



Motor
Vehicle Sales Authority
of British Columbia*

Annual Report 2008

learning
**a professional industry –
an informed, confident consumer**

VISION

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

MISSION

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

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 together with each other, with our industry partners and other stakeholders to achieve agreed upon goals

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.

From the days of horse and wagon, governments have regulated vehicle sales. Prior to the establishment of this independent Authority in 2004, dealers of automobiles, light trucks, recreational vehicles, motorcycles and mopeds were licensed by the Province of British Columbia under the Motor Dealer Act and the Motor Dealer Licensing Act before it.



Hon. John Van Dongen
Minister of Public Safety
and Solicitor General
Victoria, BC

Dear Minister:

On behalf of the Board of Directors, the Registrar, the management and staff of the Motor Vehicle Sales Authority of British Columbia, it is a privilege for me to present the annual report for the year ending March 31, 2008.

In 2004, responding to appeals from industry and the public, government created this independent Authority to regulate, educate, enforce motor dealer industry standards and to serve consumer interests. Our Board of Directors, consisting of individuals from both inside and outside the industry, is a reflection of this objective.

This report covers the Authority's fourth year in business, a year that met or exceeded goals in most areas of activity but, because of well-understood inadequacies within the legislative and regulatory foundation upon which we pursue the mandate, we continue to require improvisational approaches to licensing and compliance activities. We trust these matters will be addressed by government in the year to come.

Sincerely yours,



Robert J. Stewart

Chair, Motor Vehicle Sales Authority
of British Columbia



Levelling the Playing Field



As the Motor Vehicle Sales Authority of British Columbia enters its final sprint to a fifth anniversary, those of us who were there when it was just an idea in embryo stage are in admiration of a foundation thoroughly established and the progress being made on all issues. We are proud to be associated with an outstanding Registrar/President, Ken Smith, the management team and staff, but concerned that government has yet to provide them with the necessary Legislation and regulatory changes discussed since 2003.

For a few of us, this has been a 10-year odyssey. I was first approached by leaders within the industry who were concerned that the government regulator did little more than collect licence fees. A philosophy of deregulation within government seemed to present an opportunity for a new kind of independent agency. Because of my background in justice and the development of public policy, I was asked to help them in the task. Once satisfied that the new agency would be entirely devoted to establishing and enforcing standards and not just another business lobbying group, I joined the cause.

Today's Authority began with a voluntary, non-profit society established in 1999, representing the Automotive Retailers Association, the New Car Dealers Association of B.C., and the Recreation Vehicle Dealers Association of B.C., but also including respected, unbiased "public-at-large" appointments to its Board of Directors. During the pioneering years, this voluntary organization demonstrated what could be done, not only in terms of encouraging best practices, but also by disseminating useful consumer information. A salesperson certification course was established and completed by more than 4,000 salespeople, all of whom volunteered for the two-day program.

In order to impact the entire industry and not just the most conscientious of professionals, we approached government with the concept of an agency delegated to administer legislation and regulation; compliance and enforcement; licensing and education, as well as consumer services, although government would retain its ultimate oversight. The Motor Dealer Council of British Columbia (MDC) formally began business on April 1, 2004. The name was changed to the Motor Vehicle Sales Authority of British Columbia (VSA) on March 30, 2007.

From the earliest conversations with government - agreed by all then as now - there was a defined need to "level the playing field," ensuring that everyone engaged in the retail sale of motor vehicles is properly licensed and committed to standards of practice.

With that in mind, the new Authority made Legislation Review - the first in 29 years - a top priority and an outstanding committee was struck consisting of leaders from industry and other stakeholders, including consumer interests. This committee worked for three years, finally presenting an omnibus package to government which would modernize all statutes. Last year, action on this front was viewed to be so urgent a special section was appended to the VSA's annual report.

There has been no shortage of goodwill between government and the VSA and this report is a testament to a relationship that is working well on behalf of both industry and consumers. Industry is fully behind the initiative and technical work on the proposed changes is continuing. The difficulty has been finding a slot on the Legislature's calendar.

Everybody associated with the VSA is proud of what has been achieved to date, with no small measure of support from government and we are even more optimistic about what will develop as the VSA continues to mature.



As we present this report of the VSA's 2007-2008 activities, I want to express my respect and admiration for the vast majority of dealers and salespeople in British Columbia who have been navigating through a stressful chapter of history. Last year, the sinking value of the United States dollar brought an avalanche of vehicle imports into this market, forcing a substantial price reduction across the board. This year, the most difficult elements have been rising fuel costs and a dramatic move by consumers to smaller, more economically operated vehicles. Most dealers were caught with the wrong inventory for current markets.

Dealers are resilient people, the best of whom are active members of the Automotive Retailers Association, the New Car Dealers Association of B.C., and the Recreation Vehicle Dealers Association of B.C. Without their support, none of the achievements cited in the pages to follow would have been possible.

A handwritten signature in blue ink that reads "Robert J. Stewart".

Robert J. Stewart

learning

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



DURING THE EARLIEST DAYS OF THIS INDEPENDENT REGULATORY AUTHORITY WE BECAME CONVINCED THAT MORE CONSISTENT EDUCATION OF DEALERS AND SALESPEOPLE, A MORE UNIFORM UNDERSTANDING OF STANDARDS AND AN INFORMED AND CONFIDENT CONSUMER WOULD HAVE MORE IMPACT ON INDUSTRY PROFESSIONALISM THAN WOULD AN ARMY OF INVESTIGATORS.

The VSA mandate oversees approximately \$10 billion of retail vehicle sales in British Columbia each year, thought to be 20 cents of every retail dollar in the province, achieving an overall economic impact of at least \$15 billion.

Consumer awareness is an integral part of the VSA vision because vehicle sales will always involve a negotiation between buyers and sellers. The phrase “consumer protection” is an insult to both industry and the public: it implies that the motor vehicle sales industry (rather than just a minority of offenders) is some kind of predatory force and that the customers are hopelessly naive incompetents who are easy to swindle. The fact is all but a small percentage of vehicle sales transactions that take place through licensed dealerships are effectively negotiated between buyers and sellers. A successful marketplace puts responsibility on both sides of the equation.

Rather than emphasizing the phrase “consumer protection,” the VSA is dedicated to foster “consumer awareness.” Similarly, we prefer the word “compliance” to that of “enforcement,” recognizing that “compliance” involves everybody while the more pejorative term relates only to the serious cases our investigators continue to pursue with single-minded determination: deceptive practices, fraud and malfeasance in its many forms. Our work with industry focuses on the establishment of standards, the best practices for all operations and the systematic professional development of every one who holds a salesperson licence.

During this past year, there has been a real sense of coming together and we could not be more appreciative of the dealers, salespeople and representatives of

consumer groups who have worked with us in pursuit of this goal. We still have some distance to travel to overcome the systemic adversarial nature of a regulator interfacing with the regulated, but there is a growing sense of partnership in pursuit of a healthy, respected motor vehicle marketplace.

Last year we reported a decision to take the Salesperson Certification Course entirely in-house, rather than continue in cooperation with community colleges. The goal was to constantly monitor and upgrade the curriculum, with ongoing input from industry and VSA experience. We adopted the name “LEARNING DIVISION” for this new and vital area of operation. Results are already showing themselves with new upgraded certification programs, greater integration of all VSA activity into a two-way exchange of information between the classroom and retail sales experience and better networking with all stakeholders.



This report covers the fourth year of operation, and since April 1, 2007, with a name that better reflects a diverse mandate. This was the result of a thoughtful consultative process by management, staff, stakeholders and leaders from all sectors of the industry. Previously the Motor Dealer Council, implying a narrow role focused entirely upon vehicle dealerships, we became the Motor Vehicle Sales Authority of British Columbia, serving consumers, dealers, salespeople, other sales-related dealership staff, government and the broader economy. Communicating the new identity became one of the year’s significant challenges.

Central to the past year’s activity was a complete restructuring of the organization in search of an optimum model for service delivery. At the core of this

was the recruitment of a Deputy Registrar to share the regulatory responsibilities of the Registrar with respect to licensing and compliance issues. The addition of Ian Christman, a lawyer who had served this Authority in his private practice and who has a considerable background in the automotive industry, became a key to many organizational changes.

Licensing and Compliance activities had been separate departments within the VSA but worked so closely together it was natural to place both under the new Deputy Registrar, as Director of Licensing. Similarly, the education and research pursuits were so closely related to consumer services and consumer legislation, that these two areas were moved under a new position, the Manager of Consumer Services and Professional Development, Doug Longhurst. The third sphere of activity in the revised structure became that of overall governance, finance, administration and communications.

OTHER HIGHLIGHTS INCLUDED:

Eliminating the historic deficit - With the origin of the new Authority in 2004, government transferred both responsibilities and service costs, but not the pro-rata portion of fees for licences that would not be renewed for up to a year in the future. While the Authority never spent more than its revenues from the outset, accounting methodology with respect to unearned licence fee revenues records this income into the period in which it is earned. Fiscal surpluses since 2004 have gradually reduced the deficit into this year's small capital surplus – as shown in this report.

The VSA Learning Division - The mandatory Salesperson Certification Course, which had been conducted in partnership with community colleges prior to 2007, was brought in-house, and is the foundation of the VSA's Learning Division. Building the infrastructure for this service, significantly upgrading the basic course and designing an advanced course for industry veterans was both a principal challenge and achievement during the past year.

New Advisory Committees - From the beginning it has been a concern of this Authority that two significant groups did not have representation on the Board of Directors. To address this, two Board advisory committees were recruited from industry: the Salesperson Advisory Committee and the Motorcycle and Moped Dealers Advisory Committee. Their input should prove invaluable as we go forward.

Strategizing improved consumer services - Despite constant efforts to upgrade consumer services (a consumer help-line, publications, news releases, appearances at public events, brochures, the web site and the addition of consumer services officers), there was recognition during the year of a fundamental flaw



in the VSA response to public enquiries, a practice of accepting reports as evidence for existing or potential investigations, rather than as a challenge to address a problem situation - a conflict between a dealer and a customer. Strategies to expedite solutions between dealers and customers, and to maintain contact with complainants until resolution or until a course of action is determined, are being implemented.

The Business Practices and Consumer Protection Act (BPCPA) - The VSA has become the only major industry organization to comprehensively integrate this statute with services to both consumers and industry, including both professional development and consumer information, and to utilize its penalty provisions in compliance activity.

Service efficiency - Increased management, licensing officers and compliance officers have assisted in achieving better and more expeditious service and province-wide coverage. The province has been divided into service regions and each dealer now has two point people assigned to their area, a licensing officer and a compliance officer, people whom they can get to know and who can get to know them.

Public advertising - The VSA retained a advertising consultant to help design a series of print and broadcast messages principally aimed at consumers. Negotiations with media emphasized the consumer service mandate and reminded media that they, as significant beneficiaries of motor vehicles sales advertising dollars, also had a responsibility to share this burden with us. This led to an approximate 4-1 ratio in the advertising value the VSA received for each dollar spent. The program is being expanded and monitoring results will be a priority during the fiscal year now in progress.



www.vehiclesalesauthority.com - The VSA website is the heart of all communications with the public and the focal point of industry interactivity, including on-line licensing services. It was redesigned with a striking, modern look along with the identity change of mid-2007 and continues to grow in both reach and effectiveness.

KNOW WHAT YOU'RE DRIVING AWAY

Only deal with the professionals - VSA licensed dealers and salespeople. Before you buy a motor vehicle, read and understand the entire contract. Make sure it states whether or not the deposit is refundable, and includes any promises made by the seller. And don't forget to obtain your copy plus all receipts before you drive away.

Motor Vehicle Sales Authority of British Columbia
vehiclesalesauthority.com

KNOW WHO YOU'RE BUYING FROM

Only deal with the professionals - VSA licensed dealers and salespeople. Learn about licensing and licensees at vehiclesalesauthority.com.

Motor Vehicle Sales Authority of British Columbia
vehiclesalesauthority.com

KNOW WHAT YOU'RE BUYING

Only deal with the professionals - VSA licensed dealers and salespeople and get vehicle histories through a reputable search service such as carproof.com.

Motor Vehicle Sales Authority of British Columbia
vehiclesalesauthority.com

The Learning Division

Prior to the establishment of this independent Authority, the industry created a two-day Salesperson Certification Course developed in partnership with Douglas College and other educators. By 2004, when the new Authority began, more than 4,000 salespeople had gone through the certification program on a voluntary basis through the Motor Dealer Standards Association (MDSA).

Since both the course and licensing of salespeople and customer-related business staff became mandatory the program has continued to evolve. The desire to more regularly upgrade the course as the result of legislative interpretation and industry guidelines, a decision was reached to bring it all “in-house.”

The factors central to all planning were:

- 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,
- a huge variance in technical competency among salespeople and dealers, and
- a clear direction to the VSA to help mature an industry with underdeveloped human resources practices.

The development of the VSA's new Learning Division was a significant achievement involving comprehensive analysis of both experience and goals, with input from instructors, all VSA staff and stakeholders. The VSA took direct responsibility for the Salesperson Certification Course. It had been found from experience that the VSA's work in professional development, licensing and compliance were so intrinsically related to each other that the outsourcing of education was counterproductive. Now that the move in-house is complete, the curriculum and instruction methodology are significantly improved.

The Learning Division started with three key courses of action: to revise and upgrade the Salesperson Certification Course (Level I), develop a new course for experienced industry professionals to update them on changes in legislation, regulation, advertising standards and related business practices (Level II) and plan for a new round of Advertising Workshops.

The basic course (Level I) has greatly evolved since the MDSA era, incorporating new legislation, advertising standards and industry best practices. The province's Business Practices and Consumer Protection Act and other statutory and regulatory changes are now of paramount importance, and all of these have been woven into the curriculum of the more comprehensive basic VSA course offered today.

The Level II program proposes to be all of that and much more, delivered in an interactive format where the enrollees share their actual experiences and ideas with the facilitators and senior VSA staff. Initial pilot

“ THE VSA MANDATE OVERSEES APPROXIMATELY \$10 BILLION OF RETAIL VEHICLE SALES IN BRITISH COLUMBIA EACH YEAR, THOUGHT TO BE 20 CENTS OF EVERY RETAIL DOLLAR IN THE PROVINCE, ACHIEVING AN OVERALL ECONOMIC IMPACT OF AT LEAST \$15 BILLION. ”





course sessions, voluntary at this stage, have not only helped shape the curriculum, the feedback from participants has been encouraging.

The Level II advanced program's initial focus is on those who had not taken a course since the voluntary MDSA program prior to the formation of this Authority. About 2,500 of the 4,000 graduates of the MDSA's Salesperson Certification Course remain in the industry, but much has changed since 2004. Eventually, the Level II course will become mandatory for everybody who has not participated in the professional development program for four or more years.

Communications

VSA communications during the past year produced the annual report, information brochures, trade show presentations, regular information bulletins to industry, news releases to media and the general public, and cooperative efforts with media in dispatching useful consumer information including the exposé of unacceptable business practices.

The name change and related identity issues were a principal undertaking. A striking new and upgraded web site, signage, documents, a trade show exhibit, brochures, external advertising and every item of stationery and literature on inventory had to be converted to the new name.

Since 2004, although the mandate is to promote consumer awareness, the available budget has been minimal, slightly improved during the past year. Despite this, much has been achieved. A visit to the VSA website will demonstrate a growing archive of Internet-accessible information that is becoming a living history of the VSA as we deal with both current events and long-term goals.

A strategic alliance with the vehicle history search firm CarProof provided funds (a set donation to the VSA for each retail vehicle search conducted in B.C.) to experiment with consumer information advertising. Beginning with The Vancouver Sun and The Province, the VSA was able to negotiate a three or four-to-one ratio of advertising space obtained versus VSA cost, the donation being media's recognition of its public service obligation with respect to consumer interests in motor vehicle sales. This has subsequently expanded to Black Press, AutoTrader Publications and radio stations CHQM-FM, C-FUN and Team 1040. Provocative ads are designed to urge consumers to deal only with licensed dealers and salespeople, exercise caution and common sense when purchasing a vehicle, and encourage them to visit the VSA website.

The annual reports become the official record, required by government as part of the Authority's mandate, but they serve multiple purposes. Every attendee at every Salesperson Course receives a copy. They are widely

distributed within government, industry and consumer stakeholder organizations, the best possible introduction to the Authority and explanation of the work in progress.

News releases distributed province-wide have been reported by daily and community newspapers, radio and television. The Registrar and other members of the management team are frequently quoted in various media, occasionally appearing on regional and national television and radio.

Website activity continues to grow. The total number of separate visitors during 2007-2008 was 205,497, an increase of 26 per cent from last year's 162,659 and more than double the 99,846 who visited two years ago. Those coming to the site this past year stayed longer and viewed more pages. The total pages viewed in 2007-2008 grew to 928,392, up from 550,193 a year earlier.

Web statistics continue to demonstrate that the greatest interest is in news releases, industry bulletins, consumer information, dealer directives and on-line services with respect to salesperson licensing and certification courses.

Total website activity

	2005/06	2006/07	2007/08
Total visitors	99,846	162,659	205,417
Pages viewed	384,931	550,193	928,292

Top five PDF downloads 2008

Bulletins	13,950
Salesperson & course information	10,319
Dealer directives and related guidelines, including advertising	8,592
Public news releases (Canada Newswire)	3,134
Strategic Business Plan	1,218
Consumer tips	719
VSA employment postings	618

Most visited areas

(other than home page and downloads)

General	
About VSA, annual reports, news, industry Bulletins	59,118
Consumer information	24,433
Industry information	
Dealer and regulatory issues	15,937
Salesperson and certification course	43,950

Finance and Administration

The most profound achievement, as this organization approaches its fifth anniversary, is that a historic annual deficit has been completely retired and we have begun to build an appropriate contingency fund. Revenues and expenditures for the year were approximately \$4.8 million, a significant increase from last year owing almost entirely to the move in-house of the salesperson education program. The new Learning Division became an expensive start-up and operating proposition, offset by course fee revenues of \$894,000.

A program that was first reported in last year's annual report continues to pay dividends in both staff performance and morale, "Learning by Design." This comprehensive process of welcoming and developing new personnel provides exposure to each department of the operation in order to familiarize them with all VSA functions, policies and responsibilities. This usually includes a day of dealership inspections with a compliance officer and a visit to the auto auction. All VSA personnel are also required to successfully complete the Salesperson Certification Course.

A concern that became a strategic initiative was the impending February 2009 expiry of the lease for the VSA headquarters in Burnaby. We were advised that we could expect a significant increase in rent, a result of a booming Burnaby commercial marketplace. There were other issues as well. The physical layout of the office was inefficient following two expansions within a four-year period, and parking provisions were inadequate for both staff and visitors. The office location near Burnaby City Hall had become increasingly distant from the centre of the Lower Mainland vehicle sales industry.

An exhaustive process of research and discussions with both current and prospective landlords eventually led to a lease at a new address, strategically located in anticipation of industry growth patterns and geographic direction. The VSA will relocate to 5455 152nd Street in Surrey in mid-September, 2008. The close proximity to most highways will allow quick and easy access for compliance staff to their respective regions. The implementation of part-time e-commuting for some positions will help to offset the impact of longer commutes for those staff affected by the move.

We continue to work with our software provider to ensure that systems are upgraded and expanded as internal processes evolve. The learning portal portion of the system is scheduled to be launched by September, which will allow on-line course registration and salesperson licence application.

Web-based software, combined with other technical needs, dictates that the VSA have a reliable, and quick responding IT support team. Working with our service provider to find greater efficiencies, we have moved from on-site support, to a help desk format. Over 80 percent of issues can be resolved by a help desk technician and only the most serious of technical difficulties now require an on-site visit.

Services to Consumers

In addition to consumer information on the website, brochures, public service advertising, news releases, media appearances by VSA representatives and exhibits at events such as the Vancouver International Auto Show and “Scam Jams” presented by the Better Business Bureau, the VSA consumer help-line responds to thousands of questions and complaints each year. Most information requests are easily and expeditiously handled.

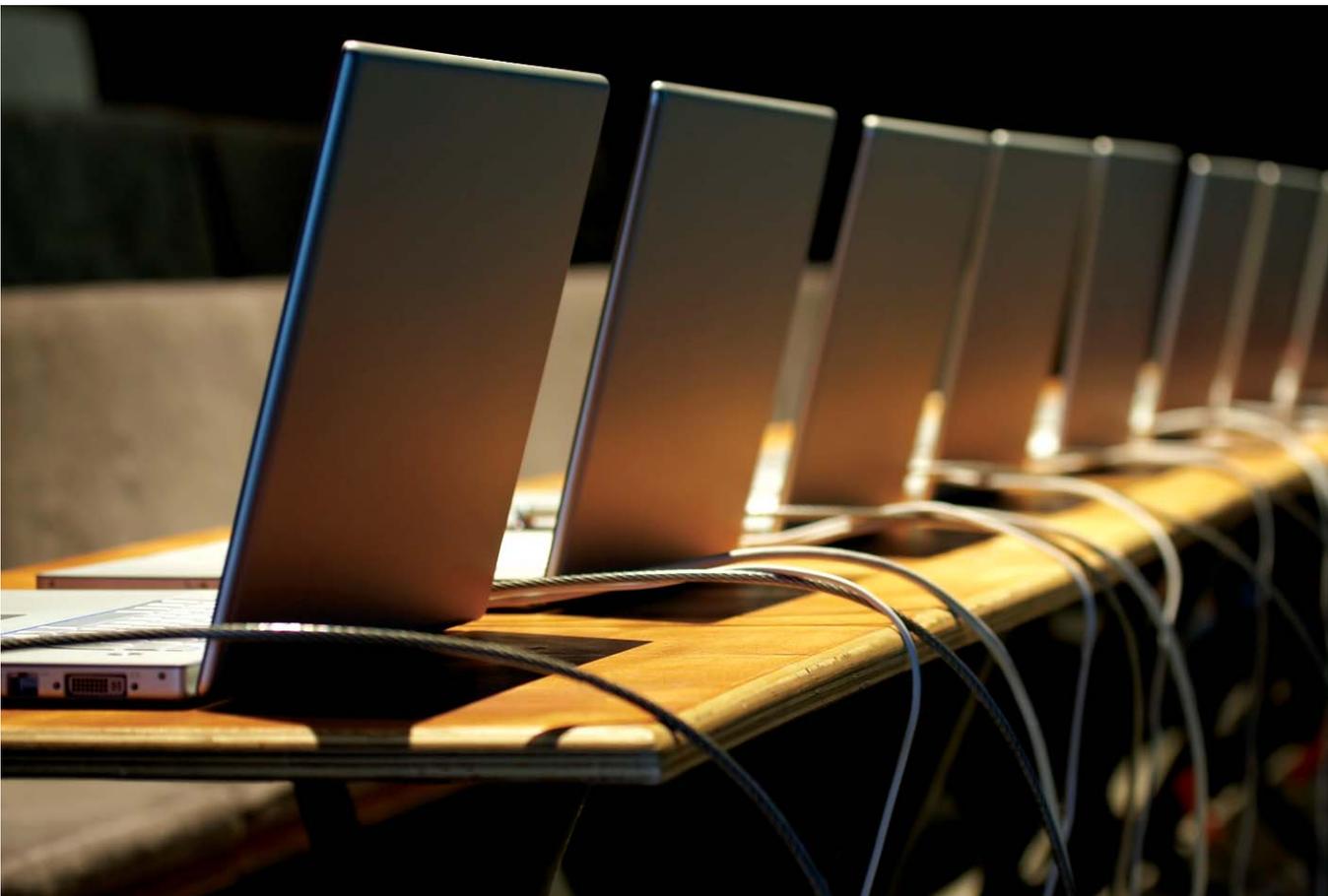
The VSA vision from the outset has been twofold: professionalism within industry and an “informed, confident consumer.” The Authority has made significant strides with respect to its industry obligations but has, to date, lacked the resources necessary to systematically address public education and behaviour.

Experience from health authorities dealing with anti-smoking campaigns and those engaged in motor vehicle issues such as impaired driving and seat belt utilization, show that millions of dollars have been

required to make even modest changes in public behaviour and demonstrate how expensive a task the VSA may face. In due course, appropriate mechanisms will be sought to achieve a budget necessary to do much more of everything that is working well today and to expand information projects to television, public seminars and school programs.

While mass media can get good information to everybody, we need to do more to identify the target audiences where help is most needed. We believe these are relatively small and easy to define: high school students and other first time buyers, new immigrants and economically disadvantaged groups. Public information and education is the part of the consumer mandate that is easiest to manage and develop.

In addition, the Authority is improving the manner in which consumer complaints are handled. We are tracking all incoming information to attain a profile of both the caller and the issues involved, vital data in the design of subsequent services. Rather than treating public enquiries as evidence for existing or potential investigations, they are now seen as a challenge to address a problem situation - a conflict between a dealer and a customer. For our constituents, each issue is “now.” Investigations lead to something that may happen tomorrow. The goal is to address problem situations and ensure that both parties know that the Authority is action-oriented, and is more concerned about service and solutions than in investigations.



The VSA strategy now is to work with both consumers and dealers to resolve disputes as expeditiously as possible and, if that fails, to make sure that both sides in the issue have the proper information about any other options available, including litigation. A dispute resolution program is under active development, and is a subject of discussion with both industry and consumer groups.

Motor Dealer Customer Compensation Fund

The Motor Dealer Customer Compensation Fund Board was established in 1995 to reimburse consumers who have suffered eligible financial losses related to the purchase, lease or consignment sale of a motor vehicle or an extended warranty or service plan through a licensed B.C. motor 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.

Eligible losses are defined by regulation and include unlawful failure by the dealers to deliver the vehicle contracted for, provide clear title to the vehicle, return a deposit, or remit extended warranty contract or payment to the warranty company resulting from dealership business failure or dishonest conduct. 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 this independent Authority.

The difficulty 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 the consumer also file a claim in Small Claims Court? Report the dealer to the Better Business Bureau (BBB)? 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.

The long-serving Chair of the Compensation Fund decided during the past year not to seek a second term. This coincided with a determination to rethink the mandate and operations of the Fund. How it could recognize the new Business Practices and Consumer Protection Act and most smoothly synthesize with other VSA compliance and consumer services activity? The Registrar of Motor Dealers assumed the Chair of the Compensation Fund on an interim basis, a period

during which better systems to serve the public can evolve: more harmonious and less duplicative practices between The Fund, VSA Compliance Officers and other agencies such as Small Claims Court and the BBB.

The VSA had previously assigned administrative support for the Compensation Fund to the Fund Administrator, a position that was more clerical and organizational than service oriented. In the rethinking of the role, this position has been upgraded, titled Claims Manager, with an action-oriented mission to discuss cases with both dealers and consumers, and to make sure all parties are aware of remedial 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 that arise from the financial failure of licensed motor dealers.

In 2007-2008, the Motor Dealer Customer Compensation Fund Board held five meetings during which the Board members adjudicated 51 claims: 33 were approved for a total \$96,986.69, and 18 were denied. The Compensation Fund also was instrumental in recovering \$41,923.94 for consumers from specific dealers. The submissions reviewed by the Board can be categorized as follows:

Deposit claims	14
Misrepresentations	21
Odometer rollbacks	2
Unsafe vehicles	4
Lien	2
Consignment	5
Dishonest conduct	4

As of March 31, 2008, the fund is estimated at \$1,314,751.21. Since its inception in 1995, \$1,987,894.71 has been paid to consumers out of the Fund:

1995-2008

Number of Claims Adjudicated	834
Number of Claims Approved	464
Number of Claims Denied	370

The Board has supported a recommendation of the Motor Dealer Customer Compensation Fund Regulation Review Committee to increase the maximum allowable per claim to \$50,000 from the current ceiling of \$20,000. This is among an omnibus package of requests now in the hands of government; legislation that would modernize and improve governance of the motor dealer industry and services to the public.

More detailed information on the Motor Dealer Customer Compensation Fund can be found on the VSA website www.vehiclesalesauthority.com.

Motor Dealer Customer Compensation Fund Board of Directors:

Motor Vehicle Sales Industry

- > Rick Bentley (2007-2009) - auto dealer
- > Gary Peden (2008-2010) - recreation vehicle dealer

Public-at-large

- > Ken Smith, Chair - Registrar of Motor Dealers and President, VSA
- > Doug Potentier (2007-2010) - Vice-Chair, former CEO, Greater Victoria Chamber of Commerce, former deputy police chief
- > Kyong-ae Kim (2007-2009) - lawyer

Licensing and Compliance

Central to VSA restructuring has been the move of these two vital departments under the direction of the Director of Licensing/Deputy Registrar. Licensing and compliance staff work far more closely together than ever before, consulting each other on active files. Both these functions also are integrated into the Learning Division curriculum to ensure the consistency of messaging, and to also gain feedback from course participants and instructors.

All dealerships are inspected once every two years and more frequently if issues or complaints arise. New dealer licensing requirements have been upgraded. The Authority now requires a comprehensive business plan to be presented with each application and no licence will be issued unless the owners or their chosen business manager have adequate prior industry experience. VSA staff have increased background checks made on all owners, directors and officers of the dealerships, raised the financing thresholds and significantly increased the sureties required for establishing a new dealership. Of paramount concern is safety for both employees and the public, and the adherence to all other municipal and workplace licensing requirements. Dealerships must have either an acceptable mechanical repair facility in-house or a service agreement in place for such repairs at another location.

Communications with industry greatly improved during the year through regular Bulletins on issues, the web site and the assignment of licensing and compliance officers for specific regions of the province. Every dealer now has a principal VSA contact person for licensing issues and another for compliance activity. They are increasingly getting to know each other and, in most instances, working cooperatively rather than as adversaries. The goal of this interactivity is to enhance professionalism, raise standards and improve consistency with a minimum of bureaucratic obstacles

to successful business practices.

The province’s Business Practices and Consumer Protection Act is playing an increasingly significant role in VSA industry education, consumer relations and compliance activity. This Act offers more flexibility with respect to enforcement issues than the Motor Dealer Act.

During the fall of 2007, the sharply decreased value of the United States dollar generated unprecedented cross-border traffic in new and used motor vehicles. We worked closely with the B.C. industry, sympathetic to the sudden business problems this generated, including the apparent predatory activity of some Washington State dealers who were selling in B.C. without conforming to our regulations.

A benefit of this has been a new close working relationship with the Attorney General’s office in the State of Washington, which is responsible for motor vehicle sales regulations. VSA representatives not only travelled to Seattle to meet State officials, this experience led to VSA membership in the National Association of Motor Vehicle Boards and Commissions, the first stages of direct liaison with officials in the State of Idaho and recognition that we operate in an international marketplace.

Progress has been noted in many areas:

- Backlogs in licensing matters, an unfortunate fact of VSA life in its developmental period, have been virtually eliminated.
- Compliance with licensing requirements consistently improves with each passing year but there are still a disturbing number of dealers and salespeople who are negligent or even defiant. Gradually, these offenders will comply or be removed from the industry.
- A more serious concern are so-called “curbers” who profile themselves as private citizens selling their own vehicles, or any of a number of euphemisms such as wholesaler, auctioneer or buyer’s agent, when, in fact, they are actually unlicensed dealers acting illegally. When caught, these people are prosecuted, but the situation cannot adequately be addressed until recommendations of the VSA’s Legislation Review Committee are enacted, better defining the term “dealer.”
- An improvement at many dealerships has been to make licensing a payroll function, rather than a responsibility of the sales manager. Business staff can more easily monitor these details and communicate on-line with VSA.
- On-line licence renewals continue to grow as a percentage of annual activity, recently surpassing 50 percent. By the fall of 2008, the VSA will be able

to accept new applications on-line for the first time, including digital photo attachments (or print photos to follow by mail).

- A serious issue continues to be new hires working the sales floor at dealerships. From day one, anyone on a sales floor dealing with customers must be in the VSA system with either a valid salesperson licence or an application. Some dealers continue to try out new people in the showroom using words such as hosting, hospitality or shadowing to describe their function, formalizing licensing procedures only after the individual demonstrates worth. A new employee must apply for and receive a conditional licence, and, within 90 days (to be reduced to 45 days on September 1, 2008), complete the compulsory Salesperson Certification Course (Level I). The VSA is working on a policy that will ensure basic English language proficiency before a conditional licence will be issued.
- Licensing and compliance staff have developed increasingly effective relationships with municipal licensing officials, regional districts, various government agencies such as federal and provincial sales tax officials, ICBC and the auctions in a mutual sharing of information to ensure that dealerships comply with all regulations.
- Hearings convened by the Registrar or Deputy Registrar now average about two full days each month, with each day dealing comprehensively with four or five cases. A “hearing” is a serious step in the disciplinary process and can result in significant financial assessments. The most serious outcome is the cancellation of a dealer or salesperson licence.
- A Compliance Assessment Officer now works full-time on advertising issues, liaising closely with industry. Although some violations of advertising standards can lead to substantial fines, the outcome of this work is progressively becoming a healthy partnership with industry. Many dealers are now calling for advice and sharing the burden of reporting and correcting unacceptable practices.
- The VSA has encouraged the industry and the public to make use of an excellent service offered by the Canadian Police Information Centre (CPIC), a “search” button on their website to enter a Stolen Vehicle & Bicycle page. By entering licence plate, VIN or serial numbers, stolen vehicles or bicycles can be tracked. The link is: www.cpic-cipc.ca/English/search.cfm.
- An area of growing concern continues to be the taking of deposits, often part of an agreement to purchase a vehicle or as a separate agreement for services, generally: to hold a vehicle; to locate a vehicle; to bring in a vehicle; and/or to arrange financing for a vehicle. These deposits or partial

payments have become means by which too many consumers are being abused or deceived, can create misunderstandings concerning refundability and, often, there is no receipt or written contract. Educating the public and disciplining the offenders will be an important initiative of the year now in progress.

- VSA compliance officers have worked with police and other agencies in placing problem dealers into receivership, assisting victimized consumers and achieving prosecutions in some instances.

Dealer Licensing and Salesperson Statistics

(April 1, 2007 to March 31, 2008, unless otherwise noted)

	2008	2007
Dealer licences processed and issued	1,665	1,721
New dealer applications	140	183
Dealer renewals processed	1,525	1,538
New salesperson applications	1,725	1,862
Salesperson renewals processed	6,526	5,981
Salesperson licences currently issued*	7,181	6,909
Dealer licences currently issued*	1,609	1,620

* (summer 2008/2007 totals)

Inspection and Compliance Statistics

April 1, 2007 to March 31, 2008

- 1,271 dealership inspections were done (including 123 new and 92 changes of address).
- 2,315 calls were received by the Enquiry Officer. On average there were 193 calls per month.
- 19 tickets were issued, related to infractions.
- 171 warning letters were recorded (including 52 specifically concerning advertising).
- 347 verbal warnings were recorded (including 74 specifically concerning advertising).
- 76 motor dealer hearings were held (8 licences suspended, 3 licences cancelled, 12 administrative fines and 53 cases adjourned).
- 31 salesperson hearings were held (4 licences suspended, 3 licences cancelled, 1 licence granted, 7 applications denied, 1 decision reversed and 15 cases adjourned).
- 1252 incoming calls were received directly by the investigators.
- 798 investigative files were opened, 864 were closed and there were 89 Motor Dealer Customer Compensation Fund files. On average there were 279 files active per month.
- \$374,200.43 was recovered for consumers as a result of VSA intervention.

VSA Priorities for 2008/2009

Legislation review - We continue to work with government to effect the most comprehensive modernization of the legislative and regulatory framework in 29 years.

Dispute resolution - The VSA is developing a comprehensive program to provide a better methodology to assist both consumers and dealers to effectively resolve disputes in a timely fashion.

Evolve the Learning Division - In addition to constantly improving the curriculum of the basic Salesperson Certification Course (Level I), and conducting a new round of advertising workshops, a priority for the year will be the full implementation of the Level II Salesperson Certification program. This visionary thrust by the VSA will explore the development of "distance learning," the effective use of Internet and video-conferencing technology to minimize the travel and costs of courses offered, as well as the loss of employment income for participants.

Expand consumer services and awareness - Major strides were taken during the past year in external consumer messaging and in services to consumers who call for help. The plan is to continue to expand external information to the extent that resources allow, eventually including school programs and other forms of outreach. A project is now in progress to more systematically network with other B.C. organizations dedicated to consumer and motor vehicle issues, to see how we can leverage each other's communications efforts. Paralleling this, the VSA plans to contract with a market research company to progressively test the effectiveness of all promotional activity.



The VSA will celebrate its fifth anniversary on April 1, 2009. Legislation creating this Authority was enacted in 2003. Our hardworking staff has been blessed from the beginning by an outstanding, dedicated Board of Directors, who have consistently stood by us as we tackle this prodigious assignment.

As Registrar, with powers defined by legislation, and as President responsible for operations, it is both comforting and humbling to have not only the rock-solid support of such proven leaders within our society, but also the expertise and outstanding performance of our management team, staff and consultants. I am grateful to them all.

The word "learning" is not just the theme of this annual report and the recognition of the VSA Learning Division which was inaugurated in the year covered by this report, but the word has become the core of everything we do.

Staff - They are expected to learn and keep learning within their areas of responsibility and share their knowledge with others.

Industry - They need to impart their expertise and their concerns, ensuring that VSA activity stands upon an evidence-based foundation, while industry and all of the professionals within it have an obligation to learn the law and best standards of practice and to create within their businesses a culture of compliance and responsible behaviour.

Consumers - It is the greatest single challenge for the VSA future is to make the consumer dimension within the marketplace more knowledgeable. We must carefully listen to and research their concerns and problems within the marketplace and then help people help themselves. An informed, thoughtful consumer who acts responsibly is equally as important as helping to improve industry professionalism.

Research demonstrates that British Columbians keep their vehicles longer than anyone in Canada, an average of seven years. The communications challenge this presents to the VSA is that the potential consumer audience vitally concerned about useful market information at any moment in time, is less than 15 percent of vehicle owners. We not only must maximize opportunities when we have their attention on this highly infrequent basis, we also need to make vehicle sales information seen by the consumer an important priority before they enter into the purchasing process.

"Learning" has even become the heart and soul of our compliance activity, more commonly referred to in regulatory environments as enforcement. Our compliance officers, when they visit a dealership or pick up a case file, approach the task in a progressive fashion: first they learn, then they help people learn and, ultimately through learning the goal is to achieve compliance. When tougher measures are required, we act, but traditional enforcement is a greater demonstration of failure than success.

Learning is the key to tomorrow.

Respectfully submitted,

Ken Smith
President and Registrar

Auditors' Report

To the Members of Motor Dealer Council of British Columbia operating as Motor Vehicle Sales Authority of B.C:

We have audited the statement of financial position of the Motor Dealer Council of British Columbia operating as Motor Vehicle Sales Authority of B.C., a not-for-profit Society, as at March 31, 2008 and the statements of operations, changes in net assets and accumulated excess of revenues over expenses and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2008 and the results of its operations and its cash flows for the then year ended in accordance with Canadian generally accepted accounting principles.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, B.C.
June 6, 2008

Statement of Financial Position

	March 31, 2008	March 31, 2007
Current assets		
Cash	\$ 2,076,274	\$ 1,218,160
Receivables	34,985	44,371
Prepaid expenses and deposits	64,220	39,789
	<u>2,175,479</u>	<u>1,302,320</u>
PROPERTY AND EQUIPMENT (Note 3)	413,369	504,798
	<u>\$ 2,588,848</u>	<u>\$ 1,807,118</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 213,540	\$ 242,099
Unearned revenue	1,464,235	1,673,938
	<u>1,677,775</u>	<u>1,916,037</u>
INVESTED IN PROPERTY AND EQUIPMENT	413,369	504,798
RESERVED FOR FUTURE TRAINING COSTS	35,879	70,879
RESERVED FOR CONSUMER AWARENESS	241,611	50,425
ACCUMULATED EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	220,214	(735,021)
	<u>911,073</u>	<u>(108,919)</u>
	<u>\$ 2,588,848</u>	<u>\$ 1,807,118</u>

APPROVED ON BEHALF OF THE BOARD:



Director



Director

The accompanying notes are an integral part of these financial statements.

Statement of Operations

	Year ended March 31, 2008	Year ended March 31, 2007
REVENUES		
Licensing fees	\$ 3,927,067	\$ 2,759,332
Compensation fund recoveries	114,919	90,703
Registrar's hearings recovery	9,451	8,600
Administration fees, training and other	665,215	466,384
Sales compliance recoveries	46,000	95,475
Interest	74,744	28,462
	4,837,396	3,448,956
EXPENSES		
Advertising and promotion	92,800	110,032
Amortization	316,202	241,990
Automobile allowance	37,326	21,449
Consulting	57,010	54,314
Compensation fund expenses	114,919	90,703
Governance	100,542	108,167
Interest on long term debt	-	4,670
Office and general (Schedule 1)	551,865	377,473
Professional fees	123,460	79,441
Project development	878	24,125
Registrar's hearing expenses	20,862	17,199
Regulatory services (Schedule 1)	871,933	824,507
Rent and parking	204,267	184,493
Travel and meals	14,789	16,641
Wages and benefits	1,366,737	1,237,637
	3,873,590	3,392,841
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	\$ 963,806	\$ 56,115

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets and Accumulated Excess of Revenues Over Expenses

Year ended March 31, 2008

	Accumulated excess of revenues over expenses	Invested in property and equipment	Designated reserves	Net excess of liabilities over assets
Balance, March 31, 2006	\$ (741,676)	\$ 455,338	\$ 66,500	\$ (219,838)
INVESTMENT IN PROPERTY AND EQUIPMENT, net of amortization	(49,460)	49,460	-	-
RESERVE FOR FUTURE TRAINING COSTS	-	-	4,379	4,379
RESERVE FOR FUTURE CONSUMER AWARENESS	-	-	50,425	50,425
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	56,115	-	-	56,115
Balance, March 31, 2007	(735,021)	504,798	121,304	(108,919)
INVESTMENT IN PROPERTY AND EQUIPMENT, net of amortization	91,429	(91,429)	-	-
USED FOR TRAINING COSTS	-	-	(35,000)	(35,000)
RESERVE FOR FUTURE CONSUMER AWARENESS	(100,000)	-	191,186	91,186
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	963,806	-	-	963,806
Balance, March 31, 2008	\$ 220,214	\$ 413,369	\$ 277,490	\$ 911,073

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

	Year ended March 31, 2008	Year ended March 31, 2007
OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	\$ 963,806	\$ 56,115
Items not affecting cash:		
Amortization	316,202	241,990
	1,280,008	298,105
Changes in non-cash working capital:		
Receivables	9,386	(8,174)
Prepaid expenses	(24,431)	(13,006)
Accounts payable and accrued liabilities	(26,032)	71,955
Unearned revenue	(209,703)	741,150
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,029,228	1,090,030
INVESTING ACTIVITIES		
Purchase of property and equipment	(227,300)	(291,450)
Short-term investment	-	202,662
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(227,300)	(88,788)
FINANCING ACTIVITIES		
Bank loan repayment	-	(205,864)
Cash reserved for training and development costs	56,186	54,804
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	56,186	(151,060)
NET INCREASE IN CASH	858,114	850,182
CASH, beginning of year	1,218,160	367,978
CASH, end of year	\$ 2,076,274	\$ 1,218,160
Supplementary Cash Flow Information:		
Cash paid for interest	\$ -	\$ 4,670

The accompanying notes are an integral part of these financial statements.

Schedule 1 - Expenses

	Year ended March 31, 2008	Year ended March 31, 2007
OPERATING ACTIVITIES		
OFFICE AND GENERAL		
Bank and credit card charges	\$ 60,517	\$ 53,858
Credit and registry checks	9,991	14,068
Insurance	9,028	7,074
Office supplies and printing	40,280	61,164
Office equipment rental	14,354	16,659
Miscellaneous	15,265	17,459
Postage	20,055	19,150
Systems and technical support	88,800	107,318
Telephone	33,538	31,898
Training	260,037	48,825
	\$ 551,865	\$ 377,473
REGULATORY SERVICES		
Travel and accommodation	\$ 118,726	\$ 116,940
Wages and benefits	753,207	707,567
	\$ 871,933	\$ 824,507

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

NOTE 1 – PURPOSE OF THE SOCIETY

The Motor Dealer Council of British Columbia (“the Society”) was incorporated under the Society Act of British Columbia on July 31, 2003, as a not-for-profit society. The Society was created to exercise the authorities delegated to it by the provincial government of British Columbia for the administration and enforcement of the Motor Dealer Act and related regulations.

On April 1, 2004, the Government of British Columbia granted to the Society the authority to administer and enforce the Motor Dealer Act. The President of the Society is the Registrar of Motor Dealers. On March 30, 2007, subject to amendment to the Motor Dealer Act, the Society has become known as the Motor Vehicle Sales Authority of British Columbia (VSA), better reflecting both the public and industry service roles of the independent regulatory agency.

The Society’s mission statement is to promote excellence and foster public confidence by raising industry standards, providing education, ensuring compliance and leading innovation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared on the basis of Canadian generally accepted accounting principles and reflect the following significant policies:

Financial Instruments

Effective April 1, 2007, the Society adopted The Canadian Institute of Chartered Accountants Handbook Section 3855, Financial Instruments – Recognition and Measurement, and Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require that all financial instruments, which include financial assets and liabilities, be recorded initially at fair value. Subsequent measurement and the recognition of gains and losses is determined based on the classification of the respective financial asset or liability. Fair values are determined directly by reference to published price quotations in an active market. Under Section 3855, financial assets and liabilities are classified into one of five categories: held-for-trading financial assets, available-for-sale financial assets, held-to-maturity investments, loans and receivables, and other financial liabilities.

In accordance with these new standards, the Society’s financial assets and financial liabilities are classified and measured as follows:

Asset/Liability	Category	Measurement
Cash	Held-for-trading	Fair market value
Receivables	Loans and receivable	Amortized cost
Accounts payable	Other liabilities	Amortized cost

In determining fair values, adjustments have not been made for transaction costs as they are not considered to be significant. The changes in the difference between the fair value and carrying value of investments at the beginning and end of each year are reflected in the statement of operations. Transaction costs are expensed when incurred.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Significant areas that require management estimates relate to the provisions for amortization of property and equipment, recoverable value of property and equipment, fair value measurements of financial instruments, impairment of long-lived assets and deferred revenues.

Revenue Recognition

Licensing Fees

The Society records annual licensing fees from dealerships and sales representatives rateably over the period of licensing, which varies from twelve to twenty-four months.

Training Course Fees

The Society records course fees in the period the service is provided.

Compensation Fund and Sales Compliance Recoveries

Revenues from compensation fund and other recoveries are recognized upon receipt.

Registrar’s Hearings Recovery

Revenues from registrar's hearings recovery are recognized upon receipt.

Administration and Other Fees

Revenues from administration and other fees are recognized in the period the services are provided and collection is reasonably assured.

Non-Monetary Transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transaction lacks commercial substance. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction.

Property and Equipment

Property and equipment are recorded at cost. Amortization is provided over the estimated useful lives of the assets as follows:

Computer equipment	straight-line over 3 years
Computer software	straight-line over 2 years
Furniture and equipment	straight-line over 5 years
Leasehold improvements	straight-line over 5 years
Oasis software	straight-line over 3 years

The carrying value of all categories of property and equipment are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value determinations are based on estimates of undiscounted and discounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition.

Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Related Party Transactions

All monetary transactions occurring with related parties in the normal course of operations are measured at the exchange value which is determined by management to approximate fair value. Non-monetary transactions in the normal course of operations that have commercial substance and do not involve the exchange of property or product held for sale are also measured at the exchange value. The commercial substance requirement is met when the future cash flows associated with the transfer of property are expected to change significantly as a result of the transaction. All other related party transactions are valued at the carrying value.

Comparative Figures

Certain of the comparative figures have been restated to conform to the current year's presentation.

NOTE 3 – PROPERTY AND EQUIPMENT

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 171,464	\$ 150,458	\$ 21,006	\$ 165,135	\$ 118,049	\$ 47,086
Computer software	41,751	37,302	4,449	37,179	32,998	4,181
Furniture and equipment	179,813	102,680	77,133	173,106	66,692	106,414
Leasehold improvements	236,741	190,927	45,814	234,668	142,848	91,820
Oasis software	632,628	367,661	264,967	425,009	169,712	255,297
	\$1,262,397	\$ 849,028	\$ 413,369	\$1,035,097	\$ 530,299	\$ 504,798

The Society has developed a customized web based software program for the management of licensing, compliance, and the compensation fund within one system. The Society began to amortize the software over its estimated useful life of 3 years when it was substantially implemented in November 2005.

NOTE 4 – BANK LOAN

The Society had arranged a fixed rate term loan with the Royal Bank of Canada for \$300,000, repayable in equal monthly payments of \$9,096 including interest at 5.80% per annum. The loan was repaid in full in May 2006.

The Society also had a demand operating loan with the Royal Bank of Canada for up to \$300,000. Interest was payable at the bank's prime rate plus 0.50%. As at March 31, 2007, the Society had closed the demand operating loan facility.

NOTE 5 – FINANCIAL INSTRUMENTS

Fair Value

The fair value of the Society's current assets and current liabilities consisting of cash, receivables, and accounts payable are estimated to approximate their carrying values due to the immediate or short-term maturity.

Currency, Credit, and Interest Rate Risk

The Society is currently not exposed to significant foreign currency, credit, or interest rate risks.

NOTE 6 – RELATED PARTY TRANSACTIONS

During the year ended March 31, 2008, the Society incurred \$76,952 (2007 - \$85,588) in governance costs paid to directors for board fees and expenses.

During the year ended March 31, 2008, the Society incurred \$220,754 (2007 - \$214,039) to the President of the Society for wages and benefits.

These transactions were in the normal course of operations and were measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

NOTE 7 – COMMITMENTS

a) The Company has operating lease commitments for office premises (expires July 2018), and office equipment and vehicles (expires December 2008 through August 2010), requiring minimum annual payments in each of the three fiscal years as follows:

2009	\$	253,689
2010		249,678
2011		198,622
	\$	701,989

The Society has entered into a ten year lease on new office premises to commence October 1, 2008. Lease commitments for these premises for the fiscal years ended March 31, 2012 through 2017 require minimum annual payments of \$197,550, and \$65,850 for the fiscal year ended March 31, 2018.

b) The Society is a party to a management services employment agreement with the President of the Society. The agreement provides for payment of \$171,666 plus benefits annually until May 31, 2010. The remuneration is reviewed annually each year by the Board of Directors.

NOTE 8 – INCOME TAXES

The Society is exempt from income taxes under the provisions of the Income Tax Act (Canada) as a not-for-profit organization.

NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS

The CICA has issued the following new accounting standards which are applicable to the Society: CICA Handbook 3862 Financial Instruments – Disclosures and 3863 Financial Instruments – Presentation. These new standards replace accounting standard 3861 Financial Instruments – Disclosure and Presentation and are effective for annual and interim periods beginning on or after October 1, 2007. Presentation requirements have not changed. The new accounting standards cover disclosure only and will have no effect on the financial results of the Society.

In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over a transitional period. The AcSB has developed and published a detailed implementation plan with a changeover date for fiscal years beginning on or after January 1, 2011. Currently the proposed standard does not apply to not for profit or private entities unless they constitute significant publicly funded enterprises. Although it is not likely that this standard will be extended to the Motor Dealer Council of British Columbia, this initiative is in its early stages and there remains some uncertainty on what entities will be required to report under IFRS.



Management Team

Ken Smith

Registrar and President

A lawyer, mediator, educator, a past chief executive officer of a Crown Corporation and the developer of an internationally recognized program in leadership and organizational development, Ken Smith was appointed to direct the new Motor Dealer Council of B.C. (now VSA), prior to the start of business on April 1, 2004.

Ian Christman

Director of Licensing and Deputy Registrar

Ian Christman is a lawyer with an extensive background in administrative and regulatory law, complex commercial litigation and class actions, constitutional law, products liability, employment law and legal research. He also has an extensive background in the automotive industry.

Diana Den Duyf

Director of Finance and Operations

Diana Den Duyf, who joined the organization in January 2004, assumed the formidable task of setting up the operational and financial requirements for the new Authority. She is a 20-year veteran of the newspaper industry, the last 10 of them as Regional Business Manager overseeing finance, human resources and business systems for three publications.

Judy McRae

Manager of Corporate Services and Communications

Judy McRae became part of the team that created the new independent Authority, joining in February 2004, two months prior to the official start of business. She brought to the organization years of experience working in administration, marketing and communications in both the public and private sectors, providing executive support to the President/Registrar and Board of Directors. She was promoted to her current position during 2006.

Doug Longhurst

Manager of Consumer Services and Professional Development

Joining the VSA in October 2006, Doug Longhurst began as Manager of Research and Special Projects. A principal assignment has been the development of the Learning Division and its programs, which, in addition to consumer services, are now under his management. He has 30 years of planning and management experience in university, non-profit housing, family business and public service environments.

Hong Wong

Manager of Licensing

Following extensive professional experience as a food and beverage manager, administrator and motor vehicle sales representative, Hong Wong joined the VSA team in August of 2006 as the Senior Licensing Officer and immediately made his mark helping to eliminate extensive backlogs in the processing of licences and information requests, while implementing new standards of service efficiency. He was promoted to his current position in the latter part of 2007.

Denis Savidan

Manager of Compliance and Investigations

A Saskatchewan native and former RCMP officer with extensive experience in commercial/economic crime, fraud, stock market manipulation and bankruptcy, Denis Savidan also served eighteen years with the BC Lottery Corporation, rising to the position of Senior Manager, Lottery Investigation and Corporate Security. After a brief period of semi-retirement and consulting in the private sector, he joined the VSA as an Inspector/Investigator in 2005, assuming his current position in 2007.



Left to right -
Denis Savidan,
Diana Den Duyf,
Hong Wong,
Ian Christman,
Ken Smith,
Doug Longhurst,
Judy McRae

Board of Directors

As a not-for-profit organization, the VSA is led by a Board of Directors made up of three "public-at-large" members, six representatives from the motor vehicle sales industry and two ministerial appointments. The 11-member Board is selected through an extensive nomination process that involves consumer and industry associations, government and the general public. The Board is responsible for establishing strategic direction and overseeing the operations of the Authority while ensuring its financial and organizational viability. Founding members are noted with an asterisk.

Public at Large

Robert J. Stewart, LL.D. (Hon.), Chair* – Vancouver



Founding chair of the Justice Institute of B.C., a former Vancouver police chief, former member of the National Parole Board and a distinguished leader in the development of public policy and community service. Bob Stewart is the current President of Variety, the Children's Charity, a passion he and his wife Barbara have shared for more than a generation.

Ken Bessason – Kelowna



Following a 36-year career in the financial services industry, with a legacy of community service achievements in the arts, health and children's charities in Vancouver, Ken Bessason relocated to Kelowna, first establishing an independent consulting business and presently engaged as a realtor for a national firm. He is a past-president of the Kelowna Chamber of Commerce and currently sits on the Investment Review Committee of the Okanagan Innovation Fund, among numerous community service endeavours.

John H. Râtel – Victoria



Former Vice President Marketing and Public Affairs, and Director, Government Affairs for the British Columbia Automobile Association. Following his official retirement in 2002, he acted as a consultant to BCAA and helped establish the BCAA Traffic Safety Foundation.

Ministerial appointments

Shell Harvey* – Victoria



A former Assistant Deputy Minister of Education and Advanced Education in B.C., with background as a faculty member of colleges in Manitoba and B.C. He has served on the Board of numerous organizations including: The Commonwealth of Learning, B.C. Centre for International Education, Centre for Applied Academics and the National SchoolNet Advisory Board.

George L. Morfitt, FCA, Vice-Chair* – Victoria



A Chartered Accountant who became Auditor General of British Columbia following a 20 year career as a Chief Financial Officer, he has held senior executive positions in a number of organizations, including: President, B.C. Institute of Chartered Accountants; Chair, Universities Council of B.C. and Chair, UBC Board of Governors.

Industry representatives

Henning Brasso – Vancouver New Car Dealers Association of B.C.



Among British Columbia's most notable business personalities for more than a generation, Henning Brasso and partners own Richmond Honda, the largest Honda dealer in Canada. He grew up in the car business, a grandson of Calgary's largest used car dealer during the 1950s, and went on to establish the largest and most prominent Nissan dealership in B.C., Brasso Datsun and subsequently, with partners, purchased the luxury car dealership MCL Motors. This interest was sold prior to the Richmond Honda acquisition in 1990.

James Carter – Vancouver New Car Dealers Association of B.C.



The Vice President and CEO of the Carter Auto Group and a graduate of National Automotive Dealers Association "Dealers Academy" in the United States, his avocation is music. James Carter had earlier acquired a degree in music from the University of Victoria and sings in the Chor Leone Men's Chorus. He is also Chair of the North Shore Branch of St. John Ambulance.

Edd Crooks – Chilliwack Automotive Retailers Association



Childhood experience at his father's Ontario service station, including the sale of used cars, laid the foundation for a career as a mechanic, a college automotive teacher, an auto service and leasing manager and into today's business, owner of a respected used car dealership. Edd Crooks sits on the Board of Directors of the Independent Auto Dealers, within the Automotive Retailers Association.

Neil Kalawsky, Secretary-Treasurer* – Castlegar New Car Dealers Association of B.C.



A past winner of a Maclean's Magazine Dealer of Excellence Award, and the operator of two dealerships, he has served on many industry boards and agencies, including a term as National Chairman of the General Motors Communications Team. Neil Kalawsky is a member of the Board of Directors of the Canadian Auto Dealers Association.

Anne Salomon* – Langley Recreation Vehicle Dealers Association of B.C.



A past president of the Recreation Vehicle Dealers Association of B.C., and director of national associations in the RV industry, Anne Salomon is the former co-owner of the Candan Group of Companies, which operated RV dealerships in Langley and Calgary. She has played a leading role in discussions with both government and industry in efforts to better regulate the industry.

Gord Valente – West Vancouver Automotive Retailers Association



The proprietor of West Vancouver's Auto Depot Ltd., and Chair of the Independent Auto Dealers Division of the Automotive Retailers Association, he brings to the VSA vast experience at both new and pre-owned vehicle dealerships. He has been active in numerous New Westminster community pursuits, including directorships of the Westminster Club, the New Westminster Salmonbellies Lacrosse Club and the St. John Ambulance Society.



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