



# The view from up here



BARRY BRINGS US UP TO DATE WITH HOW THE INDUSTRY IS RECOVERING IN THE UK AND EUROPE, HIGHLIGHTING SOME OF THE GREAT INITIATIVES AND PERMANENT CHANGES THAT ARE CREATING THE NEW NORMAL.

When I last wrote about business activities within the collision sector here in Europe, there was quite some pessimism due to the impact of the COVID-19 pandemic and also a high degree of uncertainty. Today as I write this, there seems to be cautious optimism in the economy generally and in our industry. Even so, there are concerns that some restrictions may remain and the hangover from the last year and a half will have a longer and deeper impact than expected.

## On the roads

One reason for optimism is that UK road vehicle usage is reported as being back to 98% of pre-pandemic levels, 98% on weekdays and 109% at weekends according to data from the Department of Transport. Research by UK's Kwik-fit chain found that 5.1 million drivers are spending more on weekend travel this year and are making trips to see family and friends post lock down. The fear of catching COVID-19 on crowded public transport

is also leading people to opt for cars on weekends. The larger European countries are reporting a similar pattern in their towns and cities, which bodes well for a bounce back in terms of accident numbers and repair rates.

UK repair volumes are also back to more healthy levels with a recent survey by Trend Tracker reporting repairs at 93% of 2019 levels in June, whilst Audatex data shows a 20% increase on May repair volumes. Together with the increased traffic levels and the likely increase in domestic holidays during the European summer, there is some confidence of good repair volumes through to the end of the year. However, the key indicators are being monitored to see if this is sustainable or just a summer spike.

Unfortunately, the data is not yet available for Europe but indications are that there are similar trends with work levels down 20 to 30% in the initial lockdown last year, and a slow recovery to something close to pre-pandemic levels by June this year.

## The supply chain

Another driver of increased costs in the UK has been supply chain issues. There was some initial disruption due to Brexit, but this was managed relatively well, and availability was mostly maintained due to increased local inventories. However, just as supply began to normalise, along came the pandemic. While repair facilities were allowed to continue trading, car dealers were mandated to close, impacting part distribution and making genuine parts difficult to source. When the restrictions eased and parts distributors began to reopen, the next issue was the Panama Canal closure, which impacted the supply of electronics and parts from China. So, there have seen a succession of disruptions just when the industry didn't need them.

In addition, costs have continued to rise for repair businesses. The same Trend Tracker report found that in the UK, Audatex data shows parts and paint costs rose between 12% and 13%



Driving habits have changed.



AutoRaise and the NBRA launch.

between 2019 and 2021. "Additional costs", costs relating to COVID-19 charges, and ADAS calibrations rose by 46% in the same period. While European repairers are facing the same cost challenges around ADAS and COVID-19 precautions, they are not facing the same disruption and cost implications in parts availability as the UK.

### And in response

UK insurance companies have surprised many repairers during the pandemic and quickly put initiatives in place to support the industry generally. These include simple things such as increasing labour rate and a COVID-19 charge to cover additional sanitisation steps and PPE. Probably the most important change for most has been quicker payment of repair invoices to help cash flow. Some insurers have continued to support the repairers and one or two stand out as exceptional. This has really enhanced

the insurer-repairer relationship and both sides seem to be continuing this collaborative approach.

Similar support initiatives were put in place across the EU, and while the additional PPE allowance is being continued in many European markets, the other support measures have been, or will soon be, withdrawn. Many shops are trying to counter the cost pressures they face by reducing input costs and focusing on expenses such as stopping participation in shop chains/buying groups and renegotiating contracts. Another approach is to reduce fixed unit costs by acquisition of other shops or by using second-hand parts. Laying off people is not an option in an environment with limited availability of qualified, skilled staff. Some shops have prepared themselves to manage expected rising energy costs by installing solar panels and wind generators to become more self-sufficient in energy usage.

### The fallout

In my original report on the impact of COVID-19 on the UK market, I highlighted the challenge that repairers faced trying to balance the health and safety of employees with the need to keep their business operational. Some repairers took the decision to mothball activities and temporarily close. In most cases, this was only possible due to the financial support from central and local government, which was generally considered to be easy to get and fairly administered. Sadly, some of these repairers will not be reopening. Apart from the well-publicised collapse of Nationwide ARS, detailed information from the repairer industry on numbers closing and those remaining is just not available.

Feedback from the industry suggests that the number of independent shops permanently closing is not large and those shops that did close were already sailing close to the wind. Businesses that were borderline profitable, or where the owners were planning retirement,

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have been prompted make that tough decision earlier than planned. Despite the current challenges, there are still new shops trying to establish themselves. Axiom Repairs in central UK has persevered with plans, albeit at a slower pace and recently opened a second shop in a former Nationwide site. They have yet to produce the expected volumes but are confident enough to continue with their plans to further expand the network. Jordan Fisher, managing director at Axiom, said that they have always been optimistic, despite one new challenge after another. For example, the reduced traffic during lockdowns has led to an increase in average speeds, resulting in increased severity and more total losses. This has not helped Axiom, who started in PDR before developing their own shops, which focuses on small to mid-sized repairs.

Axiom's model is to integrate PDR into the body shop process to make more of the panels repairable. This creates the opportunity to repair more and sell more labour. They also take on a lot of ADAS calibration work for other repairers and have focused on the digital tools since they began, developing a multi-skilled team so they can more easily balance workloads. For Fisher, the biggest challenge managing vehicles with ADAS is gaining and building experience, which simply takes time. Given the current circumstances, he feels progress has been good and they still plan to develop five shops, albeit on a modified timeline.

There are many more dealership-based body shops across the UK and EU compared to Australasia. Initially, these shops were suffering due to mandated closures but as restrictions ease, we see dealers recovering and the independents becoming more affected.

### The advancing technology

Most shops are adapting to providing the new services needed either by investing in the calibration equipment and training or subletting the work to other shops. Many specialist technicians have moved from the dealer networks to body shops, which provides an additional source of

skilled people. Manufacturers of the calibration equipment provide training on site when they install the equipment, but this alone is not enough. As Axiom mentioned, the key is building the experience of the technician, and this takes time.

When speaking to the various vehicle manufacturers, even entry level models will have ADAS equipment in the coming years and therefore expect body shops to have the skills and resources to repair all the cars on the road. In my view, the next big tussle will not be between repairers and insurers but between vehicle manufacturers and insurers.

### The skills gap

The COVID-19 lockdown has put even more pressure on the skills gap as many practical, classroom based, training courses could not be delivered. Thatcham, for example, now has a backlog of around 2,500 candidates waiting for I-CAR training and certification.

The UK and EU shops are facing the same issue as those in Australasia: not enough young people joining the industry and developing the skills. In the UK, there is a renewed push by the government to attract new apprentices and to enable older people who want to retrain and access the apprentice program.

One interesting initiative that seems to be bearing fruit is AutoRaise, a UK charitable organisation that focuses on encouraging young people who are interested in a technical apprenticeship to join the industry. With a combination of educational outreach, engagement with parents, engagement with WorldSkills

and cadetships, they attract new talent and mentor employers to develop their apprentices into qualified technicians. AutoRaise piloted a recent government initiative to have industries develop apprenticeships, which has since become the only way new apprenticeship programs are created in the UK.

The various EU governments offer many investment programs to help address this issue for body shops taking the next step into digitalisation, and sustainability and training initiatives have been initiated at dealer and independent body shops. As a result, independent equipment suppliers and parts suppliers offer digital platforms to help the body shops manage the ever-expanding technology, especially when it comes to recalibration of ADAS systems.

### In summary

More than a year on from when I first wrote about the impact of COVID-19 on our industry, I am still discussing and writing about that same challenge. Unfortunately, we will likely still be concerned about it in one way or another long into the future. However, I believe the challenges brought by the pandemic will fade and, as in the past, our industry will continue to adapt and succeed in the face of rapid change, just as it always has.



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The growing prevalence of technology in Europe.