

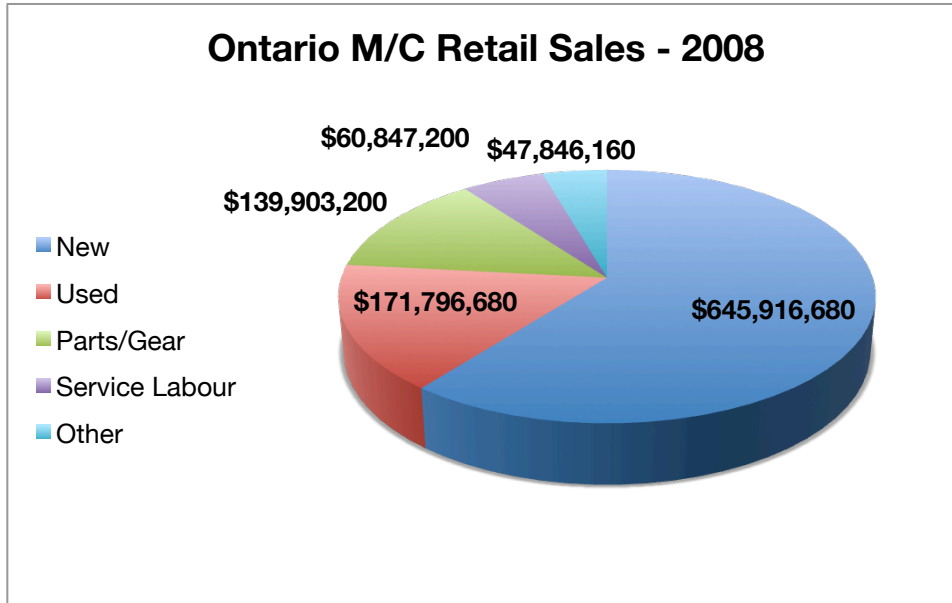
FOR IMMEDIATE RELEASE

Industry Profile

Retail Motorcycle Sales and Service in Ontario and Toronto

According to a survey conducted by the MMIC (Motorcycle Manufacturers Industry Council), retail income for 2008 from motorcycles, scooters and ATV's in Ontario is estimated to be \$1,067,000,000.

Here is how that total is divided:



Statistics Canada reports that there were **168,125** motorcycles and scooters registered in Ontario in 2008. Since Inner City Cycle is primarily interested in service, we can determine the average service expenditure per registered motorcycle by dividing that total into the service labour revenue earned of \$60,647,200. Using this method, we can estimate that in 2008, **Ontario riders spent roughly \$360 on service** per motorcycle.

Since the city of Toronto has approximately 28% of Ontario's population, we can estimate that there are 47,075 registered motorcycles in Toronto. By this token, there is an **existing market for motorcycle and scooter service of roughly \$17,000,000** in the target geographic market for Inner City Cycle.

Growth Trends

Contrary to the general economic downturn, the Motorcycle & Moped Industry Council (MMIC) reported that its motorcycle & scooter sales numbers across Canada, year-to-date for October 2008 showed an 8 percent increase over 2007. "The motorcycle industry is not immune to the economic downturn, but the resilience of the market this year reinforces the fact that motorcycles and scooters are more relevant than ever," stated Bob Ramsay, President of the MMIC. Ramsay added that, "at the peak of the 2008 spring/summer selling season motorcycle and scooter retail sales were up almost 13 percent over year-to-date sales in 2007. Scooter sales year-to-date for June 2008 were up 22 percent compared to 2007."

According to a survey by the Motorcycle Industry Council (MIC) the US sister association the MMIC's 12.6% of motorcyclists and scooterists riding in the US are now women, a 29% increase from 2003. However, women account for over 30% of new motorcycle license registrations, suggesting that they are the fastest growing market segment.

History

The motorcycle industry predates automobile manufacturing. Ontarians have been riding motorcycles for over a hundred years. Although the industry has experienced cycles of growth and contraction over the decades, the most dramatic trend has taken place over the last two decades. The market for motorcycles has seen consecutive growth for the last sixteen years at rates ranging from 4% to 8% just last year

Success Factors

It is worth noting that in 2006, Toronto's two oldest and most established motorcycle and scooter retailers, McBride Cycle and Cycle World went out of business and no multi-line motorcycle retailers have yet taken their place. This has left riders in the city of Toronto with few options for motorcycle service.

Few dealers currently take advantage of the CRM techniques typically used in the auto industry. Most riders are less than satisfied with dealers; those that are suggest that a personal relationship, reliable service and courtesy are key factors.

Regulations

Canada's provinces and cities are starting to recognize that motorcycles and scooters can be part of an integrated approach to urban mobility and environmental planning. Toronto is leading the way with legislative reform to encourage motorcycle and scooter use by offering free parking on city streets and use of city HOV lanes. The intent is to reduce urban congestion and pollution by offering a significant economic incentive. Indeed, scooter retailers often cite the economic benefit of free parking in their sales pitches.

- **Economic Influences**

The motorcycle market is multi-faceted and offers multiple revenue models that an agile retailer can use to exploit economic conditions. In times of prosperity, the 'entertainment' or 'fun' value of motorcycles and scooters favors new vehicle sales and expensive accessories and modifications. Tougher times highlight the economic advantages two-wheel transport and favor used bike restoration and maintenance.

Although the majority of riders are still mainly interested in fun, recent economic trends have underlined the economic advantages. Since the Motorcycle Industry Council's ('MIC') last survey in 2003, there has been a 42 % increase in the number of riders using their motorcycles for multiple purposes including commuting.

As noted under *Regulations* above, parking is free for motorcycles and scooters in Toronto. Parking in downtown Toronto for an auto can easily exceed \$20 per day. Not only is parking easier to find for the small two-wheeled vehicle but free parking saves the rider potentially hundreds of dollars per month.

This year's high fuel costs coupled with the expense of fuelling larger gas-guzzling vehicles forced many people to start looking for alternate modes of transportation. The solution for a

lot of them was and still is the purchase of a motorcycle or scooter because they are an efficient, low cost transportation option that is ideal for the urban environment.

Urban congestion is another 'cost' benefit in favor of motorcycles and scooters. Motorists waste valuable time stuck in Toronto's traffic jams. A two-wheeled vehicle will save a rider significant time when navigating through crowded city streets.

- ***Social and Cultural Trends***

Much of the popularity of motorcycles comes from the demographics of the Baby Boomers who are reaching the age and income level where they are able to make discretionary purchases and for whom the motorcycle is also an important psychographic symbol.

North America has not yet seen the same levels of motorcycle purchase as Europe so it is reasonable to expect significant growth to continue for some time, especially if fuel costs continue to rise.

As noted above, more densely populated urban environments create traffic congestion that favors two-wheel transportation.

The rapid increase in female riders coincides with a trend to social equity and greater perceived opportunities for women.

Finally, many new riders cite environmental concerns as one of the benefits of two-wheel transportation.