



Motor  
**Vehicle Sales Authority**  
of British Columbia

**Annual Report**

# 2010

# fairness

\* previously known as the Motor Dealer Council of British Columbia



# vision

A professional motor vehicle sales industry  
serving responsible consumers

# mission

Regulating a fair motor vehicle sales marketplace  
through education and compliance

# values

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

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

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

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

**Teamwork** – effectively working with our industry partners and other stakeholders, and among ourselves, to achieve agreed upon results

**Fiscal Responsibility** – managing resources effectively and efficiently

# Key Results and 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 for the organization over the next five-to-ten years. They help clarify direction, address major issues and focus priorities.

The VSA has five Key Results:

- Successful marketplace for both consumers and industry
- Industry, consumer and government support
- Responsible industry and knowledgeable consumers
- Effective communications
- Adequate resources

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 are used to track outcomes and activities.

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## Strategic Objectives

Strategic objectives are specific desired outcomes that assist the VSA in achieving its Key Results as outlined above. They describe specific accomplishments, focus on results to be achieved and form the foundation for strategies and action plans.

The following strategic objectives are specific outcomes developed to achieve the VSA's Key Results.

01. Increased visibility and credibility of VSA within British Columbia
02. Understanding of, and compliance with motor vehicle legislation
03. Accurate, accessible and cost effective motor vehicle dealer and salesperson registry
04. Leading edge and effective learning programs for industry and consumers
05. Effective and timely information delivery to licensees
06. Effective interactive website and social networking systems
07. Stable and current technology
08. Effective management and resolution of consumer complaints
09. Cost-effective and targeted consumer awareness information
10. Compliance actions integrated with other enforcement agencies
11. Valued statistical data for the motor vehicle sales industry
12. Responsible fiscal management
13. Respected cost-effective leadership and governance
14. Qualified, resourceful and motivated staff
15. Effective human resources practices

**Hon. Michael de Jong**  
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, 2010.

The independent Authority - originally established as the Motor Dealer Council of B.C. - was created by government in 2004 in response to proposals from industry and the public. The challenge was to create a financially self-sufficient agency that would regulate retail vehicle sales, licence dealers and salespeople, educate, establish standards, enforce the law and serve consumer interests. Our Board of Directors, consisting of individuals from both inside and outside the industry, is a reflection of this objective.

Sincerely yours,



**Robert J. Stewart**  
Chair, Motor Vehicle Sales Authority of British Columbia

## A personal farewell: the level playing field

This Annual Report emphasizes a theme of “fairness” and applies that word to regulation, compliance, business costs, licence fees and operational matters. In my final message as Chairman, I feel compelled once again to set an historical foundation for the remarks that follow.

Years before this independent Authority was created by government, the industry invited me to help them achieve a “level playing field,” in order to make policy, establish standards and make sure that everybody followed the same rules. I will leave it to others to explain the difference between “level playing field” in 1999 and “fairness” in 2010.

In March 1999, progressively-minded motor dealers in British Columbia created a new voluntary organization, the Motor Dealer Standards Association (MDSA), with a determination to address regulation, professional development, enforcement and consumer education. They were inspired by the creation in Ontario in 1997 of an independent agency empowered by legislation to take over and enhance the “regulator” function traditionally performed by government itself.

I was approached to Chair the MDSA. Before accepting, I made it clear that I had no interest in being part of their industry associations’ public relations and government lobbying. Assured that the role would be the establishment of standards and education, we went forward together. Motivated by a determination to do better than government, 450 dealers voluntarily joined the cause. The MDSA made great strides in defining “best practices” and putting 4,000 salespeople through a basic certification course. Our rallying cry was the “level playing field.”

The MDSA succeeded - famously - among the conscientious dealers of the province. As a voluntary organization, however, it was ignored by a considerable number of irresponsible and even criminal elements engaged in vehicle sales. It became obvious that success would depend upon mandatory participation. Encouraged by the positive work of the MDSA, government passed appropriate legislation to delegate regulatory authority to a new independent agency. The legally empowered Motor Dealer Council of B.C. began operations on April 1, 2004. In order to more accurately reflect the mandate to serve both industry and the public, the name was changed in 2007 to the Motor Vehicle Sales Authority of B.C.





For 11 years now, it has been my good fortune to work with selfless, dedicated people on the Board of Directors, each of whom gave generously of their time, expertise and resources, for little reward or recognition. As I now step down as Chairman and retire from the Board, I am confident that the new team will be worthy successors.

Looking back to the formation of this Authority, I must highlight the contributions of my fellow founding directors: Ann Salomon, a noted RV dealer; Shell Harvey, an educator and formerly an Assistant Deputy Minister in government; George Morfitt, a preeminent accountant and former Auditor-General of B.C.; and Neil Kalawsky, a Castlegar dealer who has held many of the highest provincial and national offices in his industry. In addition to the year of planning in creating the Authority, the five of us have completed our second three-year terms as Directors, the limit under the bylaws.

We were fortunate in the embryo period to discover Ken Smith, a lawyer, educator and a veteran of similar governance and regulatory agency challenges in other jurisdictions. Ken became the President of the Authority and the Registrar of Motor Dealers as defined in legislation. He, more than anyone, had the expertise to build the team that implemented Board-approved policy and which continues to pursue the mandate. As a Board, we remain grateful to Ken and to the outstanding management and staff of the VSA. We are proud of what they achieve every day and what we have done together.



In several Annual Reports I have expressed disappointment about a lack of progress in two areas of concern:

- Some of the biggest and best dealers in the province continue to act as if the rules do not apply to them and use a great deal of their energy and political clout obstructing the policy positions of their representatives on the VSA Board and the VSA staff.
- Recommendations for the first modernization of legislation affecting retail motor vehicle sales in over 30 years, have been awaiting attention in Victoria since 2007. This was the outcome of a VSA-led review that involved both industry and consumer stakeholders. Until the legislation is modernized, efforts to fulfill the mandate will remain severely restricted.

This report outlines in detail the results of strategic planning for the future of this Authority. If we can encourage the same enthusiastic buy-in from industry, consumer groups and government that propelled us a decade ago, everything cited here is attainable. I have a wish list:

- To government - give the VSA the legislation necessary to do the job.
- To the top motor dealers of B.C. - take the lead. Stop using your power for self-serving purposes and set an example for the industry. Trust your representatives on the VSA Board of Directors.
- To industry in general - make sure the VSA has the resources it needs to do the job you asked them to do.
- To consumers - prepare to pay a small fee on every vehicle ownership transfer to assist the VSA in efforts to create a fair, honest marketplace, to help you if things go wrong and to educate the next generation about problems they can easily avoid when purchasing a motor vehicle.
- And to the VSA - you have done enough planning. It is time that your key people get out of workshops and into the mainstream, raising the profile and earning respect for what you do.

It has been an honour and a privilege to serve this great industry.

Robert J. Stewart



“Much like the referee at a sports event, all the VSA can promise is consistent neutral processes that help to ensure that the game gets played by the rules, leaving the rest to the players and the marketplace to sort out.”

# fairness

Because the global economy and particularly the auto industry had taken such a severe hit, the theme of this report last year was the word “resilience.” While expressing confidence that the remarkable people of this business would survive and again thrive, I nevertheless empathized with the pain so many were enduring. This is a \$15 billion per year sector of the provincial economy, thought to be about 20 cents on every retail dollar. Sales statistics in B.C. demonstrate a significant drop in business during 2008 and 2009, but recovery is evident in 2010.

Through this difficult period, we have exercised our mandate with sensitivity in terms of compliance activity and any unnecessary pressure upon dealerships. We have met or exceeded all goals and budget parameters despite increased demands for our services - with no increase in licence fees for four years, and none planned until next year. While conducting business as usual, the past 18 months have been a period of unprecedented analysis, consultation, introspection and change. When resources are tight, having clear well-understood goals and objectives becomes ever more important.

In February of 2010 the VSA Board of Directors signed off on a revised Strategic Plan, the details of which can be found on the VSA website, [www.vehiclesalesauthority.com](http://www.vehiclesalesauthority.com).

Because many stakeholders still struggle to understand the VSA's mandate and priorities, it was felt that the best place to start this project was with both the Vision and Mission statements. The whole Strategic Plan of the VSA is built around these two key descriptions of what we do.

## Vision

### A professional motor vehicle sales industry serving responsible consumers

“A professional motor vehicle sales industry” means dealerships and staff that know and abide by the laws of British Columbia, who are open and honest in their business transactions and who effectively assist consumers in the purchase of motor vehicles.

“Responsible consumers” understand that purchasing a motor vehicle is a significant undertaking that requires effort. They are individuals who take the time necessary to prepare, conduct research to acquire the knowledge and tools needed, and who accept responsibility for their part in the negotiation process.

## Mission

### Regulating a fair motor vehicle sales marketplace through education and compliance

“Regulating” is ensuring compliance with the laws that apply to the sale of motor vehicles and “fair” is creating a marketplace that is effective and looks after the needs of both buyers and sellers. The VSA's role is to ensure a successful marketplace amid the negotiations between dealers and consumers.

The theme of this year's Annual Report is “fairness.” And, as we use this word in our mission statement, it all begins with an understanding of the VSA's role as defined by legislation. Many still do not understand what the VSA is mandated to do on behalf of both buyers and sellers of motor vehicles in British Columbia.

In June of 2006, the VSA was given direct responsibility to administer the Business Practices and Consumer Protection Act as it applies to all motor vehicles sold by licensees to consumers for personal and family use. In essence we now have the same adjudicative authorities as the B.C. Supreme Court when it comes to resolving issues between licensed sellers and buyers. So “fairness” for the VSA is, in the first instance, defined by the laws of British Columbia and has become one of our direct responsibilities. There can be nothing “fair” about situations where either a seller or a buyer gains an advantage by breaking the law.

So what seems “fair” to the VSA is dealers acting legally (i.e. professionally), consumers properly informing themselves and both sides behaving responsibly in the negotiations for the purchase of a motor vehicle. Much like the referee at a sports event, all we can promise is consistent neutral processes that help to ensure that the game gets played by the rules, leaving the rest to the players and the marketplace to sort out.



On March 31, 2010, this Authority completed its sixth year of business and what follows is a comprehensive report of this past year's activities. Highlights of the year include:

**Financial projections** - all were met or exceeded.

**Revised Strategic Plan** - an extensive period of study and consultations analyzed the mandate, more clearly defining the VSA's role, strategic objectives and how best to address each of them.

**The Learning Division** - during the course of the year, the VSA delivered courses to 1,031 new salespeople, each of whom completed the mandatory Level I certification course, either in conventional classroom settings or by distance learning, via facilitated webinars; and the Level II course to 651 experienced salespeople.

**Consumer Videos** - a series of short, informative videos that focus on the problem of curbbers (illegal, unlicensed dealers) are now available on the VSA website and link to many other industry sites. The content consists of solid advice to consumers with respect to any motor vehicle purchase. The videos continue to attract considerable attention and an unprecedented number of hits to the website. Helpful videos on other topics are either in production or in the planning stages.

**The VSA website** continues to be the principal communications vehicle, enhanced during the past year by the new videos and the posting of all compliance rulings since the Authority's inception in 2004. A significant project in progress is to make the site more user friendly, with less text and more understandable messaging. Interactive social networking, now in the planning stages, will be an added dimension.

**The Motor Dealer Customer Compensation Fund** is still recovering from major payouts to consumers as a result of serious business failures reported at length in last year's Annual Report. To rebuild the Fund, a \$300 per dealer levy

was reinstated during 2009, the contribution that had been suspended for several years when the reserves were thought to be adequate. Midway through 2010, four motor dealers went into bankruptcy. As a result, consumer claims could exceed \$300,000. The long-term viability of the Fund is presently being addressed as an urgent matter.

**Multi-agency co-operation** - significant strides were made during the year in efforts to synergize the work of several agencies dealing with motor vehicle sales, safety, enforcement and consumer issues. An example of this was a VSA-organized conference dealing with curbbers that was attended by ICBC, the RCMP, Crown Counsel, municipal bylaw officers, Canada Border Services Agency, sales tax investigators and the B.C. Transportation Ministry's Commercial Vehicle Safety and Enforcement. The agencies working together are achieving well publicized convictions of offenders for fraud, odometer tampering and related offences.

**Standardized sales contract** - working closely with the New Car Dealers Association (NCDA), the Automotive Retailers Association (ARA) and the Recreation Vehicle Dealers Association (RVDA), it is hoped that a universal sales agreement will soon be ready for implementation province-wide. The goal is to achieve greater simplicity and coherency in transactions, easier compliance with statutes and less time spent ensuring that customers understand each section. Confused and misleading contract language often leads to misunderstandings and consumer abuse.

**Salesperson and Motorcycle Dealers Advisory Committees** - these committees, reporting to the VSA Board of Directors, have been helpful in establishing policy. One outcome has been that the ARA has created a new motorcycle and motor sports division to better represent these dealers within the motor vehicle sales industry.



Through this difficult period, we have exercised our mandate with sensitivity in terms of compliance activity and any unnecessary pressure upon dealerships.

**Advertising Guidelines** - updated and modernized guidelines with respect to the various laws governing the industry, and principally the “deceptive practices” sections of Business Practices and Consumer Protection Act, were distributed to industry and posted on the VSA website.

**Consumer complaints management** has consistently improved during the past two years. The enquiry process has been standardized. Enquiries are carefully tracked and documented from intake to resolution, which can include informal dispute resolution with the dealer, a VSA investigation that provides general information or a referral to the courts or other agencies.

## Finance and Administration

The VSA’s track record of balanced budgets and modest surpluses was maintained during the year, once again earning praise from auditors and external reviewers.

Gross revenues of \$4,265,598 covered all expenditures and left a surplus of \$127,674.

It should be noted that the true operating budget of the VSA - aside from the Learning Division - is about \$3.5 million, basically unchanged since 2007. Payroll and most costs have risen during this period but internal economies and more efficient systems made it possible to hold the line on expenditures. The substantial increase in both revenues and expenditures relates to the Learning Division. Course fees show as a substantial revenue stream but the cost of developing and delivering the programs has been considerable.

### Highlights of the year included:

- The VSA’s Learning Portal was completed. Class registration can now be done online.
- Concerns about the H1N1 virus in 2009 led to the creation of the “VSA Pandemic Business Continuity Plan.”
- Ongoing staff development to achieve industry familiarity continues as does assistance with external professional development courses as approved by management. Learning-by-Design is a program in which each new employee spends time with other staff members to better understand the different roles, and how they interact with one another.
- Expiring leases on seven VSA vehicles were bought out.
- A new inventory control process was implemented.
- IT systems were upgraded as needed (servers, computers, software and related technology).

## Communications

The priority during 2009-2010 was the development of a new communications plan, a critical component of the overall VSA Strategic Business Plan.

The VSA’s traditional approach to communications has been and continues to be of high quality and first class in comparison to what is produced by similar regulatory agencies. This includes Annual Reports, strategic business plans, brochures, the website, industry relations, an attractive trade show booth, VSA Bulletins, news releases, articles in industry and consumer publications, public service advertising and media relations.

Despite this, it became apparent that those who needed information the most were not getting the message. The VSA needed strategies to target recent immigrants and those with language issues; first time car buyers; single mothers; and anyone in a distressed financial situation. The new communications plan is a move in that direction.

- The website and other VSA-generated media will be less text-heavy and more reader friendly, with better use of photos and graphics.
- A philosophy that the same information would suit all audiences is now being questioned. There is a need to uniquely communicate with different audiences.
- Research determined that 80 percent of consumers were satisfied with the deals they had negotiated and that B.C. motorists kept their vehicles for an average of seven years, longer than anywhere else in Canada. These numbers meant that the audience of people who had difficulty and who were shopping at any given moment, was a distinct minority of the population. The challenge, therefore, is how to best target them with useful information.

The new communications plan focuses on simplified messaging and more use of video and graphics. A full-time communications officer will be hired to assist the Manager of Corporate Services and Communications. A principal assignment of the new employee will be to establish social networking through the VSA website: Facebook, YouTube and other linkages.

Another challenge during the current year will be to design and implement a dealer recognition program. Use of the logo has required VSA permission because the law requires all retail motor vehicle dealers to be licensed. A program that would recognize noteworthy merit by permitting use of the logo may serve as a useful incentive.



A highlight of 2009-2010 was the development of a series of videos to call attention to the dangers of dealing with unlicensed dealers, known in the industry as “curbers.” Working with VSA consumer services staff and a Victoria-based video production company, four short videos were

# Total Website Activity

|                | 2005/06 | 2006/07 | 2007/08 | 2008/09   | 2009/10 |
|----------------|---------|---------|---------|-----------|---------|
| Total Visitors | 99,846  | 162,659 | 205,417 | 235,093   | 253,750 |
| Pages Viewed   | 384,931 | 550,193 | 928,292 | 1,018,581 | 985,918 |

## Top Seven PDF Downloads

|                               | 2009   | 2010   |
|-------------------------------|--------|--------|
| All Bulletins                 | 32,713 | 22,201 |
| Salesperson & Course Info     | 13,118 | 13,658 |
| All Public News Releases      | 13,429 | 8,666  |
| Strategic Business Plans      | 5,201  | 4,593  |
| Dealer Directives             | 12,025 | 4,556  |
| Employment Authorization Form | 2,545  | 2,043  |
| Consumer Guide (brochure)     | 1,811  | 892    |

## Most Visited Areas (page views)

|                                      | 2009   | 2010   |
|--------------------------------------|--------|--------|
| <b>General</b>                       | 54,635 | 50,949 |
| Consumer Info (includes Buying Tips) | 41,958 | 46,494 |
| <b>Industry Info</b>                 |        |        |
| Advertising Guidelines               |        | 21,109 |
| Salesperson & Certification Course   | 47,165 | 61,940 |
| Dealer & Regulatory Issues           | 15,838 | 13,992 |

## Curber Videos (views April - June inc. 2010)

Buying a Vehicle Privately -  
Be Very Careful!

**2,388 views**

How to Spot a Curber  
or Fake Private Seller

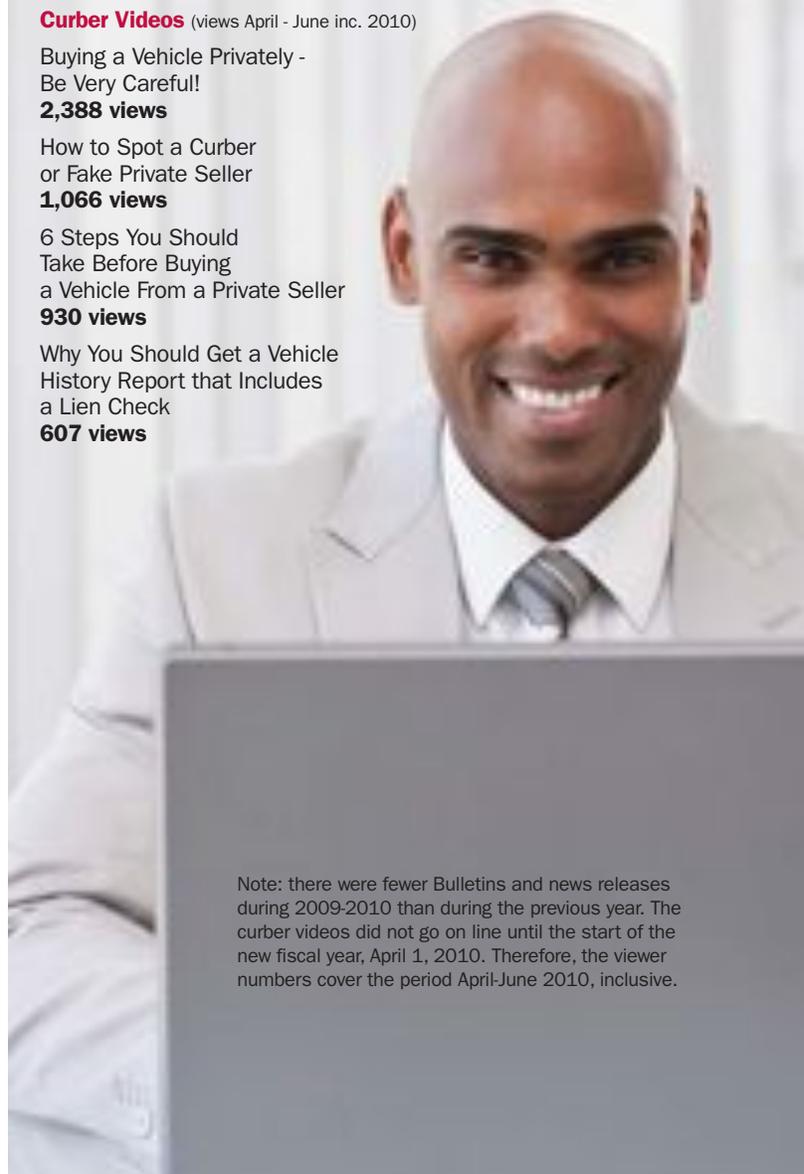
**1,066 views**

6 Steps You Should  
Take Before Buying  
a Vehicle From a Private Seller

**930 views**

Why You Should Get a Vehicle  
History Report that Includes  
a Lien Check

**607 views**



created. Posted to the website at the end of March 2010, these videos brought widespread approval from the industry and other stakeholders. Several major dealerships and other industry websites have created links to the VSA and these videos.

While the emphasis was on the new communications plan, it remained business as usual in terms of conventional communication. The Annual Report continues to be an effective record of progress and achievements, most utilized at industry workshops and in the various Learning Division courses to familiarize salespeople with the VSA's activities on behalf of the industry. For the first time, formatted in a fashion similar to the Annual Report, the Strategic Plan and Business Plan for 2010-2013 was printed for handouts at meetings.

"Consumer tips" rack cards, developed last year, enjoy widespread distribution by Autoplan insurance agents and some dealerships. Industry Bulletins effectively convey important information to dealers and salespeople. During the past year, delivering these announcements was made much more efficient through the use of an e-newsletter style within emails, rather than attaching PDFs. The software tracks failed deliveries and inactive email addresses.

## The Learning Division

The VSA's Learning Division is responsible for professional development, including all salesperson certification courses. Programs focus on industry and consumer law, with an emphasis on best practices.

The Level I introductory Salesperson Certification Course is a requirement of initial licensing.

The Level II course is designed to update experienced salespeople on changes to the law since they completed the introductory course and to highlight industry best practices.

Prior to the formation of this Authority in 2004, the industry developed a voluntary basic certification course for salespeople. The program was conducted in partnership with community colleges. Over 4,000 salespeople completed the course. Under the new Authority, beginning in 2004, both the certification course and salesperson licensing became mandatory. During 2007, the VSA created the Learning Division, conducting the educational responsibilities "in-house." This has resulted in the much more comprehensive and effective introductory and advanced licensing courses. The program benefits from VSA experience: 18,000 consumer inquiries and 3,500 investigations to date. The most significant change has been the added responsibility since 2006 of ensuring compliance with the province's Business Practices and Consumer Protection Act as it relates to the retail sales of motor vehicles.

Note: there were fewer Bulletins and news releases during 2009-2010 than during the previous year. The curber videos did not go on line until the start of the new fiscal year, April 1, 2010. Therefore, the viewer numbers cover the period April-June 2010, inclusive.

The classroom learning team includes three experienced contract facilitators, the Registrar, Deputy Registrar and the Director of Professional Development. An important advance has been the development of a “web-based option” to increase access for salespeople who work outside the major urban centres of the province. This is a combination of facilitated, fully-interactive instruction over the Internet and a self-study website for independent study.

The web-based program allows classroom Level I courses to be offered only in Surrey at the VSA classroom and in Victoria. This consolidation provides cost savings, forestalling course fee increases. In contrast, the Level II course has been offered in 15 locations around the province, from Courtenay to Cranbrook, Surrey to Dawson Creek. Course content, the law and the regulatory environment have changed so much since 2004 that a refresher program became urgently necessary for experienced professionals who had not completed a program in over four years. Initially, this meant those among the 4,000 who had taken the voluntary certification course prior to June 2004, and who were still in the industry (now about 2,200).

The Level II program for experienced salespeople, resented by many when first informed that they must attend, has actually been well received. Those who complete the course often become supporters of the program. This two-day course is designed as an interactive workshop, with attendees contributing as much from their experience as they receive

from the facilitators. They are thoroughly updated on the law and best practices. Advertising issues and the published VSA Advertising Guidelines are discussed at length.

During 2009-2010, 1,031 new salespeople completed the Level I introductory Salesperson Certification Course. Of these, 244 took advantage of the facilitated webinar option. The web-based option is expected to continue to grow in popularity, slowly replacing classroom sessions (going from 12 classes in 2009-10 to 20 or more during 2010-11). The Level II program was completed by 651 experienced professionals, bringing the total Level II graduates to 800. The staff capacity created by the drop-off in Level I registration due to the industry downturn, was devoted to the development of the new “facilitated webinar series” option and fine-tuning the Level II course based on participant feedback.

All of the pre-June 2004 salespeople will have completed the Level II course by April 1, 2011. Letters and reminder notices now go out regularly advising salespeople of their Level II course deadline. Months of notice are provided and class schedules are published well in advance. Beginning in early 2011, those who took the introductory certification course between June 1, 2004 and May 31, 2005, will receive their Level II notices (1,700 salespeople). Eventually, every salesperson will be required to complete the Level II course four years after their introductory course.



## Consumer Services

Historically, the VSA Consumer Services department was primarily focused on handling enquiries, complaints and claims from the public. In keeping with the new Vision and Mission of the VSA, there has been a shift from merely managing consumer complaints, to a more action-oriented process, with an added emphasis upon public education.

During the fiscal year 2009-2010, three full-time consumer services staff processed 2,677 enquiries received by phone, email, mail and in person, through a systematic enquiry response process. This process has been designed to be fair, thorough and impartial in the collection and assessment of the facts. The consumer is treated as a client needing help, always kept in the loop, knowing precisely the status of their enquiry.

Some calls are requests for information and others are for matters clearly outside the VSA's jurisdiction (i.e. private sales, business-to-business transactions, commercial vehicles et al.). The majority of enquiries involve allegations that are - or could potentially be - within the VSA's jurisdiction.

Consumer services staff carefully conduct initial interviews with consumers. One of the first questions seeks to determine whether the person has attempted to resolve the dispute directly with the dealer involved. If that has been done but settlement failed, the next step is for the consumer to complete a standardized complaint form. When the complaint form is received, consumer services team members review the data

received and gather additional information, if needed. Informal dispute resolution may be attempted before the file is forwarded for investigation by the Compliance Officers.

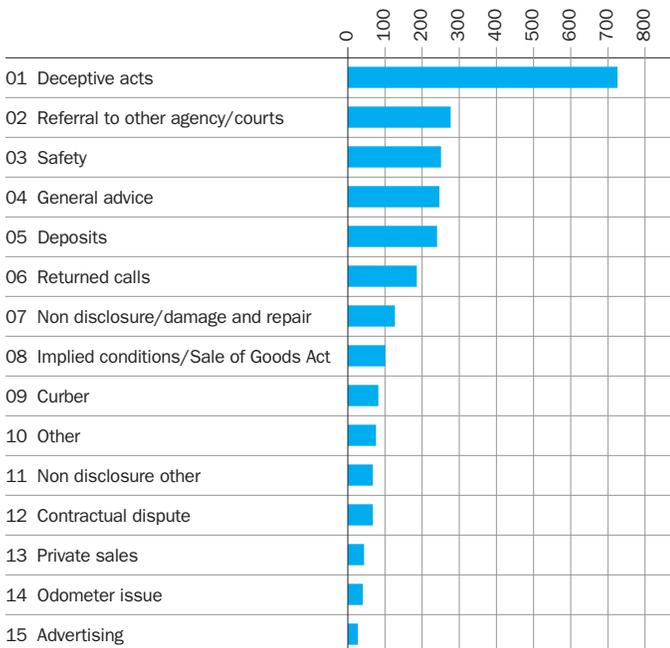
In practice, not every enquiry turns into a complaint. In fact, during 2009-2010, investigation files were opened for just 25 percent of all enquiries. This means that 75 percent of the people who contacted VSA Consumer Services, fit one of these categories:

- they were seeking only general information
- they have been able to resolve their disputes with the dealers after getting information from the VSA, or
- they were referred to the courts and other providers of legal advice, or did not have legitimate grounds to launch a complaint.

Were it not for this VSA service to both the public and industry, this entire volume of enquiries would have gone directly back to the dealers involved, resulting in non-productive staff time.

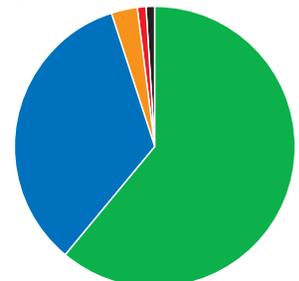
In a growing shift of emphasis towards the importance of consumer awareness, consumer services staff play a role in educating consumers about their own responsibilities when purchasing vehicles. The VSA is neither a purchasing agent nor a rescue team if the cause of a bad deal is a consumer's own negligence. Consumer awareness is a powerful tool. In a market economy, an educated, responsible consumer is capable of significantly reducing the risk of disputes.

As a part of this effort, the VSA's website is continually updated with information to assist consumers in making educated choices while shopping for cars. Videos now available on the VSA website provide sound advice in an easily understandable fashion, and more are in production.



The chart below demonstrates the source of consumer complaints, Greater Vancouver versus the rest of the province, and also the dealership category. The conclusion reached from these numbers is that the complaints are consistent with each sector's market share province-wide and that the only true determinant of VSA service cost is the number of vehicles sold each year by each dealer.

| Consumer Enquiries | Lower Mainland | Other      | Total       |
|--------------------|----------------|------------|-------------|
| Franchise          | 41%            | 20%        | 61%         |
| Independent        | 26%            | 9%         | 34%         |
| RV                 | 0%             | 2%         | 3%          |
| Motorcycle         | 1%             | 0%         | 1%          |
| Leasing            | 1%             | 0%         | 1%          |
| <b>Total</b>       | <b>69%</b>     | <b>31%</b> | <b>100%</b> |



## Motor Dealer Customer Compensation Fund

The Fund was established in 1995 at the request of industry, predating the formation of the VSA by almost 10 years. It compensates individuals for eligible financial losses related to the purchase of a motor vehicle, the purchase of an extended warranty or service plan, or the consignment of a motor vehicle in a transaction with a registered motor dealer, particularly in the circumstances when the dealer is no longer in business.

The Fund is primarily valuable to consumers in the event of the bankruptcy or the sudden business cessation of a licensed dealer. Prior to 1995, each dealer was required to maintain a \$15,000 bond to compensate consumers for losses resulting from bankruptcy or other financial failure of a motor dealer. In practice, there was a lack of clear agreement and understanding among dealers, consumers, the bond-issuer and the courts as to when a consumer could collect on the bond. As a result of this lack of clarity, it was very difficult for consumers to be compensated; they needed a court order to collect compensation. In addition, the amount of a bond was insufficient in situations where there were multiple claims against one dealer. The Fund was introduced to remedy the shortcomings of the bond system, in particular by clarifying who is eligible for compensation, eliminating the requirement for consumers to go to court in order to be compensated, and establishing a maximum amount of compensation per loss rather than a maximum amount per dealer.

During 2009-2010, the Fund's policies and procedures were formalized for the purpose of accountability, consistency and continuity and to assure fair and impartial claim handling processes at all stages.

An unprecedented volume of claims emanating from two serious business failures during 2008-2009 depleted the Fund's reserves so severely that a \$300 per year per dealer contribution - waived for several years - had to be reinstated. By early 2010, the transfusion of new funds was beginning to accumulate but four dealership failures (two new cars dealers and two independents) may require more than \$300,000 to satisfy valid claims. A challenge in the immediate future will be a strategy to ensure adequate long-term funding and to never let the Fund drop below a critical level of reserves.

The VSA's Consumer Services and Compliance teams work together to ensure that only eligible claims that cannot be resolved through internal dispute resolution are directed for adjudication by the Motor Dealer Customer Compensation Fund Board. In 2009-2010, out of 37 claims received at the VSA, three claims were determined not eligible by the Claims Manager in the process of the initial eligibility assessment and seven claims were resolved through dispute resolution

### Industry statistics

|   | 2007    | 2008    |
|---|---------|---------|
| Total vehicle sales   | 508,062 | 570,946 |
| Gross retail value (in billions)  | \$9.40  | \$8.98  |
| New car and light trucks sold by new car dealers                                      | 164,315 | 151,086 |
| Used vehicles sold by new car dealers   | 138,000 | 136,647 |
| Used vehicles sold by independent dealers   | 115,514 | 117,401 |
| Private sales   | 140,017 | 142,420 |
| Motorcycle sales (new and used)   | 9,985   | 11,163  |
| Recreation Vehicle sales (new and used)   | 11,965  | 12,229  |
| Source: Malatest Program Evaluation and Research                                      |         |         |
| VSA estimated economic impact (in billions, including all dealer automotive services) |         | \$15.0  |

and as a result of compliance investigations. During four meetings the Board members heard the remaining 27 claims and adjudicated 26 of them: nine were approved for a total \$73,397.96, and 17 were denied. The decision with respect to one claim was adjourned.

The claims adjudicated by the Board can be categorized by type:

|                    |    |
|--------------------|----|
| Misrepresentations | 13 |
| Consignment        | 6  |
| Dishonest conduct  | 4  |
| Lien               | 2  |
| Unsafe vehicle     | 1  |

As of March 31, 2010, the Fund balance is estimated at \$649,557. Since its inception in 1995, \$2,458,773 has been paid to consumers out of the Fund:

**1995 - 2010**

|  |     |
|--|-----|
| Number of claims adjudicated by MDCCF Board: | 923 |
| Number of claims approved:                   | 521 |
| Number of claims denied:                     | 402 |

**Motor Dealer Customer Compensation Fund Board:  
Motor Vehicle Sales Industry**

Rick Bentley (2004-2010) - Auto Dealer

Gary Peden (2007-2011) - Recreation Vehicle Dealer

**Public-at-Large**

Darlene Hyde (2009-2012) - Management Consultant

John Rätel, Chair (2009-2012) - Ex-BCAA executive and former VSA Board member

Kyong-ae Kim (2006-2011) - Lawyer



**Licensing and Compliance**

We have combined the roles of our inspectors and investigators into what we call Compliance Officers.

We want to maximize the contact of our Compliance Officers with the regulated in order to build relationships.

A measure of success in these relationships is the growing ease of obtaining voluntary compliance.

Ian Christman, Deputy Registrar, Director of Licensing

The previously separate departments of licensing and compliance were restructured in 2008 and placed within the responsibilities of the Deputy Registrar and Director of Licensing. In addition to the obvious efficiencies, a better sharing of information, frequently catching problems before they become serious and far more voluntary compliance from industry, has reduced the number of hearings and disciplinary measures.

Compliance is best achieved with proper vetting of new applicants at the licensing stage, or a review of current licensees at the time of renewal. Licensing Officers rely on the skill, experience and expertise of Compliance Officers during these two stages. Compliance Officers learn a licensee's history from Licensing Officers in order to better understand those they inspect and investigate. Both these functions are integrated into the Learning Division curriculum, ensuring consistency of messaging, and to gain feedback from course participants and instructors.

**Highlights of the year include:**

- The VSA organized and hosted the first-ever Conference on Curbers (illegal, unlicensed dealers), attended by multiple agencies: Crown Prosecutors, ICBC, RCMP, Canada Border Services Agency, sales tax investigators, municipal bylaw officers and Transport Ministry vehicle safety personnel.
- Information sharing with and participation in the United States headquartered National Association of Motor Vehicle Boards and Commissions (19 states plus regulators from Ontario, Alberta and B.C.); the (U.S.) National Odometer and Title Fraud Enforcement Association; the B.C. branch of the International Association of Auto Theft Investigators; and the Licence Inspectors and Bylaw Officers Association of British Columbia.
- Successfully worked with ICBC in the development of an improved vehicle ownership transfer form (APV9T), and with industry and other stakeholders in the pursuit of a standardized sales contract for the province.

- Took over responsibility to perform criminal record checks for all new applicants, rather than require them to obtain these themselves from local authorities before an application could be considered. VSA charges applicants a fee for this service which is an average of what local fees had been province-wide. Results are often obtained weeks sooner, speeding up the issuance of licences.
- Significantly upgraded the VSA's Advertising Guidelines, and posted them to the website.
- A reduction in the number of hearings and the volume of enquiries concerning advertising were addressed by placing the previous Hearing Co-ordinator function within the responsibilities of a new position, a Hearing and Advertising Coordinator, who focuses exclusively on hearings and advertising.
- More dealers and salespeople are consulting lawyers to deal with VSA issues, a development which seems to be expediting resolution of disputes.
- The Salesperson Advisory Committee, which reports directly to the VSA Board of Directors, has proved instrumental in efforts to improve and recognize the professionalism of salespeople. In response to suggestions that there needs to be more evidence of licence value, the VSA produced a VSA logo-embossed lanyard that holds the credit-card size licence and can hang from a salesperson's neck, like many identity cards. The lanyard is now distributed with all new and renewed licences. Many salespeople also voluntarily frame and display the new 8.5 x 11 licence certificate bearing the VSA logo.
- The online service for new salesperson applications and renewals is a steadily growing percentage of the annual total, but still under-utilized.
- New hires working on the sales floor continues to be a serious problem. Contrary to licensing requirements, there is a tendency of some dealers 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. If there is customer contact in pursuit of sales, there must be at least a 45-day conditional licence. This conditional licence grace period gives the new salesperson time to complete the mandatory Level I Salesperson Certification Course.
- The VSA has commended some dealers who have set up database systems to show with a tap of the keyboard the licensing status of all personnel engaged in sales, and to flag those requiring renewal.

## Progressive Enforcement

The goal of VSA enforcement is compliance, not infraction statistics. Progressive enforcement means that the measures become more serious and punitive if corrective action is not taken after the earliest indication of problems.

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**Written Warning** - for an inspection infraction or investigation issue.

**Violation Ticket** - for a violation of the Motor Dealer Act (MDA) or its regulations and applies to dealers only, under the B.C. Offence Act. These tickets must be defended in the B.C. Provincial Court.

**Undertaking** - is a voluntary agreement by a motor dealer or salesperson with the Registrar of Motor Dealers to abide by the law, pay consumer damages or unwind a transaction (if applicable) and pay for the VSA's investigation and hearing costs (if applicable). An undertaking may be issued for a breach of the Business Practices and Consumer Protection Act (BCCPA) and may be filed in the B.C. Supreme Court. Once filed, it is an order of that Court except for purposes of appeal.

**Compliance Order (BCCPA)** - after conducting a hearing, the Registrar of Motor Dealers may order a motor dealer or a salesperson to pay damages to a consumer, or unwind a transaction because of their breach of the BCCPA, and may require repayment of the Authority's investigation and hearing costs. A Compliance Order can also be filed in the B.C. Supreme Court as in an Undertaking above.

**Administrative Penalty** - after conducting a hearing, the Registrar may issue an Administrative Penalty of up to \$50,000 on a corporation or \$5,000 on an individual where they have breached portions of the BCCPA, or failed to comply with an Undertaking or Compliance Order. This can also be filed in the B.C. Supreme Court as in an Undertaking above.

**Freeze Orders** - under either the MDA or the BCCPA, if the Registrar has commenced an investigation, he may issue a "Freeze Order" on the assets and business of a dealer in order to protect consumers.

**Apply to Appoint a Receiver** - where the Registrar has commenced an investigation, and there are concerns about consumer property, creditors or others, he may apply to the B.C. Supreme Court for the appointment of a receiver, receiver-manager or trustee.

**Compliance Order (MDA)** - upon application to the B.C. Supreme Court, the Registrar may seek the statutory equivalent of an injunction to comply with the law.

**Licence Conditions** - with written notice, the Registrar may place conditions on the registration of a motor dealer or licence of a salesperson at any time and without a hearing.

**Licence Suspension or Cancellation** - upon giving a motor dealer or salesperson an opportunity to be heard, the



Registrar may cancel their registration/licence or suspend their registration or licence for a period of time.

In some serious situations, the Registrar can choose to bypass the early stages of progressive enforcement. In practice, once dealers and salespeople comprehend all of the steps in the process and the aggressive action facilitated by law, most appreciate the opportunity to take corrective action while discussions are still informal.

#### Dealer Licensing and Salesperson Statistics

(April 1, 2008 to March 31, 2009 and April 1, 2009 to March 31, 2010, unless otherwise noted)

|   | 2008/09 | 2009/10 |
|---|---------|---------|
| Dealer licences processed and issued    | 1,608   | 1,543   |
| New dealer applications                 | 106     | 98      |
| Dealer renewals processed               | 1,502   | 1,445   |
| New salesperson applications            | 1,190   | 1,096   |
| Salesperson renewals processed          | 5,925   | 5,797   |
| Salesperson licences currently issued * | 6,720   | 6,770   |
| Dealer licences currently issued *      | 1,561   | 1,517   |

\* (summer 2009/2010 totals)

#### Inspection and Compliance Statistics, 2009 (note, calendar year)

The Compliance Department statistics January 1, 2009 - December 31, 2009

##### Investigations:

- 1,205 investigations (includes investigations brought forward from previous years).
- 858 of the 1,205 investigations have been concluded to date.
- 347 investigations were carried over to 2010.
- The 1,205 investigations involved 725 alleged infractions under the MDA, 404 infractions under the BPCPA, 217 infractions pertaining to advertisements and 95 unlicensed motor dealers (curbers).
- 241 warnings were issued, 20 tickets issued, 7 undertakings issued and 64 files went to hearings.

##### Inspections:

- 995 inspections completed of which 81 were for new dealers and 112 were for change of location.
- 171 routine inspections required a re-inspection because the dealers were not in compliance.
- 63 percent of dealer inspections were in compliance when inspected (not all of the 37 percent not in compliance required a re-inspection).
- 23 inspections required more than one Compliance Officer to complete.



- Enforcement consisted of 157 warnings, issuance of 10 violation tickets, 22 files were opened as a result of inspections and three dealers were taken to a hearing because of an inspection not being in compliance.

**Hearings:**

- 30 dealers/salespeople were taken to hearings
- 2 dealer registrations were cancelled
- 1 salesperson licence was cancelled
- 4 dealers were suspended
- Administrative Penalties of \$46,000.00 were issued
- Recovery of \$44,372.31 for inspection/investigation/hearing/legal costs



This is the sixth Annual Report of this young Authority, and a departure from traditional approaches pursued when we began operations in 2004 and as yet not clearly understood by all. The make-up of the Board of Directors underscores our mandate to serve industry, consumers and public policy. The VSA is independent of government, but ultimately a creature of statute, a privilege that could be withdrawn as simply as it was extended.

From the outset, the VSA philosophy has been built more upon education than enforcement. When irregularities are noted in the behaviour of dealers, the first effort is a warning, hoping to encourage the proper way of doing things. Similarly, when customers call with complaints, their allegations are

addressed, in addition to providing them with references to the information that can be useful for their next purchase. The goal is not only to react to the current problem but to create a more responsible consumer who is better prepared for participating in the marketplace in the future.

In my introduction to the 2008 Annual Report, I wrote:

*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.*

In the Chairman's introduction to this year's Annual Report, he pays particular tribute to the five founding Board members who began work on this task long before the Authority became a reality. I endorse these comments and go a step further. The entire 11-member Board, including some member changes over the past six years, has been remarkable for its dedication, expertise and determination to do the right thing, irrespective of external pressure.

Since 2008, a completely new Board of Directors has come aboard, replacing those whose terms had expired. There was just one change in 2008, five in 2009 and five this year. These new Directors face a steep learning curve but they bring to the table impressive credentials and experience, energy and a fresh point of view. I am confident that they will maintain the optimal level of good governance and support the VSA has always enjoyed.

I must also pay tribute to our exceptional management and staff, an extraordinary group of professionals. It took some time to get the right people in place for all the tasks at hand, but I would match the 34 full-time VSA employees with any similar group anywhere.

It is evident in the pages of this report not just how far we have come, but also how far we have yet to go.

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, 2010 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, 2010 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 18, 2010

## Statement of Financial Position

|  | March 31, 2010 | March 31, 2009 |
|--|----------------|----------------|
| <b>ASSETS</b>                                |                |                |
| <b>CURRENT ASSETS</b>                        |                |                |
| Cash   | \$ 1,562,037   | \$ 2,038,401   |
| Money market funds (Note 3)                  | 300,000        | –              |
| Receivables                                  | 18,546         | 46,926         |
| Prepaid expenses and deposits                | 78,033         | 81,872         |
|  | 1,958,616      | 2,167,199      |
| MONEY MARKET FUNDS (Note 3)                  | 800,000        | –              |
| PROPERTY AND EQUIPMENT (Note 4)              | 296,079        | 520,234        |
|  | \$ 3,054,695   | \$ 2,687,433   |
| <b>LIABILITIES</b>                           |                |                |
| <b>CURRENT LIABILITIES</b>                   |                |                |
| Accounts payable and accrued liabilities     | \$ 263,207     | \$ 158,856     |
| Unearned revenue                             | 1,560,028      | 1,475,195      |
|  | 1,823,235      | 1,634,051      |
| <b>NET ASSETS</b>                            |                |                |
| INVESTED IN PROPERTY AND EQUIPMENT           | 296,079        | 520,234        |
| RESERVED FOR FUTURE TRAINING COSTS           | 5,879          | 5,879          |
| RESERVED FOR CONSUMER AWARENESS              | 309,341        | 259,187        |
| ACCUMULATED EXCESS OF REVENUES OVER EXPENSES | 620,161        | 268,082        |
|  | 1,231,460      | 1,053,382      |
|  | \$ 3,054,695   | \$ 2,687,433   |

COMMITMENTS (Note 7)

APPROVED ON BEHALF OF THE BOARD:



Director



Director

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

## Statement of Operations

|  | Year ended<br>March 31, 2010 | Year ended<br>March 31, 2009 |
|--|------------------------------|------------------------------|
| <b>REVENUES</b>                                      |                              |                              |
| Licensing fees                                       | \$ 3,509,132                 | \$ 3,550,046                 |
| Registrar's hearings                                 | 11,850                       | 7,896                        |
| Administration fees, training and other              | 737,602                      | 572,194                      |
| Interest   | 7,014                        | 59,157                       |
|  | <u>4,265,598</u>             | <u>4,189,293</u>             |
| <b>EXPENSES</b>                                      |                              |                              |
| Advertising and promotion                            | 92,805                       | 88,313                       |
| Amortization   | 245,991                      | 355,068                      |
| Automobile   | 123,168                      | 118,202                      |
| Compensation fund expenses                           | 77,638                       | 597,442                      |
| Consulting   | 212,476                      | 219,488                      |
| Governance   | 143,909                      | 117,257                      |
| Office and general                                   | 413,149                      | 403,259                      |
| Professional fees                                    | 153,814                      | 104,277                      |
| Project development                                  | 582                          | 52,150                       |
| Registrar's hearings                                 | 23,859                       | 17,502                       |
| Rent and parking                                     | 223,869                      | 221,206                      |
| Travel and meals                                     | 134,545                      | 168,622                      |
| Wages and benefits                                   | 2,369,507                    | 2,169,216                    |
|  | <u>4,215,312</u>             | <u>4,632,002</u>             |
| Compensation fund recoveries                         | <u>(77,638)</u>              | <u>(597,442)</u>             |
|  | <u>4,137,674</u>             | <u>4,034,560</u>             |
| <b>EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR</b> | <u>\$ 127,924</u>            | <u>\$ 154,733</u>            |

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, 2010

|  | Accumulated excess<br>of revenues<br>over expenses | Invested in property<br>and equipment | Designated<br>reserves | Net excess<br>of assets<br>over liabilities |
|--|--|---------------------------------------|------------------------|---|
| BALANCE, March 31, 2008                                      | \$ 220,214   | \$ 413,369                            | \$ 277,490             | \$ 911,073                                  |
| INVESTMENT IN PROPERTY<br>AND EQUIPMENT, net of amortization | (106,865)  | 106,865                               | -                      | -   |
| USED FOR TRAINING COSTS                                      | -  | -                                     | (30,000)               | (30,000)                                    |
| USED FOR CONSUMER AWARENESS                                  | -  | -                                     | (61,945)               | (61,945)                                    |
| RESERVE FOR CONSUMER AWARENESS                               | -  | -                                     | 79,521                 | 79,521                                      |
| EXCESS OF REVENUES OVER EXPENSES<br>FOR THE YEAR             | 154,733  | -                                     | -                      | 154,733                                     |
| BALANCE, March 31, 2009                                      | 268,082  | 520,234                               | 265,066                | 1,053,382                                   |
| INVESTMENT IN PROPERTY<br>AND EQUIPMENT, net of amortization | 224,155  | (224,155)                             | -                      | -   |
| USED FOR TRAINING COSTS                                      | -  | -                                     | -                      | -   |
| USED FOR CONSUMER AWARENESS                                  | -  | -                                     | (28,253)               | (28,253)                                    |
| RESERVE FOR CONSUMER AWARENESS                               | -  | -                                     | 78,407                 | 78,407                                      |
| EXCESS OF REVENUES OVER EXPENSES<br>FOR THE YEAR             | 127,924  | -                                     | -                      | 127,924                                     |
| BALANCE, March 31, 2010                                      | \$ 620,161   | \$ 296,079                            | \$ 315,220             | \$ 1,231,460                                |

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

## Statement of Cash Flows

|   | Year ended<br>March 31, 2010 | Year ended<br>March 31, 2009 |
|---|------------------------------|------------------------------|
| <b>OPERATING ACTIVITIES</b>                               |                              |                              |
| Excess of revenues over expenses for the year             | \$ 127,924                   | \$ 154,733                   |
| Items not affecting cash:                                 |                              |                              |
| Amortization  | 245,991                      | 355,068                      |
|   | 373,915                      | 509,801                      |
| Changes in non-cash working capital:                      |                              |                              |
| Receivables   | 28,380                       | (11,941)                     |
| Prepaid expenses  | 3,839                        | (17,652)                     |
| Accounts payable and accrued liabilities                  | 104,351                      | (54,684)                     |
| Unearned revenue  | 84,833                       | 10,960                       |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>           | <b>595,318</b>               | <b>436,484</b>               |
| <b>INVESTING ACTIVITIES</b>                               |                              |                              |
| Purchase of money market funds                            | (1,100,000)                  | -                            |
| Purchase of property and equipment                        | (21,836)                     | (461,933)                    |
| <b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>        | <b>(1,121,836)</b>           | <b>(461,933)</b>             |
| <b>FINANCING ACTIVITIES</b>                               |                              |                              |
| Cash reserved (used) for training and development costs   | 50,154                       | (12,424)                     |
| <b>NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b> | <b>50,154</b>                | <b>(12,424)</b>              |
| <b>NET (DECREASE) INCREASE IN CASH</b>                    | <b>(476,364)</b>             | <b>(37,873)</b>              |
| CASH, beginning of year                                   | 2,038,401                    | 2,076,274                    |
| <b>CASH, end of year</b>                                  | <b>\$ 1,562,037</b>          | <b>\$ 2,038,401</b>          |
| <b>Supplementary Cash Flow Information:</b>               |                              |                              |
| Cash paid for interest                                    | \$ -                         | \$ -                         |

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

## Notes to the Financial Statements

March 31, 2010

### 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 B.C. (VSA), better reflecting both the public and industry service roles of the independent regulatory agency.

The Society’s mission statement is to regulate a fair motor vehicle sales marketplace through education and compliance.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared on the basis of Canadian generally accepted accounting principles for not-for-profit organizations.

To ensure observance of limitations and restrictions placed on the use of resources available to the Society such resources are classified for accounting and reporting purposes into funds according to activities or objectives specified.

#### Financial Instruments

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards which are applicable to the Society: CICA Handbook Section 3862 Financial Instruments – Disclosures and Section 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 are optional for most not-for-profit organizations and private enterprises. The Society has chosen to continue to apply the CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation rather than adopting Sections 3862 and 3863.

Effective April 1, 2007, the Society adopted the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, and Section 3861, Financial Instruments – Disclosure and Presentation. The 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 are 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.

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 |
| Money market funds, maturing within one year | Held to maturity      | Amortized cost    |
| Money market funds, long term                | Held to maturity      | Amortized cost    |
| Receivables                                  | Loans and receivables | 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.

#### Money market funds

Money market funds consist of Canadian dollar denominated term deposits. Terms to maturity greater than ninety days, but not more than one year have been presented as a current asset. Terms to maturity greater than one year have been presented as a long term asset. Money market funds are classified as held to maturity and are recorded at amortized cost with realized and unrealized gains and losses reported in net income (loss).

## 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

Recoveries from the Compensation fund are not recorded as revenues as the costs incurred by the Society are fully reimbursed by a third party.

### Registrar's Hearings

Revenues from registrar's hearings 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 amount.

## Comparative Figures

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

## NOTE 3 – MONEY MARKET FUNDS

Money market funds consist of the following:

|  | 2010       | 2009 |
|--|------------|------|
| Guaranteed Investment Certificate due March 23, 2011, interest rate of 1.17% per annum | \$ 100,000 | \$ - |
| Guaranteed Investment Certificate due March 23, 2011, interest rate of 1.17% per annum | 100,000    | -    |
| Guaranteed Investment Certificate due March 24, 2011, interest rate of 3.03% per annum | 100,000    | -    |
| Guaranteed Investment Certificate due March 23, 2012, interest rate of 1.85% per annum | 100,000    | -    |
| Guaranteed Investment Certificate due March 23, 2012, interest rate of 1.85% per annum | 100,000    | -    |
| Guaranteed Investment Certificate due March 23, 2012, interest rate of 1.85% per annum | 100,000    | -    |
| Guaranteed Investment Certificate due March 23, 2013, interest rate of 2.50% per annum | 100,000    | -    |
| Guaranteed Investment Certificate due March 25, 2013, interest rate of 2.50% per annum | 100,000    | -    |
| Guaranteed Investment Certificate due March 25, 2013, interest rate of 2.55% per annum | 100,000    | -    |
| Guaranteed Investment Certificate due March 24, 2014, interest rate of 2.96% per annum | 100,000    | -    |
| Guaranteed Investment Certificate due March 24, 2014, interest rate of 3.00% per annum | 100,000    | -    |
|  | 1,100,000  | -    |
| Amount included as a current asset   | 300,000    | -    |
| Amount included as a long term asset   | \$ 800,000 | \$ - |

#### NOTE 4 – PROPERTY AND EQUIPMENT

|                         | 2010               |                          |                   | 2009               |                          |                   |
|-------------------------|--------------------|--------------------------|-------------------|--------------------|--------------------------|-------------------|
|                         | Cost               | Accumulated Amortization | Net Book Value    | Cost               | Accumulated Amortization | Net Book Value    |
| Computer equipment      | \$ 164,587         | \$ 140,150               | \$ 24,437         | \$ 189,397         | \$ 166,411               | \$ 22,986         |
| Computer software       | 132,336            | 106,257                  | 26,079            | 138,242            | 62,307                   | 75,935            |
| Furniture and equipment | 186,620            | 163,126                  | 23,494            | 185,930            | 142,299                  | 43,631            |
| Leasehold improvements  | 311,797            | 89,728                   | 222,069           | 311,525            | 26,339                   | 285,186           |
| Oasis software          | 674,441            | 674,441                  | -                 | 662,495            | 569,999                  | 92,496            |
|                         | <u>\$1,469,781</u> | <u>\$1,173,702</u>       | <u>\$ 296,079</u> | <u>\$1,487,589</u> | <u>\$ 967,355</u>        | <u>\$ 520,234</u> |

The Society has developed a customized web based software program for the management of licensing, compliance, learning and the compensation fund within one system. The Society amortizes the software and substantive upgrades over an estimated useful life of 3 years.

#### NOTE 5 – FINANCIAL INSTRUMENTS

##### Fair Value

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

##### Currency, Credit, and Interest Rate Risk

The Society is currently not exposed to significant foreign currency risk.

The Society has counterparty risk exposure for cash on deposit. Risk is mitigated by management policy to hold funds on deposit only with large established financial institutions.

The Society is subject to limited interest rate risk for fluctuations in interest rates upon renewal of deposit funds.

#### NOTE 6 – RELATED PARTY TRANSACTIONS

During the year ended March 31, 2010, the Society incurred \$114,411 (2009 - \$89,825) in governance costs paid to directors for directors fees and expenses.

During the year ended March 31, 2010, the Society incurred \$240,851 (2009 - \$228,024) 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 September 2018), and office equipment and vehicles (expires April 2010 through March 2013), requiring minimum annual payments in each of the five fiscal years as follows:

|      |                   |
|------|-------------------|
| 2011 | \$ 168,506        |
| 2012 | 172,272           |
| 2013 | 159,743           |
| 2014 | 154,245           |
| 2015 | 165,873           |
|      | <u>\$ 820,639</u> |

The Society has entered into a ten year lease on new office premises which commenced October 1, 2008. Lease commitments for these premises for the fiscal years ended March 31, 2013 through 2018 require minimum annual payments of \$154,245 increasing to \$177,500 by 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 \$198,404 plus benefits annually until May 31, 2013. 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

In January 2009, the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. The EIC will be applicable to financial statements relating to fiscal years beginning on or after January 20, 2009. Accordingly, the Society adopted the new standards for its fiscal year beginning April 1, 2009. The EIC provides guidance on how to take into account credit risk of an entity and counter-party when determining the fair value of financial assets and financial liabilities, including derivative instruments, for presentation and disclosure purposes. The adoption of this EIC did not have an effect on the financial statements.

##### New Accounting Standards Not Yet Adopted

In 2006, the CICA 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 public interest enterprises.

## VSA Management Team



From left to right  
in the back row:

Doug Longhurst  
Judy McRae  
Hong Wong  
Ken Smith  
Anna Gershkovich  
Ian Christman

Seated from left to  
right in the front row:

Denis Savidan  
Diana Den Duyf

### **Ken Smith**

*President and Registrar*

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 the 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 a background in administrative and regulatory law, complex commercial litigation and class actions, constitutional law, products liability, employment law and legal research. He also has many years of experience 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.

### **Doug Longhurst**

*Director 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 had 30 years of planning and management experience in university, non-profit housing, family business and public service environments.

### **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. Promoted to her current position during 2006, she has a Communications degree from Simon Fraser University.

### **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 2006 as the Senior Licensing Officer and immediately made his mark helping to eliminate extensive backlogs in the processing of licences and information requests, and 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.

### **Anna Gershkovich**

*Manager of Consumer Services*

A native of St. Petersburg, Russia, with a Masters Degree in linguistics, Anna Gershkovich worked as a translator/interpreter in both St. Petersburg and Richmond, Virginia. After relocating to Canada, she acquired certification as a paralegal and additional academic credentials from the Sauder School of Business at UBC. She joined the VSA in 2007 as the Administrator of the Motor Dealer Customer Compensation Fund, and subsequently its Claims Manager. She was promoted to her current position in March 2009.

## VSA Board of Directors

As a not-for-profit organization, a Board of Directors made up of three “public-at-large” members, six representatives from the motor vehicle sales industry and two ministerial appointments leads the VSA. 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 and his wife Barbara have been prominent executives of Variety, the Children's Charity for more than a generation, and he is currently Vice-President of Variety International.



**Michael Faulkner**  
White Rock

A senior administrator with over 35 years of public service in the fields of finance, secondary and post-secondary education, he was the Corporate Secretary and Senior Financial Officer for Alberta Treasury from 1981 to 1998. He has served on numerous Alberta Government councils including Alberta's degree accreditation council, at its inception, and he was a Public Member on the board of the Alberta College of Pharmacists. He is an avid and accomplished cyclist.



**Graeme Roberts**  
Victoria

A former Mayor of Nanaimo and among the city's prominent business personalities for more than a generation, Graeme Roberts has served in senior executive and board of directors positions for a succession of public and private sector entities: local, regional and national. He is a past Chairman of the British Columbia Public Service Commission and also served on the Boards of Air Canada Jazz, its predecessors and the B.C. Ferry Corporation.

### 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 boards 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



**Manse Binkley, CA**  
Kelowna (New Car Dealers Association of B.C.)

Manse Binkley, a past-president of the Manitoba Motor Dealers Association and Chairman of the NCDA of B.C., succeeded his father in the auto sales business. After graduating university with a Commerce degree and subsequent accreditation as a Chartered Accountant, he ran Binkley Motors in Brandon, Manitoba, until he sold it in 1991. He then moved to Kelowna where he and his wife Anna own Harmony Honda and Harmony Acura. He and his wife have been major benefactors of several charities.



**Al Cameron**  
Parksville (Automotive Retailers Association)

A Nova Scotia native who relocated to B.C. in 1995, joining the Jim Pattison Auto Group in Victoria and Duncan, Al Cameron and his wife Bea founded their own business, Bluenose Motor Co., in Parksville in 2003. His company was voted Parksville's “Small Business of the Year” in 2007. A member of the Board of Directors of the Parksville & District Chamber of Commerce and a volunteer with Project Literacy, he and his wife live in Nanaimo with their two children.



**Fahim Gadallah**  
Richmond (New Car Dealers Association of B.C.)

Fahim Gadallah, born in Cairo, Egypt, emigrated with his family to Canada as a child in 1967, graduating from high school in Edmonton, Alberta, and continued his education at the University of Alberta. He and his wife Barb own Dennison Chevrolet and Happy Honda. They have three teen-aged children, a son and two daughters. Fahim has served on several industry boards of directors, including his current work as a Board member of the Canadian Auto Dealers 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 Chairman 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. 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.

### New Directors effective April 1, 2010

Directors are appointed to three-year terms and limited to a maximum of two consecutive terms. Appointments are staggered so that some change occurs each year. At the end of the year covered by this report, the five founding directors of the VSA (originally known as the Motor Dealer Council of B.C.) completed their terms: Harvey, Kalawsky, Morfitt, Salomon and Stewart.

The new directors appointed effective April 1, 2010 are: **Public-at-Large William G. (Bill) Bullis** (Vancouver), recently retired after 15 years as President and CEO of the British Columbia Automobile Association, formerly a senior executive in the food and communications industries. **Ministerial Appointments** (for six-year terms) **Rebecca Darnell** (Langley), a lawyer, and Past-President of both the Langley Community Services Society (2001 to 2008) and the Fraser Valley Bar Association. A Life Member of the Women's Legal Education and Action Fund, she has been a member of the Board of Governors of Kwantlen Polytechnic University from 2004 until 2010. **Don Nixdorf**, DC, (Richmond), a prominent health professional who has been a member of national and provincial agencies and a participant in many studies and commissions, he has been Executive-Director of the British Columbia Chiropractic Association and the College of Chiropractors of B.C. since 1985. **Industry Representatives John Chesman** (Vancouver), the immediate Past-Chairman of the New Car Dealers of British Columbia and General Manager of MCL Motor Cars (1992) Inc. He became prominent in B.C. serving for 15-years as Vice-President, Finance and Administration, for Northwest Sports Enterprises Ltd. (The Vancouver Canucks). He was awarded the Queen's Jubilee Medal for distinguished public service in 2002. **Jack Bell** (Williams Lake), who served for 25 years on the Board of Directors of the Recreation Dealers Association of British Columbia, was awarded the national industry's greatest honour, The Walter Paseska Canadian RV Dealer of the Year in 2004. He is the founder and proprietor of Chemo RV in Williams Lake and Quesnel.



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