

OMVIC

1998 ANNUAL REPORT

Committed To A Fair Marketplace





May 26, 1999

The Honourable David Tsubouchi,
Minister of Consumer & Commercial Relations
250 Yonge St., Toronto, ON M5B 2N5

Dear Minister,

It is my pleasure to submit to you the second Annual Report of the Ontario Motor Vehicle Industry Council. Once again, we believe that OMVIC, through the work of its Board and staff, has accomplished much to be proud of. Some highlights from the Annual Report include:

- Almost 4,000 dealer inspections and 1,200 site visits were completed – more inspections than in any previous year for which statistics are available;
- On average, approximately 9,000 telephone inquiries were handled by OMVIC staff each month during 1998;
- OMVIC investigators laid over 450 charges during 1998, and 220 convictions were registered;
- New Marketing Standards which ensure the highest possible level of consumer disclosure came into effect on October 1, 1998;
- OMVIC's Code of Ethics, approved by the Board in 1997, was distributed to OMVIC's dealer members in June of 1998;
- Significant progress was made on implementation of a mandatory Certification Program for Ontario's dealers and salespersons – a program designed to advance the professionalism of the industry.

OMVIC has provided positive proof that Ontario's motor vehicle dealer sector is a mature industry, which can take responsibility for consumer protection and for advancing dealer professionalism. We have raised the standards of our industry by dedicating resources to compliance and enforcement programs, providing consumers and dealers with access to no-charge mediation services, raising the registration standards for dealers and salespersons, and by raising awareness of the high ethical business standards that dealers impose on themselves and expect of each other.

As I did last year, I wish to once again express our appreciation for the productive relationship we have enjoyed with the staff of your ministry. They continue to provide the highest possible levels of co-operation and demonstrate great professionalism at every turn.

We once again look forward to another successful year with a renewed sense of enthusiasm and commitment to a fair marketplace.

Sincerely,

A handwritten signature in black ink, appearing to read "John Carmichael".

John Carmichael
Chair, Board of Directors



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1. 0 Summary

OMVIC is Ontario's first administrative authority created pursuant to the *Safety & Consumer Statutes Administration Act*. The Honourable David Tsubouchi, Minister of Consumer & Commercial Relations, delegated responsibility for the day-to-day administration of the *Motor Vehicle Dealers Act* to OMVIC on January 7, 1997.

This document sets out our performance against the commitments contained in OMVIC's 1998 Business Plan. The following pages provide an overview of OMVIC, list our services and detail our accomplishments during our second year.

2. 0 Overview

2. 1 Vision & Mission

OMVIC's vision is simple: *A fair marketplace.*

We will promote a fair marketplace through innovation, enforcement and excellence in service.

2. 2 Values

OMVIC has a series of values or operating principles, which guide it in its day-to-day decision-making. These values were identified by staff as important to them and necessary in their view for the effective delivery of the OMVIC mandate. In no particular order, these operating principles are:

We will be **innovative** in our search for the best solution for problems faced by our clients.

We will have **respect** for our clients, our colleagues, our partners, our critics and ourselves.

We will exercise **fairness** in all the things we do.

Integrity will be our hallmark.

We will at all times be **knowledgeable** about our programs and communicate with clients.

Without assignment of blame, we will be **accountable** for everything we do as individuals, as a team, and as an organization.

We will be **committed** to the service of our clients and to our vision, mission and mandate.

Because of all of the above, the workplace will be a place where **fun** is an ever-present commodity incorporated into daily activities.



2.3 Priorities

- *Consumer Protection*
- *Dealer Professionalism*
- *Customer Service*

2.4 Objectives

- Increased consumer confidence through compliance and mediation activities
- Increased accountability through implementation of a Code of Ethics, Rules of Business Practice and an open Disciplinary Process
- Consumer protection by pursuit of those who would prey on an unwary public, with emphasis on curbsiders.
- Consumer awareness through dissemination of information concerning consumer rights via publications, articles & media interviews

An Executive Director is responsible for the day-to-day affairs of OMVIC and also performs the responsibilities of Registrar under the *Motor Vehicle Dealers Act*.

3.0 Organization

OMVIC is a non-profit professional association of Ontario's 9,000 motor vehicle dealers. OMVIC was established for the purposes of administering the Ontario *Motor Vehicle Dealers Act*, a consumer protection statute. OMVIC performs its responsibilities pursuant to an Administrative Agreement with the Ministry of Consumer and Commercial Relations. The Council is government sanctioned, serves the public interest and membership is mandatory for Ontario's registered dealers.

3.1 Governance

A Board of Directors provides guidance and direction to OMVIC. The board comprises nine motor vehicle dealers drawn from all segments of the industry: large and small, used and new, urban and rural. These industry representatives are joined by three consumer/government representatives appointed by the Minister of Consumer and Commercial Relations. The responsibilities of Director under the *Motor Vehicle Dealers Act* are provided by a member of the Board of Directors appointed by the Minister.

The founding industry members were selected through a process of self-nomination approved by government. As these founding members complete their terms (two, three or four years), they will be replaced by means of a democratic process overseen by a Nominations Committee of the Board and subject to independent review.



An Executive Director is responsible for the day-to-day affairs of OMVIC and also performs the responsibilities of Registrar under the *Motor Vehicle Dealers Act*.

3.2 Role of the Board

The Board's role is to:

1. Provide business direction to OMVIC. Through strategic planning, determining priorities and setting policy guidelines, provide overall direction to the Executive Director in order to ensure that OMVIC's mandate is delivered.
2. Ensure financial and functional viability of OMVIC. Through its fee-setting policies and the exercise of fiscal oversight, ensure the financial and functional viability of OMVIC.
3. Ensure that OMVIC's operational and financial controls are operating properly.
4. Provide OMVIC with access to the necessary resources. Through the Executive Director, ensure that OMVIC has the necessary resources, competence, tools and organization to effectively fulfil its mandate.
5. Communicate and market OMVIC's benefits enjoyed by consumers, registrants, members and government.

3.3 Committees

There are several active committees of the Board.

- *Appeals*, Chair, Pauline Mitchell (see also Appeals Committee section below)
- *Communications & Advertising*, Chair, Whipple Steinkrauss
- *Education*, Chair, Whipple Steinkrauss
- *Ethics & Discipline*, Chair, Gerry Barg
- *Finance & Audit*, Chair, Robert Stephen
- *Human Resources Advisory*, Chair, Robert Stephen
- *Legislative Review*, Chair, Pauline Mitchell

3.4 Management Summary

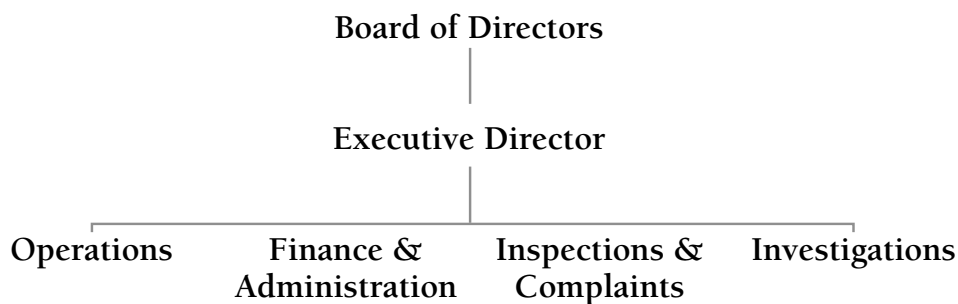
Management is provided by a team of four including the Executive Director (who also provides the responsibilities of Registrar under the MVDA), Operations Director, Compliance Director, and Comptroller. Approximately 34 staff provide the services described previously, eight of whom work from home-based offices.



3. 5 Organizational Structure

OMVIC’s organizational structure is decidedly flat with only three layers including the Executive Director. Generic job specifications have been used wherever possible to maximize organizational flexibility, personal challenge and reward. Team members are allowed every opportunity to either “specialize” or to branch into new areas, while still permitting OMVIC flexibility in the assignment of work. Reflecting this flexibility, most staff hold the same job title: Client Service Representative.

Ontario Motor Vehicle Industry Council



3. 6 Origins & History

OMVIC was incorporated under the laws of Ontario and received its Letters Patent in October of 1996. Its founding board was in place the following month and the Minister of Consumer & Commercial Relations delegated responsibility for administering the Motor Vehicle Dealers Act on January 7, 1997 to OMVIC.

A transition period ensued during which OMVIC operated out of the Ministry’s headquarters using ministry staff and technical resources. This transition period ensured a transparent and problem-free transfer of responsibility for administering the MVDA from the ministry to OMVIC. The transition period came to an end on April 7, 1997, when OMVIC moved into its own quarters at 36 York Mills Road, Suite 110, Toronto, Ontario M2P 2E9.

In May of 1997, Minister David Tsubouchi appointed OMVIC’s investigators as Provincial Offence Officers under the Provincial Offences Act thus enabling them to lay charges under the *Motor Vehicle Dealers Act*, the *Business Practices Act* and other related provincial statutes.

In December of 1997, the process of integrating procedures between OMVIC and the Motor Vehicle Dealers Compensation Fund was initiated.



OMVIC was created as a result of the commitment of government and the industry to improving consumer protection through dealer professionalism. Through the work of administrative authorities such as OMVIC, each regulated business sector has the opportunity to develop a regulatory professional association with the commitment, expertise and resources necessary to improve consumer confidence and create a level playing field for its regulated professionals.

3.7 Locations & Facilities

OMVIC's headquarters are located at:

36 York Mills Road, Suite 110
Toronto, ON M2P 2E9

OMVIC staff can be reached at:

416-226-4500 or 1-800-943-6002
Fax: 416-226-3208
<http://www.omvic.on.ca>

Several field staff work from home offices in major communities across the province. These staff conduct inspections or investigations and also mediate disputes between consumers and dealers and between dealers.



4.0 Products & Services

OMVIC activities, which include registration, inspection, investigation and prosecution, enquiry and complaint handling, dealer professionalism and consumer awareness, are intended to support our priorities: consumer protection, dealer professionalism and customer service.

4.1 Product & Service Description

Registration:

By exercising the duties of the Registrar under the *Motor Vehicle Dealers Act*, OMVIC determines whether applicants qualify for registration and whether existing registrants continue to be qualified for registration. The Registrar has a responsibility to propose refusal or revocation of registration or to propose terms and conditions of registration. OMVIC maintains a register of dealers and salespersons in Ontario that have qualified for registration under the MVDA.

There are an estimated 9,000 dealers and 18,000 salespersons registered under the MVDA in Ontario. Each registration is for two years, renewable on the anniversary of registration. OMVIC processes applications for registration as well as renewals, information changes and records transfers of salespersons from dealer to dealer.

When the Registrar proposes to refuse or revoke registration, the affected applicant or registrant may request a hearing before the Commercial Registration Appeals Tribunal (CRAT), an independent quasi-judicial agency of the Ministry of Consumer & Commercial Relations. In such cases, the Registrar presents the case for refusal or revocation before a panel of the Tribunal. The panel may direct the Registrar to carry out the proposal, modify the proposal or set aside the proposal and replace it with its own order.

Inspection:

OMVIC's inspection staff conduct inspections of registered dealers and as such have right of access to business books and records. Inspections are conducted in order to ensure ongoing compliance with the MVDA.

The MVDA requires dealer registrants to conduct business from premises approved by the Registrar and sets out the requirement to have a lot, sign and a separate office for the conduct of business. The MVDA also sets out requirements for the maintenance of books and records. Dealers may only use the services of registered salespersons whose registrations indicate that they are providing services to that dealer.

Under the MVDA, appropriately appointed inspectors have the right to inspect a dealer's premises, to view and photocopy books and records and to make inquiries regarding any complaint received about the dealer's conduct. A record is kept of all completed inspections and, as necessary, follow-up action is taken. Inspectors also prepare proposal files and present evidence at CRAT.



Investigation & Prosecution:

OMVIC's investigations staff are appointed under the MVDA and the *Provincial Offences Act*. They are empowered to conduct investigations under several relevant statutes. As a result of those investigations, investigators may choose to lay charges under a number of provincial statutes including the *Motor Vehicle Dealers Act*, the *Business Practices Act* and the *Consumer Protection Act*.

OMVIC prosecutes offenders using the services of local prosecutors or by providing its own counsel. Investigators also collect evidence, interview witnesses, prepare court briefs, present evidence and in some cases conduct prosecutions.

Enquiries and complaints:

Enquiries from consumers, dealers, salespersons, applicants for registration, government and other stakeholders are handled by OMVIC staff. Staff also offer a mediation service for complaints between consumers and dealers and between dealers themselves.

Consumers who feel aggrieved by a transaction with a registered dealer are advised as to their rights. They are then encouraged to attempt to settle the disagreement by contacting the dealer directly. If further assistance is required, OMVIC's staff will attempt to mediate the complaint. Often, dealers themselves will request OMVIC's assistance in resolving a dispute with either a consumer or with another dealer.

Dealer professionalism:

OMVIC encourages increased professionalism among registrants through the development and endorsement of a certification program for new dealers and salespersons. Also, OMVIC's Board of Directors endorsed a Code of Ethics for registrants, which will be followed shortly by Standards of Business Practice and an open disciplinary process.

OMVIC staff and board members have worked closely with staff from the Canadian Automotive Institute (CAI) at Georgian College in the development of a certification program for new dealers and salespersons. Although still in its early stages, OMVIC and CAI are optimistic that it will be operational in 1999.

Consumer awareness:

OMVIC encourages consumer awareness by means of an information dissemination campaign, which includes a poster, brochures and participation in media interviews and events. Although the program is also in its infancy, OMVIC plans to provide a series of articles for publication in vehicle trader type publications. These articles will highlight consumer rights, dealer responsibilities, and provide helpful tips for buying or leasing vehicles.



4. 2 Technology

Since inception, OMVIC has depended on systems developed by the Ministry of Consumer & Commercial Relations in the mid- to late-eighties. These systems include a registration information tracking system (SENTRY) resident on an AS400 platform housed at the Ministry's head offices; and a network-based complaint and inspection tracking system (SIREN) copied to OMVIC's own network server.

These systems were designed to accommodate the needs of several different business sectors regulated by the ministry and therefore provide features not required by OMVIC but fall short of some of OMVIC's future and current needs, including the requirement to be Year 2000 compliant.

OMVIC ceased its dependence on ministry systems on March 31, 1999, with the implementation of OMVIC's own information system that integrates registration, enforcement and compensation fund information. The new system is also fully Y2K compliant.

As a whole, the dealer sector is also expected to experience a smooth transition into 2000 since the principal technology suppliers for the sector have provided client dealers with the necessary support. Manufacturers have also put in place strategies to ensure that their dealer networks will be Y2K compliant.

OMVIC's telephone system has experienced significant pressure as a result of the high volume of inquiries received. Our system was designed to handle the 2,000 to 3,000 calls per month traditionally handled by the Ministry of Consumer & Commercial Relations. Actual volumes of calls handled by OMVIC during 1998, however, are running in excess of 9,000 calls per month (per Bell Telephone traffic studies). Alternatives to the existing system are currently being examined.

4. 3 French Language Services

OMVIC endeavours to ensure that it is responsive to all enquiries received in the French language. An equivalent level of service will be provided in both languages whenever and wherever demand and customer service warrant. Bilingual staff will be sought for key positions in order to ensure that French language enquiries, whether from dealers or consumers, can be dealt with quickly, courteously and effectively. As well, all correspondence received in French will receive a response in French.

4. 4 Appeals Committee

If a consumer feels that a complaint has not been handled properly by OMVIC, the consumer may appeal to the Appeals Committee of OMVIC's Board of Directors. The Appeals Committee is chaired by a non-industry Board member appointed by the Minister of Consumer and Commercial Relations. During 1998, two complaints were referred to the



Appeals Committee, which determined that the complaints were unfounded. In one instance however, the Appeals Committee noted that OMVIC's response time to the consumer's initial complaint was overly long. The Committee also noted that response time had no bearing on the disposition of the particular complaint.

5.0 Registration Statistics

There are currently approximately 9,000 registered dealers and 18,000 registered salespersons in Ontario. The registration population has remained reasonably stable for a number of years now.

During 1998, approximately 1,200 applications for dealer registration were processed as well as 5,000 salesperson applications. As a result of the significant scrutiny and background checks conducted on new applications pursuant to the *Motor Vehicle Dealers Act*, salesperson applicants are advised that processing may take up to three weeks and dealer applicants are advised that processing may take up to six weeks.

In addition to the above, 9,300 renewal applications, 4,300 information changes, 2,900 employee transfers and 3,000 registration terminations were processed during 1998. Processing of these transactions is normally completed in less than two weeks.

6.0 Motor Vehicle Dealers Compensation Fund

The Motor Vehicle Dealers Compensation Fund was established in 1986 as a "court of last resort" for consumers who have lost money in certain types of transactions involving dealers who are registered under Ontario's Motor Vehicle Dealers Act.

To be eligible for consideration by the Fund's Board of Trustees, a written claim must be submitted within two years of a registered dealer refusing or failing to pay compensation and must be based on one of the situations described below.

- A customer has won a judgement in an Ontario court against a registered dealer who has then failed or refused to pay.
- A customer has entered into a transaction with a registered dealer and the dealer has subsequently been convicted of fraud, theft or false pretences in connection with that transaction.
- A customer has entered into a transaction with a registered dealer who is unable to fulfil his or her obligation because the dealer has gone out of business.
- A customer has made a down payment or a deposit on a vehicle and the dealer has delivered neither the vehicle nor an acceptable alternative and has not refunded the money. (It should be noted that a claim to the Fund cannot be based on the cost, value or quality of a vehicle that has been delivered.)



- A customer has purchased an extended warranty or service plan that is not underwritten by an insurance company and the claim is for a non-earned premium or for a repair under the warranty.

The Fund is considered the final safety net for consumers because, in most cases, they are expected to have exhausted the other avenues of compensation available to them before applying to the Compensation Fund. The maximum amount that can be paid for any one claim is \$15,000.

All claim applications must be accompanied by full and proper documentation, such as the bill of sale or purchase order, a judgement order or proof of conviction, or other supporting evidence.

When the Fund pays a claim, the consumer signs over to the Fund all rights and remedies related to the claim to which he or she is entitled. The Fund may then pursue its own legal action to recover the amount of the claim from the dealer or the dealer's representative.

The Fund cannot compensate consumers for a loss resulting from a private sale or a transaction involving a company that is not registered under the Motor Vehicle Dealers Act. Nor can the Fund compensate a commercial client or creditor of a dealer, even if the dealer is registered under the Act and a court judgement received. These restrictions reflect the Fund's mandate – registered automobile dealers standing behind other registered dealers in their consumer transactions to ensure a fair marketplace.

The Motor Vehicle Dealers Compensation Fund was created and is supported through a fee that dealers must pay when they apply for registration to the Ontario Motor Vehicle Industry Council.

During 1998, the Board of Trustees met on 12 occasions, and approved 56 claims resulting in payments to consumers from the Fund totalling \$321,000.

For further information about the Compensation Fund:

Motor Vehicle Dealers Compensation Fund
36 York Mills Road
Toronto, Ontario
M2P 2E9

Telephone: 416-226-3661 or 800-943-6002 ext. 135
Fax: 416-226-9406 Email: compfund@omvic.on.ca.

7.0 Performance Review

The following charts provide an indication of our operational performance during 1998 as compared to previous years for inspections, mediations, enquiries handled, investigations and Registrar's actions.

Fig.1
Completed inspections.
A record number of dealer inspections were completed during 1998 with almost 4,000 inspections being logged by Inspectors.

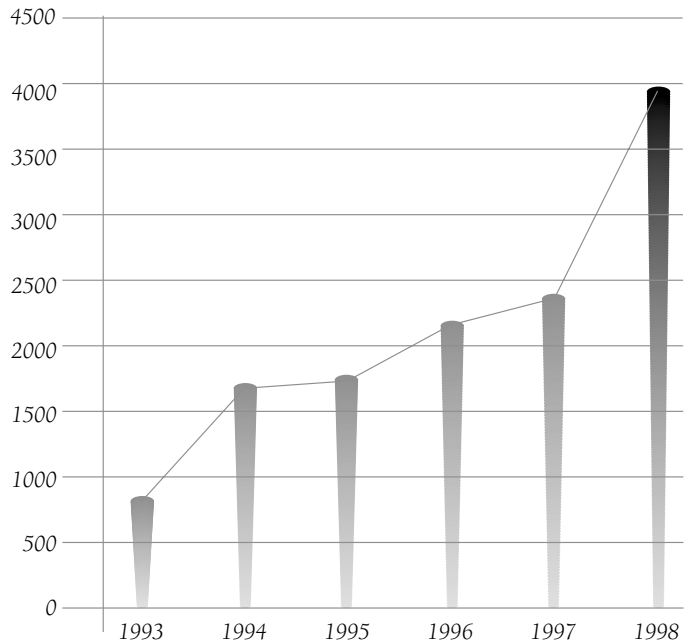


Fig.2
Complaint mediations.
OMVIC staff mediate disputes between consumers and dealers and between dealers themselves. Staff were actively involved in mediating approximately 800 disputes in 1998, down from some 1,100 in 1997.

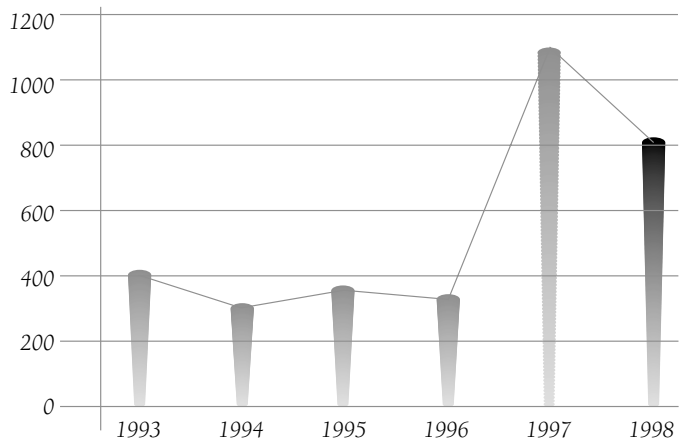
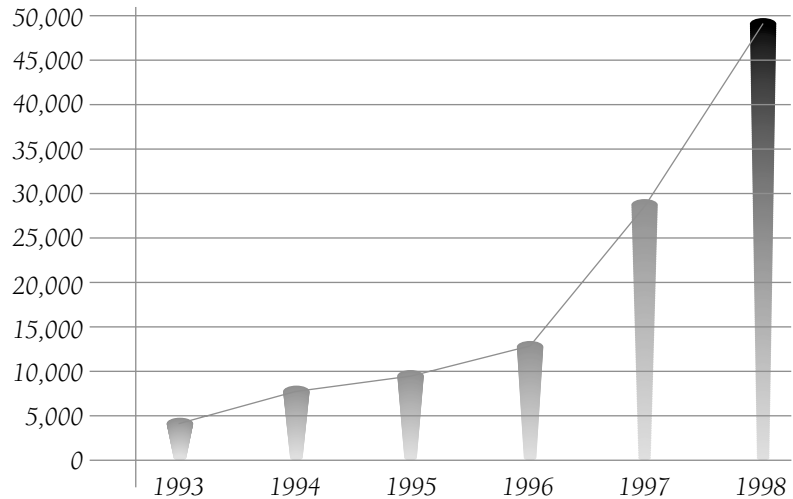


Fig.3
CLIENT
ENQUIRIES:
Approximately
4,000 client
enquiries are
handled monthly
on OMVIC's toll
free service. (At
present, incoming
local calls are not
counted but are
assumed to match
toll-free calls. This
chart does NOT
include local calls)
Although projected



volumes of enquiries answered are higher than that experienced prior to self management, we continue to provide prompt, expert assistance to clients who require information regarding dealer transactions including buying, selling and leasing as well as information concerning registration requirements

Fig.4 - Investigations.
Investigative activity
rose sharply in 1997 and
again in 1998, with the
number of entities
charged and convictions
registered increasing
dramatically over
previous years.

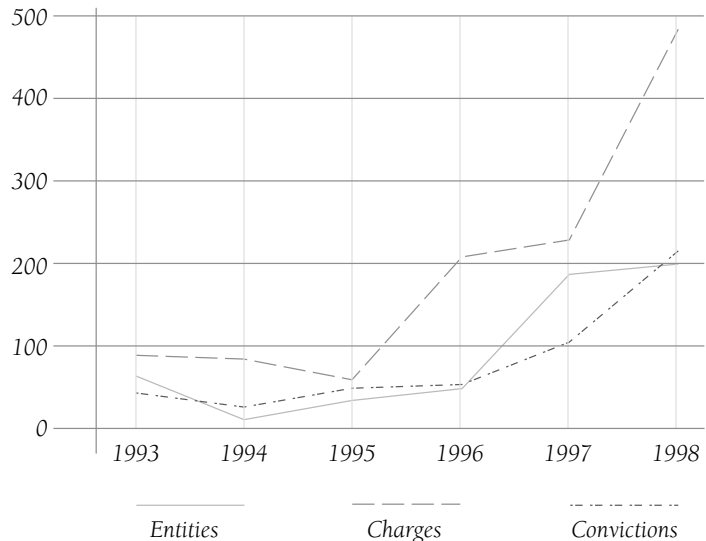


Fig.5
Site visits. Following the success of 1997's Phantom Dealer Project, site visits continued to be employed by OMVIC's compliance staff in 1998. Some 1,200 site visits were completed in 1998, augmenting the 4,000 routine inspections (see Figure 1).

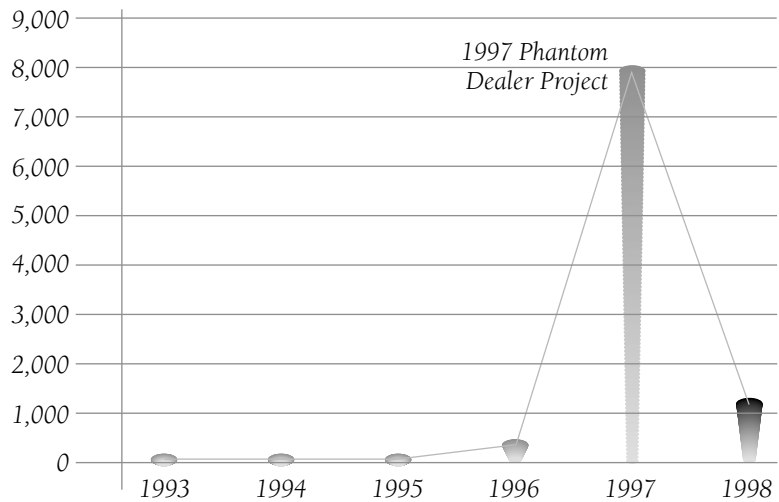


Fig.6
Trade Freezes: A trade freeze is an effective tool for disabling phantom dealers (dealers who are not operating from their approved premises). The number of freezes increased dramatically in 1997 as a result of OMVIC's phantom dealer project in which every registered dealer was subject to a site visit. 448 freezes were imposed during 1998 reflecting the reduced number of completed site visits in 1998 (see Figure 5). It is OMVIC's intention to repeat the Phantom Dealer Project in 1999.

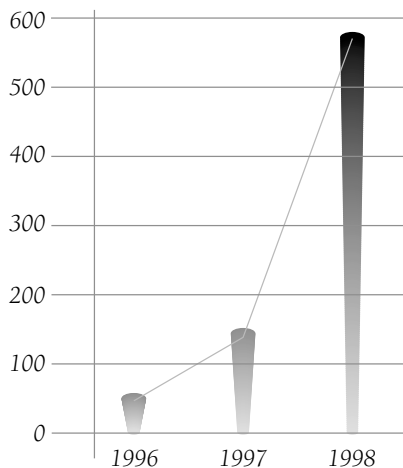
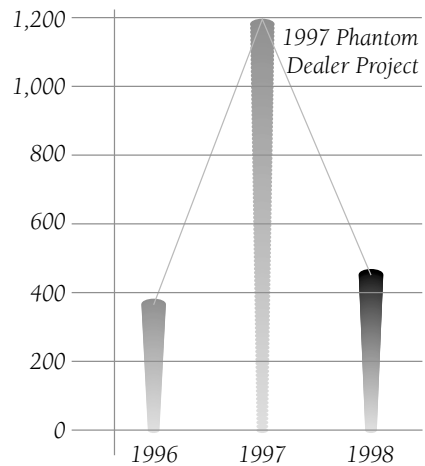


Fig.7 – Registrar's Actions: These include issuance of proposals to refuse or revoke registration, and imposition of terms & conditions.



8.0 Major Milestones

Our 1998 Business Plan proposed a number of milestones for the 1998 to 2000 planning period. Our progress towards completion of these milestones is shown below:

MILESTONE	RESULT
Develop Mandatory Certification Program for new dealers and salespersons	Letter of Intent signed with Canadian Automotive Institute. Curriculum and procedures developed in draft format.
Adopt and distribute Code of Ethics	Code of Ethics distributed in June 1998.
Adopt Standards of Business Practice based on Code of Ethics	Standards of Business Practice drafted and ready for distribution to OMVIC members for input.
Develop Disciplinary Process for enforcement of Code and Standards of Business Practice	Possible model for disciplinary process developed including plan for implementation
Develop, implement and enforce Marketing Standards	Marketing Standards implemented on October 1, 1998. During first three months following implementation, 297 cautionary letters issued outlining 630 infractions
Participated in joint project with Ministry of Finance and Ministry of Transportation to devise new procedures to reduce misuse of dealer numbers (RINs)	New procedures developed. (implemented in February 1999)
Develop Communications plan	Communications plan drafted in October 1998
Increase available internet services	OMVIC website now includes ability to search for registered dealers by name or location
Undertake Legislative & Regulatory review	Policy paper drafted



APPENDIX A:
Audited Statements for 1998



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AUDITORS' REPORT

To the Members of the Ontario Motor Vehicle Industry Council

We have audited the statement of financial position of the Ontario Motor Vehicle Industry Council as at December 31, 1998 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 Council as at December 31, 1998 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Richmond Hill, Canada

February 17, 1999



ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Statement of Financial Position

December 31, 1998, with comparative figures for 1997

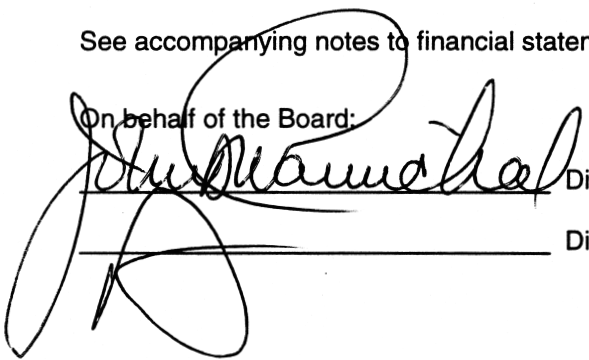
	1998	1997
Assets		
Current assets:		
Cash and short-term investments	\$ 421,366	\$ 467,417
Accounts receivable	21,065	16,516
Prepaid Government Oversight (note 2)	417,555	459,999
Prepaid expenses	42,367	31,347
	<u>902,353</u>	<u>975,279</u>
Capital assets (note 4)	260,628	219,473
	<u>\$ 1,162,981</u>	<u>\$ 1,194,752</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued charges	\$ 353,212	\$ 306,381
Deferred revenue	1,573,038	1,853,261
	<u>1,926,250</u>	<u>2,159,642</u>
Net assets:		
Invested in capital assets	260,628	219,473
Unrestricted	(1,023,897)	(1,184,363)
	<u>(763,269)</u>	<u>(964,890)</u>
Commitments (note 6)		
	<u>\$ 1,162,981</u>	<u>\$ 1,194,752</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

Director

ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Statement of Operations

Year ended December 31, 1998, with comparative figures for 1997

	1998	1997
Revenue:		
Registration fees	\$ 3,511,923	\$ 1,853,261
Interest and other revenue	35,156	26,840
	<u>3,547,079</u>	<u>1,880,101</u>
Expenses:		
Salaries and benefits, net of recoveries (note 5)	1,488,829	1,085,819
Government Oversight (note 2)	877,554	459,999
CCR Service Contract (note 3)	104,455	558,277
Professional services	125,885	76,250
Communications	196,576	189,733
Travel	146,198	128,395
Occupancy	102,384	64,448
Board	78,426	71,263
General and administrative, net of recoveries (note 5)	149,736	177,092
Amortization of capital assets	75,415	33,715
	<u>3,345,458</u>	<u>2,844,991</u>
Excess of revenue over expenses (expenses over revenue)	<u>\$ 201,621</u>	<u>\$ (964,890)</u>

See accompanying notes to financial statements.

ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Statement of Changes in Net Assets

Year ended December 31, 1998, with comparative figures for 1997

			1998	1997
	Invested in capital assets	Unrestricted	Total	Total
Balance, beginning of year	\$ 219,473	\$ (1,184,363)	\$ (964,890)	\$ -
Excess of revenue over expenses (expenses over revenue)	(75,415)	277,036	201,621	(964,890)
Investment in capital assets	116,570	(116,570)	-	-
Balance, end of year	\$ 260,628	\$ (1,023,897)	\$ (763,269)	\$ (964,890)

See accompanying notes to financial statements.

ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Statement of Cash Flows

Year ended December 31, 1998, with comparative figures for 1997

	1998	1997
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses (expenses over revenue)	\$ 201,621	\$ (964,890)
Amortization of capital assets	75,415	33,715
Change in non-cash working capital:		
Accounts receivable	(4,549)	(16,516)
Prepaid Government Oversight	42,444	(459,999)
Prepaid expenses	(11,020)	(31,347)
Accounts payable and accrued charges	46,832	306,381
Deferred revenue	(280,224)	1,853,261
	<u>70,519</u>	<u>720,605</u>
Investments:		
Purchase of capital assets	<u>(116,570)</u>	<u>(253,188)</u>
Increase (decrease) in cash	(46,051)	467,417
Cash, beginning of year	467,417	—
Cash, end of year	<u>\$ 421,366</u>	<u>\$ 467,417</u>

See accompanying notes to financial statements.

ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Notes to Financial Statements

Year ended December, 1998

Ontario Motor Vehicle Industry Council (the "Council") is Ontario's first administrative authority created pursuant to the Safety and Consumer Statutes Administration Act. The Council is a not-for-profit organization with the mandate to administer the Ontario Motor Vehicle Dealers Act. This authority was delegated to the Council by the Minister of Consumer and Commercial Relations on January 7, 1997 through an Administrative Agreement (the "Agreement") with the Ministry of Consumer and Commercial Relations (the "Ministry").

1. Significant accounting policies:

(a) Basis of accounting:

These financial statements have been prepared in accordance with generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts in the financial statements and the disclosure in the notes thereto. Actual results could differ from those estimates.

(b) Revenue recognition:

The Council derives its revenue primarily from fees charged for registration as a motor vehicle dealer or salesperson. Registration is for a two-year period and revenue is recognized evenly over this period. Unearned fees are recorded as deferred revenue.

(c) Capital assets:

Capital assets are recorded at cost. Amortization is recorded on a declining balance basis over the assets' estimated useful lives, at the following annual rates:

Computer hardware	30%
Computer software	30%
Furniture and fixtures	20%
Office equipment	20%

ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Notes to Financial Statements (continued)

Year ended December, 1998

2. Government Oversight fee:

In accordance with the Agreement with the Ministry, a fee of \$54 is paid to the Ministry for each registration application processed during the five years immediately following execution of the Agreement. Since registration is for a two-year period, this fee is expensed evenly over the two-year period. Amounts related to future years are recorded as a Prepaid Government Oversight.

3. CCR Service Contract:

The Ministry continues to provide the Council with information technology support services and limited administrative support such as mailing of registration certificates and document microfiching.

4. Capital assets:

Capital assets comprise the following:

			1998	1997
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 163,738	\$ 59,943	\$ 103,795	\$ 117,941
Computer software	115,978	24,833	91,145	24,789
Furniture and fixtures	56,201	15,301	40,900	48,404
Office equipment	33,840	9,052	24,788	28,339
	\$ 369,757	\$ 109,129	\$ 260,628	\$ 219,473

5. Related party transactions:

The Council provides office space and administrative services to the Motor Vehicle Dealers' Compensation Fund (the "Fund"). The two organizations are related parties because the Council has representation on the Fund's Board of Trustees. Included in the Council's expenses are recoveries from the Fund of \$36,880 relating to salaries and benefits and \$20,371 relating to general and administrative expenses. At year end, \$11,560 was receivable from the Fund. Amounts received from the Fund are determined on a cost recovery basis.

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Notes to Financial Statements (continued)

Year ended December, 1998

6. Commitments:

The Council has contracted for the design and development of software for its registration and enforcement system. The cost is estimated to be \$150,000 (plus applicable taxes) and the system is to be operational by April 1, 1999. At December 31, 1998, a total of \$44,550 had been paid against this commitment.

The Council also has commitments for its leased premises and equipment. The future minimum annual lease payments are as follows.

1999	\$	138,517
2000		132,249
2001		111,089
2002		26,609
	\$	408,464

7. Uncertainty due to the Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations.

The Council is currently engaged in a systems development project which will result in the replacement of all systems upon which it relies with year 2000 compliant systems. It is not possible, however, to be certain that all aspects of the Year 2000 Issue affecting customers, suppliers, or other third parties, will be fully resolved.

8. Comparative figures:

Certain 1997 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1998.



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