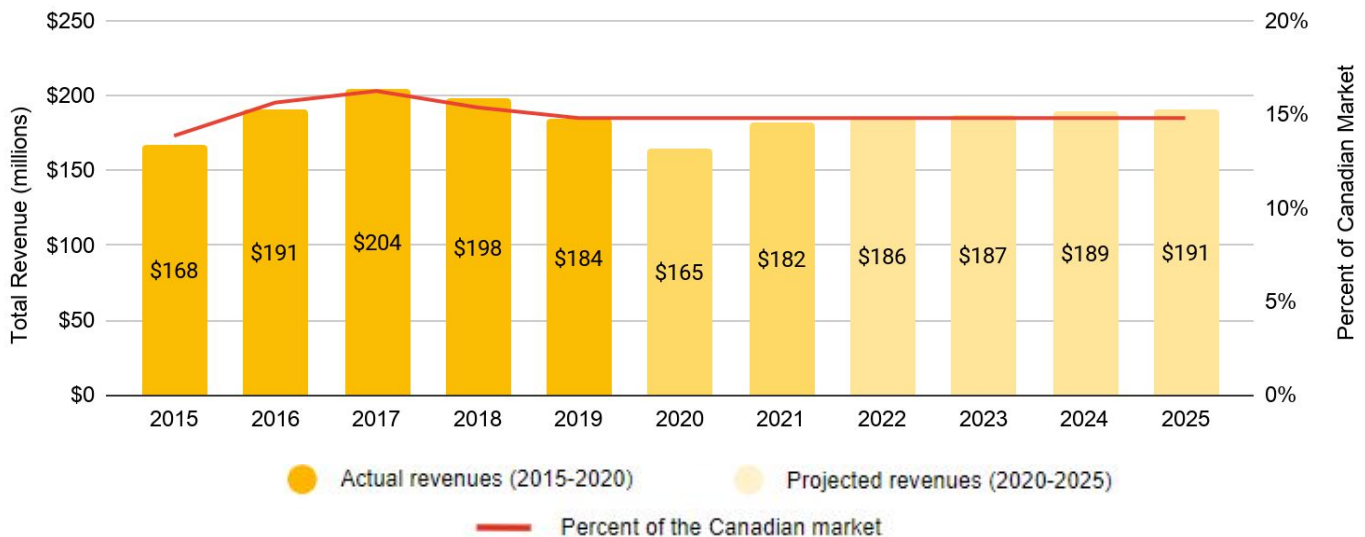
Towing and Storage market grew 10.9% annually, compared to the national annual growth rate of 1.9%, primarily caused by an annual increase of 10.5% in total claims value paid by ICBC in this timespan.

The market declined from 2017 to 2020 to \$165 million due in part to a provincial shift in vehicle mix towards newer vehicles and increasing gas prices from 2017 onwards which reduced provincial traffic. An additional market decline of 10.3% is expected to have taken place through 2020 during the COVID-19 pandemic, where reduced economic activity decreased new vehicle sales and vehicle collisions, in line with national trends. Through 2020 in British Columbia, new car sales declined by 18%, and ICBC collisions declined by 35%, which resulted in a significantly lower demand for towing and storage services. Following the provincial lockdowns, industry revenues are expected to recover in 2021 and 2022. From 2023 onwards, the industry is expected to grow at an annual rate of 1%, with the market reaching \$191 million in revenues by 2025.

Market Size breakdown		
Province/territory	CAD (million)	Average Facility Revenue
Ontario	\$508.1	\$342.6
Quebec	\$274.9	\$490.0
British Columbia	\$174.0	\$522.4
Alberta	\$135.8	\$488.4
Saskatchewan	\$60.4	\$516.4
Manitoba	\$30.7	\$304.0
Atlantic*	\$57.1	\$423.2
Territories*	\$1.7	\$423.2
<b>Canada</b>	<b>\$1,242.7</b>	

Source: Statistics Canada, PwC analysis

## British Columbia Market Size by Revenue



Source: Statistics Canada, IBISWorld, PwC analysis

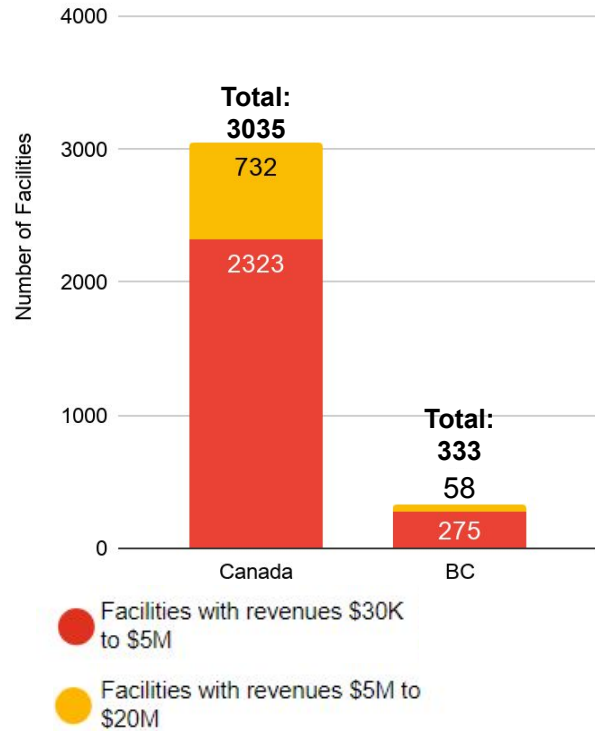
## The BC market is fragmented compared to the rest of Canada

The Towing and Storage industry in British Columbia has a higher proportion of suppliers who generate revenues of under \$5 million annually (82.6%) compared to the rest of Canada (76.0%). There are several factors for the increased market fragmentation, including:

- Market consolidation taking place in larger markets such as Ontario and Quebec
- Increased efforts in private automotive insurance markets to regulate the industry have resulted in increased usage of exclusive government contracts, leading to a smaller group of suppliers growing their market share

Facility type % breakdown		
	Canada	BC
Facility Revenue \$30K to \$5M	76.0%	82.6%
Facility Revenue \$5M to \$20M	24.0%	17.4%

## Number of Facilities Canada vs. British Columbia



Source: Statistics Canada

## ICBC Towing & Storage vendor segmentation

ICBC has the most segmented rate schedule of all public insurers. There are separate segmentations for towing, storage, and overall service tiers from its suppliers. Supplier tiers are segmented based on level of service, where base suppliers perform traditional insurance-related services with limited requirements from ICBC, compared to Towing & Recovery Plus (T&R+) suppliers who receive higher rates for services, but are required to follow ICBC operating guidelines (e.g. wear uniforms and perform towing operations in a processed defined by ICBC). Additionally, ICBC segments suppliers into four vehicle weight categories, and has four designated geographic zones based on the level of urbanization and population density throughout the province.

Program Payment Overview		
Towing & Storage Payment	<p><b>Supplier tier:</b> ICBC has two separate tiers of suppliers; base suppliers and T&amp;R+. The base tier are ICBC partners who follow the ICBC rate schedule for insurance-related services (e.g. collision recovery) but otherwise carry out operations normally. T&amp;R+ suppliers received higher rates per invoice item, and must follow ICBC professional guidelines in addition to those of base suppliers. Additional requirements include electronic invoice submissions, use of a digital camera for invoice documentation, and use of uniforms while on duty.</p>	<ul style="list-style-type: none"> <li>• Base Supplier</li> <li>• T&amp;R+ Suppliers</li> </ul>
Towing Payment	<p><b>Vehicle weight:</b> ICBC has defined four categories of vehicle weight for their suppliers. As vehicle weight increases, cost for services increases as well, as more specialized equipment and skills are required to recovery and tow vehicles.</p>	<ul style="list-style-type: none"> <li>• Category 1: Light Duty (Up to 2,999 kgs)</li> <li>• Category 2: Medium Duty (3,000 - 6,300 kgs)</li> <li>• Category 3: Heavy Duty (6,301 - 9,072 kgs)</li> <li>• Category 4: Heavy Duty (9,073+ kgs)</li> </ul>
Storage Payment	<p><b>Geography:</b> ICBC has segmented storage into 4 zones, each with separate storage rates based on local property prices (from most to least expensive).</p>	<ul style="list-style-type: none"> <li>• Zone 1 (North Vancouver, Vancouver)</li> <li>• Zone 2 (Victoria)</li> <li>• Zone 3 (small urban areas)</li> <li>• Zone 4 (all other areas in the province)</li> </ul>



## Shrinking number of ICBC Towing and Storage suppliers

The average ICBC revenue generated by an ICBC Towing and Storage supplier grew by nearly 5.9% annually from 2016 to 2019, however these revenues declined by -9.2% in 2020 due to reduced demand for services from COVID-19 restrictions.

The total number of ICBC Towing and Storage suppliers declined by -5.7% from 2019 to 2020. This can likely be attributed to several factors, including suspension of suppliers who did not properly declare their fleet to ICBC, and others who opted out of conducting business with ICBC. Similar to other figures relating to 2020, reduction in demand for services due to COVID-19 may have led to a decrease in the number of facilities performing towing and storage services in the province.

Recent shifts towards multi-location suppliers may have also contributed to the decline in the number of facilities, with multi-location suppliers increasing from 15% of the market in 2018 to 20% in 2020. This may indicate that large suppliers may be expanding their provincial footprint and driving smaller operators out of business.

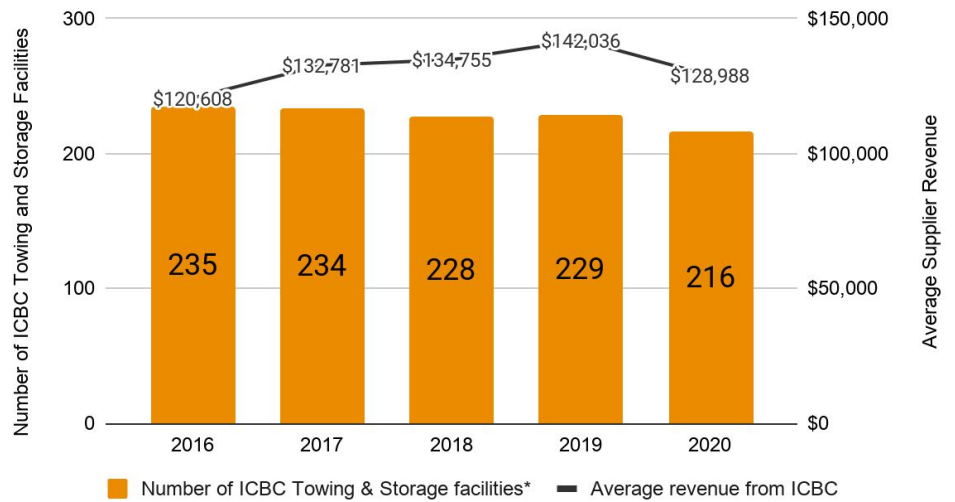
## Growing proportion of large ICBC suppliers

While the total number of ICBC suppliers fell over the past five years, the proportion of suppliers earning over \$100,000 in revenue from ICBC increased by 4.9 percentage points. Small or Medium-sized suppliers experienced a decrease over the same time period.

The increasing prevalence of Large suppliers contributed to the trend of increasing average revenue from ICBC per supplier from 2016 to 2019.

## ICBC Towing & Storage Supplier Breakdown

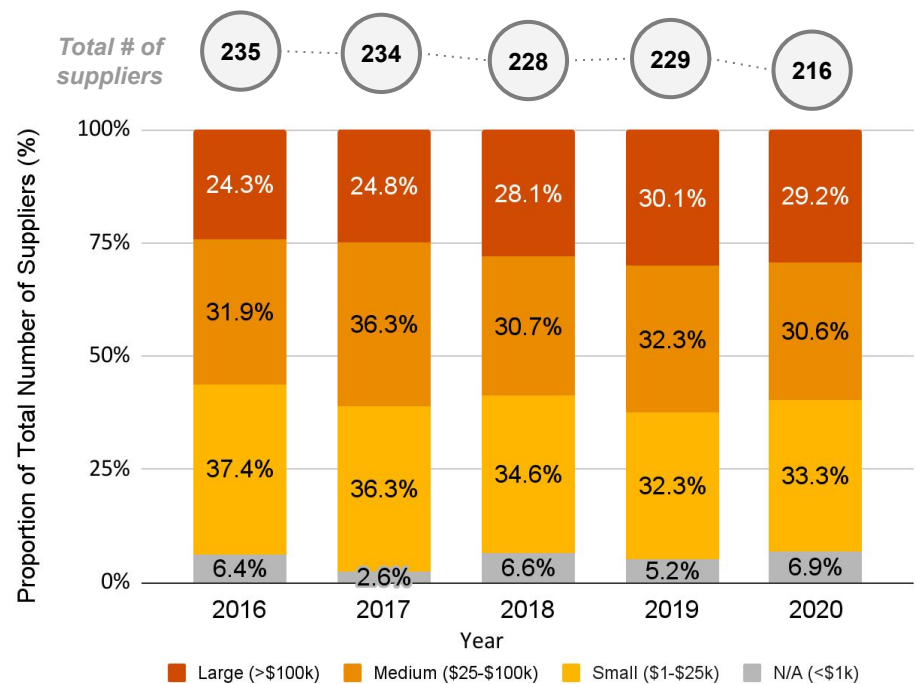
Number of Facilities and Average Revenue, 2016-2020



Annual Change	2016 to 2019	2019 to 2020
Number of Facilities	-0.9%	-5.7%
Average Revenue from ICBC	5.9%	-9.2%

Source: PwC Analysis, ICBC-provided data for 290 suppliers from 2016-2020

## Number of Suppliers by ICBC Revenue Size



Source: PwC Analysis, ICBC-provided data for 290 suppliers from 2016-2020

# Analysis findings

## Overview

### Analysis Findings

PwC has conducted analysis over financial and non-financial data across the industry, including:

- **Revenue:** Analysis on supplier revenues was conducted based on payment data provided by ICBC.
- **Profitability and Costs:** Analysis on supplier profitability and costs was conducted for the Canadian market, based on data available from Statistics Canada
- **General Information, Workforce, and Efficiency:** Analysis was conducted on non-financial information about ICBC supplier services, fleets, efficiency initiatives, and headcount based on responses received from the Towing & Storage industry survey
- **Program considerations:** Qualitative information about ICBC supplier sentiments were summarized based on responses received from the Towing & Storage industry survey

## Revenue

### ICBC Revenue Categories

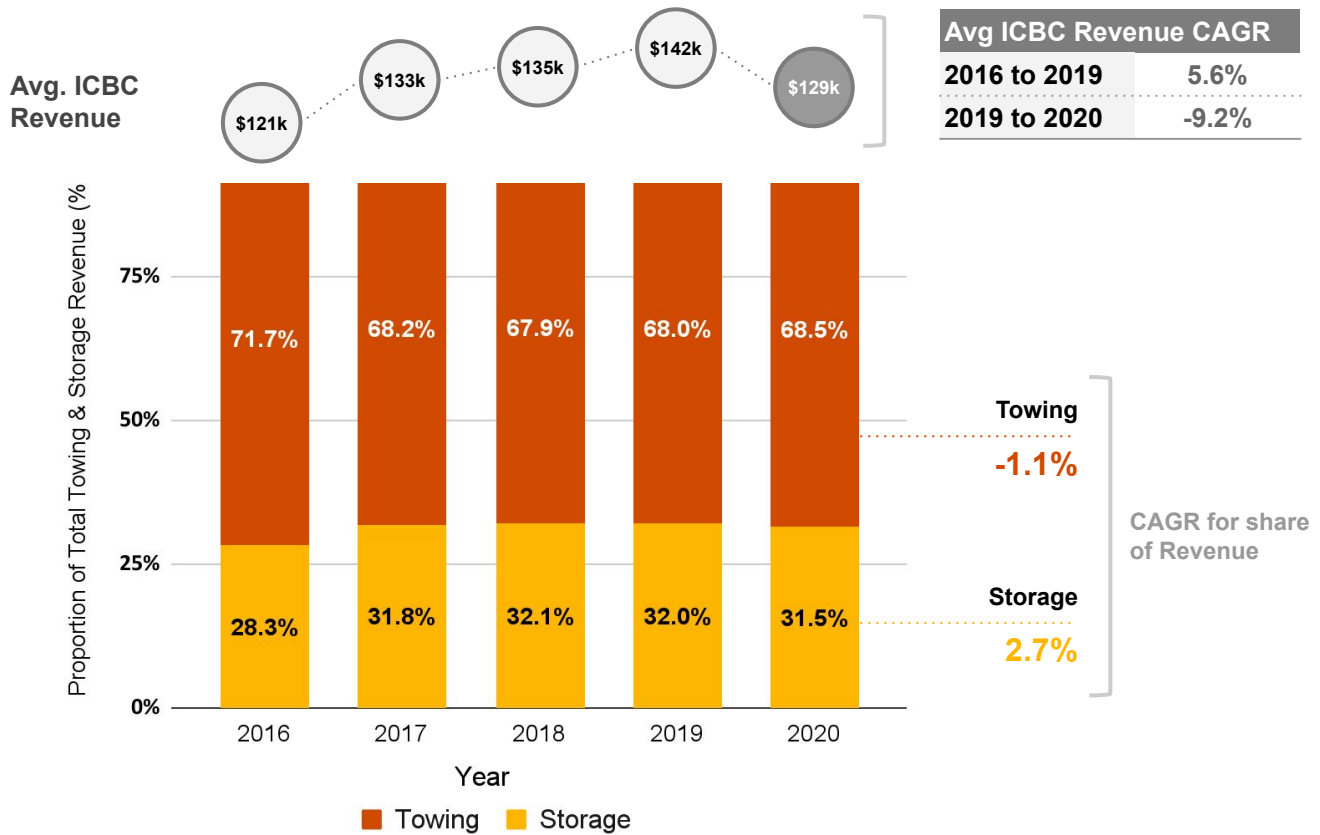
Data outlining Payments made by ICBC to 290 Towing & Storage suppliers from 2016 to 2020 was provided and broken down into three Revenue Categories for analysis:

Revenue Category	Line Items Included
1 Core Towing Revenue	<ul style="list-style-type: none"> <li>• <b>Towing Revenue for 1st Tow:</b> Revenue collected by the supplier to tow the vehicle from the accident site to the first storage facility, assessment centre, etc.</li> <li>• <b>Towing Revenue for Additional Tows:</b> Revenue collected for any additional tows required following the 1st Tow, which could include tows between storage facilities, auto body shops, etc.</li> </ul>
2 Non-Core Towing Revenue	<ul style="list-style-type: none"> <li>• <b>All other Towing Revenue, which includes:</b> <ul style="list-style-type: none"> <li>○ <b>Fuel Surcharge:</b> Fees based on a predetermined percentage rate to compensate for fuel used to tow the vehicle.</li> <li>○ <b>Total Recovery:</b> Recovery charges are incurred to relocate the vehicle, in order to provide access for hooking up. There may be charges for a recovery scene coordinator or recovery service truck that are billed in increments according to time spent.</li> <li>○ <b>Loading &amp; Securing:</b> These charges apply if loading and/or securing the vehicle safely for transport takes more than 10 minutes, whether loaded onto a Tow Truck, Flatbed, Dolly, etc.</li> <li>○ <b>Standby Fees:</b> Fees associated with time spent by suppliers who are on standby at the accident site.</li> <li>○ <b>Additional Support:</b> Fees incurred for any additional support required to perform the tow, which includes fees for additional trucks, extra people, or traffic control vehicles.</li> <li>○ <b>Other Items:</b> Any other costs incurred, which could include fees associated with cleaning up the accident site or disposal of materials, charges associated with difficult road conditions, one-time consumable products used on site (ie. Absorbal or vehicle wrap), tolls, triage photos, sublet charges, etc.</li> </ul> </li> </ul>
3 Storage Revenue	<ul style="list-style-type: none"> <li>• <b>All Storage Revenues:</b> Revenue collected to store the vehicle at the supplier's storage facility, charged to ICBC based on the number of days in storage.</li> </ul>

*Note: Revenue unrelated to ICBC was not included as part of the initial Revenue analysis*

## Steady increases in revenues from ICBC, largely due to Storage duration

### ICBC Towing & Storage Revenue Breakdown by Year



Source: PwC Analysis, ICBC-provided data for 290 suppliers from 2016-2020

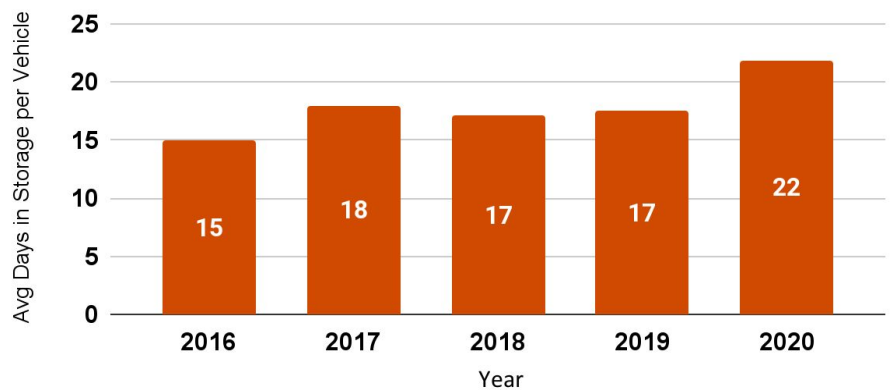
Prior to 2020, average ICBC Revenue per supplier grew at an annualized rate of 5.6% between 2016 and 2020. In 2020, there was a -9.2% decline due to lower collision volumes.

Share of ICBC Storage Revenue as a proportion of Total ICBC Revenue increased by 2.7% annually between 2016 and 2020. Conversely, ICBC Towing Revenue grew slower over the past five years, decreasing its proportion of ICBC Revenue at an annualized rate of 1.1% over the same period.

Higher growth in Storage Revenues caused the proportion of Total ICBC Revenue coming from Storage to increase by 3 percentage points, from 28.3% to 31.5%.

Storage duration has contributed to the increase in ICBC Storage Revenues. Average days a vehicle spent in storage increased 15 to 22 days between 2016 to 2020. Suppliers saw the largest increase in storage length in 2020, with the average duration increasing from 17 to 22 days. Continued increases in duration will further raise the portion of revenue suppliers earn from ICBC storage rates.

### Average Days in Storage by Year



Source: PwC Analysis, ICBC-provided data for 290 suppliers from 2016-2020

## Growth in Commercial claim revenues

Personal claims represent over 80% of ICBC payments and are the largest source of ICBC Revenue earned by Towing and Storage suppliers. However, ICBC Revenues from Personal claims as a proportion of Total ICBC Towing & Storage Revenue steadily decreased over the past five years. Conversely, ICBC Revenues from Commercial towing increased by 3 percentage points, from 14.1% to 17.0%, over the same period.

The growth in proportion of supplier revenues coming from Commercial towing can be attributed to significant increases in the cost of Commercial claims, which grew at 9.2% annually from 2016 to 2020, from an average of \$815 to \$1,159 per claim.

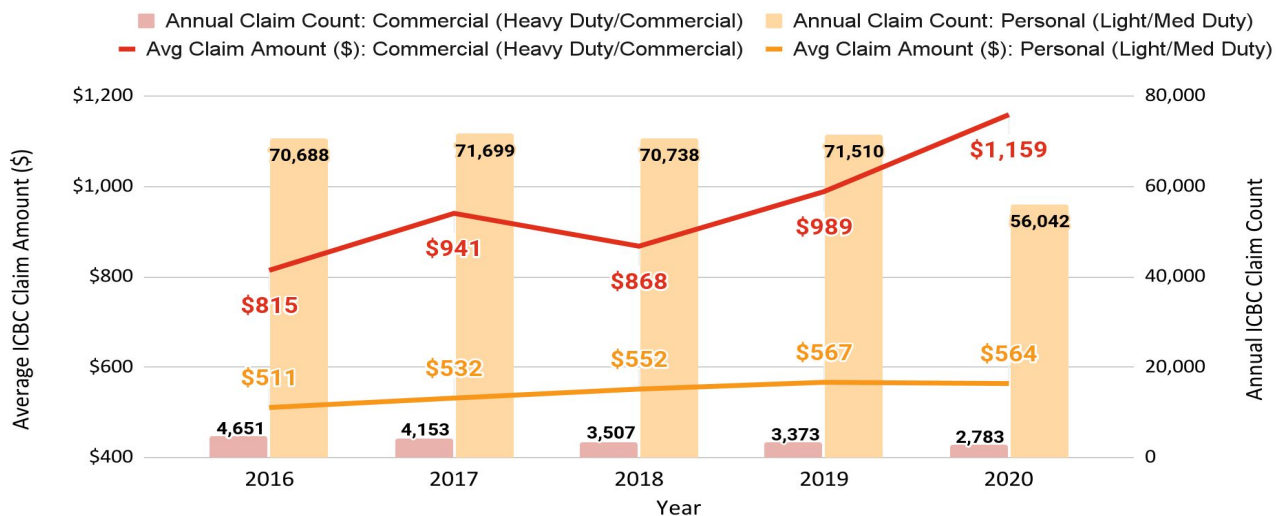
Conversations with industry representatives indicated that dramatic increase in Commercial claim costs is related to the complexity associated with Commercial towing activities. Given the added complexity and requirements associated with these services, suppliers are required to charge for additional services which billing ICBC for Commercial activities. Additional charges to ICBC may be associated with special equipment required to tow larger vehicles, additional clean-up requirements, and increased labour costs.

Compared to Commercial, the average cost of Personal towing claims grew at a slower rate over the past five years, increasing at 3% annually from an average of \$511 to \$564 per claim.

Over the same period, both Personal and Commercial ICBC claims volumes decreased, indicating that the growth in Commercial Revenues is driven by a smaller number of more expensive Commercial claims. Commercial claim volumes decreased at 10.2% annually from 2016 to 2019, with a 17.5% decrease in 2020.

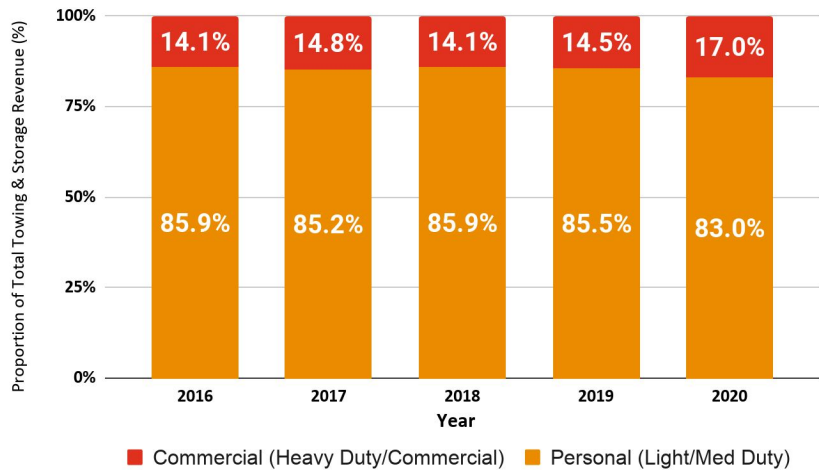
Personal claim volumes were stable from 2016 to 2019, followed by a 21.6% decrease in 2020. The significant decrease in Personal claim volumes after years of consecutive growth indicates that the COVID-19 pandemic likely had a larger relative impact on Personal Towing than Commercial.

## Average ICBC Claim Amount Personal vs. Commercial



Source: PwC Analysis, ICBC-provided data for 290 suppliers from 2016-2020

## Towing & Storage Revenue Breakdown Personal vs. Commercial



Source: PwC Analysis, ICBC-provided data for 290 suppliers from 2016-2020

Avg ICBC Claim Amount CAGR		
	Commercial	Personal
2016 to 2019	6.7%	3.5%
2019 to 2020	17.2%	-0.5%

Annual ICBC Claim Count CAGR		
	Commercial	Personal
2016 to 2019	-10.2%	0.4%
2019 to 2020	-17.5%	-21.6%



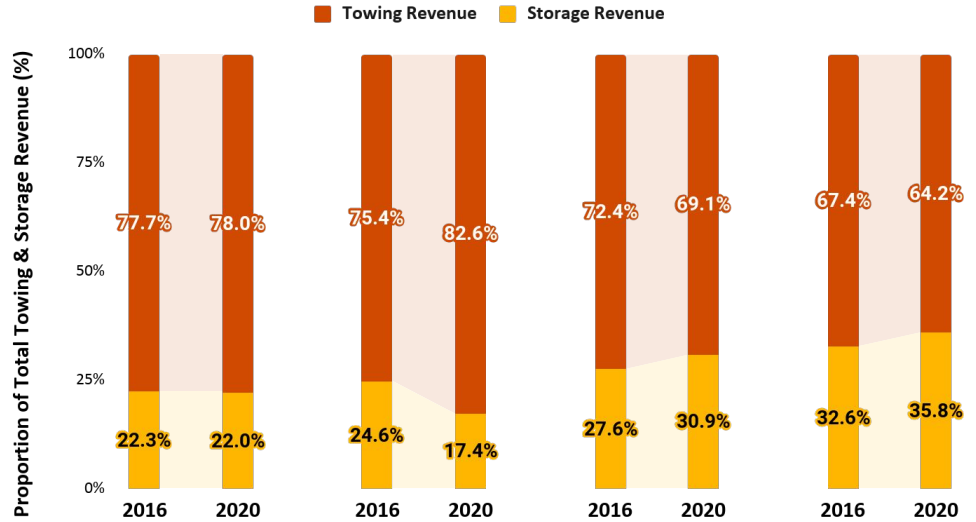
## High share of ICBC storage revenues in rural storage zones due to longer storage durations

ICBC segments suppliers into four Storage Zones, which dictate Storage Rates paid to suppliers across the province. The classification of Zones follows a relative scale of population density; Zone 1 and 2 representing suppliers located in higher density areas (which will be classified as “urban” suppliers), and Zone 3 and 4 representing suppliers in lower density areas (which will be classified as “rural” suppliers).

Rural suppliers consistently have higher proportions of ICBC Revenue coming from Storage operations relative to Towing.

Further, rural suppliers have increased their share of Storage Revenue by 3 to 6 percentage points from 2016 to 2020, whereas Storage share has remained stagnant or fallen for urban suppliers by 0 to 8 percentage points over the same period.

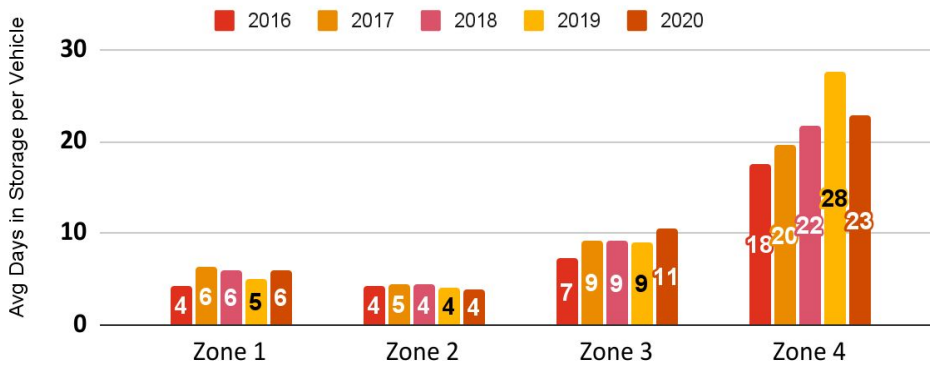
### Towing & Storage Revenue Breakdown by Storage Zone



Higher density areas		Lower density areas	
Zone 1	Zone 2	Zone 3	Zone 4
n = 6 (2016)	n = 3 (2016)	n = 54 (2016)	n = 167 (2016)
n = 5 (2017)	n = 3 (2017)	n = 54 (2017)	n = 165 (2017)
n = 5 (2018)	n = 3 (2018)	n = 53 (2018)	n = 164 (2018)
n = 6 (2019)	n = 3 (2019)	n = 55 (2019)	n = 163 (2019)
n = 6 (2020)	n = 3 (2020)	n = 51 (2020)	n = 155 (2020)

Source: PwC Analysis, ICBC-provided data for 290 suppliers from 2016-2020

### Average Days in Storage by Storage Zone



Source: PwC Analysis, ICBC-provided data for 290 suppliers from 2016-2020

Rural suppliers have a longer storage duration than urban suppliers, as rural suppliers had an average of 15 days in storage over the past five years, compared to 5 days for urban suppliers.

The gap between urban and rural suppliers widened over the past five years, as urban suppliers maintained similar storage durations throughout the period, whereas rural suppliers increased duration, reaching 11 and 23 average days in Zone 3 and 4, respectively.

Suppliers in more heavily populated areas are likely to be closer to an

ICBC-owned storage lot. As such, vehicles stored with urban suppliers are likely to be picked up sooner and moved to an ICBC facility for estimation and further processing, whereas rural suppliers will likely hold onto the vehicle for a longer duration until the vehicle is picked up by the owner, salvaged, transferred to a body shop, or otherwise removed from the facility. This difference in process causes rural suppliers to collect a greater proportion of their ICBC revenues from storage operations.

**Note:** Average Days in Storage per Vehicle outlines the average duration during which ICBC-insured vehicles are stored in a supplier-operated storage facility. Durations are indicative of how long ICBC is invoiced for Storage services from Suppliers, meaning any time that the vehicle spends at an ICBC facility is not included.

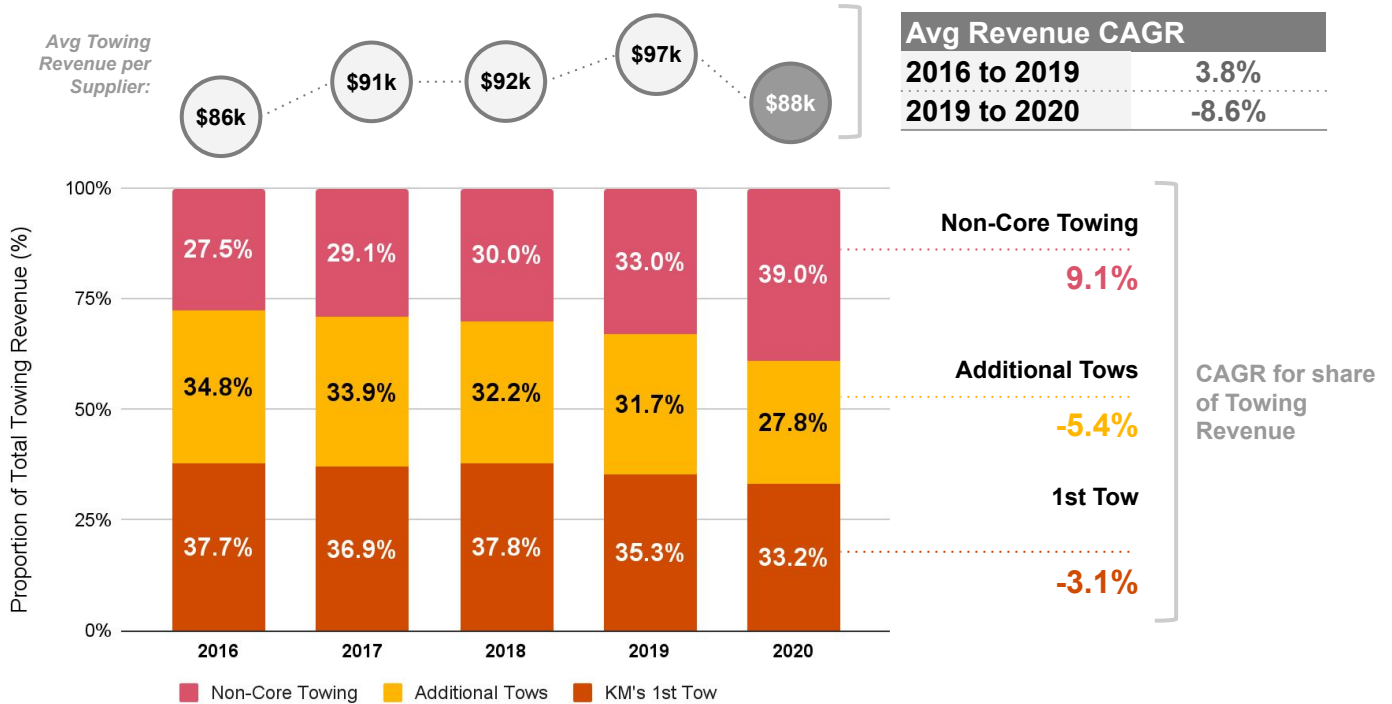
## Suppliers are earning less ICBC revenue from first and additional tows

Average ICBC Towing Revenue per supplier increased by 3.8% annually from 2016 to 2019, from approximately \$86,400 to \$96,600, followed by an 8.6% decrease in 2020 due to volume-related decreases in Towing services during the year.

Core Towing decreased in contribution to a suppliers total revenue from ICBC over the past five years. This shift began in the years prior to the COVID-19 pandemic, and caused Core Towing to decrease in contribution to ICBC Towing Revenue by 12 percentage points, from 72.5% to 61.0% between 2016 and 2020.

Non-Core Towing items have grown in share of ICBC Towing Revenue at 9.1% annually from 2016 to 2020. The largest increase for Non-Core Towing came during 2020, as the proportion of Non-Core items increased by 6 percentage points, from 33.0% to 39.0% of ICBC Towing Revenues.

### Towing Revenue Breakdown by Revenue Type by Year



Source: PwC Analysis, ICBC-provided data for 290 suppliers from 2016-2020

Non-Core Towing Revenues reached 39.0% of all ICBC Towing Revenue in 2020, indicating a shift in the type of work conducted by Towing suppliers. It suggests that a larger proportion of efforts and costs are occurring outside of the traditional per-kilometre towing charges.

Growth of Non-Core Towing Revenues has come from activities such as Loading & Securing and other Non-Core items. Conversations with industry representatives indicate that the growth in these Non-Core towing items is related to the increasing complexity associated with towing activities in recent years. Shifts in personal vehicle preferences towards All Wheel Drive (AWD) and Electric Vehicles (EV) require additional time spent to be secured for safe transportation.

Other items can be attributed to increasing fees such as clean up charges, triage photos, or sublets. Discussions with industry representatives indicated that the growth in these other items will continue due to increasing claim severity across the province.

## Growth in Non-Core Towing revenues is driven by Loading & Securing and Other Items

Average Non-Core ICBC Towing Revenue per supplier increased from roughly \$23,800 to \$31,900 between 2016 and 2019, at an annual growth rate of 10.3%. Non-Core Towing Revenues increased again in 2020 to a total of approximately \$34,400 per supplier, despite the volume-related impacts of the COVID-19 pandemic.

Fuel Surcharge and Total Recovery, the two largest Revenue items in 2016, fell to 45.4% of Non-Core items in 2020, dropping 13 percentage points since 2016.

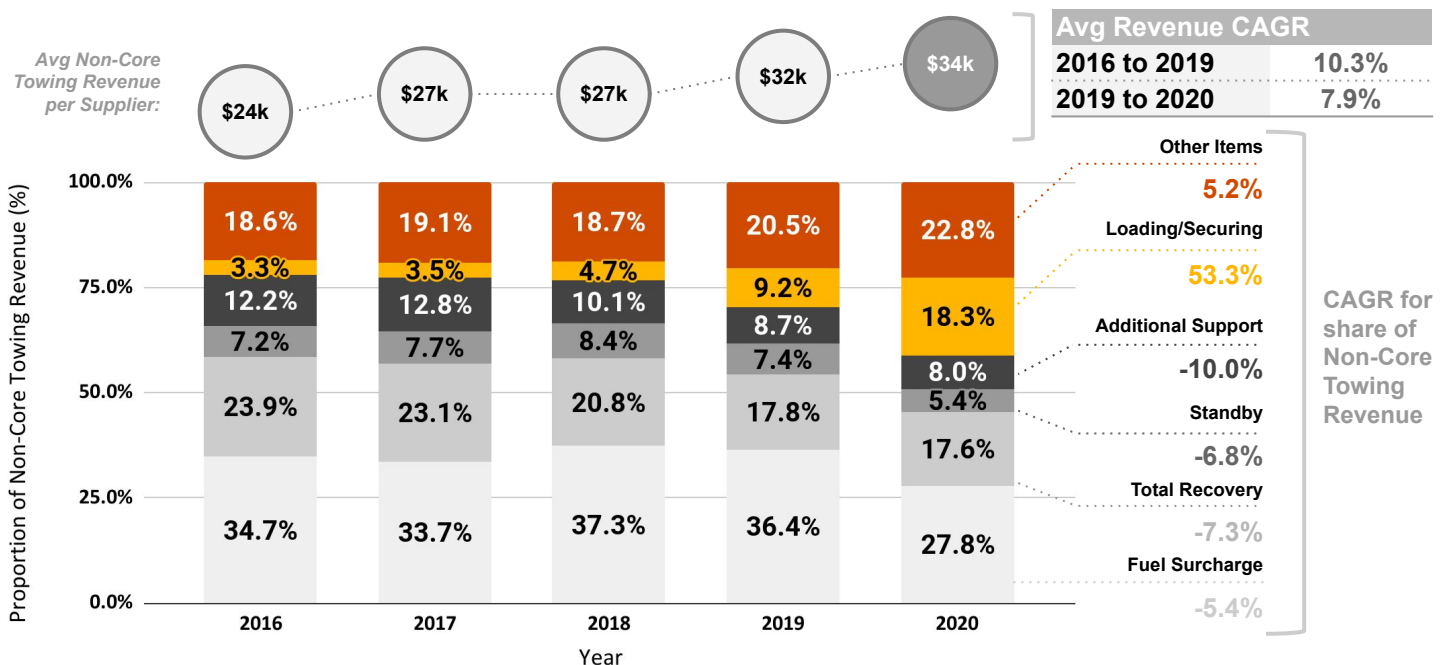
Growth in Non-Core ICBC Towing Revenue was primarily driven by Other Items and Loading & Securing, which collectively have increased to over 40% of all Non-Core ICBC Towing revenues.

The increase in Loading and Securing Revenues comes from a larger number of suppliers charging for time spent preparing vehicles for safe transportation. In recent years many suppliers began to invoice ICBC for time spent securing vehicles to dollies for transport. This shift was particularly evident in 2020, as Loading and Securing nearly doubled in proportion of Non-Core Revenues, from 9.2% to 18.3%.

Revenue associated with Other Items increased by 4 percentage points between 2016 and 2020. Industry representatives suggested this increase can in part be attributed to heightened vehicle sanitation requirements put in place as a preventative measure to curb the spread of COVID-19.

Further, industry representatives indicated that the increases seen for Loading & Securing and Other Items as a proportion of Non-Core Towing Revenue will likely continue as a trend into the coming years, albeit as a slowing rate of growth as the impact of sanitation measures and other one-time implications from COVID-19 are scaled back across the industry.

### Non-core towing revenue breakdown by year



Source: PwC Analysis, ICBC-provided data for 290 suppliers from 2016-2020

### Annual Non-Core Towing Revenues have been grouped as follows:

Other Items	Loading/Securing	Additional Support	Standby	Total Recovery	Fuel Surcharge
<ul style="list-style-type: none"> <li>• Difficult Road Fees</li> <li>• Drive Shafts/Air Brakes</li> <li>• Flares &amp; Consumables</li> <li>• No Wheels/Tires</li> <li>• Paved/Gravel</li> <li>• Tolls</li> <li>• Triage Photos</li> <li>• Sublet Charges</li> <li>• Clean Up</li> <li>• Storage Facility Access</li> <li>• Disposal Fees</li> </ul>	<ul style="list-style-type: none"> <li>• Loading/ Securing</li> <li>• Dollies</li> </ul>	<ul style="list-style-type: none"> <li>• Additional Truck</li> <li>• Extra Person/ Flag Person</li> <li>• Traffic Control Vehicle</li> </ul>	<ul style="list-style-type: none"> <li>• Standby Charge</li> </ul>	<ul style="list-style-type: none"> <li>• Recovery Scene Coordinator</li> <li>• Recovery with Service Truck</li> </ul>	<ul style="list-style-type: none"> <li>• Fuel Surcharge</li> </ul>

## Profitability & Costs

Due to low survey participation, PwC conducted third party research to assess the financial health and performance of the Canadian vehicle towing and storage market. Information was summarized by PwC to generate insights on cost structure and profitability over the past five years. Insights were then validated through conversations with industry representatives and national service providers operating in multiple provinces.

Conversations with industry representatives indicated that towing and storage facilities across Canada have significant cash operations, which may contribute to understated total revenues reported by Statistics Canada. Given that costs are reported as a percentage of revenues, understated values may have influenced the annual fluctuations in costs reported in this section.

**Net Profit:** the profit or loss resulting from normal business operations, recorded before income taxes, extraordinary items and other income not related to normal operations. Net profit was used as the indicator for profitability rather than EBITDA due to limitation in available third party information. This figure is different from EBITDA, as it includes depreciation, amortization and interest, and should not be used to perform comparisons to PwC findings on the profitability of the Collision Repair industry outlined in the Post-Implementation Business Review report.

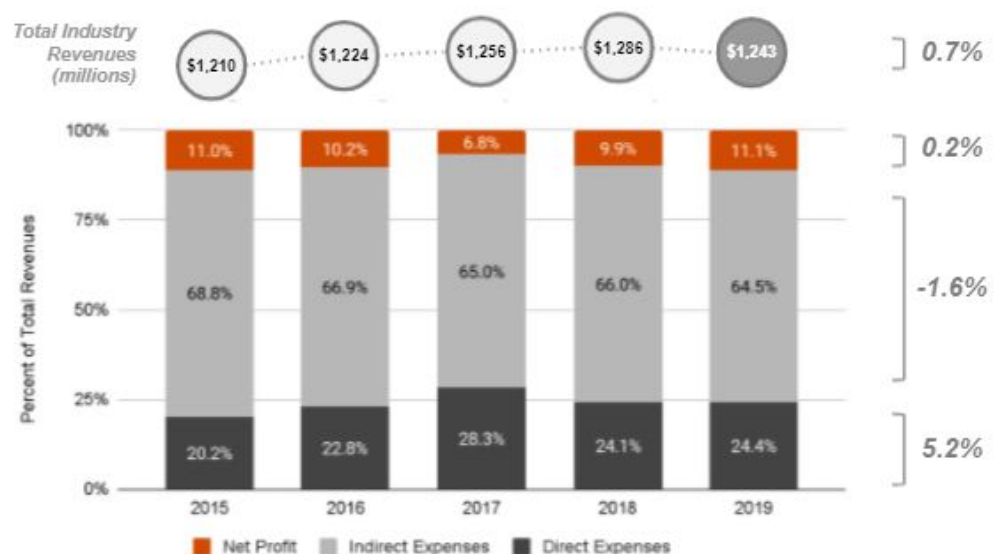


### Fluctuating industry profitability over the past 5 years

According to *Statistics Canada*, the profitability of the Canadian vehicle towing and storage industry has fluctuated over the past five years, ranging from a minimum of 6.8% of total revenues in 2017 to a maximum of 11.1% in 2019. A historical analysis of the Canadian market back to 2012 was conducted to understand if these fluctuations are common. Between 2012 and 2015, net profit reached a minimum of 6.9% and a maximum of 11.0%.

Fluctuations in profitability have largely been driven by direct expenses. Direct costs grew at an average of 5.2% per year between 2015 and 2019, outpacing average industry revenue growth of 0.7%. These differences indicate that direct costs, such as fuel, equipment, wages and benefits have had the largest impact on the profitability of a towing and storage facility in Canada.

**Canadian Towing & Storage Industry Profitability**  
Net Profit as a Percentage of Total Revenues, 2015-2019



Source: Statistics Canada, PwC Analysis  
2019 data, n = 625 suppliers



## Operating environment factors in 2017 did not deviate significantly from the 2015-2019 trends

Market factors were assessed to explain the large decrease in profitability evident in 2017. Revenue and cost factors in 2017 did not deviate from the 2015-2019 trends significantly enough to explain the decrease in profitability evidenced for the Canadian towing and storage industry.

The variety in supplier business models may be contributing to the year over year fluctuations in profitability (e.g. certain towing and storage suppliers offer additional services such as repair and metal scrap services).

Revenues	Trend 2015-2019	Impact to 2017 net profit?
<b>Vehicle Registrations</b>	New vehicle purchases grew by 1.9% annually, indicating no negative impacts to net profit	No
<b>New vehicle purchases</b>	New vehicle purchases grew by 3.6% annually until 2017, then dropped 6.5% annually, indicating no negative impacts to net profit	No

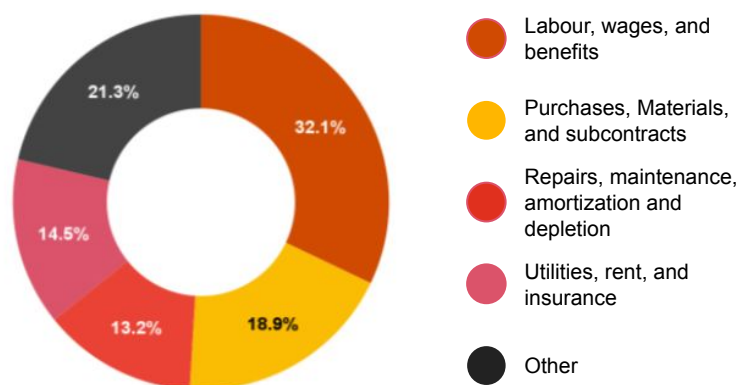
Costs	Trend from 2015-2019	Impact to 2017 net profit?
<b>Direct Costs</b>		
<b>Fuel</b>	Diesel prices rose 3.3% per year, peaking in 2018. Prices rose 11.2% in 2017, indicating a negative impact to net profit Gasoline prices rose 3.0% per year, peaking in 2018. Prices rose 9.3% in 2017, indicating a negative impact to net profit	Yes
<b>CPI</b>	CPI grew 1.8% on average, growing the most in 2018 at 2.3%. CPI grew by 1.56% in 2017, indicating a negative impact to net profit	Yes
<b>Minimum wage</b>	Minimum wage grew 4.9% annually, growing the most in 2018 (8.8%), and 4.5% in 2017, indicating no negative impacts to net profit	No
<b>Indirect Costs</b>		
<b>Property value</b>	Property value grew at an annual rate of 7.0%. The largest increase occurred in 2017. Unless land was purchased or a new property lease was started in 2017, this does not indicate a negative impact to net profit	No

## Costs are primarily driven by wage and labour expenses

Labour, wages, and benefits make up the largest proportion of total spend by towing and storage suppliers in Canada at 32.1%. This is indicative of the labour-intensive nature of the industry, which relies heavily on drivers and dispatchers to coordinate and perform towing services.

Labour is a greater factor of direct costs in the provinces with public automotive insurance (38.4%), compared to provinces with private insurance (29.0%). According to *Canada Job Bank*, the average hourly wage earned by a tow truck driver in Canada ranges from \$15 to \$34, with a median of \$22. Suppliers in provinces with public insurance have a 13.8% greater median wage rate of \$25.25/hour compared to provinces with private insurance of \$22.20/hour. This could be reflective of the increased competition for skilled trades across major industries in these provinces, such as oil, gas and other natural resources. British Columbia compensates more for overtime than any other province, requiring employers to pay double an employee's hourly rate for every hour worked after the twelfth hour of a shift.

### Costs for Canadian Towing & Storage Suppliers Percentage of Total Costs, 2019



Source: Statistics Canada, PwC analysis

Purchases, materials and sub-contracts also represent a significant portion of supplier costs, contributing to 18.9% of total spend. These represent costs associated with directly performing towing services, such as fuel and equipment.

Unlike labour, the remaining cost categories exhibited little variation between suppliers operating in provinces with public and private insurance. Differences ranged from 2 to 5% depending on the specific cost item.

## Large towing and storage suppliers are more profitable than small suppliers

Suppliers' size has a direct impact on profitability, with larger suppliers reporting higher profits on average. In 2019, the average net profit of a Canadian towing and storage supplier with revenues of less than \$5 million was 11.1%, compared to net profit of 15.2% among those with revenues greater than \$5 million.

Higher profitability among large suppliers is driven by lower indirect expenses relative to smaller suppliers. Indirect expenses represented, on average, 39.7% of total revenues in 2019 for large suppliers compared to 64.5% among smaller suppliers.

Differences in indirect cost structure can be attributed to economies of scale generated by larger suppliers. This translates into savings in several cost areas, such as labour and commission expenses (6.5% lower than small suppliers), unclassified expenses (6.5% lower than small suppliers), and utility expenses (3.3% lower than small suppliers).

Statistics Canada does not provide a breakdown on unclassified expenses, which could include several items such as office expenses, property taxes, business taxes and licenses.

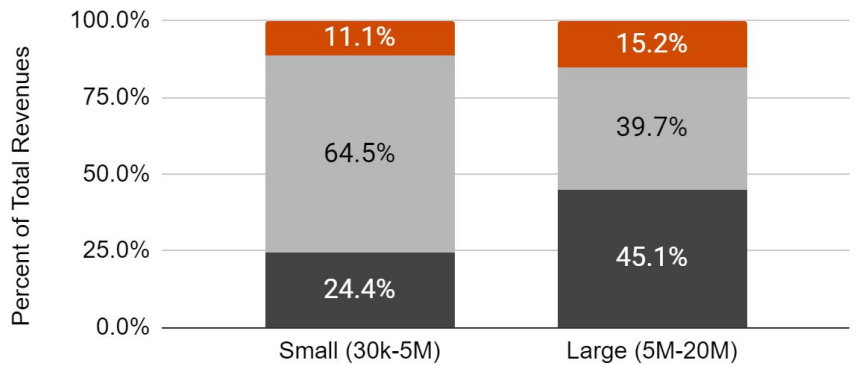
Furthering this gap between small and large towing and storage providers in the Canadian market, industry experts have noted that there are growing levels of market consolidation in Canada. This consolidation is most notable in Ontario, where the proportion of large suppliers whose revenues are greater than \$5 million comprise 26.6% of all operators in the province, compared to the national average of 24.0%. This consolidation is gradually spreading throughout all Canadian provinces. Additionally, the shift towards commercial towing operations among BC towing and storage suppliers increases revenue per tow, and requires new equipment to perform commercial towing service operations. It is possible that this shift will further widen the profitability differences between small and large suppliers in the market.

## Large suppliers have different cost structures compared to small suppliers

Large suppliers have higher purchases and materials expenses, which is contributing to higher direct costs as a percent of total spend. This category makes up 36.9% of total spend compared to 18.6% for small suppliers. Conversely, utilities, rent, repairs, maintenance, amortization, and other expenses make up a combined 49.0% of total costs for small suppliers, while only making up 29.9% of total costs for large suppliers, due to the scalability of operating expenses in the industry. Industry representatives explained that the discrepancy in purchase and materials cost can occur because smaller suppliers are more likely to perform repairs and maintenance on their fleet, rather than purchase new equipment

Wage costs are almost identical between the two business size segments, indicating that revenues are driven in direct proportion to labour, with little opportunity to scale.

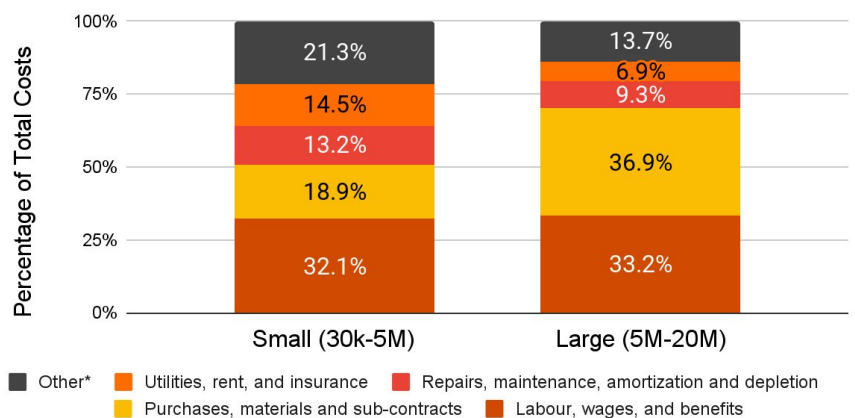
### Profitability Breakdown Small and Large Canadian Suppliers



Business Size Segments by Revenues	
National Average Revenue (000's, 2019)	
Small (30k-5M)	Large (5M-20M)
\$104.7	\$8,584.6
n= 625	n= 36

Source: Statistics Canada, PwC analysis

### Canadian Towing & Storage Industry Costs by Supplier Size Cost Items as % of Total costs, 2019



\*Other Expenses include: Interest and bank charges, Professional and business fees, Advertising and promotion, Delivery, shipping and warehouse expenses, and Unclassified expenses.

Suppliers classified as "small" generate revenues of \$30,000 - \$5,000,000 annually, while "large" operators generate \$5,000,000 - \$20,000,000 annually

Source: Statistics Canada, PwC analysis

## General information

### Survey participants serve both Personal and Commercial segments and offer a diverse set of storage and other services

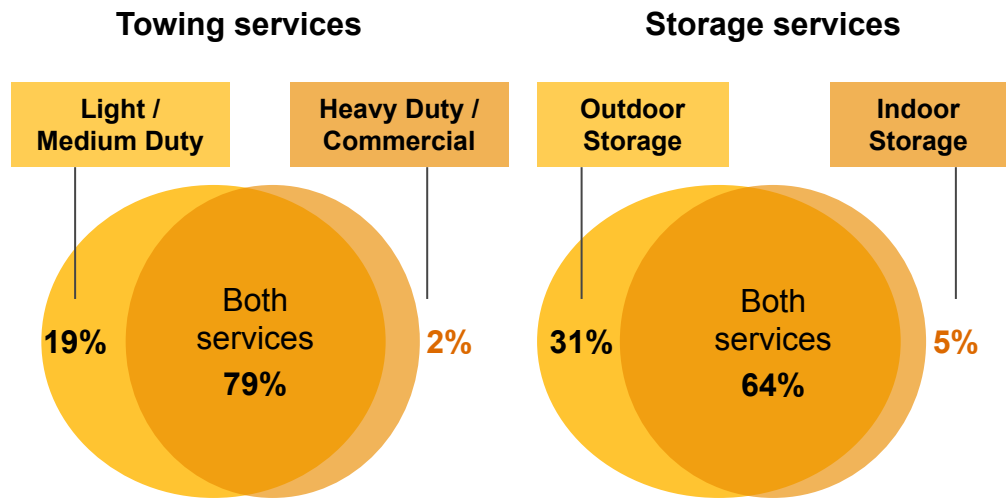
#### Towing & Storage Services

ICBC suppliers were asked to specify the types of Towing and Storage services performed by their businesses.

Based on survey responses, three quarters of ICBC suppliers service both Personal (*Light / Medium Duty*) and Commercial (*Heavy Duty / Commercial*) segments, with a smaller subset, representing 19% of suppliers, focused exclusively on Personal towing. Conversations with industry representatives indicated that it is becoming increasingly challenging to offer both services, as there is a shortage of skilled operators in the Heavy Duty / Commercial market.

They also cited a growing cost burden associated with providing these services. As a result, they anticipate the number of suppliers offering both Light/ Medium Duty and Heavy Duty / Commercial may decline.

95% of survey respondents offer some form of outdoor storage, with the majority of respondents (64%) providing both Indoor and Outdoor vehicle storage. Survey responses indicate that it may be rare for an ICBC supplier to only provide indoor storage, with only 5% of respondents indicating they provide exclusively indoor storage.



Source: Towing Industry Survey, PwC analysis 2020 data, n= 42 suppliers

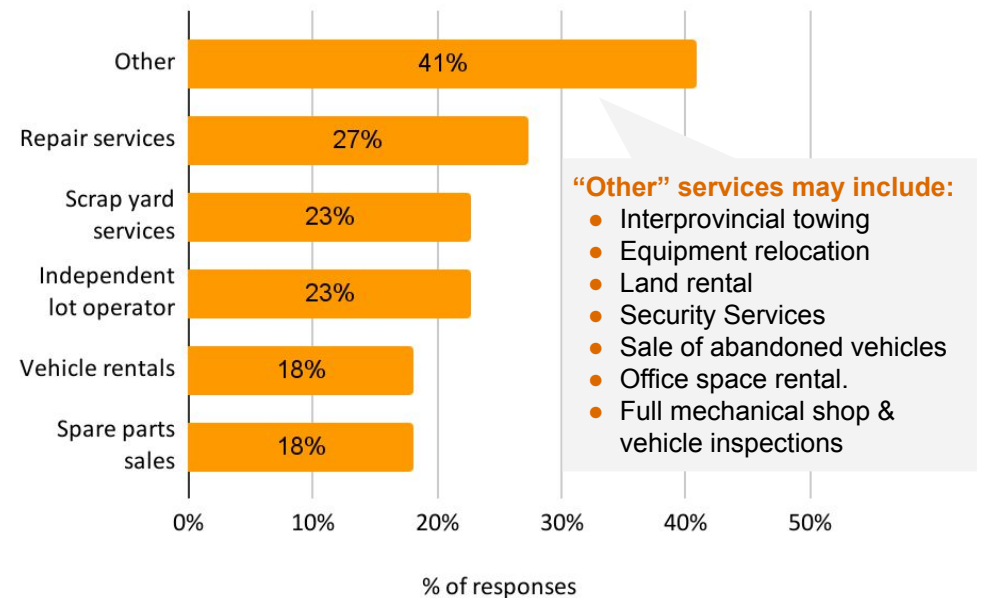
#### Additional Services Offered

ICBC suppliers were also asked to specify services they provide in addition to Towing and Storage based on the options listed below.

Roughly 52% of respondents reported offering at least one additional service outside of Towing & Storage. This includes services outside of any towing and storage work performed for ICBC, cities and municipalities, and private/retail contracts within the province.

The most common additional services cited by respondents were 'Other' services, which include interprovincial towing and equipment relocating. Roughly one in four ICBC suppliers observed state that they offer services within the auto insurance value chain such as collision repair or salvage. These responses suggest that ICBC suppliers have diversified their businesses into other areas.

#### BC Towing & Storage Market Additional Services Provided



Source: Towing Industry Survey, PwC analysis 2020 data, n= 22 suppliers

**Based on survey responses, the average age of a fleet was 8 years, with a growing proportion of Heavy/Commercial vehicles over the past three years**

ICBC suppliers were asked to outline the composition of their fleet of trucks, based on type of trucks used (Light-Medium Duty or Heavy Duty) and whether or not the truck is owned directly by the business. In some cases, suppliers contract directly with a tow truck owner-operator which allows them to expand their capacity and fulfill additional demand, without having to own additional trucks. The fleet of owner-operators, referred to as 'hired trucks', are primarily dispatched and utilized in the same manner as trucks owned by the supplier.

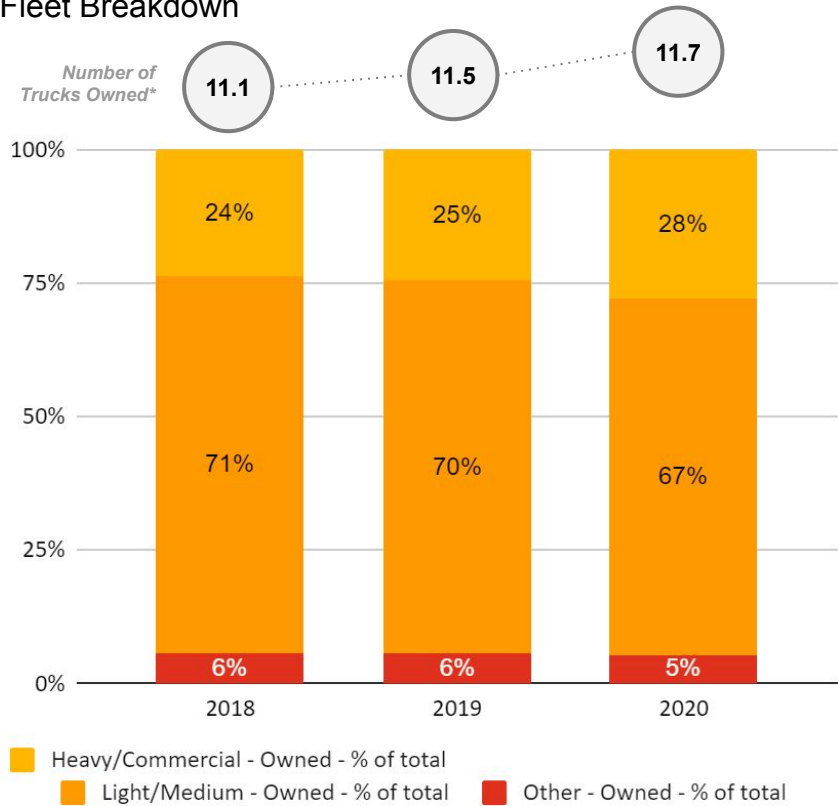
Based on survey responses, total fleet size appears to have grown by an average of 5.7% per year for the last three years, from an average of 11.1 vehicles in 2018, to 11.7 vehicles in 2020.

Fleet size, based on observed survey responses, appears to have increased with growth in Heavy/Commercial fleets, which represented 27.9% of the vehicles within an operator's fleet in 2020 compared to 23.8% in 2018. This resulted in a 4.1 percentage point jump for the observed responses over the period.

Across survey respondents, the average age of their fleet was 8.1 years, with some fleets as new as 2 years and as old as 20 years. The median age of a fleet is 6.5 years which is below the average and suggests that a smaller group of ICBC suppliers may have older fleets and have influenced the average age.

Industry representatives suggested that the relatively high average age of fleets could result from suppliers opting to repair existing equipment in order to control costs associated with purchasing new equipment.

**BC Towing & Storage Market Fleet Breakdown**

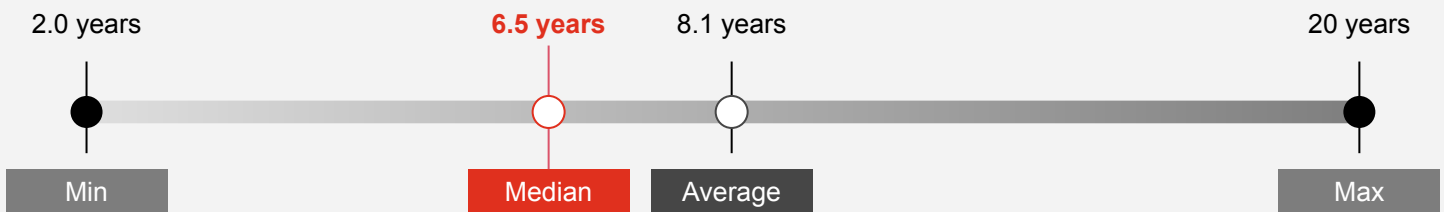


Source: Towing Industry Survey, PwC analysis

\*Does not include owner/operator

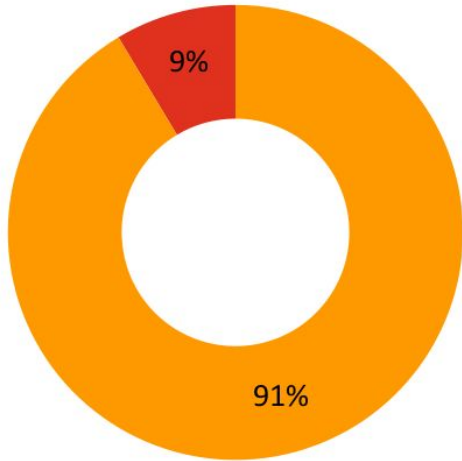
2018 (n=36) data | 2019 (n=36) data | 2020 (n=39) data

**Average age of fleet**





## BC Towing & Storage Market Breakdown of Fleet Structure



● Owned
 ● Contract with Owner/ Operator

Source: Towing Industry Survey, PwC analysis  
2020 data, n= 39 suppliers

## ICBC suppliers observed appear to own the majority of their fleet, with a small proportion of trucks contracted with owner/operators

ICBC suppliers were asked to break down the proportion of their fleet which is owned, compared to contracted out to owner / operators.

91% of survey respondents indicated their towing fleets are owned, while the remaining 9% contract vehicles out to an owner/operator. Considering the fleet size information reported in a separate section of the Towing and Storage Industry Survey, this suggests that an average of roughly one vehicle is contracted by an ICBC supplier who participated in the survey.

Industry Working Group members indicated that contracting work to an owner/operator limits investments in specialized equipment and increases their flexibility to service higher volumes. However, contracting to an owner/operator also commands a higher commission rate, which was cited as a disadvantage to this approach.

## Efficiency

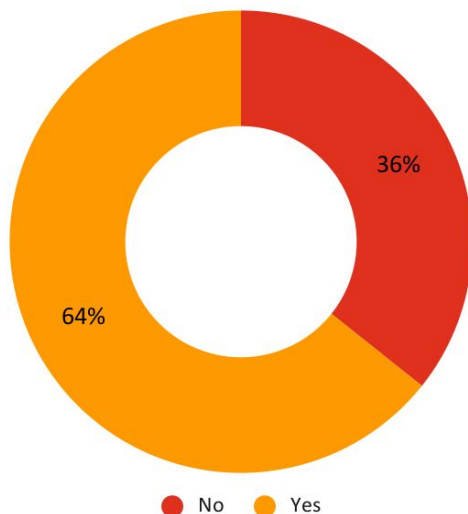
### Based on survey responses, most ICBC suppliers appear to be investing in efficiency

ICBC suppliers were asked to outline if and what actions they have undertaken to increase operational efficiency within their business.

Nearly two thirds (64%) of survey respondents state that they are pursuing initiatives to improve operational efficiency. These initiatives include:

- Investments in technology (e.g. GPS, digitizing dispatch process, electronic logging device)
- Accounting programs
- Facility enhancements (e.g. consolidation of office space, security systems)
- New vehicles with enhanced towing capabilities and fuel efficiency

## BC Towing & Storage Market Efficiency Initiatives



● No
 ● Yes

Source: Towing Industry Survey, PwC analysis  
2020 data, n= 42 suppliers



# Workforce

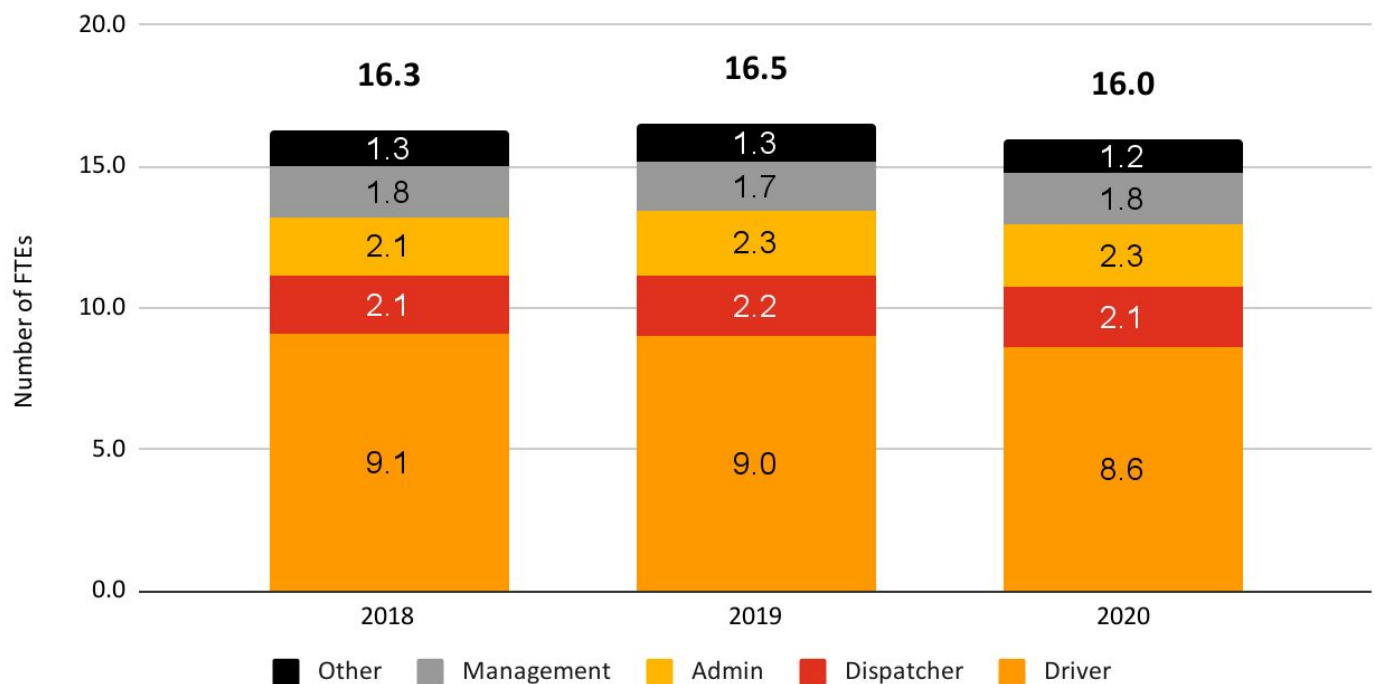
## Based on survey responses, Drivers appear to represent the majority of an ICBC Towing & Storage supplier's workforce

ICBC suppliers were asked to provide workforce information, outlining their staff complement across all lines of business from 2018 to 2020, breaking down their employees into management, administrative, drivers, dispatchers, traffic control and other staff.

Full-time equivalents (FTE) is used to express the workload of an employee and were used to account for the number of employees in each of the outlined categories. Results are summarized in the chart below, with traffic control staff aggregated with the Other staff category given the low relative number of these employees across respondents.

### BC Towing & Storage Market

#### Average Headcount Breakdown by Job Type



Source: Towing Industry Survey, PwC analysis

2018 (n=36) data | 2019 (n=36) data | 2020 (n=39) data

Based on survey responses, total headcount across all positions appears to have remained stable over the past three years, fluctuating between 16.0 and 16.5 FTEs from 2018 to 2020.

Among ICBC suppliers observed, headcount reached a maximum in 2019, then fell by 0.5 FTEs in 2020, slightly below 2018 levels. The decline in employees appears to be primarily driven by a decrease in the number of drivers in 2020, with an average decrease in the number of drivers of 0.4 FTEs per facility. This suggests that survey respondents may continue to experience challenges attracting and retaining Drivers in this industry..

Based on survey responses, drivers appear to be the largest component of a facility's workforce, representing over half of total headcount, followed by administrative staff and dispatchers. The decrease in drivers employed in 2020, and decrease in total employment more broadly, can be attributed to a lower volume of tows performed due to COVID-19. While the average number of drivers appears to have decreased from 9.1 to 8.6 FTEs from 2018 to 2020, the number of remaining staff (management, admin, dispatchers, and other) have remained relatively consistent, increasing slightly from 7.2 to 7.3 FTEs over the period.

Industry Working Group members indicated that automation of dispatch and other operations may allow them to reduce staff in administrative or dispatching roles, or reallocate their responsibilities into higher-value activities moving forward.

## For ICBC suppliers observed, most staff appear to be compensated on a commission or hourly basis for the towing work they perform

ICBC suppliers were asked to outline their workforce breakdown based on wage type (Commission, Hourly, Salaried).

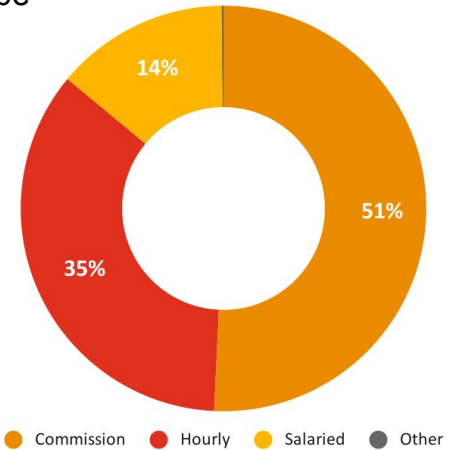
Based on survey responses, it appears that half of ICBC supplier staff members may be compensated on a commission basis, representing 51% of the workforce in 2020. These observations indicate a connection between labour cost and volume of services performed. This proportion is aligned with headcount breakdowns provided, where drivers represented roughly half of all staff in 2020, and who are most likely to be commission-based. Between 2018 to 2020, there was no observed difference in the way the survey respondents paid their staff members.

A large proportion of staff also appear to be compensated hourly. On average, 35% of the survey respondents workforce was paid hourly in 2020, likely representing employees who support and/or coordinate towing services such as dispatchers. When factoring in both commission-based and hourly staff, 86% of staff receive some type of variable compensation, which is more likely to fluctuate based on demand for services. Industry Working Group members indicated that the high rate of variable compensation limits their ability to attract and retain employees to the industry.

The remaining group of staff are compensated through a salary, which likely represents management and administrative staff members.

The significance of variable pay could contribute to large swings in direct expenses for suppliers. As towing volume is expected to recover post-COVID-19, variability in suppliers' labour costs may increase direct expenses. Low survey responses related to revenue and costs did not provide PwC with sufficient data to draw conclusions related to the impact of fluctuations in labour costs on supplier profitability.

### BC Towing & Storage Market Average Headcount Breakdown by Wage Type



Source: Towing Industry Survey, PwC analysis 2020 data, n= 39 suppliers

## Program considerations

Respondents whose answers indicate that **ICBC rates** may impact future ambitions



Source: Towing & Storage Industry Survey, PwC analysis

Respondents whose answers indicate that factors associated with **ICBC's program structure** (ie. process inefficiencies) may impact their future ambitions

## ICBC rates, as well as structural changes to ICBC's supplier programs are top of mind

Survey respondents were also asked open-ended questions about key factors impacting their business. 15 out of 23 suppliers who responded to one of these questions stated that ICBC rates are a key factor in allowing them to achieve their goals. The same proportion of respondents (15 out of 23) mentioned that changes to ICBC's program are required to allow them to progress towards their ambitions as a facility.

Suggested structural changes to the ICBC program included:

- Simplification of billing and invoicing
- Removal of paper-based documentation
- Adjustments to accreditation requirements
- Increased regional differentiation and segmentation for ICBC Towing and Storage suppliers.

When considered together, these suggestions indicate there are multiple opportunities to improve ease of doing business with ICBC.

# Towing & Storage industry trends

## Introduction

This section provides an overview of the trends impacting the vehicle Towing and Storage industry, and considers the unprecedented changes the BC and Canadian economies experienced during 2020 as a result of the COVID-19 pandemic. With a broad perspective of seeking to understand how business and consumer behaviour will change in the future, this analysis brings together the perspectives of multiple industry stakeholders, including suppliers, insurers, national service providers, provincial associations and subject matter specialists.

To perform a fulsome review of the trends impacting the industry, PwC used information from the following sources:



Interviews with Towing and Storage suppliers and national service networks

Interviews with insurers across Canada (including public insurers, mutuals, and international carriers)

Interviews with provincial towing associations and industry groups

Industry reports (e.g. IBIS World, Statistics Canada)

## COVID-19 impacts

### Macroeconomic impact

Changes implemented by all levels of government to curb the spread of the COVID-19 pandemic generated unique pressures for the Canadian economy. Canada's real gross domestic product (GDP) fell by 5.4% during 2020, the steepest annual decline since Statistics Canada data first became published in 1961.

The impact of declining GDP was felt by both companies and individuals. Corporate losses across sectors of the Canadian economy averaged -6.7%, according to Ibis World. Many companies experienced shock impacts to their profitability as they adapted to a virtual delivery of products and service. At the consumer level, unemployment nearly doubled in 2020, rising from 5.7% in 2019 to 9.5% in 2020. It reached a record high of 13.7% in May 2020, indicating significant financial strain on household incomes and consumer spending.

## COVID-19 and the Towing & Storage Industry

### Change in consumer behaviour

Segments of employed individuals changed their commuting behaviour as a result of stay-at home restrictions enforced by the Government of British Columbia and health officials. Prior to the pandemic, the City of Vancouver estimates that roughly 7% of people in BC worked remotely. During 2020, this increased sharply to between 30 and 40% of employed individuals, depending on the region. As a result, PwC estimates that driving propensity or "auto wallet" spend fell by 8% in BC.

Beyond 2021, certain individuals who cannot continue working remotely, or rely on public transit for commuting to work, may switch to driving. Those previously working in urban centers, young millenials who want greater control of their hygiene, and high income individuals with household income of at least \$80,000 CAD, are prime candidates to enter the personal vehicle market.



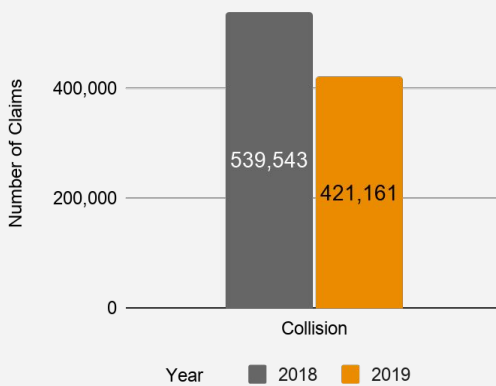
## Reduction in Collision, Storage & Towing Claims

A reduction in driving was felt immediately following the restrictions put in place across Canada, including BC. According to ICBC, the number of claims reported between March and May 2020 decreased by 47% compared to the prior year. This decrease extended beyond the initial month of the COVID-19 pandemic, despite the introduction of the BC Restart Plan.

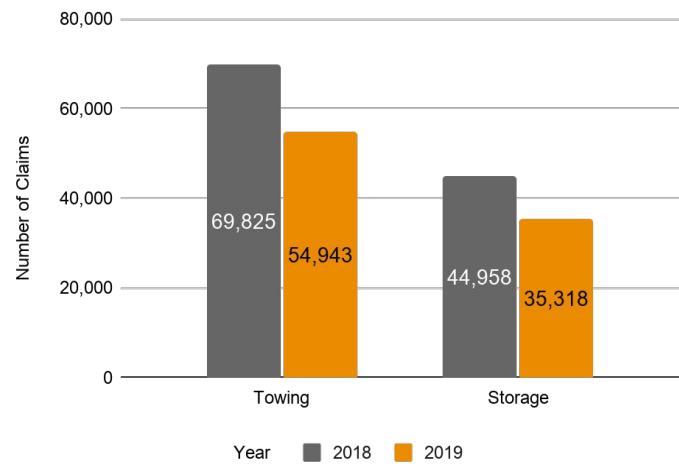
Data from ICBC suggests that the number of Collision claims in 2020 decreased by roughly 20% compared to 2019, with 421,161 claims reported. Given the role of Towing and Storage suppliers in the ICBC claim process, the number of Towing and Storage claims also decreased by 20% in 2020, reaching 54,943 and 35,318, respectively. This includes both Personal and Commercial claims.

Given the direct impact that claims volume has on Towing and Storage spend, the findings in this report should not be taken out of context. As a result, figures were reported separately for 2020 in order to isolate the impact of COVID-19. Trends in the previous years leading up to COVID-19 (2016 to 2019) have been reported separately in this report.

**Number of ICBC Collision Claims**



**Number of ICBC Towing & Storage Claims**



Source: ICBC-provided data, PwC analysis

## Looking ahead

Canada's economy continues to recover, offsetting the losses experienced in 2020. GDP grew by 9.6% in the final quarter of 2020, and IBIS World projects that corporate profits are projected to re-bounce by nearly 16% in 2021. The labour market has also shown signs of continued recovery, with Canada's unemployment rate in March 2021 reaching 7.5%, the lowest level since the pandemic struck in March 2020.






Looking ahead, the successful introduction of vaccinations will influence the speed at which the Canadian economy recovers. The pace of Canada's vaccine rollout was slower than other developed countries, such as the United States and the United Kingdom. Companies will continue to be adversely affected by physical distancing restrictions if delays in vaccinations continue, further impacting Canada's road to economic recovery.

As the vaccine rollout continues, Towing and Storage facilities find themselves looking ahead at the 'new normal', which will undoubtedly include changes to better meet customer needs, adapt to regulatory requirements, invest in new technologies and reset operations.



# Impacts on the Towing & Storage Industry

This section covers multiple topics that are impacting the vehicle Towing and Storage industry in across Canada and within BC. The topics have been summarized into the five following themes:

1	<b>Changing competitive landscape</b>	<p>Crowded private market for roadside assistance</p> <hr/> <p>Influence of public stakeholders</p> <hr/> <p>Initiatives to expand capacity</p>	
2	<b>Regulation impacting the industry</b>	<p>Governments addressing organized crime</p> <hr/> <p>Increased focus on accident scene safety</p> <hr/> <p>Protecting the environment</p> <hr/> <p>Land zoning</p>	
3	<b>Technology disruption</b>	<p>Connected operations</p> <hr/> <p>Digital customer experience</p>	
4	<b>Changing vehicle and towing requirements</b>	<p>Shrinking demand for personal vehicles</p> <hr/> <p>Change in vehicle mix</p> <hr/> <p>Share of luxury and electric vehicles</p>	
5	<b>Operational pressures</b>	<p>Real estate costs</p> <hr/> <p>Labour availability</p>	

# Changing competitive landscape

1

## Crowded private market for roadside assistance

Towing and storage suppliers generate revenue through governments, retail and individual customers. Within the retail and individual customer segments, private service providers have established preferred relationships with towing and storage facilities or built in-house capacity to provide roadside assistance services. They generally deliver a broader suite of services beyond accident towing, such as vehicle maintenance (e.g. flat tire, stalled vehicle, out of gas) and rental car services. These service providers are able to influence the volume of towing services provided in the market, as they have exclusive contracts with specific towing suppliers who are capable of servicing larger geographies or a broader range of services.

Private market service providers			
Auto Clubs	OEMs & Dealerships	Financial Institutions	Global Networks
<p>Traditional players continue to play a role in the roadside assistance market. CAA has a fleet of over 35,000 vehicles managed by provincial associations. Other common providers are Costco Roadside Assistance and Canadian Tire Roadside.</p> <div style="display: flex; flex-direction: column; gap: 10px;"> <div style="background-color: #333; color: white; padding: 5px; text-align: center;">CAA</div> <div style="background-color: #333; color: white; padding: 5px; text-align: center;">Costco Roadside Assistance</div> <div style="background-color: #333; color: white; padding: 5px; text-align: center;">Canadian Tire Roadside</div> </div>	<p>OEMs have invested in roadside assistance and accident recovery as adjacent services to win additional customer loyalty. These programs are offered for the first three to five years following a new vehicle purchase, and are managed through dealerships.</p>	<p>Credit cards companies have roadside assistance features options on common cards. For example, the Auto Club feature on the TD Cash Back Visa card features 24/7 coverage and unlimited service calls.</p> <div style="display: flex; flex-direction: column; gap: 10px;"> <div style="background-color: #333; color: white; padding: 5px; text-align: center;">TD Canada Trust</div> <div style="background-color: #333; color: white; padding: 5px; text-align: center;">BMO Financial</div> </div>	<p>Canadian insurers have established contracts with these providers (e.g. Assistance Services Group - Sykes, and Assistenza International) to facilitate greater access to a concentrated network of towing facilities, improve efficiency and improve costs</p> <div style="display: flex; flex-direction: column; gap: 10px;"> <div style="background-color: #333; color: white; padding: 5px; text-align: center;">Sykes</div> <div style="background-color: #333; color: white; padding: 5px; text-align: center;">Assistenza International</div> </div>

Source: Canada Drives.ca Market Watch, Coverager

## Impact of public stakeholders

Within the government segments, municipal governments and police services generate revenues earned by towing and storage facilities.

### Municipal governments:

Seek multi-year contracts for towing from public property when a driver has broken a parking by-law or abandoned their vehicle. These contracts have set rates and guaranteed service requirements. Towing and storage facilities who hold these contracts have the exclusive rights to specific services and volumes, which heavily influences their revenues.

### Police services:

Seek multi-year contracts to clear accident scenes. Provincial police services award contracts to suppliers who join a rotation list clear an accident on a major highway, while municipal police award contracts for roads within their jurisdiction. Similar to municipal governments, these contracts can heavily influence the revenue of a towing supplier.

In provinces with public insurance, the share of revenues from public providers jumps to 70-80%. In provinces with public insurance (BC, Saskatchewan, Manitoba), many municipalities, police services and other government associations base their rates on those set by the public insurer. For example, the City of Vancouver updates their towing rates for vehicles on private property to align with ICBC rates.

The influence of public insurers creates additional competitive pressures in both Manitoba and British Columbia. In Manitoba, MPI awards contracts to a single towing and storage vendor for each major city, while other vendors can compete in the remaining non-contract zones. These contracts require a large fleet and investments in innovative technology. In British Columbia, some municipal governments and associations (e.g. RoadSafetyBC) require that a supplier have a vendor ID with ICBC in order to bid on their contracts. Vendor IDs are provided to suppliers performing towing and storage services for ICBC customers. While ICBC does not coordinate or encourage the use of their vendor IDs for non-ICBC activities, there may be an impact to a supplier's ability to pursue revenue opportunities.

Sources: PwC analysis, IBIS World

## Initiatives to expand capacity

Towing and storage facilities are pursuing opportunities to expand their towing capacity through fleet expansion or investment in order to grow revenues and improve profitability.

### Fleet expansion

Larger fleet sizes allow facilities to win additional contracts with cities and municipalities who are seeking a partner that can service a high volume of vehicles. To build this capacity, facilities are partnering with others or developing new relationships with subcontractors, rather than purchasing additional trucks.

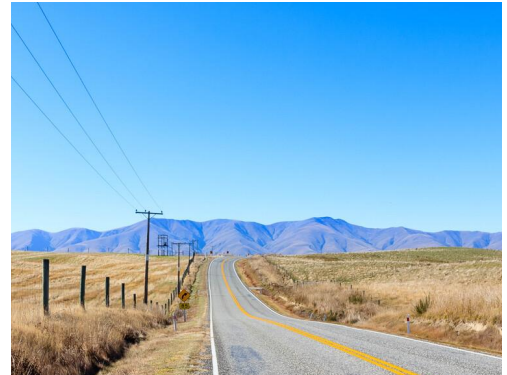
### Revenue diversification

Other towing and storage facilities have chosen to diversify their business, either by sharpening their focus on the Commercial segment or moving into other service areas. Rates paid by insurers for Heavy Duty/Commercial towing are three times higher than Personal. However, this requires specialized equipment to provide these services and new investments.

For example, ARW Truck Equipment Ltd, a large commercial supplier in BC, Alberta and Saskatchewan partnered with Industries NRC to add high-tech truck mounted materials and handling equipment in order to enhance their fleet of wreckers and towing equipment.

Facilities are using their equipment to earn revenue outside of towing and storage, such as snow removal and road maintenance. This helps maximize the efficiency of their fleet and workforce, which is often left on standby for a call from a dispatcher.

Source: Dun & Bradstreet, NRC Industries, Canadian Business Journal



## Regulation changes

2

### Governments addressing organized crime

Limited national regulations of the towing and storage industry have led to the presence of organized crime in certain provinces, most notably Ontario and Quebec. Governments in these provinces have pursued reform to address collusion and protect customers.

Municipal governments are changing how contracts are awarded and managed. In 2017, the Inspector General for the City of Montreal completed an investigation of the towing industry which revealed that specific zones within the city were being controlled by single suppliers through intimidation, threats and acts of violence. Potential solutions to address industry challenges were introduced, such as shifting towards exclusive, fixed-price contracts, and the introduction of tougher vetting practices.

The City of Ottawa launched a broad public consultation in 2019 to determine whether additional regulations for towing services were required. The review included a comprehensive survey that gathered feedback from suppliers and customers on billing, business practices and safety on the road and at accident scenes. The city released their report, Towing Regulations - What We Heard, in 2020, and is continuing to explore additional regulatory interventions, such as the introduction of a business licensing regime for towing service suppliers and truck drivers.



The Government of Ontario has also moved to regulate the towing industry. This began in 2014 with the introduction of *Bill 15, Fighting Fraud and Reducing Automobile Insurance Rates*, which required towing and storage providers to disclose recovery rates to customers. The government launched the Joint Forces Operation Team and Tow Zone Pilot in March 2021 to improve safety and enforcement.

In April 2021, the government introduced the Moving Ontarians More Safely Act (MOMS Act) to make roads safer for drivers and protect vulnerable users. The Act includes specific legislation that will strengthen the provincial government’s oversight and address organized crime. The Towing and Storage Safety Enforcement Act, a subsection of MOMS, will establish a certification system for suppliers, vehicle requirements, and protections for individuals and commercial businesses receiving towing and storage services. It also includes changes to dispatching methods and restricted tow zones, which will be enforced with monetary penalties.

Increasing government involvement in these provinces and municipalities has been welcomed by numerous industry stakeholders, including the associations representing towing and storage facilities, such as the Provincial Towing Association of Ontario, and the Insurance Bureau of Canada.

**Source:** CTV News, City of Ottawa, Government of Ontario, Ontario Trucking Association

### Increased focus on accident scene safety

Canada’s National Safety Code has established protocols towing suppliers and tow truck drivers must follow when managing an accident scene. To further protect workers, provinces have adopted versions of “Move over” legislation over the past decade. In addition to government bodies, associations, such as the Automotive Retailers Association of BC have taken an active role to provide the industry with safe working practices to eliminate or control hazards.

Federal government	Provincial government	Other groups
<p><b>National Safety Code</b></p> <p>Require staff to use reflective clothing, signage at the correct distance from the accident scene and follow incident management protocols.</p> <p>Specific standards are also in place to review performance with the Code (e.g. standard 15 - safety audits)</p>	<p><b>“Move Over” legislation</b></p> <p>Ontario and Saskatchewan were the first to introduce legislation, followed by BC, Alberta and then Quebec.</p> <p>In BC, the Vision Zero approach was established in 2015 to bring together all road safety partners, including tow trucks, towards the goal of zero fatalities or serious injuries.</p>	<p><b>Automotive Retailers Association (ARA)</b></p> <p>Provides a consistent approach for handling workplace hazards in common scenarios, such as an accident scene, and education on basic legal responsibilities associated with Occupational Health &amp; Safety Regulations.</p>
<p><b>Impact to Towing facilities</b></p> <p>Requirements have placed operational and cost pressures on towing facilities, such as fees for flagging staff.</p>	<p><b>Impact to Towing facilities</b></p> <p>Legislation has promoted greater awareness for drivers involved in, or passing by, an accident scene, improving roadside safety.</p>	<p><b>Impact to Towing facilities</b></p> <p>Associations are providing resources used to improve education and awareness on initiatives to further protect truck drivers.</p>

Despite these protocols and regulations, concern for accident scene safety poses a challenge for towing suppliers looking to recruit and retain talent. According to *Monster.ca*, a popular Canadian job board, transportation and storage ranks as the fifth most dangerous industry, with an average of 16 fatalities per 100,000 workers.

Insurers are also taking a greater role in educating customers on the procedures to follow when they’ve been in an accident. A 2019 survey conducted for Aviva Canada by Pollara Strategic Insights shows that most consumers are not aware of how to contact a tow truck driver at the accident scene. To better educate customers, many insurers are taking steps to remind customers what they should do following an accident through communication materials distributed during their policy renewal.

**Source:** Aviva Canada, Co-operators, Monster.ca, Transport Canada

### Protecting the environment

Car accidents often result in gas and fluid leaks and cause environmental harm. This is particularly the case in the Commercial segment, where large trucks and heavy duty equipment contain saddle tanks that carry up to 11,000 litres of diesel. Federal regulations under the Canadian Environmental Protection Act are in place to require towing suppliers to manage the disposal of hazardous waste and recyclable materials. This requires suppliers to have a suitable spill kit for minor spills and an emergency response plan for major spills. Lack of collaboration between jurisdictions, different regulations and legal interpretations create complexity for towing and storage suppliers to adhere to all regulations.

Municipal governments also play a role in environmental regulation. For example, Metro Vancouver has placed a restriction on heavy-duty vehicle emissions that impacts towing facilities with large commercial operations. Given the rise in hybrid and electric technologies, some suppliers are also beginning to explore green vehicle options. Hino Motors, a Quebec-based vehicle manufacturer, has been producing hybrid-powered vehicles in the North American market. These vehicles include diesel-electric hybrid towing vehicles for Personal and Commercial purposes.

Source: Blue and Green Tomorrow, Tow Canada

## Land zoning

Canadian cities and municipalities have established regulations and zoning bylaws that govern how land can be used, which affect the land available for towing and storage suppliers. The complexity of these requirements has limited the operational flexibility of vehicle storage facilities who own land. For example, facilities may not be able to expand their capacity based on property setback restrictions. In the City of Vancouver, the Zoning and Development By-Laws outline specific areas for commercial activity. Within these areas, regulations exist for land usage, building heights, and front and side yard setbacks.

The scarcity of available property continues to pose a challenge to towing and storage suppliers. In some cases, industry representatives indicated they have had to incur legal costs to apply for zoning by-law amendments in order to obtain new land or adjust their operations.

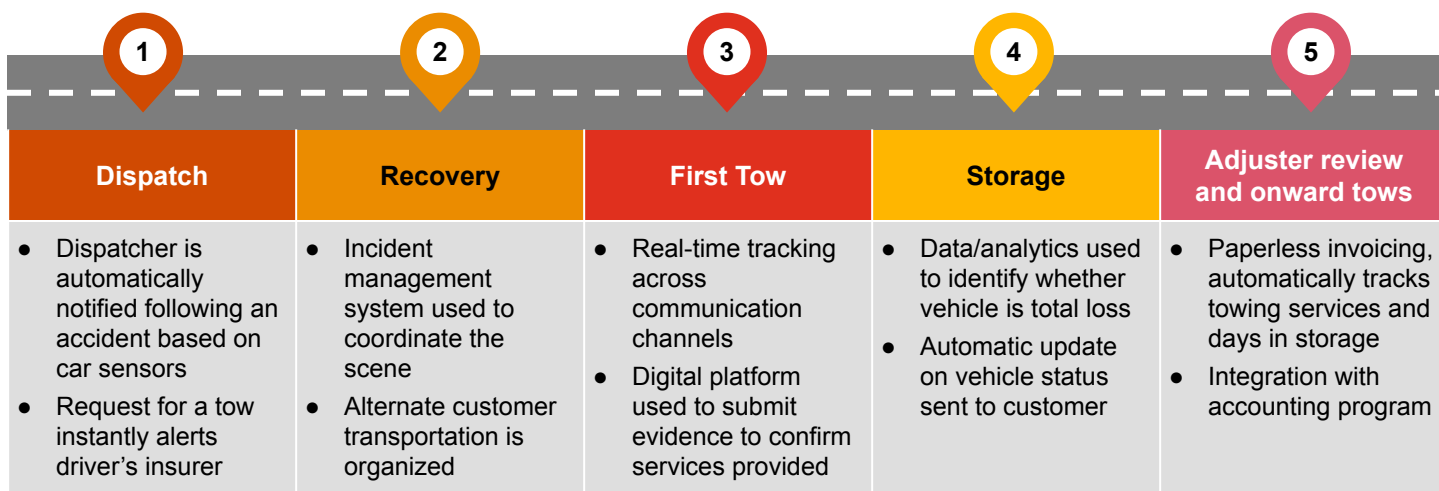
Source: BC Canada

## Technology disruption

### Connected operations

- 3** The introduction of new digital platforms has created opportunities to improve operational efficiency in towing and storage processes and deliver more transparent service. Insurers are driving a part of this change, as they have taken steps to deliver a more seamless customer experience through mobile claim reporting, supply chain integration and straight-through payment processing.

ELC Dispatch Solutions introduced a Ready Tow Platform in 2015, which streamlines the logistics and coordination activities completed by all stakeholders involved in the towing process - insurers, repairers, salvage and towing providers.



### Ready Tow Technology

ELC's technology allows users to obtain real-time updates on a tow already in-progress, increasing the level of transparency so that stakeholders can view the services provided.

### Benefits to Towing suppliers

- ✓ Streamlined dispatch and coordination
- ✓ Simplified communication with insurers
- ✓ Instant payments and settlements

### Benefits to Insurers

- ✓ Improved customer service
- ✓ Efficient handling of total loss vehicles
- ✓ Improved workflows for approvals and invoicing

## Digital customer experience

Similar to other buying journeys, customers are expecting their towing and storage experience to be “digital first”. The historical lack of customer-centric technology in the roadside assistance market created windows of opportunity for new market entrants, further prompting the need for traditional players to invest in new technologies.

CAA Service Tracker was made available to members in 2011, and allows members to order a tow truck using GPS and track progress on their mobile device. Rapitow, a Toronto-based startup launched in 2014 as ‘Uber for tow trucks’ offers similar features for a small monthly fee rather than an annual subscription. It has since been acquired by Allied Dispatch Solutions LLC, a large roadside assistance and logistics company. Another startup, Urgent.ly introduced a digital roadside assistance platform for drivers. It has grown rapidly, serving more than 200,000 drivers across North America. The platform coordinates customer requests submitted through a call centre or mobile device and uses GPS to automatically dispatch a tow truck and connect the customer.

Sources: Canadian Towing Professional, CTV News, Urgent.ly, ELC Dispatch Solutions

# 4

## Changing vehicle types and towing requirements

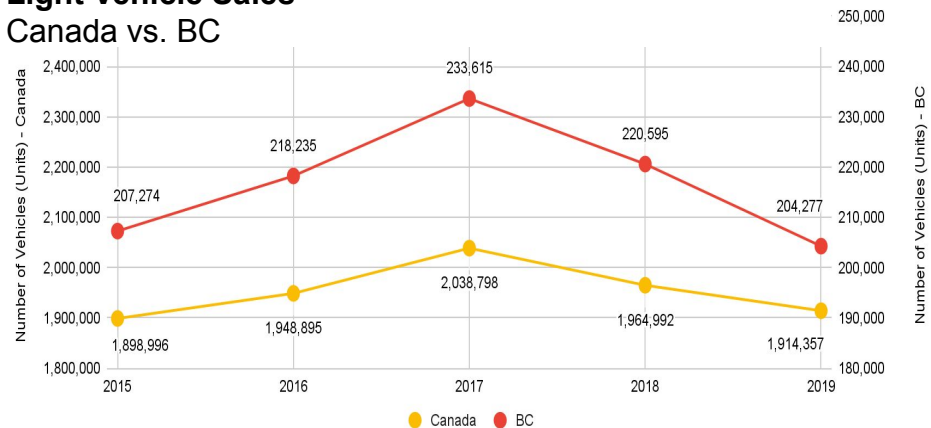
### Shrinking demand for personal vehicles

Declining sales of new vehicles and growth of alternative transportation options has led to decreased demand for passenger vehicle towing services. According to *DesRosiers Automotive Consultants*, a Canadian consulting and market research company that works with the automotive sector, demand for new passenger vehicles in Canada declined over the past three years. The number of new light vehicles sold decreased at an average of 3% per year between 2017 and 2019 to roughly 1.9 million units.

Relative to Canada, BC experienced a sharper decline in vehicle sales over this period, with sales falling by an average of 6% per year for the past three years to roughly 204,000 units in 2019. This suggests that shrinking demand for personal vehicles may have adversely impacted the vehicle towing and storage market in BC more than other provinces in Canada. COVID-19 further impacted new vehicle purchases, with the number of vehicles purchased in Canada falling by -20% in 2020.

### Light Vehicle Sales

#### Canada vs. BC



Source: Statistics Canada, PwC research

Growth in the North American car and ride sharing market is expected to contribute to further declines in new vehicle sales. Global ride-hailing miles are expected to increase at 17% per year over the next three years, with more customers seeking shared mobility solutions. Consumers, especially young adults, are looking to avoid costs associated with car ownership, using services such as Uber, Lyft and Zipcar.

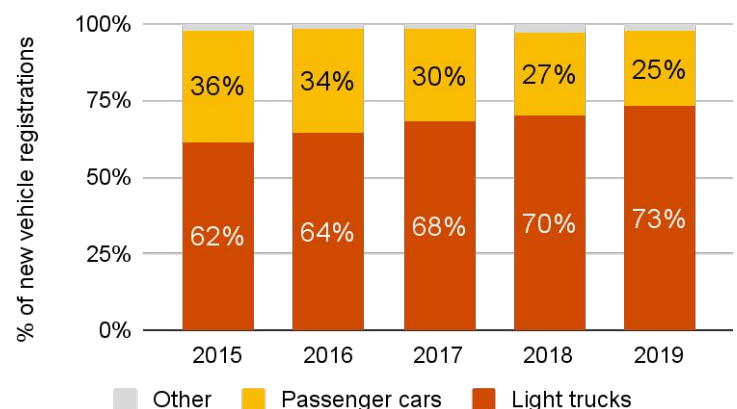
### Change in vehicle mix

The popularity of light trucks and SUVs has increased in BC over the past 10 years. Light trucks have grown to dominate new personal vehicle sales in BC, representing 73% of new motor vehicles sold in 2019, an increase of 11% over the past five years. This shift places new demands on the towing and storage industry, as light trucks require larger towing vehicles (e.g. flat beds). Most light trucks are also equipped with all-wheel drive (AWD), further complicating the recovery and towing process. If the vehicle cannot be placed in neutral, AWD vehicles require the use of dollies. Industry representatives indicated that the use of dollies will continue to increase as the vehicle mix shifts further towards light trucks and SUVs.

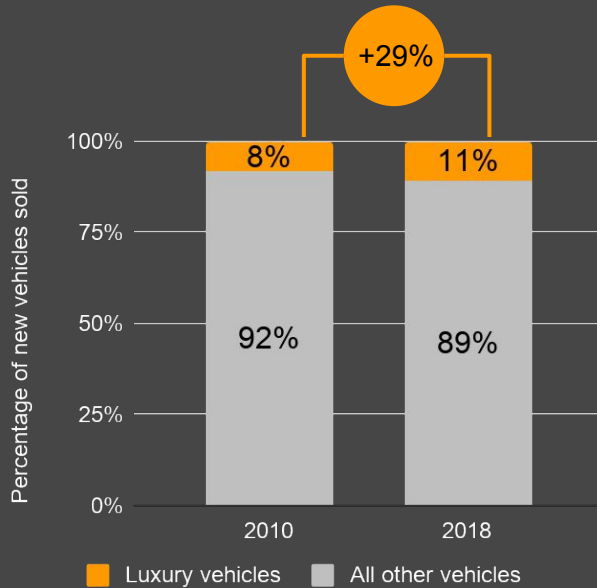
Source: Statistics Canada, The Future of Mobility, Equity Research

PwC | ICBC Towing Business Review (TBR)

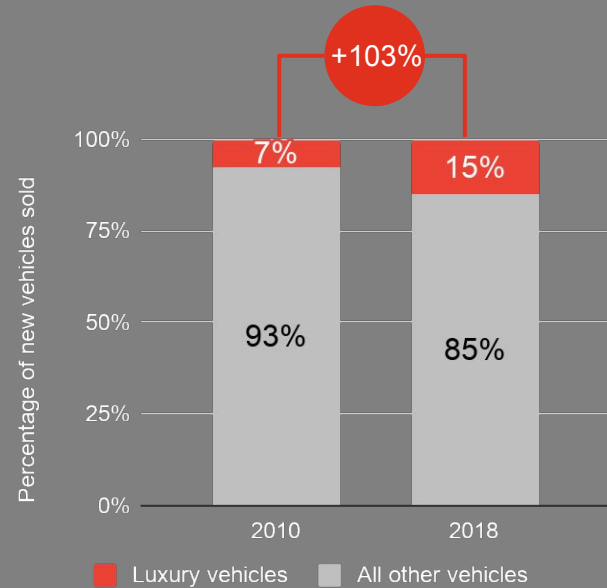
### Vehicle Type Breakdown in BC by year



## Breakdown of new vehicle sales in Canada



## Breakdown of new vehicle sales in BC



Source: DesRosier Automotive Consultants, Vancouver Sun, PwC Analysis

### Luxury vehicles

The luxury vehicle market (defined as vehicles with an MSRP of \$150,000 and up), which includes sports cars and SUVs, has exploded in popularity, with over 36,000 luxury vehicles sold in BC in 2018. The share of luxury vehicles relative to total vehicles sold more than doubled, from 7% in 2010 to 15% in 2018.

This increase was significantly higher than the change in the overall Canadian market, where the sale of luxury vehicles grew by 29% over the same time period. Furthermore, the share of European vehicles as of 2018 in BC is 17% of sales, higher than the 12% reported for the rest of Canada, and also include luxury brands, such as Maserati and Porsche.

Luxury and European vehicles are typically more expensive to tow, as they contain additional technology features that require suppliers to adhere to OEM guidelines. This creates additional complexity for towing suppliers, and will result in more time at the recovery scene and higher costs charged to insurers. For example, TESLA Motors has published a detailed set of instructions and reporting processes that must be followed when their electric vehicles are towed.

Source: DesRosiers Automotive Consultants, Tesla Motors

### Zero-emission vehicles

Zero-emission vehicles reached 3.7% of all new vehicles registered in Canada as of the third quarter of 2020. The presence of ZEVs is strong in Quebec, BC and Ontario, which collectively make up nearly 93% of all ZEVs sold in Canada.

This growth is expected to accelerate, particularly in BC, where the provincial government has set a target of 100% of new vehicle sales to be ZEVs by 2040. BC also has some of the oldest vehicles in the country, which may slow the adoption of EVs the government is expecting. The average age of a vehicle in BC is 11.9 years, which can be attributed to less extreme weather conditions relative to other Canadian provinces.

Regardless of the rate of change, the rise in popularity of EVs suggests there may be a change in the number and types of roadside assistance jobs, with suppliers spending more time on battery swaps and diagnosis.

Source: Statistics Canada, Government of British Columbia





# 5

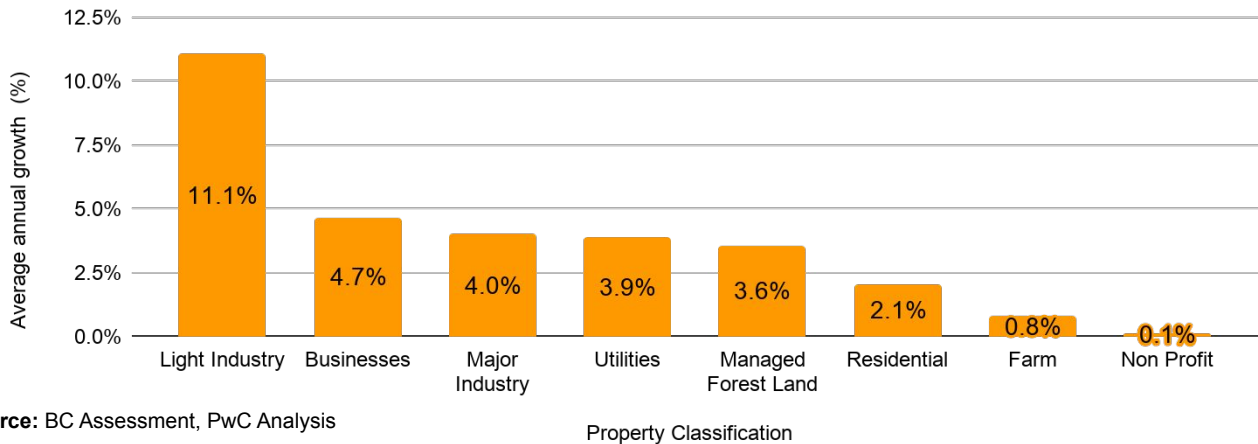
## Operational pressures

### Real estate values

Scarcity of available commercial and industrial properties has led to increases in the price of land across the province over the past three years. BC Assessment collects and reports on property assessment information on an annual basis, releasing adjusted market values by property type in January of each year.

Value of real estate designated as Light Industry by BC Assessment grew by an average of 11.1% per year between 2018 and 2021. This includes property used for the manufacturing and transportation of products, storage and scrap metal yards, and is the category most similar to vehicle towing and storage facilities. This was the largest increase among all property types reported to BC Assessment, followed by Businesses and Major Industry, which includes energy production and more complex manufacturing.

**Change in Assessment Values by Property Type**  
2018 vs. 2021

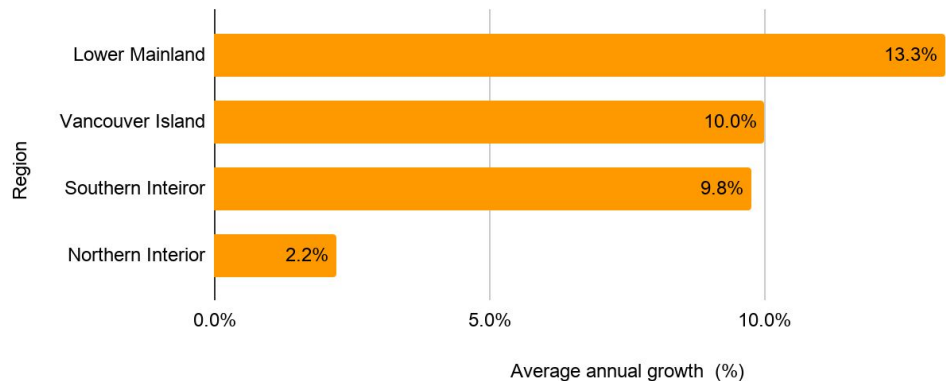


Source: BC Assessment, PwC Analysis

Within the Light Industry classification, the largest increases in property assessment values were in the Lower Mainland, which reported an increase of roughly 13.3% per year between 2018 and 2021. The highest increases were reported in the Richmond-Delta and Surrey-White Rock regions. Conversely, the smallest increases in assessment values during this period were in the Northern Interior, which reported an increase of roughly 2.2% per year. These figures suggest that towing and storage facilities operating in the Lower Mainland may be experiencing more significant real estate cost pressure if they are looking to purchase land.

Growing property values also present an opportunity for towing and storage facilities who already own their land. Certain industry representatives indicated they have pursued initiatives to diversify their business outside of vehicle storage to take advantage of their higher property values by providing other commercial or personal storage, or subleasing.

**Change in Light Industry Assessment Values by Region**  
2018 vs. 2021



Source: BC Assessment, PwC Analysis

According to Colliers International, a leading global commercial real estate brokerage, the COVID-19 pandemic created additional

pressure on the industrial real estate market in 2020 as companies in competing industries, such as manufacturing and e-commerce, attempted to increase their capacity. This resulted in continued record-low vacancy rates of industrial properties. Industrial commercial property vacancies in Vancouver fell by 2.9% between 2018 and 2019 to 1.5%, the second lowest vacancy rate in Canada after Toronto.

Despite rising property values, the City of Vancouver has decreased property taxes on commercial properties. Over the last five years, decreasing the burden on towing and storage facilities. Vancouver's commercial tax per \$1,000 of assessment has dropped 55.3%, going from \$15.05 in 2015 to \$6.73 in 2020.

Sources: Financial Post, BC Business, BIV.com

## Labour availability

There is a shortage of tow truck drivers in Canada, with 61% of employers reporting they can't find all the drivers they need. According to *Trucking HR Canada*, Canada will have a shortage of 25,000 truck drivers by 2023, which includes tow truck drivers.

This is particularly true in the Commercial / Heavy Duty towing segment. Long Haul driving jobs today have a much higher vacancy rate than short haul – 9.4% compared to 5.9% in 2020.

Towing facilities are competing with other trade industries, such as heavy equipment operators, who are also experiencing growing labour challenges. The Trades College of Canada estimates that an additional one million workers are currently needed across the country. They are also dealing with a negative perception of the industry, which impacts their ability to recruit new talent into their business.

The BC Government's recent introduction of an employer health tax represents an additional cost to any towing and storage earning more than \$500,000 in annual revenues.

Sources: *Canadianvisa.org*, *Government of BC*, *CBC News*, *Canada Labour Market Information*

### **Labour availability and equipment costs appear to be the most pressing concerns for ICBC Towing and Storage suppliers observed**

ICBC suppliers were asked to rank a set of industry trends according to their relative importance, from most concerning to least concerning.

When asked to assess the relative impact of the above industry trends, the most prevalent concern for respondents was labour availability, which aligns with the shortage of skilled workers in the transportation/trucking industry and the broader trades, and the increase in direct labour costs in BC.

The second highest concern amongst respondents was growing equipment costs, associated with new vehicle purchases, maintenance, repairs, and additional support equipment required to perform a tow (e.g. Dollies). Another important concern for the observed ICBC supplier group was reliance on contracts, which reinforces the influence held by local governments and municipalities as a buyer of towing and storage services.

### **Insurers appear to be most concerned with increasing costs across Towing & Storage claims**

As part of broader industry consultation, a group of Canadian insurers were asked to prioritize a set of Towing & Storage industry trends.

The top two concerns for insurers were increasing first tow costs and increasing storage costs. These core charges rank higher than the peripheral fees such as recovery, administrative, or second tow costs, indicating that insurers are more focused on the higher base cost associated with paying out towing and storage claims. Rising vehicle recovery and administrative costs represented the third highest concern for insurers surveyed.

The fourth highest concern is growth in organized crime by Towing & Storage vendors. This trend is particularly relevant in specific markets, primarily concentrated within Ontario and Quebec.

Vendor consolidation was ranked as the lowest concern out of all trends listed, indicating that insurers do not perceive that there is a high amount of market activity which may impact their relationship with suppliers. This sentiment appears to be unique to Towing & Storage, given that a high level of consolidation has been seen across other areas of the material damage supply chain, which would likely have larger consequences for suppliers in peripheral industries such as collision and glass repair.

Rank	Industry trend
1	Labour availability
2	Growing equipment costs
3	Reliance on contracts
4	Rising real estate costs
5	Changing operational requirements
6	Market consolidation
7	Changes in technology
8	Other

Source: Towing Industry Survey

Rank	Industry trend
1	Increase in First Tow costs
2	Increase in Storage costs
3	Escalating fees charged for vehicle recovery or administrative activities
4	Growth in organized crime by Towing & Storage vendors
5	Increase in Second Tow costs
6	Limited labour availability
7	Vendor consolidation impacting relationships with suppliers
8	Other

Source: Insurer Industry Survey, 2020



## Appendix 2

# Appendix 2

## contents

---

<b>Data collection framework</b>	<b>71</b>
<b>Industry survey</b>	<b>79</b>
<b>Sentiment Analysis</b>	<b>81</b>
<b>Industry Survey Questions</b>	<b>83</b>
<b>Industry Working Group</b>	<b>86</b>
<b>Data Validation</b>	<b>87</b>



# Data collection framework

## Approach and sources

The data collection framework identifies the information gathering methodology for assessing the vehicle Towing and Storage industry.

To create the framework, PwC and ICBC defined a problem statement that matched the project's objectives. Key questions were defined to consider the supporting types of data that would be analyzed.

### Approach to data collection

The problem statement and key questions were defined to categorize the types of data needed to assess the financial health and performance of the vehicle Towing and Storage industry. This data included facility revenue, cost, workforce and efficiency metrics.

PwC reviewed and confirmed the framework and data categories in working sessions with ICBC and the Industry Working Group to ensure they would contribute to an accurate, well-balanced representation of the industry. Once finalized, these categories served as the foundational step for the data collection framework, and led to the identification of more detailed attributes and performance indicators that would be used to generate insights.

### Key questions to answer

1	<b>Rates</b> How are suppliers compensated? Are there differences in rates by region, or type?
2	<b>Costs</b> What are the key cost drivers? How have they changed in the last 3-5 years?
3	<b>Equipment</b> What equipment investments are suppliers required to make?
4	<b>Workforce</b> How is the workforce structured? What is their compensation model?
5	<b>Efficiency</b> What are the factors that influence profitability and productivity?

### What we assessed

<b>Revenues</b> E.g. Tows, storage, fuel surcharge, accident recovery
<b>Expenses</b> E.g. Vehicle repair/maintenance, rent, products/materials
<b>Equipment investments</b> E.g. Recent investments in technology/equipment
<b>Workforce breakdown and costs</b> E.g. Number of staff by type, wages/ commissions paid
<b>Performance indicators</b> E.g. Average distance travelled, number of tows by type

### Data collection sources

Once the approach was defined, PwC identified three sources of data required for this assessment:

- 1. Facility data** - individual facility revenue, cost, workforce and efficiency information. This information was not publically or readily available and required reporting from ICBC Towing and Storage facilities.  
*Format: Confidential survey sent by PwC to ICBC facilities that perform vehicle Towing and Storage services*
- 2. ICBC data** - claims financial information (e.g. volume and cost) and non-financial information (e.g. location, fleet size) for each facility. This information was readily available due to past data collection activities performed by ICBC's Supplier Management Office.  
*Format: Datasets provided by ICBC to PwC*
- 3. Third party data** - industry benchmark information obtained by PwC through a variety of third parties, including public and private sources. A proprietary dataset was constructed to summarize the information provided by all third parties and to generate relevant benchmarks to assess the market.  
*Format: Interviews with suppliers and insurers, PwC datasets, industry reports and surveys designed by PwC, publicly available reports (e.g. IBIS World, Dun & Bradstreet)*

## Data collection sources

Towing Business Review Data Sources		
Towing & Storage suppliers*	ICBC	PwC Research
Total Revenue	ICBC Revenue	National & regional benchmarks
Direct Costs	Supplier information (Location, type)	Out of province supplier information
Indirect Costs	Performance indicators	Business models / best practices
Equipment	Claims Data	
Labour/Workforce		
Efficiency		

Legend	
Gathered via survey to ICBC suppliers	Gathered through research (ICBC, PwC)

## Data attributes and performance indicators

### Facility & ICBC data

Data categories were then broken down into a further level of detail to identify the specific data attributes required for analysis. PwC worked with ICBC to summarize requirements from suppliers by determining which attributes were readily available from ICBC and which would be required from Towing and Storage suppliers. Data provided from suppliers was used to inform the questions in the Towing and Storage Industry Survey.

#### General info

**Description:** Non-financial information used to describe a facility's position in the market, baseline operations and services provided to customers.

Data attribute	Data Provided by:	
	ICBC	Suppliers
Facility ID	✓	✓
Name	✓	
Region	✓	
Year established		✓
Ownership type	✓	
Indoor vs. outdoor storage		✓
Storage capacity	✓	✓
Types of towing services (e.g. Light, Medium, Heavy/Commercial)	✓	✓
Fleet size (number of tow trucks)		✓
Number of tow trucks by classification (ie. Light, Medium, Heavy Duty)		✓
Certifications required		✓
Additional services offered		✓
Industry concerns/impacting trends - <i>to be discussed on next slide</i>		✓
Leased or financed equipment used for towing		✓

## Revenue

**Description:** Total facility revenue (including non-ICBC related business), and breakdown of key material damage components relevant to ICBC (e.g. first tow, additional tows, vehicle storage).

Data attribute	Data Provided by:	
	ICBC	Suppliers
<b>Total Revenue - (entire facility, includes ICBC and non-ICBC business)</b>		✓
<b>Total ICBC Towing &amp; Storage Revenue</b>	✓	✓
Vehicle Storage	✓	
Kilometres 1st Tow	✓	
Additional Tows	✓	
Fuel Surcharge	✓	
Recovery	✓	
Loading/Securing (incl. Dollies)	✓	
Standby	✓	
Additional Support (Additional Truck, Extra Person, Traffic Control Vehicle)	✓	
Other Items	✓	

## Cost

**Description:** Total facility operating expenses, including direct costs (towing and storage) and indirect costs (breakdown of rent, salaries, training, other).

Data attribute	Data Provided by:	
	ICBC	Suppliers
<b>Total Costs (indirect and direct costs, excludes depreciation and amortization)</b>		✓
<b>Total Direct Costs</b>		✓
Driver and Dispatcher staff wages (hourly, fully loaded including commission)		✓
Fuel Cost		✓
Products and Materials		✓
Sublet Cost		✓
<b>Total Indirect Costs</b>		✓
Management staff wages (fully loaded including wages, bonus, CPP/EI, benefits)		✓
Administrative staff wages (fully loaded including wages, bonus, CPP/EI, benefits)		✓
Training expenses		✓
Vehicle repair and maintenance expense		✓
Property/building repair and maintenance expense		✓
Rent/mortgage and property taxes		✓
Insurance (Fleet, property, liability, WorkSafe BC etc.)		✓
Business licensing fees		✓
Leased/financed equipment cost		✓
<b>Other indirect costs</b> (e.g. Waste Disposal, Advertising/Marketing, Promotion and Royalties, Interest and Bank Charges, Telephone)		✓
Recent investment (last 5 years) in innovative technology		✓

## Workforce

**Description:** Information regarding the staff that support a facility (including non-ICBC business), such as their roles (e.g. administrative, management, dispatchers) and pay structures.

Data attribute	Data Provided by:	
	ICBC	Suppliers
<b>Number of staff by type</b>		✓
Number of commission vs. hourly rate drivers		✓
Number of Full time vs. Part time staff		✓

## Efficiency

**Description:** Initiatives and metrics used to track operational efficiency, as well as the information on the facility's future outlook and relationship with ICBC.

Data attribute	Data Provided by:	
	ICBC	Suppliers
Initiatives to increase operational efficiency		✓
Customer service/ satisfaction tracking		✓
Average driver labour hours per day		✓
Average distance traveled	✓	
Number of tows broken down by category (categories 1-4)	✓	



## PwC research

PwC conducted additional research on the vehicle Towing and Storage industry using third party data sources to better understand market size, structure and trends, and generate national and provincial performance benchmarks. The table below summarizes the third party data sources used during the Towing Business Review:

Source	Description	Information obtained
<b>Statistics Canada</b>	<p>Public information available on the Statistics Canada database, specific to the North American Industry Classification System (NAICS) codes relevant to this assessment.</p> <p>PwC referenced national and provincial information available for <i>NAICS code 488410</i> - motor vehicle towing.</p>	<ul style="list-style-type: none"> <li>Market size and growth</li> <li>Number of facilities</li> <li>Revenue</li> <li>Direct costs</li> <li>Indirect costs</li> </ul>
<b>Dun &amp; Bradstreet Hoovers</b>	<p>Member-only database provided by First Research that contains reports relevant to Canadian and US industries.</p> <p>PwC referenced information available for the <i>Motor Vehicle Towing Services Industry</i> related to growth, trends, challenges and opportunities.</p>	<ul style="list-style-type: none"> <li>Market size and growth</li> <li>Market structure</li> <li>Market trends</li> </ul>
<b>IBIS World</b>	<p>Member-only database with detailed reports relevant to Canadian and US industries.</p> <p>PwC referenced national information available on market size and structure from two reports:</p> <p><i>48841 - Automobile Towing in the US - 2020, 2018, 2015</i></p> <p><i>48411CA - Local Freight Trucking in Canada - 2020 and 2019</i></p>	<ul style="list-style-type: none"> <li>Market size and growth</li> <li>Market structure</li> <li>Market trends</li> </ul>
<b>National service provider networks</b>	<p>Private information available from service providers who operate networks of roadside assistance, vehicle salvage or storage across Canada.</p> <p>PwC used this information to validate market trends and identify differences in claim costs and efficiency between public and private auto insurance markets.</p>	<ul style="list-style-type: none"> <li>Market trends</li> <li>Revenues/ Claim costs</li> <li>Operational efficiency</li> </ul>
<b>Canadian Insurer Survey &amp; Interviews</b>	<p>Private information from Canadian auto insurers gathered through a survey and interviews with Claims and Vendor Management representatives.</p> <p>PwC used this information to calculate aggregated provincial and national benchmarks, and to further assess differences between public and private insurance markets.</p>	<ul style="list-style-type: none"> <li>Market trends</li> <li>Revenues/ Claim costs</li> <li>Operational efficiency</li> </ul>
<b>Other Proprietary Data</b>	<p>Private information gathered from relationships/ engagements with Canadian and US insurers and Towing and Storage suppliers.</p> <p>PwC also used this information to validate and refine aggregated provincial and national benchmarks.</p>	<ul style="list-style-type: none"> <li>Revenues/Claim costs</li> </ul>

## Performance indicators

PwC used third party data sources to create a shortlist of performance indicators to assess the Canadian and BC industries. To create this list, PwC used a combination of industry agnostic financial, workforce and efficiency metrics and contextual measures of success in these industries. Industry agnostic information was informed by PwC best practices for measuring financial performance, whereas contextual metrics were identified through discussions with the Industry Working Group and ICBC.

## Towing & Storage Industry survey

### Purpose

Quality data was essential to delivering a relevant industry assessment. PwC gathered financial, workforce and efficiency data directly from the facilities through a survey in order to conduct an accurate representation of the sustainability of the vehicle Towing and Storage industries.

All responses to the Towing & Storage Industry Survey were kept strictly confidential as PwC understood the importance of protecting sensitive business data. The survey was administered entirely by PwC, and individual facility responses were not shared with ICBC, IWG members or other third parties in order to maintain independence and adhere to the Competition Act.

### Design plan

In accordance with the data collection guiding principles, PwC developed a survey design plan to collect facility data. The table to the right summarizes the design of the Towing & Storage Industry Survey.

**Framing survey questions** - PwC reviewed the data attributes with ICBC and the Industry Working Group to articulate accurate terminology and simple language, reducing potential response bias or confusion.

**Building the survey flow** - PwC designed workflows for the survey, and divided the questions into data categories to optimize the user experience. The categories and sequencing of questions were discussed with ICBC and the Industry Working Group.

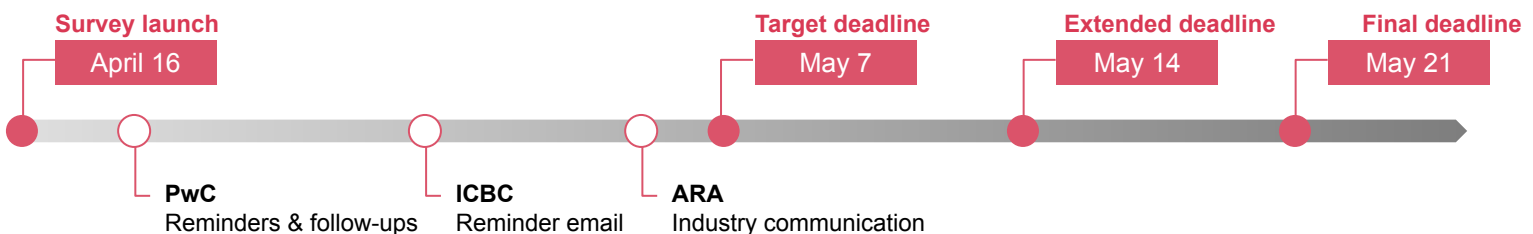
**Configuring question response mechanisms** - PwC established a response mechanism for each question individually, which led to the configuration of rules and validation checks to increase the survey's simplicity and reduce potential data quality risks. Each of these mechanisms were reviewed with the Industry Working Group.

**Testing & validation** - PwC built copies of the survey and tested it with representatives from the Industry Working Group to gather feedback and identify areas of confusion, repetition, or potential for respondent drop-out before finalizing and distributing to all facilities.

**Developing supporting materials** - PwC created a comprehensive Survey Help Guide and Data Workbook to help facilities navigate the survey platform, understand the questions, and organize their data to effectively and accurately answer the questions.

### Survey launch and response monitoring

PwC launched the Survey to all ICBC Towing & Storage suppliers on Friday, April 16th. Facilities were provided with three weeks to respond, and then two subsequent one week extensions. During the time the survey was available, PwC performed several activities to review response rates and share preliminary results with ICBC and the Industry Working Group. A series of progressively impactful mitigation tactics were deployed in attempt to improve participation..



## PwC

- **Deadline extension** - the deadline was extended by one week to provide facilities with additional time, and additional week upon request from the Industry Working Group
- **Reminder emails** - emails sent weekly to facilities who had not responded to encourage completion
- **Targeted outreach** - emails sent weekly to facilities who had responded to the survey, but did not complete sections required to calculate performance indicators (e.g. total revenues, costs)
- **Individual follow-ups** - emails to individual facilities who had not initiated or completed the survey before the final deadline

## ICBC

- **Reminder emails** - email sent from Nicolas Jimenez, President and CEO, to reinforce the need for participation and importance of good quality data to conduct the review

## Industry Working Group

- **Peer outreach** - emails and phone calls to industry colleagues to explain the review, address concerns and encourage participation

## ARA

- **Targeted outreach** - industry-wide communication from Towing division board members emphasizing importance of review and need of participation

## Industry Working Group (IWG)

### Purpose

ICBC formed a working group of Towing & Storage suppliers focused on the TBR with the goal of ensuring the review was designed and executed with the industry in mind. This group, referred to as the Industry Working Group (IWG) was consulted by PwC throughout all critical project milestones.

The Industry Working Group had representatives from both large and small suppliers, as well as regional representation across the province. To select the group, ICBC contacted all industry suppliers in February and asked for volunteers. A full breakdown of this group is contained in Appendix 2.

The IWG held the following roles and responsibilities:

- Attend kickoff meeting to confirm project scope and objectives
- Review relevance and availability of the attributes in PwC's data collection framework
- Support the development and testing of the Towing & Storage Industry Survey
- Participate in individual interviews with the PwC team to discuss their business model, trends and challenges
- Validate research findings and hypotheses based on market research and analysis of ICBC supplier data

The IWG participated in the following meetings with PwC and ICBC:

Session 1	Session 2	Session 3	Session 4
Industry Understanding	Initial Findings	Findings Validation	Final Outcomes
Friday, April 9	Tuesday, May 4	Friday, June 4	TBD
<b>Objectives:</b> <ul style="list-style-type: none"> <li>• Introduce PwC team to the Industry Working Group members</li> <li>• Share objectives of Towing Business Review and key activities</li> <li>• Build baseline understanding of industry trends and performances</li> </ul>	<b>Objectives:</b> <ul style="list-style-type: none"> <li>• Validate/test industry hypotheses that the PwC team has based on initial data analysis</li> <li>• Confirm research findings (rates, workforce, efficiency) and trends/insights in BC and broadly across Canada</li> </ul>	<b>Objectives:</b> <ul style="list-style-type: none"> <li>• Validate anonymized survey results on cost and profitability within BC supplier group</li> <li>• Gather feedback/rationale to support findings and generate insights specific to BC market</li> </ul>	<b>Objectives:</b> <ul style="list-style-type: none"> <li>• Present final report (industry trends, rate and cost benchmarks, workforce and efficiency findings)</li> <li>• Discuss next steps (e.g. communication to industry, government) and conclude Towing Business Review</li> </ul>

## Data analysis

### ICBC data

PwC performed a detailed analysis of ICBC Towing and Storage spend using available claims data. This information was used to generate insights on the revenues suppliers earn from ICBC.

ICBC captures 36 separate invoice line items from Towing and Storage suppliers when a claim is submitted.

PwC identified differences in the frequency at which these grouped line items were submitted to ICBC, which was attributed to the manual invoice submission process used by Towing and Storage suppliers. As a result, PwC conducted a review of each grouped line item for completeness and significance of ICBC total spend in order to narrow the focus of this review.

Based on this review, items that were submitted infrequently to ICBC or represented less than 1% of total spend were placed into other categories. Grouped items that did not belong in a specific category were placed in a group titled 'Other Items'. These groupings were validated with both ICBC and the Industry Working Group.

### Data segmentation

In order to account for the diverse range of Towing and Storage facilities in the BC market, four segments were defined to assess ICBC data. These segments were used to assess differences among ICBC suppliers by region, storage zone, ownership structure and ICBC revenue, and appear throughout the report.

Invoice Line Items	Final Group
<ul style="list-style-type: none"> <li>Vehicle Storage</li> </ul>	Storage
<ul style="list-style-type: none"> <li>KMs 1st Tow</li> <li>Flat Deck Truck</li> <li>Four Wheel Drive Tow Truck</li> <li>Rotator/ Tri-Drive</li> </ul>	First Tow
<ul style="list-style-type: none"> <li>Fuel Surcharge</li> </ul>	Fuel
<ul style="list-style-type: none"> <li>Standby Charge</li> </ul>	Standby
<ul style="list-style-type: none"> <li>Recovery Scene Coordinator</li> <li>Recovery with Service Truck</li> </ul>	Recovery
<ul style="list-style-type: none"> <li>Loading/ Securing</li> <li>Dollies</li> </ul>	Loading & Securing
<ul style="list-style-type: none"> <li>Additional Truck</li> <li>Extra Person/ Flag Person</li> <li>Traffic Control Vehicle</li> </ul>	Additional Support
<ul style="list-style-type: none"> <li>KMs 2nd Tow</li> <li>KMs 3rd Tow</li> <li>Additional Tow</li> <li>Towing Vehicle Home</li> <li>Shipping</li> </ul>	Additional Tows
<ul style="list-style-type: none"> <li>Difficult Road Fees</li> <li>Drive Shafts/ Air Brakes</li> <li>Flares &amp; Consumables</li> <li>No Wheels/Tires</li> <li>Paved/Gravel</li> <li>Tolls</li> <li>Triage Photos</li> <li>Sublet Charges</li> <li>Clean Up</li> <li>Storage Facility Access</li> <li>Disposal Fees</li> </ul>	Other Items

Region	Storage Zone	Ownership Structure	ICBC Revenue
Lower Mainland	Zone 1	Single Location Supplier	N/A (<\$1,000)
Northern Interior	Zone 2	Multi-Location Supplier	Small (Between \$1,000 and \$25,000)
Southern Interior	Zone 3		Medium (Between \$25,000 and \$100,000)
Vancouver Island	Zone 4		Large (>\$100,000)

# Industry survey

## Participation breakdown

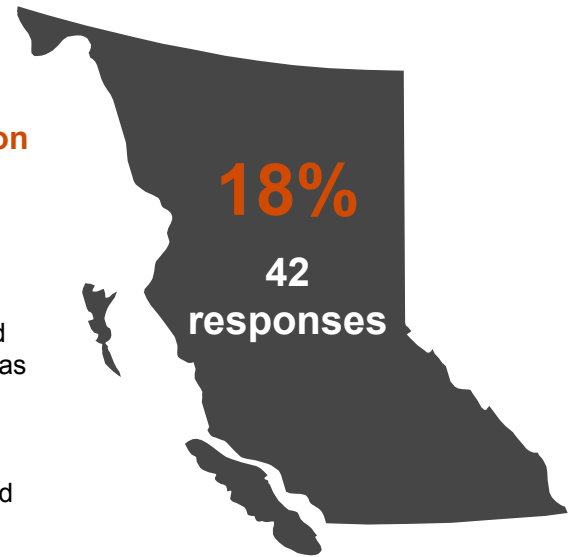
### Breakdown of Towing & Storage Industry Survey Participation

The Towing & Storage Industry Survey was sent to 230 suppliers who have conducted business with ICBC over the past five years. **Out of the 230 suppliers contacted, 42 suppliers responded to the survey**, representing roughly 18% of ICBC's suppliers.

There was representation from suppliers within each region, storage zone and level of ICBC spend. A breakdown of the 42 responses across these criteria has been provided below.

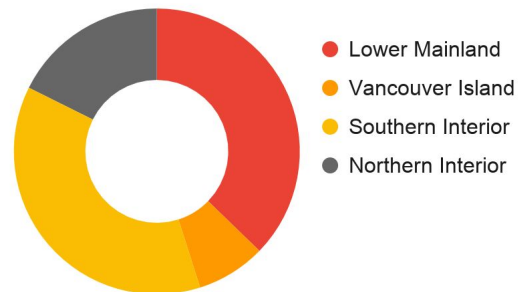
#### Breakdown by region

The majority of responses were from suppliers in the Lower Mainland, followed by the Southern Interior, each representing roughly 38% of responses. These responses were consistent with the breakdown of ICBC suppliers.



Region	Responses
Lower Mainland	16
Northern Interior	3
Southern Interior	16
Vancouver Island	7

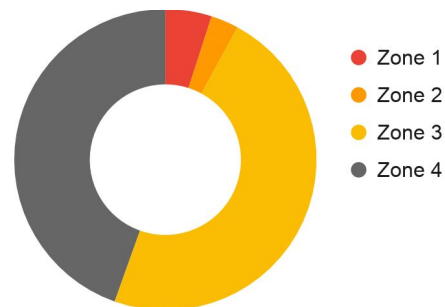
### Survey Response Breakdown by Region



#### Breakdown by storage zone

Responses were also assessed for representation against ICBC's four defined storage zones. The majority of responses were from suppliers in Zones 3 and 4, which represented 48% and 45% of responses, respectively. This was also consistent with ICBC's breakdown of suppliers by storage zone.

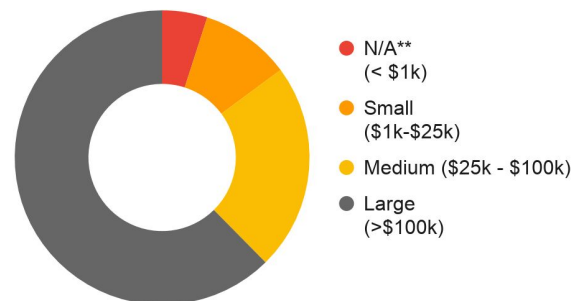
### Survey Response Breakdown by Storage Zone



#### Breakdown by ICBC spend

Survey participation was influenced by the amount of revenue a supplier earns from ICBC. 63% of suppliers who responded to the survey earned at least \$100,000 from ICBC in 2020, and an additional 23% of suppliers responded who earned between \$25,000 and \$100,000 from ICBC. There was limited participation from suppliers who earned less than \$25,000 from ICBC, indicating that their volume of work may not have been sufficient incentive to participate in the survey.

### Survey Response Breakdown by ICBC Spend





## Survey completion

Completion of the Towing & Storage Industry Survey varied by section. There was strong completion in the General Information section, which asked questions related to business structure and operations and the Workforce section, which asked questions related to number of staff, their compensation structure and employment status. Nearly all of the 42 suppliers who participated in the survey provided information for these sections.

Completion of the Efficiency section, which asked questions about investments in operational efficiency and customer satisfaction, and the Future Considerations section, which asked questions about the future relationship with ICBC, was also low. However, open text responses still yielded insights on the role suppliers were looking for ICBC to play in the vehicle towing and storage industry.

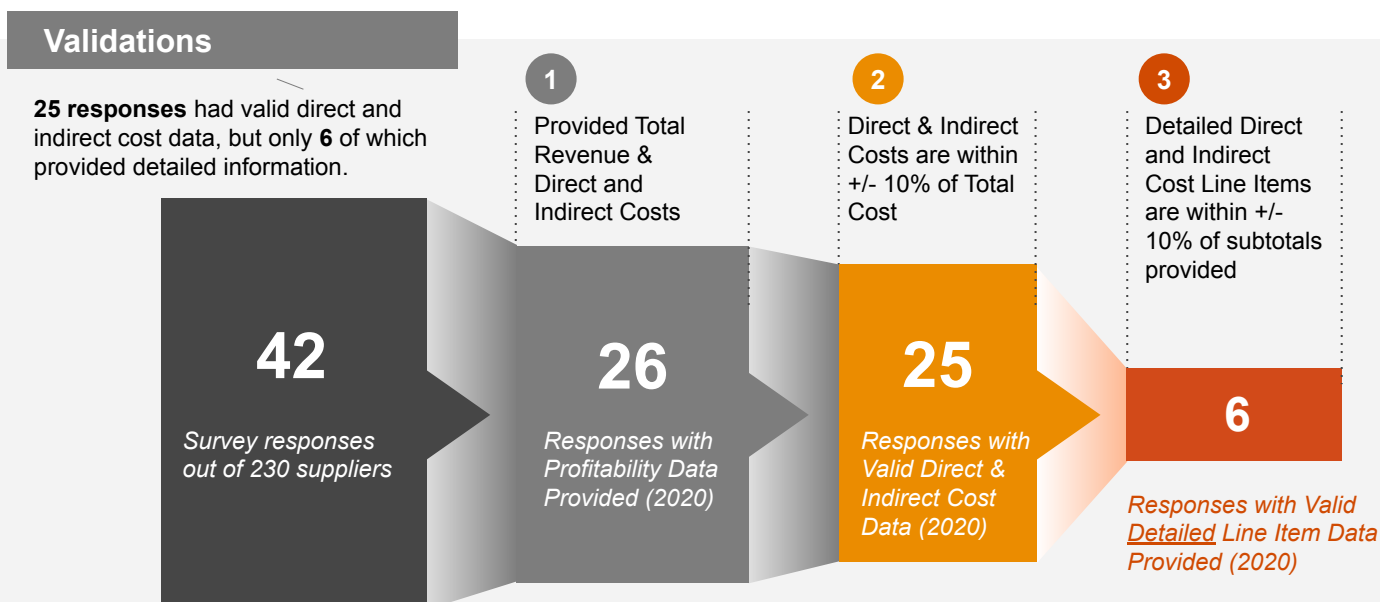
Sections pertaining to the financial components of a supplier's business also had low completion rates. Roughly 60% of respondents provided information pertaining to their Revenues and Costs.

Section	% Complete
General Information	98%
Revenue	61%
Costs	62%
Workforce Information	100%
Efficiency & Effectiveness	80%
Future Considerations	59%

## Financial information

Roughly half of the suppliers who participated in the Towing & Storage Industry Survey provided valid direct and indirect cost information that could be used to calculate insights on the financial health and performance of the industry, with significant variation in the figures provided by respondents. Many submissions did not pass rules-based data tests to assess the validity of the information provided. The high degree of variation across responses, coupled with the small number of responses, did not provide PwC with sufficient confidence to report on industry costs.

A breakdown of the financial information demonstrates that only 6 suppliers provided a valid detailed summary of their direct and indirect costs.



## Survey reporting

After reviewing and validating the survey responses, PwC generated observations on the following sections of the Towing & Storage Industry Survey with sufficient participation:

- **General Information:** services provided, fleet size, industry trends, ownership structure, and proportion of revenues influenced by ICBC
- **Workforce:** headcount by employee type and compensation method
- **Efficiency:** initiatives to improve operational efficiency and measure customer satisfaction
- **Future Considerations:** supplier sentiment, key factors impacting their business and the role of ICBC

These observations are based on survey responses provided by ICBC's Towing and Storage suppliers. Due to low survey participation, each observation should be considered independently, as it is indicative of the suppliers that provided data for a specific question.







# Industry survey questions

## Question type and choices

### How to interpret

The following table outlines a copy of the questions in the Towing & Storage Industry Survey sent to ICBC suppliers. The table lists each survey question, along with the corresponding question type and response choice that was made available to suppliers.

#	Question	Type	Response choice(s)
<b>General Info</b>			
1	Please provide your Business Facility Number used to conduct business with ICBC.	Free text field	<ul style="list-style-type: none"> <li>Free text with Numeric validation</li> </ul>
2	Please specify the year your business was established.	Free text field	<ul style="list-style-type: none"> <li>Free text</li> </ul>
3	Please specify what type of storage services you provide	Single-select boxes	<ul style="list-style-type: none"> <li>Indoor storage</li> <li>Outdoor storage</li> <li>Both Indoor and Outdoor storage</li> <li>None</li> </ul>
4	Please provide the total square footage of storage area rented or owned by your business. Please enter 0 if not applicable.	Free text field	<ul style="list-style-type: none"> <li>Free text</li> </ul>
5	Please specify the type of towing services your business provides. Select all that apply.	Multi-select boxes	<ul style="list-style-type: none"> <li>Light Duty Towing (Towed vehicle up to 2,999 Kgs GVWR)</li> <li>Medium Duty Towing (Towed vehicle 3,000 Kgs to 6,300 Kgs GVWR)</li> <li>Heavy Duty / Commercial Towing (Towed vehicle 6,301 Kgs to 9,072 Kgs GVWR)</li> <li>Heavy Duty / Commercial Towing (Towed vehicle over 9,073 Kgs GVWR)</li> </ul>
6	Please estimate the average age of your current fleet (in years) based on the year the vehicle was manufactured.	Free text field	<ul style="list-style-type: none"> <li>Free text with Numeric validation</li> </ul>
7	Please specify the breakdown of your fleet size by vehicle type for the following years, including trucks under your banner contracted by an owner-operator.	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020:               <ul style="list-style-type: none"> <li>Light-Medium Duty (owned by your facility)</li> <li>Light-Medium Duty (owner-operators under your banner)</li> <li>Heavy Duty / Commercial (owned by your facility)</li> <li>Heavy Duty / Commercial (owner-operators under your banner)</li> <li>Other (please specify)</li> <li>Total Fleet Size</li> </ul> </li> </ul>
8	Please specify any certifications held by your business (if any). Select all that apply.	Multi-select boxes	<ul style="list-style-type: none"> <li>WreckMaster Certification</li> <li>TCP (Traffic Control Person) Certification</li> <li>TDG (Transportation of Dangerous Goods) Certification</li> <li>WHMIS Certification</li> <li>Other (please explain in text box below)</li> </ul>
9	Please specify any services in addition to Towing & Storage that your business provides (if any). Select all that apply.	Multi-select boxes	<ul style="list-style-type: none"> <li>Repair services</li> <li>Vehicle rentals</li> <li>Scrap yard services</li> <li>Spare parts sales</li> <li>Independent lot operator</li> <li>Other (please explain in text box below)</li> </ul>
10	By dragging the below choices up or down, please rank the following industry concerns or trends impacting your business from most concerning (first) to least concerning (last).	Rank order choices	<ul style="list-style-type: none"> <li>Reliance on contracts</li> <li>Increased competition</li> <li>Changes in technology</li> <li>Changing operational requirements</li> <li>Labour availability</li> <li>Growing equipment costs</li> <li>Rising real estate costs</li> <li>Other (please explain in text box below)</li> </ul>

## Survey questions (continued)

#	Question	Type	Response choice(s)
<b>General Info</b>			
11	Please estimate the proportion of your towing equipment that is currently financed or leased (%)	Sliding scale	<ul style="list-style-type: none"> <li>Sliding scale from 0% to 100%</li> </ul>
<b>General Revenue</b>			
12	Please enter your Total Revenue from all sources for the following years.	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
13	Please estimate the percentage of your total revenue earned from services which follow the same rate structure as ICBC (ie. revenue earned from a municipality whose rates follow ICBC's rate schedule).	Sliding scale	<ul style="list-style-type: none"> <li>Sliding scale from 0% to 100%</li> </ul>
<b>ICBC-Specific Revenue Revenue</b>			
14	Please enter your Total Towing & Storage Revenue from ICBC for the following years:	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
<b>Costs</b>			
15	Please enter your Total Costs from all sources for the following years (include indirect and direct costs, exclude depreciation and amortization)	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020:                             <ul style="list-style-type: none"> <li>Direct Costs</li> <li>Indirect Costs</li> <li>Total Costs</li> </ul> </li> </ul>
<b>Direct Costs</b>			
16	Please enter your Total Driver and Dispatcher Wages (fully loaded including commissions) for the following years:	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
17	Please enter your Total Fuel Expense for the following years:	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
18	Please enter your Total Products and Materials Expense (one-time costs incurred to perform services, for example Absorbal, vehicle wrap, etc.) for the following years:	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
19	Please enter your Total Hired Truck Cost (ie. trucks under your banner contracted by an owner-operator) for the following years:	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
20	Please enter your Total Sublet Cost (ie. costs associated with hiring third party companies to support in completing a tow, which could include flag crew, spill cleanup, etc.) for the following years:	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
<b>Indirect Costs</b>			
21	Please enter your Total Management Staff Wages for the following years (fully loaded including wages, bonus, CPP/EI, and benefits)	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
22	Please enter your Total Administrative Staff Wages for the following years (fully loaded including wages, bonus, CPP/EI, and benefits)	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
23	Please enter your Total Training Expenses for the following years	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
24	Please enter your Total Vehicle Repair and Maintenance Expenses for the following years	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
25	Please enter your Total Property / Building Repair and Maintenance Expenses for the following years	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>



## Survey questions (continued)

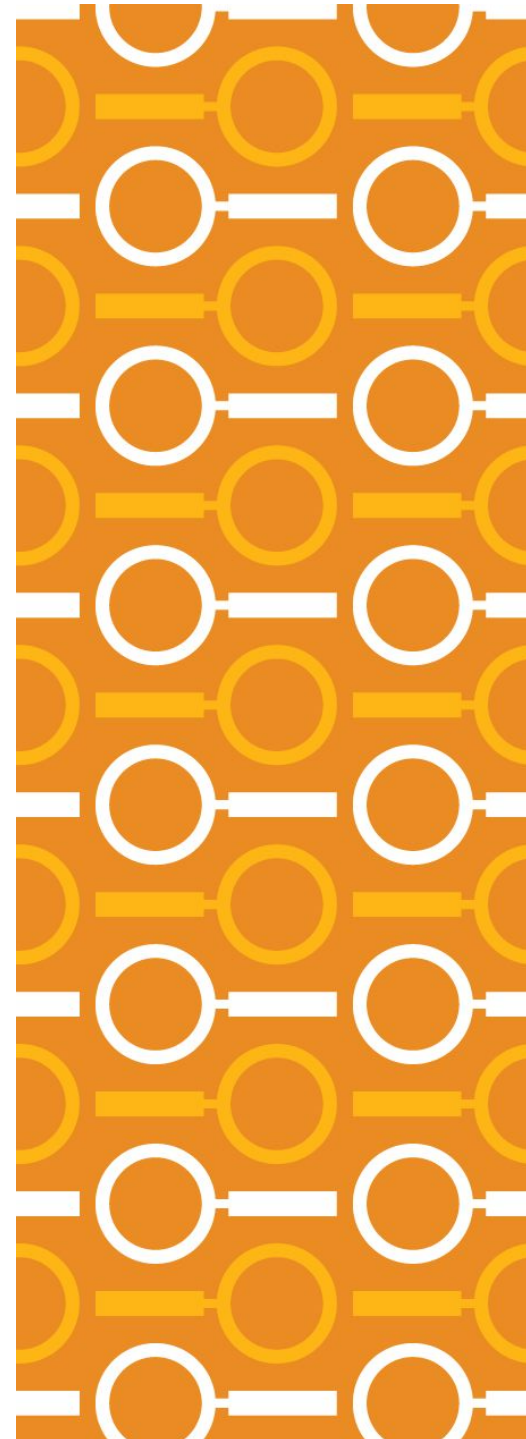
#	Question	Type	Response choice(s)
<b>Indirect Costs</b>			
26	Please enter your Total Rent / Mortgage Expenses and Property Taxes for the following years	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
27	Please enter your Total Insurance Expenses (ie. Fleet, Property, Liability, WorkSafe BC etc.) for the following years	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
28	Please enter your Total Business Licensing Fees for the following years	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
29	Please enter your Total Leased / Financed Equipment Expenses for the following years	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
30	Please enter all Other Indirect Costs for the following years. These costs may include but are not limited to Waste Disposal, Advertising / Marketing, Promotion and Royalties, Interest and Bank Charges, Telephone and Utilities, Security Costs	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
31	Have you made any recent investment in the last 5 years in innovative technology?	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields indicating: <ul style="list-style-type: none"> <li>If yes, what did you invest in?</li> <li>If yes, how much did you invest?</li> </ul> </li> <li>Check box: "If no, please click below"</li> </ul>
<b>Workforce Information</b>			
32	Please enter the number of staff by type for the following years (please use whole numbers):	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020 for: <ul style="list-style-type: none"> <li>Management</li> <li>Administrative</li> <li>Drivers</li> <li>Traffic Control</li> <li>Dispatchers</li> <li>Other (Please specify)</li> <li>Total Staff</li> </ul> </li> </ul>
33	Please provide the total number of staff you employ by wage type for the following years (please use whole numbers):	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020 for: <ul style="list-style-type: none"> <li>Commission-based</li> <li>Hourly Rate</li> <li>Salaried</li> <li>Other (Please specify)</li> <li>Total Staff</li> </ul> </li> </ul>
34	Please provide the number of staff you employ by employment status for the following years (please use whole numbers):	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020 for: <ul style="list-style-type: none"> <li>Part Time</li> <li>Full Time</li> <li>Total Staff</li> </ul> </li> </ul>
<b>Efficiency</b>			
35	Have you undertaken any initiatives to increase operational efficiency within your business?	Single-check boxes	<ul style="list-style-type: none"> <li>Yes (Please specify)</li> <li>No</li> </ul>
36	Do you currently measure customer service / satisfaction scores? If so, how do you collect and track these metrics?	Single-check boxes	<ul style="list-style-type: none"> <li>Yes (Please specify)</li> <li>No</li> </ul>
37	What is the total number of Driver hours worked across your business, for each of the following years	Free text field	<ul style="list-style-type: none"> <li>Free text fields, with response fields for 2018, 2019, and 2020</li> </ul>
<b>Future Considerations</b>			
38	Thinking about the future, what innovations or investments are you interested in to improve your business? What role can ICBC play in supporting the achievement of this vision?	Free text field	<ul style="list-style-type: none"> <li>Free text</li> </ul>
39	Is there anything about your business you would like to share that has not been captured?	Free text field	<ul style="list-style-type: none"> <li>Free text</li> </ul>

# Industry Working Group

## Supplier and Industry Representatives

The following suppliers and industry representatives were members of the Towing Business Review (TBR) work group, or “Industry Working Group”, and provided input in the selection of the data attributes, design of the Towing & Storage Industry Survey and review of the findings. The representatives and suppliers below were selected by ICBC prior to PwC’s involvement in the review.

ARA
Bayview Towing
Busters Towing
Clover Towing
Dakota Towing
DT Towing / Cariboo Towing
Georgia Straight Towing
Marios Towing
Mitchell’s Towing
Mundies Towing
On Call Services
Peninsula Towing
Reliable Towing
Rezilliant Towing
Roadway Towing
Smokey Creek
Unitow



# Data validation

## Industry Survey Data

The following validation checks were performed on the data provided by Towing & Storage suppliers as part of the Industry Survey. These checks were performed to circumvent misleading information and eliminate bias. The output of the checks were either a percentage difference or a pass/fail score. In both cases, PwC contacted facilities with whose data failed any of these checks for clarification, and removed the anomaly if it could not be reconciled.

Category	Description	Output
<b>Initial data cleanup</b>		
All survey sections	Remove all null values from survey so that they do not impact averages calculated across performance indicators	Pass or Fail
<b>Validations performed to determine whether financial data can be used for analysis</b>		
Revenue, Direct, and Indirect Costs	Check that respondent provided Total Revenue, Direct Cost, and Indirect Cost fields in order to calculate profitability	Pass or Fail
Direct, Indirect, and Total Costs	Direct Costs and Indirect Costs provided are within +/- 10% of Total Cost field	Pass or Fail
Detailed Cost Items and Direct & Indirect Costs	Detailed Direct and Indirect Cost Line Items provided are within +/- 10% of Direct Cost and Indirect Cost fields	Pass or Fail
<b>Data cleanup on Workforce data</b>		
Workforce	Check that the total number of staff provided is equal to the sum of Management, Administrative, Driver, Dispatcher, Traffic Control, and Other staff fields.	Percentage difference (totals were updated to match the sum)
Workforce	Check that the total number of staff provided is equal to the sum of Commission-based, Hourly, Salaried, and Other staff fields.	Percentage difference (totals were updated to match the sum)
Workforce	Check that the total number of staff provided is equal to the sum of Full Time and Part Time staff fields	Percentage difference (totals were updated to match the sum)



Thank you

