Automotive Repair & Maintenance Services

US Industry Study with Forecasts to 2010 & 2015

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Despite improvements in new light vehicle quality, reliability and durability, opportunities to provide service for these vehicles are expected to arise as more of them reach prime aftermarket service age.

US demand to grow 4% annually through 2010

Repair and maintenance service revenue for light vehicles in the US is projected to increase at an annual rate of 4.0 percent, reaching $105 billion by 2010. The industry’s current moderate revenue growth results from improvements in new vehicle quality, reliability and durability. However, opportunities to provide service are expected to arise as more vehicles reach prime aftermarket service age.

New vehicle dealers to increase market share

New light vehicle dealers held the largest share of the automotive service market in 2005, due to their typically large size and industry-high labor rates. Dealers offer a unique combination of special tools, training and equipment needed to perform many key service operations, and benefit from direct access to the diagnostic data used to troubleshoot vehicle systems. Dealers consider parts and service work highly valuable due to its outsized impact on their bottom line results. Additional reasons for the expected growth of the new light vehicle dealer’s share of the service market include the extended vehicle and powertrain warranties offered on many newer vehicles. Since warranty work, which is paid for by the OEM, is typically performed at a fraction of the rate dealers charge retail customers, the impact will be moderated yet remain substantial.

US Automotive Service Revenues ($105 billion, 2010)

Quick lubes, tire stores, repair chains to lead gains

General repair garages and service stations are expected to experience below average growth as an increasing number of these providers install convenience stores in the place of service bays. Independent garages are also hampered by the inability to access OEM diagnostic and service data at cost-effective rates, and often have difficulty attracting and retaining skilled technicians.

Quick lubes will continue to experience strong growth as they expand beyond oil changes and increasingly offer services that are possible while the vehicle is in position for an oil change. These can include radiator flush and refill, transmission oil and filter change, diagnostic system scans, cabin air filter changes, tire rotation and vehicle inspections.

Body shops will continue to perform the majority of vehicle body repair work, although dealers are attempting to capture more of this business. Specialists will experience moderate growth as a group, caused by the improved quality of stainless steel exhaust systems and extended OEM powertrain warranties.

Tire stores and repair chains will experience strong growth as they expand into more service categories, and to an extent replace general repair garages as local service providers.

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Body Shops

Demand at body shops for automotive repair and maintenance services is forecast to rise at a 4.6 percent annual rate through 2010, to $21.5 billion. Growth will be driven by both standard crash repair work and the burgeoning customization industry, which allows car owners to customize their vehicles to stand out. Body shops represent a highly fragmented segment, comprised mainly of “mom and pop” shops. Among the few body shop chains, MAACO Enterprises has national coverage. The few major chains in existence today provide evidence that attempts to consolidate the industry in the late 1990s have not been as successful as envisioned.

MAACO Enterprises is a privately held company specializing in automotive refinishing and body work. The company conducts business through franchise operations in the US, Canada and Mexico. MAACO’s services include cosmetic and collision repairs, including rust, scratch, ding and dent repair. MAACO Enterprises operates through franchised stores that typically occupy between 8,000 and 10,000 square feet. As of 2006, the company operated approximately 500 MAACO franchises in the US.

Earl Scheib is one of the largest automotive painting and body repair service companies, painting more than 150,000 cars and trucks annually. The company also has a network of retail paint stores. GAMCO Investors owns more than 39 percent of the company. Among other services, the company performs body repairs due to minor collisions. Minor repairs include dents and any other similar damage that does not require frame straightening. Earl Scheib provides these services through its EARL SCHEIB network of paint and body shops. According to the company, 25 percent of the work done at these shops comprise body work. As of April 2006, Earl Scheib operated 102 body repair and retail

### Table VI-2

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<tbody>
<tr>
<td>Auto Repair &amp; Maintenance Service</td>
<td>60000</td>
<td>70900</td>
<td>86200</td>
<td>105000</td>
<td>129000</td>
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<tr>
<td>% Collision Repair</td>
<td>25.8</td>
<td>26.0</td>
<td>26.8</td>
<td>27.0</td>
<td>27.1</td>
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<td>Collision Repair Service Revenues</td>
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<td>18400</td>
<td>23100</td>
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<td>New Light Vehicle Dealers</td>
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<td>General Repair &amp; Service Stations</td>
<td>1630</td>
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<td>Specialists</td>
<td>540</td>
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<td>Tire Stores &amp; Repair Chains</td>
<td>470</td>
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<td></td>
<td></td>
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<tr>
<td>Quick Lubes</td>
<td>80</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other</td>
<td>190</td>
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Sample Profile, Table & Forecast

TABLE IV-9
EXHAUST/EMISSION SYSTEM SERVICE REVENUES (million dollars)

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<td>Light Vehicles in Use (million)</td>
<td></td>
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<tr>
<td>$ exhaust service/vehicle</td>
<td>1.2</td>
<td>1.3</td>
<td>1.3</td>
<td>1.2</td>
<td>1.3</td>
</tr>
<tr>
<td>Exhaust/Emission Service</td>
<td>3290</td>
<td>2900</td>
<td>2960</td>
<td>3090</td>
<td>3500</td>
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<tr>
<td>Exhaust System</td>
<td>2700</td>
<td>2200</td>
<td>2100</td>
<td>2000</td>
<td>2100</td>
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<tr>
<td>Catalytic Converter</td>
<td>155</td>
<td>170</td>
<td>200</td>
<td>250</td>
<td>320</td>
</tr>
<tr>
<td>Oxygen Sensor</td>
<td>125</td>
<td>160</td>
<td>200</td>
<td>250</td>
<td>320</td>
</tr>
<tr>
<td>Other</td>
<td>310</td>
<td>370</td>
<td>460</td>
<td>590</td>
<td>760</td>
</tr>
<tr>
<td>% exhaust/emission</td>
<td>10.2</td>
<td>7.5</td>
<td>6.4</td>
<td>5.5</td>
<td>5.2</td>
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<td>Total Mechanical Service</td>
<td>32200</td>
<td>38600</td>
<td>46450</td>
<td>55700</td>
<td>67100</td>
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</table>

“The market for catalytic converter service will increase 4.6 percent annually to $250 million in 2010. Future growth in demand will be driven by greater numbers of vehicles in the park featuring multiple catalytic converters, due to more stringent emission control mandates that come into effect over the next several years. Industry participants indicate that many vehicles will likely require up to four catalytic converters to meet the new specifications compared to the one or two typically used today. A trend moderating growth from a revenue perspective is ...”

--Section IV, pg. 61

TCG International Incorporated
2700-4710 Kingsway
Burnaby, British Columbia V5H 4M2
Canada
604-438-1000
http://www.tcgi.com

Annual Sales: US$300 million (company would not verify, 12/06)
Employment: 2,500 (company would not verify, 12/06)

Key Services: laminated windshield replacing and repairing, tempered glass replacing, scratch removal, headlight and turn signal repair, and air bag system diagnostics and repair

TCG International (TCGI) is a privately held glass, automotive aftermarket, telecommunications and signage company. The Company’s telecommunications operations are conducted by Glentel Incorporated (Canada), a publicly traded company that is majority held by TCGI.

The Company’s automotive activities include SPEEDY GLASS stores, and NOVUS and TECHZONE franchises. SPEEDY GLASS stores provide automotive, commercial and residential glass replacement and repair services. For the automotive market, these stores replace and repair laminated windshields, and replace tempered glass. There are over 120 company-owned and franchised locations in Alaska, Arizona, California, Colorado, Idaho, Illinois, Indiana, Kansas, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, New Mexico, New York, Ohio, Oregon, Pennsylvania, Tennessee, Texas, Virginia, Washington, West Virginia and Wisconsin. SPEEDY GLASS services also encompass over 300 vehicles that provide mobile glass services.
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**Automotive Repair & Maintenance Services**

**F-WEB.2146**

<table>
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<th>Description</th>
<th>Price</th>
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<tbody>
<tr>
<td>Automotive Repair &amp; Maintenance Services</td>
<td>$4400</td>
</tr>
<tr>
<td>Corporate Use License (add to study price)</td>
<td>$2300</td>
</tr>
</tbody>
</table>

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