
2009 - 2010 Strategic Business Plan



with planning overview for
2010-2011 and 2011-2012



Motor
Vehicle Sales Authority
of British Columbia

THE MOTOR VEHICLE SALES AUTHORITY OF BRITISH COLUMBIA
STRATEGIC BUSINESS PLAN 2009-2010

with a planning overview for 2010-2011 and 2011-2012

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1 OVERVIEW

The Motor Vehicle Sales Authority of British Columbia (VSA), formerly known as The Motor Dealer Council of British Columbia (MDC), is an organization created to exercise the authorities assigned by the government of British Columbia for the administration and enforcement of the *Motor Dealer Act (MDA)*, the *Business Practices and Consumer Protection Act (BPCP Act)* (as it relates to the retail sale of motor vehicles) and relevant regulations under those Acts.

Commencing on April 1, 2004, the MDC became one of the first examples in British Columbia of a new kind of organization: an independent authority, administered under an agreement with government. It is an alternative governing structure for the delivery of public services for consumers and industry. This innovative arrangement is working because government and the motor dealer industry are committed to a partnership and cooperation of the highest order.

There are approximately 1,600 licensed motor dealers, over 7,000 salespeople and 5,000 other employees - many of whom are highly skilled workers - in this industry. In terms of commerce, the motor dealer industry is thought to achieve a \$15 billion annual impact to the provincial economy and remit more than \$1.5 billion in taxes annually.

The focus of this plan is on the VSA's sixth year of operations, April 1, 2009, to March 31, 2010. The business plan also spans the next three fiscal/operational years of the VSA and includes financial estimates through to March 31, 2012.

1.1 IDENTITY

During 2007, the name of the Authority was changed to Motor Vehicle Sales Authority of British Columbia from the previous Motor Dealer Council, requiring a new logo, stationery, brochures, signage and a completely revamped website. The smooth transition corrected an historic problem. The MDC name caused unnecessary confusion, sounding more like a trade association of dealers than a regulatory authority and seemed inappropriate in view of the licensing and professional development of salespeople and services to consumers.

Approval to use the new name has preceded a formal change of name in legislation. Until this is corrected, use of the VSA name continues in a *Doing Business As* fashion - the VSA is permitted to use the new name, but documents require a notation stating "formerly known as the Motor Dealer Council (MDC)." We anticipate that these and other urgent legislative amendments will be enacted during the year, as outlined in this plan.

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1.2 ORIGINS AND HISTORY

The history of vehicle regulation in some jurisdictions predates the automobile; original efforts to ensure travelers that sellers and service-providers could be trusted involved horses, wagons and livery stables. The motor vehicle industry has been in existence in British Columbia for over a century. The retail motor vehicle sales industry has long been interested in bringing increased professionalism and improved regulatory oversight to British Columbia. In November 1997 a study group began meeting to explore the feasibility of modernizing the regulatory framework applicable to motor dealers in B.C. The intent of their efforts was to find ways and means to make this regulatory framework more effective and efficient, to increase the breadth and scope of consumer protection and to develop improved standards for performance throughout the industry. The result of these efforts was a voluntary organization, the Motor Dealer Standards Association (MDSA), founded in 1999. The MDSA established a foundation for what exists today, eventually reaching a membership of 450 dealers and processing 4,000 salespeople through a certification course. As worthy as MDSA proved to be, the voluntary nature of its mandate limited its ability to make a more dramatic impact upon the industry.

The MDC was registered as a not-for-profit society with the Registrar of Societies on July 31, 2003. The founding Board, being the five signatories to the incorporation papers, then went through an open public-recruiting process to select the remaining six members of the Board. The MDC (now the VSA) and the Ministry of Public Safety and Solicitor General ("The Minister") continue to work co-operatively to ensure that this new independent authority achieves its vision.

The many years of work came to fruition on April 1, 2004, when, with input from industry and consumer stakeholders, the MDC began operations. The new organization was empowered to manage and enforce the *Motor Dealer Act*, and its regulations. In January 2005 this new administrative authority was also delegated responsibility for administering and enforcing the newly proclaimed *Business Practices and Consumer Protection Act* as this Act applies to the motor vehicle sales industry.

The VSA plays a major role in the regulation and licensing of motor dealers and their sales staff, and in related areas of consumer-protection legislation applicable to motor dealers. More specifically, the government has mandated the VSA to assume responsibility for some or all of the following activities as they relate to the motor dealer industry: consumer protection and public education, industry licensing, standard setting and enforcement, professional development and complaint resolution.

1.2.1 THE FIRST FOUR YEARS

Annual reports for the fiscal years ending March 31 of 2005, 2006, 2007 and 2008, published in both hard copy and in a digital file available

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through the VSA website, trace the start-up phase and the evolution of the Authority.

Building an organization from scratch, establishing templates for consumer services, management of the Motor Dealer Compensation Fund with its independent Board of Directors, a compulsory certification course, mandatory licensing for all salespeople, and significantly enhanced enforcement, all highlighted Year One.

Progress was reported on all fronts during Year Two, including enforcement activity and ongoing efforts to certify and licence salespeople. Major thrusts included: the publication of advertising guidelines and industry workshops; the Legislation Review; significantly enhanced communication; a sophisticated software system for all business activity including licence renewals; and more stringent requirements for new Motor Dealer Licences, including a proper business plan and other documentation.

The greatest challenge of Year Two was to find a fair and equitable fee structure that would provide sufficient resources to fulfill the mandate. Industry and government understood from the outset that the MDC (now the VSA) would require far greater financial resources as it went forward. As programs evolved and succeeded in the second year of operation, it became clearly evident that the organization was seriously under-resourced.

New fees commencing May 1, 2006, moved the annual budget to \$3.8 million from \$2.4 million and facilitated an increase of staff from 20 full-time equivalent (FTE) employees to about 35. Equity became the principal issue in establishing new fees: salesperson licences, which had accounted for almost half the total budget, would now raise just 28 per cent of total revenues; new car dealers would pay more; and a special Lower Mainland surcharge would reflect the disproportionate amount of work required in the region.

The mission of Year Three was to increase capacity in all areas of activity, and to add programs to better serve both the industry and the public. Growing the organization by more than 50 per cent in a matter of a few months, while maintaining business as usual and a culture of communications among all staff, was a prime challenge. Growth of the organization resulted in the reduction and eventual elimination of service backlogs (such as processing licences, inspections and responding to consumer enquiries).

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Other highlights included: the first round of advertising workshops; completion of the Legislation Review; a Summit of motor dealer industry Boards of Directors; the creation of a new management position to take charge of special projects, with an emphasis on industry research and professional development; planning to bring all professional development activity in house, including the Salesperson Certification Course, and developing the infrastructure to do so; and the hiring of two Dispute Resolution Officers.

An increasingly high media-profile was attained through features, news releases and guest appearances. As well, the VSA saw an increase in traffic to the website and a favorable response to the annual reports and other publications.

During 2007-2008, Year Four, the new VSA identity was implemented, the result of a thoughtful consultative process by management, staff, stakeholders and leaders from all sectors of the industry. A highlight of the year was a decision to take all aspects of professional development in-house, creating the "Learning Division."

The move saw the VSA take direct responsibility for the Salesperson Certification Course, previously conducted in partnership with community colleges. Through experience it had been found that the work of professional development, licensing and compliance were so intrinsically related to each other that the outsourcing of education was counter-productive.

Professional development is an important long-term strategic priority for the VSA as licensing and enforcement efforts alone will not be sufficient to meet its objectives. In addition, until the more recent financial crisis, there has been an 8-10 per cent annual growth rate in the industry in B.C. and an estimated turnover of staff of up to 30 per cent. Entry level certification education needed to be an important focus.

Once the move in-house was complete, the curriculum and instructional design were significantly improved and planning began for a Level II Upgrade certification course. This advanced course would eventually become mandatory, initially for industry veterans who took the voluntary certification course before June of 2004.

Major restructuring created the position of Director of Licensing/Deputy Registrar to not only share the work of the Registrar, but to also direct both Licensing and Compliance, more closely integrating these two areas of operation. A new position, Director of Consumer Services and Professional Development, similarly became responsible for consumer services, research and the Learning Division.

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The exhaustive three-year Legislation Review, conducted by an industry committee including representatives of the motor dealer industry and other stakeholders, was completed and presented to government for action. The VSA continues to pursue these and other urgent legislative and regulatory matters essential to fulfill the mandate.

Other achievements during 2007-2008 included new and upgraded dealer licensing requirements, the successful pursuit of most salespeople who had evaded the required certification course and licensing, a multimedia advertising program to help encourage better consumer vehicle-buying habits and the design of special Advisory Committees to the VSA Board of Directors. The **Salesperson Advisory Committee** and the **Motorcycle Dealers Advisory Committee** began work during 2008-2009.

1.2.2 YEAR FIVE (2008-2009)

Significant achievements during the Authority's fifth year of operation were:

- Meeting or exceeding all targets, including budget parameters.
- The establishment of a Dispute Resolution Program to assist both dealers and consumers.
- The continued evolution of the Learning Division including the development of the Level II Upgrade course for experienced salespeople.
- Important research conducted by independent consultants into the size and scope of the B.C. motor vehicle sales industry and public impressions of and experience in vehicle purchasing.
- Major investigations during the year exposing alleged fraud in two serious cases, placing dealerships in receivership and resulting in legal and investigation costs and claims to the Motor Dealer Customer Compensation Fund which could total as much as \$1 million.
- Relocating the office from Burnaby to South Surrey.

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The strategic priorities for 2008-2009 were as follows:

Design, test and implement new dispute resolution (DR) systems – considerable attention has been paid to the method by which consumer complaints are processed. VSA Consumer Services Officers now receive enquiries and complaints and follow through with complainants until the issue is either resolved or properly placed. If the complaint becomes an investigation, the complainant receives progress reports. In some instances, the only recourse is small claims court. It is hoped that the new VSA Dispute Resolution Program will play a significant role in mediating issues between dealers and consumers. A pilot project confirmed the effectiveness of utilizing independent contract mediators.

Improved consumer awareness program – the emphasis on the consumer within the VSA mandate and mission statement makes the Authority unique in North America. Most regulatory authorities, either within or outside government, are entirely focused on some or all of the following: statutes, regulations, licensing, inspections, enforcement and consumer protection. To the best of our knowledge, only the VSA with respect to the motor vehicle sales industry has the mandate to educate the public.

During the past year, in addition to news releases, media appearances by VSA spokespeople and participation in consumer and crime prevention shows, strides were made in networking with other agencies with a consumer mandate. These include the British Columbia Automobile Association, the BC Crime Prevention Association, the Better Business Bureau, the Consumers Association of Canada and the Insurance Brokers Association of B.C. The goal: to piggyback, where possible, on their public information vehicles by contributing information and articles of interest to their readers.

A multimedia advertising campaign continued to promote good consumer practices. However, research during the year has indicated that the broad-brush approach to consumer information is inefficient, because over 80 percent of vehicle sales through licensed dealers are conducted satisfactorily. A goal will be to better define a target audience most in need of VSA education and support.

Improved industry relations – among the more satisfying achievements of the year has been less adversarial and more co-operative relations with industry stakeholders. Important joint ventures will be detailed later in this plan.

Implement new salesperson licensing compliance strategies – consistency in VSA messaging, persistence and more efficient methodology (including online applications and renewals) is gradually bringing most of the industry into compliance.

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Establish revised appeal process – The Motor Dealer Act and the Business Practices and Consumer Protection Act are inconsistent as to how important decisions made by the Registrar may, or may not, be reconsidered. The MDA, different from the BPCP Act, has no provisions allowing for a matter to be reconsidered once the Registrar has made a final decision. The Legislation Review Committee and the VSA Board of Directors have asked government to end this anomaly and bring the MDA into alignment with the BPCP Act. In the interim, the VSA Board felt that more was needed. In December 2008 a new policy was established allowing certain decisions of the Registrar under the MDA to be reconsidered.

Implement the Level II Salesperson Certification Course – the Level II program is designed for experienced salespeople who have not taken a course since the voluntary program offered by the industry prior to the formation of the VSA. Laws, regulations and best practices have changed over the years and this is reflected in a much more comprehensive and effective introductory course, required for all new salespeople. Level II is designed to not only update industry veterans but to explore the application of the legislation using realistic case studies. VSA representatives and attendees discuss important industry issues, each learning from the other. Pilot courses were held during the year and participants were complimentary regarding both the course content and design. This program will become mandatory during the coming year, with those salespeople who completed the introductory certification course five or more years ago required to complete the Level II program.

Other highlights of 2008-2009

Important research – it has been a source of frustration since 2004 that the VSA has not had access to credible data about the size and scope of the motor vehicle sales industry in B.C. The industry, government and the VSA have used “generally accepted” numbers when required, but the data has been impossible to verify. Similarly, our impressions of consumer attitudes, practices and preferences were anecdotal and not professionally researched. Two reports during 2008-2009 address these issues.

- A VSA-commissioned report by **R.A. Malatest & Associates, Ltd.** used its program evaluation and market research expertise to track demographic and economic trends in B.C., provide automotive retail industry data, identify market trends and much more.
- The internationally-respected research firm **Ipsos-Reid** surveyed B.C. consumers to learn how they felt they were treated when they purchased a vehicle, the type of vehicles they bought and their impressions of the industry.

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Major investigations - investigations of JDM Wholesale Canada Ltd. and Southwest RV and Sport Ltd. were led by the VSA. These investigations involved police, customs and tax investigators, exposing alleged fraud and resulting in the placement of court-appointed receivers. The legal fees, investigation costs and claims to the Motor Dealer Customer Compensation Fund could total as much as \$1 million.

Relocating the office - the VSA head office moved in September 2008 to what is certain to become a strategically important address in years to come. Since its inception in 2004, the office has been across from Burnaby City Hall, near the Canada Way exit from the 401 freeway. As this lease approached expiry, VSA was advised to expect a significant rent increase for space that had become inadequate for current and projected future needs, and at a location increasingly inconvenient for the majority of staff and industry visitors. The new office, in a modern complex near the intersection of Highway 10 and 152nd Street in South Surrey, is better designed and includes a classroom and free parking for staff and visitors.

2 GOVERNANCE

The VSA is required each year to produce and publish a business plan, an annual report and audited financial statements.

Since April 1, 2004, the VSA has operated without government funding and has assumed full responsibility for administering the Motor Dealer Act as well as its regulations and related consumer legislation.

The VSA annual reports and this Strategic Business Plan demonstrate growth, program quality and an extraordinary amount of activity and consultation. The Authority began without any working capital and yet assumed and expanded all of the functions previously performed directly by government, and successfully implemented a compulsory two-day education and salesperson licensing program.

Until necessary legislative and regulatory changes are enacted, VSA's ability to address the industry's greatest problems will remain limited.

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2.1 THE GOVERNING BOARD

The VSA is governed by an eleven-person Board. Six members of the Board are drawn from the motor dealer industry (i.e. the Automotive Retailers Association of BC, the New Car Dealers Association of BC and the Recreation Vehicle Dealers Association of BC). Two Board members are appointed by the Minister and the remaining three are selected from the public-at-large. Significant input into the public-at-large appointees is provided by The British Columbia Automobile Association, the Better Business Bureau and the Public Interest Advocacy Centre.

While the nomination process seeks the recommendation of specific stakeholders, each Board member immediately becomes an independent upon appointment. They all have the same constituency: a responsibility to conscientiously supervise the letter and intent of the legislation and regulations, and to act in the best interests of both industry and the general public.

The current Board members are: **(TO BE UPDATED WHEN NEW APPOINTMENTS FINAL)**

Ken Bessason	Public-at-large
Henning Brasso	New Car Dealers Association of BC
James Carter	New Car Dealers Association of BC
Edd Crooks	Automotive Retailers Association
Shell Harvey	Ministerial Appointment
Neil Kalawsky - Secretary/Treasurer	New Car Dealers Association of BC
George Morfitt - Vice-Chair	Ministerial Appointment
John Râtel	Public-at-large
Anne Salomon	Recreation Vehicle Dealers Association of BC
Robert (Bob) Stewart - Chair	Public-at-large
Gord Valente	Automotive Retailers Association

The President of the VSA is a non-voting member of the Board of Directors. He reports directly to the Board and is responsible for the day-to-day affairs of the VSA. The President also serves as Registrar and has the legal authority to administer and enforce the regulatory programs of the VSA. In carrying out his duties as Registrar, the President is responsible for administering and enforcing the legislation in accordance with the laws of British Columbia. Accordingly, the Supreme Court of B.C. and not the Board of Directors determines the appropriateness of the decisions and actions of the Registrar.

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2.1.1 THE ROLE OF THE BOARD

The Directors, acting together as the Board, are the stewards of the Authority. The Board has the responsibility to oversee the conduct of the business and management, and endeavours to ensure that all major issues affecting the business and affairs of the Authority are given proper consideration.

In supervising the conduct of VSA's business, the Board through the President/Registrar, sets the standards of conduct for the Authority. The Board has developed and approved a "Board of Directors Governance and Operating Manual". The manual includes documents outlining the governing structures and legislation applying to VSA, and the governance policies of the VSA, "Code of Conduct" and "Conflict of Interest Guidelines".

2.1.2 BOARD SUCCESSION

Board members are appointed to terms of one, two and three years. Service of any Board member is limited to two consecutive terms. The VSA will have five new Board of Directors as of April 1, 2009, and there will be six more replacements in 2010. The Governance Committee of the Board is responsible for seeking suitable high-quality new Board members as existing Directors' terms expire, in order to create as smooth a transition as possible.

3 THE MOTOR DEALER CUSTOMER COMPENSATION FUND

The Motor Dealer Customer Compensation Fund was established in 1995 at the request of industry, predating the formation of the VSA by almost 10 years. The Fund compensates individuals who have purchased a motor vehicle from a licensed dealer and who have incurred a financial loss. Eligible losses are defined by regulation and include dealership business failure, dishonest conduct and failure to provide clear title to the purchaser by a licensed dealer.

The administration of the Fund was transferred to the Motor Dealer Council (now the VSA) on April 1, 2004. The Fund Board operates independently and consists of five members appointed by the Motor Vehicle Sales Authority Board of Directors.

Some in the industry continue to argue that the Fund should only be involved in the case of a dealership business failure or bankruptcy, but that was not the mandate as interpreted by government for many years before the advent of the VSA.

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The Legislation puts the burden of endowing the Fund squarely upon the shoulders of licensed dealers. Prior to 1995, each dealer was required to post a \$15,000 bond. The bond was found to be inadequate because customers needed a court order to collect and the amount was insufficient in situations where there were multiple claims.

Following the formation of the Compensation Fund in 1995, each dealer was assessed an annual levy of \$300, a charge that has been waived in recent years because the Fund's endowment was considered sufficient to cover potential claims.

Two major cases during the past year have depleted the Fund to a critical level. Until the Fund can be rebuilt to an acceptable total, it will not be possible to continue to waive the annual levy to dealers. Licence renewals subsequent to April 1, 2009, will have a Compensation Fund levy in the amount of \$300.

3.1 REDEFINING OPERATIONS (2008-2009)

The historic difficulty with the Fund has been confusion for the consumer. A complaint to the VSA is referred to a Compliance Officer, where it becomes one of many files awaiting attention, each to be processed according to the gravity of the issue in a priority sequence. Should this consumer also file a claim in Small Claims Court? Report the dealer to the Better Business Bureau (BBB)? Repair the vehicle or sell it? Make a claim to the Motor Dealer Customer Compensation Fund?

For both the consumer and the dealer involved in a dispute, it is an issue requiring attention, not multiple investigations or claims processes requiring months of delay, considerable cost, duplication and dissatisfaction.

A decision to rethink the mandate and operations of the Fund occurred during 2008. The Registrar of Motor Dealers assumed the Chair of the Compensation Fund on an interim basis with a principal goal to better harmonize activity with other VSA consumer services and the compliance infrastructure.

A Manager of Claims was appointed to replace the previous clerical and administrative functions. The new management structure focuses upon solutions, an action-oriented mission to discuss cases with both dealers and consumers and to make sure all parties are aware of the multiple options available. The goal is to manage cases so they are more effectively resolved and, as a result, to have the Compensation Fund serve primarily as the refuge of last resort for eligible consumer losses as a result of financial failure of licensed motor dealers.

With the restructuring and reorientation now complete and more effective systems in place, a new Chair takes office effective April 1, 2009.

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3.2 TWO CASES – POSSIBLY \$1 MILLION IN LOSSES

As noted earlier in the VSA business plan, when all costs are calculated, legal, investigative and administrative, and all consumer claims processed, the losses to the Fund from two serious cases during the past year may total \$1 million.

- A VSA investigation into **JDM Wholesale Canada Ltd.** of Delta discovered premiums for multiple extended-warranties that had never been sent to the insurance company; unpaid Provincial Sales Tax; imported vehicles sold to consumers but which later failed to meet Canadian standards; and vehicles discovered to be in containers awaiting shipment out of the country after a freeze order had been issued by the Registrar and enforced by the Supreme Court of B.C. Named in the orders were the company and its principals, James and Iain Robinson, who had fled to New Zealand by the time their dealership was in the hands of a receiver.
- The Registrar obtained a court order to freeze the assets of, and place a receiver at the business offices of **Southwest RV and Sport Ltd.**, a company with Vancouver Island locations at Sidney, Chemainus and Duncan. This dealership engaged in a significant number of consignment sales - though not licensed to do so. As with all new dealers, the Authority actively monitored Southwest RV, conducting two full inventories within one year.

During the Spring of 2008, consumer complaints finally came to light where individuals who had left vehicles on “consignment” were unable to locate either their RVs or their money. VSA Compliance Officers soon had more than 80 active files, some with six-figure losses to report. There was even a complaint from one consignee that his RV had been rented out without his consent or receipt of any of the rental proceeds. Amid calls from customers, the VSA and media, the dealer principal, Kersti Clark, fled the country. The matter is currently the subject of a RCMP investigation.

3.3 THE MOTOR DEALER CUSTOMER COMPENSATION FUND BOARD (TO BE UPDATED WHEN NEW APPOINTMENTS FINAL)

Rick Bentley	New and Used Car Dealer
Kyong-ae Kim	Public-at-Large
Gary Peden	Recreation Vehicle Dealer
Doug Potentier	Public-at-Large
Ken Smith, Acting Chair	President/Registrar VSA

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The Motor Dealer Customer Compensation Fund Board meets approximately four to five times a year and continues to hear and decide on all claims made against the Fund.

4 VISION, MISSION, VALUES - OBJECTIVES

The strategic plan of the VSA is built around a vision, mission and values (see below). An updated Strategic Plan has been developed jointly by the Board and VSA's staff over the past year. The VSA's purpose is to continue to go beyond just "consumer protection". The longer-term outcome, or definition of success for the VSA, is seen as having confident, self-reliant and informed consumers being served by a respected and professional motor vehicle sales industry.

4.1 VISION

A respected motor vehicle sales industry serving an informed and confident public.

4.2 MISSION

To promote excellence and foster public confidence by raising industry standards, providing education, ensuring compliance, improving consumer awareness and leading innovation.

4.3 OUR VALUES

Integrity – fulfilling our responsibilities in a truthful, professional and ethical manner while demonstrating impartiality, openness and transparency in all of our actions

Effective Communications – reinforcing the organization's Vision, Mission and Key Results using effective communication tools and technology

Fiscal Responsibility - managing resources effectively and efficiently

Lifelong Learning – maximizing the use of new ideas and technology and encouraging growth and development in individuals, teams and in organizations

Service – prompt, efficient, professional, effective and courteous service to both licensees and consumers

Teamwork - effectively working as a team with our industry partners and other stakeholders to achieve agreed upon goals

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4.4 KEY RESULTS - OBJECTIVES

Key Results are clear high-level descriptions of the outcomes that the VSA is working to achieve. They are the noticeable and measurable achievements expected from the organization over the next five-to-ten years. They clarify direction, address major issues and help to focus priorities. There are six Key Results:

- British Columbia's consumers have greatly improved confidence in the motor vehicle sales industry
- VSA is a valued partner in developing the industry
- Our activities continue to foster a high level of integrity with both consumers and industry
- We develop world class learning programs and products
- We are financially responsible and innovative
- We are one of Canada's most respected independent regulatory agencies

The VSA's Board and staff continue to revise and update strategies and actions under each of these Key Result areas. High-level measures and accountabilities will be used to track all goals and activities.

5 THE CONSUMER PARADIGM

In the Strategic Business Plan for 2008-2009, this section was titled "the new paradigm" as the VSA began to establish a foundation for its consumer awareness responsibilities, objectives, resources and the methodology by which goals can be attained. The emphasis on the consumer within the VSA mandate and mission statement makes the Authority unique in North America. Among the strategic priorities of recent years has been the phrase "Design and Fund Consumer Awareness." Some of the text from last year's "new paradigm" is repeated here because it establishes the philosophy governing subsequent activity.

Research during 2008-2009 (Ipsos-Reid et al) raised questions about previous broad brush consumer information efforts. It appears clear that 80-90 percent of consumers are satisfied with the vehicles they purchase and the deals they negotiate. A second factor to consider is that British Columbians keep their vehicles longer than anyone else in Canada, an average of seven years. These statistics combine to suggest that no more than one-in-five motor vehicle purchasers may need help and possibly they need it only once every seven years.

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To date, the VSA has utilized many cost-effective methods to encourage good consumer habits: news releases, consumer alerts, extensive information on the website, free public-service announcements carried by advertising media, brochures, trade show appearances and media interviews. A consistent media advertising plan to promote better consumer behaviour in major newspapers and on radio has elevated the VSA profile.

Experience through our consumer enquiry lines and the work of compliance officers has demonstrated that the most afflicted groups within the population are first-time buyers, single women, new immigrants and people who are chronically short of cash or have an unacceptable credit rating. Programs must be designed to work with schools, consumer groups, social service agencies and any media that can help the VSA more accurately target its consumer awareness initiatives.

5.1 MANAGING CONSUMER SERVICES

In the VSA's early days, consumer complaints were generally received, then reviewed by investigators and prioritized in accordance with the seriousness of the infraction. This approach left some consumers, the unfortunate victims in a transaction, waiting for many months to have their matter reviewed by a Compliance Officer. Some of these consumers would then be told that the VSA did not have jurisdiction over the matter and were then referred to other agencies such as the Small Claims Court or the Better Business Bureau. Clearly an unacceptable situation for everyone involved.

The VSA recognized the need to develop more cost-effective and timely ways to resolve issues between consumers and dealers. There are several good reasons for doing this. Firstly, consumer complaints that do not involve important regulatory issues or are small in nature, can be dealt with more quickly and resolved to the satisfaction of all concerned if handled through different processes. Second, these dispute resolution (DR) processes free up time for Compliance Officers to focus upon: the larger and more systemic problems within the industry; those few dealers who generate a disproportionate number of complaints; and the more serious infractions such as selling unsafe vehicles. Third, there are significant cost savings in having matters quickly resolved by Consumer Service Officers or by using an independent mediator, as compared to an in-depth investigation by a Compliance Officer followed by a hearing before the Registrar. Compliance Officers will continue to use their skills to try and resolve disputes where possible, but more importantly, they will lend their knowledge and skills to Consumer Services Officers to assist in the new DR program.

To facilitate this change in process, the VSA's Consumer Services Officers answer questions and take details of complaints. Through a consultative process with other staff, they determine a proper course of action, often clearing up difficulties by simply phoning the dealer involved. In practice, every VSA manager and employee who has direct contact with the public is now part of these updated DR processes.

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The priority focus has become the management of disputes - when and wherever possible. Most dealers and consumers strive to do the right thing and resolve matters themselves. When consumers phone the VSA, the first step is to ensure that the consumer has brought the concern to the attention of the dealer.

The new processes generally work as follows:

1. Intake of accurate information in a consistent and routine manner from both parties in consumer/dealer disputes. At this stage, the acquisition of accurate information from both parties is at the forefront.
2. An assessment is made as to the best way to deal with the problem. Options include additional information for either party, a recommendation to proceed directly to Small Claims Court, the initiation of compliance activity or investigation, a mediation service mutually agreed to by both parties and other remedies.
3. Timely and effective dispute resolution with options for both parties.
4. Compliance review to assure the public interest is also protected.
5. Continuous monitoring of files and actions to ensure timeliness and desired results.

6 STRATEGIC PLAN: 2009-2010

Organizational restructuring – a dominant theme of the business plan for the year past – has proven to be effective. The various aspects of the VSA mandate - regulation, education, licensing, inspection, investigation, enforcement, administration, communication and consumer services – had operated somewhat as separate solitudes. Paralleling this activity has been the independent Motor Dealer Customer Compensation Fund. Experience demonstrated that all these functions are inter-related and integral to each other in the effective performance of the Authority's mandate.

The VSA now operates with three major spheres:

- **Finance and administration**

The office of the Registrar/President, support services for the Board of Directors, stakeholder relations, communications, IT systems, human resources and all other business, finance and administrative functions.

- **Licensing and Compliance**

The licensing of dealers, salespeople and consumer-involved business staff of dealerships; and dealership inspections, investigations, hearings and disciplinary measures.

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- **Consumer Services and Professional Development**

Consumer services, dispute resolution and liaison with the Compensation Fund; the introductory Salesperson Certification Course and the Level II Upgrade Course, advertising workshops and all related research and program development.

6.1 STRATEGIC PRIORITIES

Continuing from 2008-2009	2009 – 2010
<ul style="list-style-type: none"> • Implement Dispute Resolution Services • Consumer Awareness (now under review – see above) • Standardized Sales Contract • Level II Salesperson Certification • Facilitated Webinar for Level I Certification • New Legislation 	<ul style="list-style-type: none"> • Review and update the Vision and Strategic Plan • Communications and Industry Relations • Consumer Funding for VSA activities • Replace current software provider • Mandatory mechanical inspection reports for all used vehicles sold by Dealers • More effective "Curber" (unlicensed dealer) enforcement

6.1.1 IMPLEMENT DISPUTE RESOLUTION PROGRAM

The newly-established mediation program will be operated under VSA direction and supported by independent contract mediators. Costs will be partially recovered from those engaged in the dispute. Additional program funding will be provided by the Consumer Awareness Fund.

6.1.2 CONSUMER AWARENESS

Consumer awareness activities have included newspaper and radio advertising, brochures, appearances at public events, articles in trade publications and media interviews. (See *"The Consumer Paradigm" earlier in this plan*).

Independent research during 2008 demonstrated that 80-90 percent of vehicle buyers are satisfied with the deal they negotiated. We learned that our broad-brush consumer information may be unnecessary for most of the public, diluting the resources available to concentrate upon those who most need help and education.

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Consumer awareness activity is presently under review and a new plan for better targeting the VSA's efforts is expected to emerge. A long-term goal is to continue to network with other consumer organizations, the industry, media and others who might help, but to also evolve strategies for school programs, new drivers, new immigrants, single women and others who may be poorly informed and financially vulnerable.

6.1.3 STANDARDIZED SALES CONTRACT

A joint venture between the VSA, the NCDA, the ARA and the RVDA has made significant progress toward the development of a standardized contract that would be required for all vehicle sales in B.C. The advantage to dealers and salespeople would be greater simplicity and coherency in transactions, easier compliance with statutes and less time spent ensuring that customers understand each section.

The advantages would be welcomed by the vast majority of dealers and another major hurdle for those few who set out to deceive. Confused and misleading contract language, coupled with highly questionable selling-practices, often facilitate consumer abuse. Also, these activities remain the source of the majority of the consumer complaints handled by the VSA. "It's a standard contract item," is a phrase that is often used just as ingenuously as the word "sale". This is where hidden fees, improper or incomplete declarations and cost escalators are intentionally hidden from unsuspecting buyers.

6.1.4 SALESPERSON CERTIFICATION COURSE LEVEL II UPGRADE

Pilot courses have been completed for the Level II course, designed for experienced salespeople. Feedback has been excellent from those who participated, not only from having their own knowledge of legislation, regulation and best practices updated, but also by contributing their experience as the curriculum evolved.

This course will become mandatory during 2009. The first priority will be the approximately 2,000 salespeople still in the industry who have not taken a course since the voluntary industry program prior to the establishment of the VSA in 2004. Eventually, all salespeople who completed the basic certification program five years ago or more, will also have to complete Level II.

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6.1.5 FACILITATED WEBINAR FOR LEVEL I CERTIFICATION

Considerable work has been done by the Learning Division to develop equally effective but more flexible ways to deliver the introductory Salesperson Certification Course.

During 2009-2010 the web-based Level I certification course will be offered monthly to those outside the lower mainland. Candidates receive course materials and access to a self-study website in advance and are expected to complete extensive preparations before each of the five online interactive sessions. The final certification exam is the same as in the classroom program and is proctored separately at a community college close to the participant.

Cost savings to the salesperson and dealership include the reduction of travel, accommodations, meal expenses and lost work hours.

6.1.6 NEW LEGISLATION

The VSA's comprehensive Legislation Review – the first in well over a quarter century – was a multi-stakeholder project that took three years to complete. It has been awaiting a slot on the Legislature calendar for two years.

It is hoped that this package and other regulatory requirements, including the formalization of the VSA name, can go before the Legislature in the near future.

6.1.7 REVIEW AND UPDATE THE VISION AND STRATEGIC PLAN

The VSA responsibility with respect to consumer awareness and education has been the subject of considerable debate impacting both communications and services. The Vision statement and the long-term Strategic Business Plan will be reviewed during the year ahead and modified as appropriate.

6.1.8 IMPROVED COMMUNICATIONS AND INDUSTRY RELATIONS

There has been a significant improvement in the teamwork among industry partners with respect to a number of important issues.

The Dealer Associations/VSA Working Committee has brought a new level of cooperation between industry members and several key projects are underway which will continue and evolve in the coming year.

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This said, many licensed dealers and salespeople continue to suggest that the VSA needs to do a better job at communicating with them. A complete assessment of all VSA communication activities is currently underway, the results of which will be reviewed by management and the directors. This review will support the development of a new communications plan to be completed by the fall of 2009.

6.1.9 CONSUMER FUNDING FOR VSA ACTIVITIES

Consumers are the principal beneficiaries of the VSA's achievements in professional development and from ensuring industry compliance with statutes, regulation and best practices.

Yet the consumer makes no direct contribution to the cost of the services the VSA provides.

It has been discussed for years now that a modest fee should be levied against all vehicle ownership transfers in order to create a fund for more direct services for consumers. There are many good public policy and administrative arguments to support this suggestion – the main one being the current lack of contribution by the private buyer and seller. During the year to come, the concept will be further developed by industry stakeholders and discussed with government and ICBC.

6.1.10 REPLACE CURRENT SOFTWARE PROVIDER

The VSA's custom-designed web-based software manages licensing systems for dealers, salespeople and related e-commerce functions, and records and manages information related to investigations, consumer enquiries, regulations, hearings, learning, and the Motor Dealer Customer Compensation Fund.

The contracted service provider for software development has been a major disappointment since system implementation in 2005. Projects have not been completed on-time, or on-budget, and rarely perform as advertised.

Also, VSA business practices and service standards have moved well beyond the capacity of the current software system. As the VSA has invested significantly in software development since its inception, the decision to replace the whole system and find a new service provider will take a year or two to be realized and will need to be capitalized over several years.

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6.1.11 MANDATORY MECHANICAL INSPECTION REPORT FOR USED VEHICLE BUYERS

Most reputable dealers in British Columbia provide used car buyers with a written mechanical-inspection report on vehicles being purchased. The proposal is to now make this almost universal practice mandatory for all licensed dealers. This will be accomplished using the Registrar's authorities under Section 6 of the Motor Dealer Act. Historically this has been done by developing industry support and understanding using broadly-based industry consultations followed by the Registrar issuing a Directive. There are currently thirteen such Directives in effect in the province (see www.mvsabc.com)

The key concept in the proposal will be that a written report on a mechanical inspection, to a prescribed standard, will become a mandatory document to be provided to every used-car buyer. The Directive would apply with respect to every used vehicle sold by a licensed dealer in British Columbia.

Preliminary discussions with industry on mandatory written mechanical-inspections are currently underway and receiving strong support. The plan is to complete consultations and issue the Directive in the 2009-2010 business year.

6.1.12 MORE EFFECTIVE "CURBER" (UNLICENSED DEALER) ENFORCEMENT

Under the Motor Dealer Act, a "curber" is actually best described as an "unlicensed dealer". These are individuals who are really in the business of selling used cars but pretending to be private sellers (i.e. selling curbside) – and falsely representing that they are selling vehicles for their friends and family. Also, many of these individuals are, as the saying goes, "known to the police" and/or have previous criminal convictions.

The VSA also estimates that in the Lower Mainland, this group of sellers may represent as much as half the sellers of vehicles currently being advertised privately in the newspapers and trade magazines. The issue for the VSA, industry and the court system is the cost of enforcement. It is very difficult to find cost-effective ways to deal with curbers.

The VSA, as a priority in this year's business plan, will be working jointly with licensed dealers to reduce the number of curbers by focusing on two things: reducing the number of cars available to curbers and reducing the number of people interested in buying from a curber.

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A significant number of vehicles being curbed actually come from licensed dealers selling unacceptable inventory. The VSA will lead a program asking dealers to change this practice voluntarily. There are many good business and legal reasons why a dealer should not want to knowingly sell vehicles to curbers.

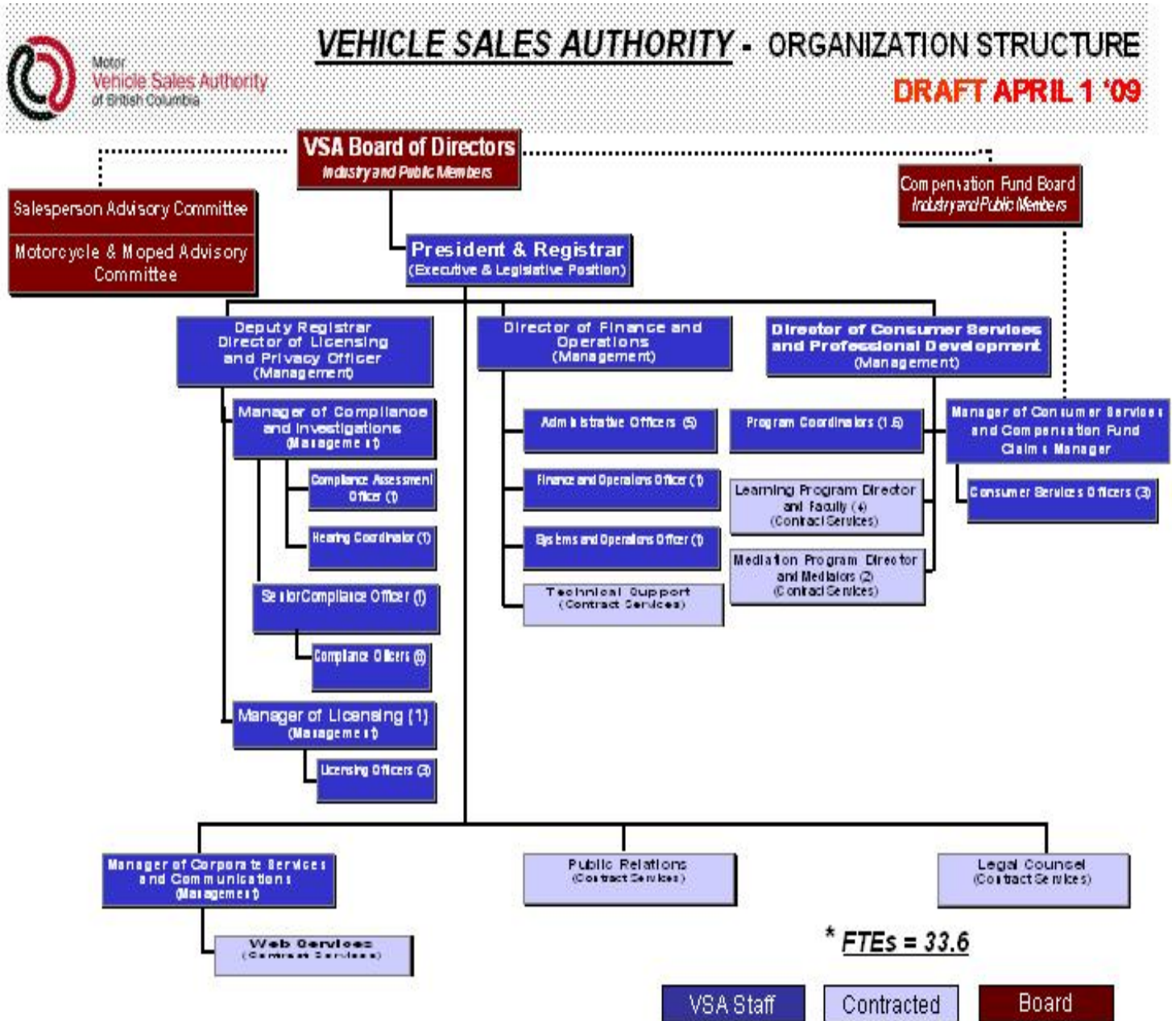
The second part of this initiative will be to focus on consumer awareness. We believe that informed consumers likely will not knowingly deal with a curber and can learn to easily protect themselves by distinguishing the private seller from the curber.

Also, the VSA and industry will work together to help consumers understand the benefits of purchasing a vehicle from a licensed dealer – and not buying from a curber. The proposed mandatory mechanical inspection report discussed above is just one example of how this understanding could be promoted by dealers and the VSA working together.

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7 PREMISES AND EQUIPMENT

The VSA moved to new office space at #208, 5455 152nd Street in Surrey, in September 2008. A better space plan meant that no increase in square footage was required, and lease rates are less than in our previous location.

Ample parking is included, along with a common board room that allows the VSA to save on the cost of renting meeting rooms for hearings that are held in the Lower Mainland. In addition, the layout of the new office space allows for the Salesperson Certification Course to be held in our large conference room, without any disruption to the operations of the office. Significant cost savings will be realized because of this.

7.1 E-COMMUTING

A pilot project, involving a number of employees, was successfully completed this past year. Several staff members, in a variety of departments, participate in e-commuting on a regular basis. The availability of this program to those staff with significant commutes has allowed the VSA to retain these key people, in spite of the move to Surrey.

Not all positions with the VSA are appropriate for e-commuting, but those employees who wish to participate may apply to their manager in writing and demonstrate that they have a suitable work environment at home and that the specific tasks can be done as effectively, or more effectively, away from the office.

7.2 EQUIPMENT

The VSA owns its computers, communication systems and devices, furniture and office equipment, and leases photocopiers and a mail machine.

7.3 LEASE VEHICLES

The VSA leases seven vehicles, used by Compliance Officers around the province. In acknowledgment of our need to participate in the movement towards more earth-friendly vehicles, three of these cars are hybrids, low-emission vehicles with maximum fuel efficiency.

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8 INFORMATION TECHNOLOGY AND THE LEARNING PORTAL

The current website has information about the VSA, its policies, licensing, the required Salesperson Certification Courses, and new developments. Since being revised and updated to coincide with the Authority's name change in June 2007, the website has attracted uniformly positive feedback. The content explains everything about the VSA, industry legislation and consumer services, and includes annual reports, business plans, dealer directives, news releases, bulletins, consumer purchasing guides and a broad range of interactive services with respect to dealer and salesperson licensing.

Since 2004, the VSA has done an excellent job of providing comprehensive information in all categories, and, with the new identity in 2007; we gave the site a fresh, modern face. Public and industry traffic has grown steadily. A challenge for the new year will be to revise and update every section. Of particular concern is to make consumer services as welcoming and user-friendly as possible.

Recent modifications to the VSA's custom-designed web-based software include online course registration, and online salesperson licence application. The software also manages licensing systems for dealers, salespeople and related e-commerce functions, and records and manages information related to investigations, consumer enquiries, hearings and the Motor Dealer Customer Compensation Fund.

Our experience with the software provider in the design and implementation of upgrades has not always been favourable, and we are currently exploring other options.

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9 THE FINANCIALS

2009/2010 Budget Highlights

Revenue

- No license fee increases have been proposed in this budget
- Licensing revenues reduced 5% from current year projection
- Administrative fees include a provision of \$30,000 for late fees – pending a change to our legislation
- Dispute Resolution Services revenue – new program
- Compensation Fund recovery reduced due to new processes of MDCCF

Expenses

- Salaries/Benefits – 2% cost of living adjustment
- Communications budget reduced due to pending review of communications plan
- Consumer Awareness Fund pays the cost of mediators and the promotion of, the Dispute Resolution program
- Legal and Accounting – includes provision of \$10,000 for standardized contract
- Project Development – to research new application software
- Telecommunications - now includes cost of technology to support online classes

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APPENDIX #1 – FINANCIAL ESTIMATES

	2009/2010	2010/2011	2011/2012
	Budget	Forecast	Forecast
REVENUE			
Licensing Fees	3,337,000	3,337,000	3,337,000
Administrative Fees	80,000	110,000	110,000
Consumer Awareness Fund	86,000	90,000	90,000
Dispute Resolution Services	11,970	11,970	11,970
Hearing Recoveries	6,000	6,000	6,000
Interest Revenue	60,000	60,000	60,000
Learning Division	751,690	751,690	751,690
Total Revenue	4,332,660	4,366,660	4,366,660
EXPENSES			
Advertising and promotion	186,000	190,000	190,000
Amortization	268,780	141,180	116,000
Auto expenses	76,040	77,560	79,110
Consulting	215,650	219,960	224,360
Governance	143,550	143,550	143,550
Hearing expenses	12,000	12,000	12,000
Legal and accounting fees	108,000	72,000	72,000
Office and general	399,270	399,878	405,600
Project Development	10,000	10,000	10,000
Rent and parking	219,600	219,600	219,600
Travel	206,860	210,990	215,210
Wages, benefits, recruiting and training	2,463,720	2,543,472	2,594,231
Total Expenses	4,309,470	4,240,190	4,281,661
contingency	23,190	126,470	84,999
(excess revenue over expenses)			
Total Expenditures	4,332,660	4,366,660	4,366,660