

Economic Value of the Car Hobby in Manitoba

Report prepared for the
Manitoba Street Rod Association

Winnipeg, MB

by

Art Schroeder

Winnipeg, MB

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Executive Summary

The Manitoba Street Rod Association (MSRA) commissioned a study to assess the economic value of the car hobby in Manitoba. Secondly, the study was intended to determine what impact, if any, the road-side vehicle inspections conducted in 2010 by Manitoba Public Insurance (MPI) and the Winnipeg Police Service (WPS) would have if continued in 2011.

Data for this report were gathered from hobbyists, clubs, dealers, vendors, fabricators, suppliers, Manitoba Association of Auto Clubs (MAAC), MPI and the media. The primary source of information was from a survey conducted during the MSRA Rondex Rod-a-Rama Car Show at the East End Arena on April 29 – May 1, 2011. Three hundred and sixty-eight people completed surveys: 70% were from Winnipeg and the balance from outside the city; 87% own at least one hobby car, 49% own at least two; and 39% are members of at least one car club.

Conservatively, there are an estimated 20,000 car hobbyists in Manitoba that collectively own about 40,000 hobby vehicles of which about 25,000 are registered for street use at least part of every year.

Of those that owned one or more hobby cars, 68% of the Rod-a-Rama survey respondents reported that they use local shops for maintenance, repair or modification of their hobby vehicles, spending an average of \$1,892 each, an aggregate total of \$37.8 million. The average car hobbyist attends 13.6 events per year and spends \$38 at each event on food, beverages and entertainment producing an aggregate total of \$10.3 million. The average hobbyist donates \$90 annually to charities while attending events, resulting in an aggregate total of \$1.8 million. Adding capital costs of \$25 million, registration and insurance fees of \$13.7 million and fuel and operation costs of \$2.0 million results in a total annual spending of \$90.7 million.

In addition to the survey, interviews and discussions were conducted with a small sampling of dealers, vendors, fabricators, suppliers, clubs and hospitality industry representatives within Winnipeg. Those interviews and discussions served to validate that the responses provided by survey participants were consistent with what the business community was experiencing. In addition, virtually every business interviewed indicated that they support charities corporately.

The Rod-a-Rama Car Show survey respondents were also asked whether the aggressive vehicle inspection activities implemented in summer 2010 would affect their approach to the car hobby if it continued into 2011. Fifty-five percent of car owners said it would cause them to participate in fewer car events, especially those in Winnipeg, attend events outside of the city instead or consider getting out of the hobby altogether. Automotive businesses reported sales dropping by as much as 40% since the inspections started and that lay-offs and/or business closings will result if the trend continues.

The car hobby has significant economic value for Manitoba. The ongoing, targeted vehicle inspection program will have increasingly negative consequences to the car hobby and the businesses, venues and charities it supports.

Introduction

The car hobby is a huge part of the Manitoba landscape with shows, cruise nights, sanctioned racing, show-and-shine events and informal gatherings taking place at multiple venues throughout the province from March through October. It encompasses a wide range of vehicles including antique, classic, sports, sports compact, exotic, muscle, street rods, customs, lowriders and competition cars and trucks. During winter months when these special vehicles are tucked away or being wrenched on in preparation for the next season, clubs and enthusiasts continue to meet to talk cars and to plan for the upcoming season. All this activity produces a significant economic impact in Winnipeg and throughout the province. This report takes a quick look at the economic value of the car hobby in Manitoba.

In the summer of 2010, the WPS Vehicle Inspection Unit in collaboration with MPI, embarked on an aggressive roadside vehicle inspection program following Sunday car shows and during Sunday evenings, a traditional cruise night in Winnipeg. During one Sunday night in July 2010, 102 vehicles were inspected. Of these, 3 passed, 82 failed, 17 were towed and 106 tickets were issued for illegal equipment (Winnipeg Police Service data published in July 27, 2010 edition of the Winnipeg Free Press). This program was viewed by many in the car hobby as a deliberate attempt to target specialty cars and encourage owners to take their vehicles off the road. WPS countered the inspections were about improving safety for people on the road and the quality of life of those living in areas near cruising strips. The MSRA wanted to know what impact, if any, these vehicle inspections would have on the economic value of the car hobby in Manitoba if they continued in 2011. Some preliminary information on this issue is presented in this report.

Study Methods

The number of auto hobbyists, registered hobby cars and non-registered hobby cars was estimated using information obtained from several sources: seasonal registration data from Manitoba Public Insurance (MPI), data from the Manitoba Association of Auto Clubs (MAAC), a survey conducted at the MSRA Rondex Rod-A-Rama car show and two smaller surveys, one on the Winnipeg Sports Car Club (WSCC) Message Board and the other an e-mail survey of the Manitoba Street Rod Association (MSRA) membership. The WSCC is a club that is primarily engaged in organizing sanctioned motorsport competition including road racing and SoloSprint at Gimli Motorsport Park, Ice Racing, AutoSlalom and Time and Distance Rallies. MSRA members are involved in the building and enjoying of Street Rods. These two groups were selected as they represent very different parts of the of the auto hobbyist spectrum.

A written questionnaire was developed and made available at the MSRA Rondex Rod-a-Rama Car Show held at the East End Arena on April 29 – May 1, 2011. All vendors, car owners and show attendees were given the opportunity to complete the survey. It consisted of 11 multiple-choice questions and space for comments (see Appendix 1). While the questions focused primarily on gathering information about the economic value of the car hobby in Manitoba, respondents were also asked if and how continuation of the road-side inspection activities implemented in summer 2010 would change the way they approach the car hobby.

The survey results were tabulated and percentages calculated for the response break-down for each question. The average dollar value per respondent was calculated for questions 3, 9 and 10 by multiplying the mid-point value of each category (e.g., the mid-point value for the "\$1000-\$2,499" category in question 3 is \$1,749.50) by the number of respondents that chose that category, summing together all categories and then dividing by the number of respondents. The highest dollar category for these three questions has no upper bound so the lower bound (e.g., \$5,001 in question 3) was used in that case. The same approach was used to calculate the average number of car club meetings, car shows, Sunday "Cruise Nights" and motosports competitions (questions 5-8) that respondents participate in annually. The survey results were synthesized into this report to provide a snapshot of the car hobby in Manitoba.

Capital Costs of purchasing and building hobby cars were determined by searching various online classified listings and discussing costs with individuals that built or restored cars. The Insurance Rate Calculator at www.mpi.mb.ca was used to determine the basic insurance cost of a variety of hobby vehicles including vintage cars, economy cars such as the extremely popular Honda Civic Coupe, 1960s muscle cars, late model tuner cars and modern sports cars. Fuel and operating costs were conservatively set at \$100 (barely two gas fills) on the assumption that it would be sufficient to drive to events the average hobbyist attends.

Automotive businesses were also contacted to gather information that could be used to check the validity of, and supplement, the results of the written questionnaire. Full interviews were conducted with one automotive dealer, two major parts and service shops and one major cruise destination in Winnipeg and shorter, less-detailed discussions were conducted with several other local businesses. These businesses were asked questions to determine what goods and/or services they provided, what percentage of their business depended on the hobbyist community, how many people they employed, how the VIU activities affected their business in 2010 and their expectations as to how continued aggressive VIU activity would affect their business in 2011.

Results

Size of Automotive Hobbyist Community

MAAC estimates from their studies that there are between 20,000 and 24,000 specialty vehicle owners in Manitoba. For calculations in this report we will use 20,000, the low end of their estimate.

MPI registration data indicates that there are 25,000 seasonally (fair weather months) registered passenger vehicles in Manitoba. We recognize that not all seasonal vehicles are hobby vehicles as that total includes "snowbirds" and others choosing not to register and drive in winter. The offsetting consideration is that not all registered hobby vehicles are reflected in seasonal numbers. Based on the results of the WSCC survey, seasonal registration data may only capture half of the hobby cars (Table 1). For the purpose of calculations in this report the assumption was made that if the adjustments were quantified the overall number of registered hobby vehicles would fall in the range of 25,000.

MSRA survey results show that for every hobby car registered, the hobbyist owns 0.88 hobby cars in the "project" stage (Table 2). In addition to project cars, there are race cars, show cars and collector cars that are never registered for street use. In conjunction with the Rod-A-Rama survey results that show the average hobbyists owns two hobby vehicles, we therefore conservatively estimate a total of 40,000 hobby cars in Manitoba.

Rondex Rod-a-Rama survey

Of the estimated 3,000 car show participants and spectators, 368 (12%) returned completed surveys. The majority of surveys (70%) were filled out by people from Winnipeg and the balance from outside the city. Each question was completed by at least 93% of survey respondents with the exception of question 3 (77%) and part 2 of question 10 (80%).

The survey results are presented in Table 3. As the economic value presented in this report is based on the number of hobby vehicles in Manitoba, for all questions other than question 1 the respondents that did not own at least one car were removed from the survey results. This isn't to say that they don't contribute economic value based on their interest in hobby vehicles, it simply reflects that we did not attempt to quantify it. Most (87%) survey respondents own at least one hobby car and 49% own two or more. A small percentage (14%) own four or more hobby cars. Sixty-eight percent of respondents reported that they use local shops for maintenance and repair of, or modifications to, their hobby vehicles. On average, they spend \$1,892 annually on their vehicles. Forty-four percent are members of at least one car club and attend one or more car club meetings each year. On average, they attend 13.6 car events annually, comprised of 2.6 car club meetings, 5.2 car shows, 4.6 "cruise nights" and 1.2 motorsport competitions. They spend an average of \$38 at each event on food, beverages and entertainment. Most (88%) car hobbyists support the featured charities at car events and

donate on average \$90 annually to charities while attending events. (See Appendix 2 for a partial list of charities supported by clubs and events.)

Capital Costs

Capital costs can range from near zero (dragging a rusty vintage body from the bush) to several hundred thousand dollars (buying a collector car at a Barrett-Jackson auction). A teenager buying his (or her) first car, very much a hobby car to someone that has been anticipating the day for years, would spend in the \$5,000 range to acquire a 10 year old Honda Civic. A serious collector can easily spend \$50,000 or more on a 1960s muscle car. Those that choose to build a hot rod or restore a vintage car will spend from \$10,000 to \$50,000 or more to have their car ready for the street. New sports cars start at \$30,000 and quickly move to six digit prices. For calculation purposes we determined \$20,000 to be a fair average price for a hobby car. Recognizing that a hobby car has a longer life expectancy than a typical commuter car, 20 years was selected as the average duration of ownership.

Insurance Costs

Insurance rates for a variety of hobby vehicles ranged from \$600 to \$1,400, averaging \$1,000 for annual pleasure use coverage. Lay-up policies ranged from \$40 to \$160, averaging \$100. Allowing for 6 months of standard coverage and 6 months of lay-up, the average annual insurance cost was determined to be \$550.

Fuel and Operating Costs

Fuel and operating were conservatively estimated at \$100 per hobbyist. This was deemed to be sufficient for barely two tanks of gas for the season, enough for the 13.6 events the average enthusiast attends and, depending on mileage, perhaps a trip or two to Half Moon Drive In (in Lockport) for a hot dog.

Economic value of the car hobby

The 20,000 automotive hobbyists contribute to the Manitoba economy on an annual basis as follows.

Maintenance, modification and repair: \$1,892 per hobbyist	\$37.84 million
Event spending: \$38 per event for 13.6 events per hobbyist	\$10.34 million
Charity donations: \$90 per hobbyist	\$1.80 million
Capital Cost: \$20,000 divided by 20 year life of the car for 25,000 cars	\$25.00 million
Annual registration & insurance: \$550 per car for 25,000 cars	\$13.75 million
Fuel and operation costs: \$100 per hobbyist	\$2.00 million
Total annual economic value of the automotive hobbyist community:	<u>\$90.73 million</u>

Automotive Businesses

Interviews and discussions conducted with automotive businesses in Winnipeg served to validate that the responses provided by survey participants were consistent with what the business community was experiencing. The consensus was that as hobbyists reconsidered the extent of their involvement in the car culture, in response to the VIU activities, their spending decreased. The extent of the impact on individual businesses was directly proportional to what percentage of their overall business depended on hobbyists. While the full impact of continued aggressive VIU activities has not been realized, one business reported that they had seen a drop of 40% in that segment of their business. The businesses that serviced vehicles were very emphatic that the majority of vehicles on the road today would not pass a Manitoba Safety Inspection. The idea that a vehicle inspection campaign concentrating on hobby vehicles Sunday nights would effectively address the safety of vehicles in general was viewed as defying logic.

Impact of inspection program on car hobby

Over half (55%) of respondents said they will change their approach to the car hobby if the aggressive vehicle inspection activities initiated by MPI and WPS in 2010 continue in 2011. Some of the changes they would consider include participating in fewer events, especially those in Winnipeg, attending events outside of Winnipeg instead or getting out of the hobby altogether.

Discussion

The results of this study are based primarily on the responses obtained from 368 people at one car show. To determine if this sample size is adequate to generally reflect the car hobby as a whole in Manitoba, a simple on-line "Sample Size Calculator" (<http://www.surveysystem.com/sscalc.htm#one>) was used to determine how accurately the results reflect the target population. A confidence level of 95% (i.e., which means 95% certainty in the results), sample size of 318 (those respondents that owned at least one hobby car) and population size of 20,000 (the estimated number of car hobbyists in Manitoba) was used. The results were a confidence interval (i.e., the margin of error) of 5.45. Based on this result we believe the Rondex Rod-a-Rama Car Show survey is sufficiently large to provide reasonable data on which to base the dollar value extrapolations.

The car hobby in Manitoba offers more than just enjoyment for people who like to build, own, use and/or just appreciate specialty cars. The results of this study indicate the significant contribution it makes to the economy of Manitoba. In addition to the \$90.7M calculated in this report, based on an estimated 25,000 registered hobby cars and 20,000 car owners, there are a significant number of "project" cars that represent ongoing and future contributions to the economy. For this reason, the car hobby community should be nurtured to maintain or increase

its activity to continue to generate jobs in the automotive and hospitality sectors and to support worthy charitable causes.

In summer 2010, MPI and the WPS undertook an aggressive vehicle inspection program. The overwhelming perception of this initiative among hobbyists is that while the inspections are being conducted under the guise of “safety”, the real intent is to discourage hobbyists from driving their vehicles, particularly on Sunday nights. The typical hobbyist and automotive business is in favor of safe vehicle initiatives however those initiatives must include all vehicles at all times. Many favor mandatory safety inspections on a regular basis. Businesses report sales dropping as much as 40% since the start of the aggressive inspections. Lay-offs and/or business closings will result if the trend continues.

Conclusions

The car hobby has significant economic value for Manitoba. A continued targeted, aggressive vehicle inspection program will hurt the car hobbyist community and strain its relationship with authorities implementing the inspection program. It will also hurt businesses, venues and charities the car hobby supports, and produce an overall negative impact on the Manitoba economy.

Table 1. Summary of WSCC Hobby Car registration survey

Survey statement: I insure (for street use) my hobby car(s) as follows:

Choices	Responses	Percentage
1. My hobby car is also my daily driver. It's insured year round.	14	30%
2. I insure my hobby car in summer and my "beater" in winter.	7	15%
3. I insure my hobby car in summer and daily driver year round.	23	50%
4. I insure my hobby car and daily driver year round.	2	4%
Total number of responses	46	100%

Table 2. Summary of MSRA registered vs. non-registered car count survey. Fifty-two MSRA members participated in this survey.

Question	Number of cars	Percentage
1. How many hobby cars do you have registered for use on the street today?	76	53%
2. How many hobby cars do you have in the "project" stage that are not registered for street use today?	67	47%
Total number of hobby cars	143	100%

Table 3. Summary of Rondex Rod-a-Rama Car Show survey results

Question	Number of respondents	Responses to question				
		None	One	Two	Three	Four or more
Question 1. How many hobby cars or trucks do you own?	367	None	One	Two	Three	Four or more
		13%	38%	22%	13%	14%
Question 2. Do you use any local shops for maintenance, repair or modifications of your hobby vehicles(s)?	259	Yes	No			
		68%	32%			
Question 3. If yes, on average how much money do you spend on maintenance, repair and modifications in the local economy each year?	259	less than \$1,000	\$1,000-\$2,499	\$2,500-\$5,000	over \$5,000	
		27%	36%	24%	13%	
Question 4. How many car clubs are you a member of?	317	None	One	Two	Three	Four or more
		56%	32%	8%	3%	1%
Question 5. How many car club meetings do you attend per year?	308	0	1-3	4-6	7-9	10 or more
		57%	12%	12%	6%	12%
Question 6. How many car shows do you display in or attend per year?	317	0	1-3	4-6	7-9	10 or more
		8%	33%	25%	10%	25%
Question 7. How many times per year do you participate in Sunday "Cruise Night"?	316	0	1-3	4-6	7-9	10 or more
		24%	24%	18%	8%	26%
Question 8. How many times per year do you participate in motosports competition (drag race, autocross, etc.)?	316	0	1-3	4-6	7-9	10 or more
		71%	20%	3%	1%	6%
Question 9. When participating in the activities listed in questions 5 through 8, how much do you (include everyone in your car) typically spend on food, beverages and entertainment per event ?	308	less than \$10	\$10-\$24	\$25-\$49	\$50-\$74	more than \$75
		11%	29%	38%	10%	11%
Question 10. When participating in the activities listed in questions 5 through 8, do you support the featured charities?	311	Yes	No			
		88%	12%			
If yes, how much do you typically donate per year ?	267	less than \$50	\$50-\$99	\$100-\$249	\$250-\$500	more than \$500
		38%	33%	20%	7%	2%
Question 11. Will a continuation of the aggressive inspection activities implemented last summer change the way you approach the car hobby?	306	Yes	No			
		55%	45%			

Appendix 1. Rondex Rod-a-Rama survey

The MSRA is asking you to complete this brief questionnaire to help quantify the economic impact of the car hobby on the local community. This information will be used in our ongoing efforts to protect the interests of the hobbyist community.

First three digits of your postal code. ____ ____ ____

1. How many hobby cars or trucks do you own?
 none one two Three Four or more
2. Do you use any local shops for maintenance, repair or modifications of your hobby vehicle(s)?
 Yes No
3. If yes, on average how much money do you spend on maintenance, repair and modifications in the local economy each year?
 less than \$1,000 \$1,000 - \$2,499 \$2,500 - \$5,000 Over \$5,000
4. How many car clubs are you a member of?
 none one two Three Four or more
5. How many car club meetings do you attend per year?
 0 1 - 3 4 - 6 7 - 9 10 or more
6. How many car shows do you display in or attend per year?
 0 1 - 3 4 - 6 7 - 9 10 or more
7. How many times per year do you participate in Sunday "Cruise Night"?
 0 1 - 3 4 - 6 7 - 9 10 or more
8. How many times per year do you participate in motorsports competition (drag race, autocross, etc)?
 0 1 - 3 4 - 6 7 - 9 10 or more
9. When participating in the activities listed in questions 5 through 8, how much do you (include everyone in your car) typically spend on food, beverages and entertainment **per event**?
 less than \$10 \$10 - \$24 \$25 - \$49 \$50 - \$74 more than \$75
10. When participating in the activities listed in questions 5 through 8, do you support the featured charities?
 Yes No

If yes, how much do you typically donate **per year**?
 less than \$50 \$50 - \$99 \$100 - \$249 \$250 - \$500 more than \$500
11. Will a continuation of the aggressive inspection activities implemented last summer change the way you approach the car hobby?
 Yes No If yes, in what ways?

12. Please use the back of the page for additional comments.

Thank you for your participation.

Appendix 2. A partial list of charities supported by Car Clubs and Shows in Manitoba.

- Cancer Care Manitoba Foundation
- Children's Rehabilitation Foundation
- Elspeth Reid Family Resource Centre
- Fire Fighter's Burn Fund
- Four Winds Project
- Lions Clubs
- M.A.D.D.
- Multiple Manitoba Food Banks
- Patrick Mowbray Memorial Fund
- Ronald McDonald House
- Springs Inner City Youth Programs
- The Compassionate Friends
- The Movement Centre
- The MS Society
- United Way
- Variety Club of Manitoba
- Winnipeg Harvest