



**Ontario Motor Vehicle Industry Council**

**The 1998 Business Plan**

**Renewing the commitment**

# **Ontario Motor Vehicle Industry Council**

## **1998 Business Plan**

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### 1.0 Executive Summary

OMVIC is Ontario's first administrative authority created pursuant to the *Safety & Consumer Statutes Administration Act*. The Honourable David Tsubouchi, Minister of Consumer and Commercial Relations, delegated responsibility for the day-to-day administration of the *Motor Vehicle Dealers Act* to OMVIC on January 6, 1997.

This document is OMVIC's second Business Plan. It sets out our principle targets for 1998 and into the new millennium. It reaffirms our vision of a business sector that is committed to consumer protection, and lives up to the highest professional standards. The following pages document that commitment and how we intend to make it a reality. This document provides an overview of OMVIC, and details our services, action plans and forecasts.

### 2.0 Overview

#### 2.1 Vision

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

#### 2.2 Mission

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

#### 2.3 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.

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### 2.4 Priorities

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

### 2.5 Objectives

- Increased consumer confidence through compliance and mediation activities;
- Increased accountability through implementation of a Code of Ethics, Rules of Practice and an open Disciplinary Process;
- Consumer protection through 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;
- Dealer professionalism through certification programs for new dealers and salespersons.

## 3.0 Organization

OMVIC is a non-profit professional association of Ontario's 8,600 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 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 Nominating Committee of the Board and subject to independent audit.

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*. The

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responsibilities of Director, *Motor Vehicle Dealers Act* are provided by a member of the Board of Directors appointed by the Minister.

### **Founding Board of Directors**

John Carmichael, Chairman  
President, City Buick Pontiac Cadillac, Toronto

Anne Marie Chisholm, Secretary-Treasurer  
President, Stevens Lincoln Mercury, Kitchener

Gerry Barg  
President, Barg Management Inc., Kitchener

Mark Campbell  
Partner, Campbell Auto Sales, Barrie

Sue Corke  
Assistant Deputy Minister (Acting), Business Division, Ministry of Consumer and Commercial Relations, Toronto

Harold Cunningham  
President, Baywest Motors Inc., Owen Sound

Al McDowell  
President, Southbank Dodge Chrysler, Ottawa

Pauline Mitchell  
Director, Public & Government Relations, Canadian Automobile Association, South Central Ontario, Hamilton

Steve Peck  
Owner, Jillran Holdings, Thornhill

Whipple Steinkrauss  
Assistant Deputy Minister (retired), Business Practices Division, Ministry of Consumer and Commercial Relations, Toronto

Bob Stephen  
President, Agincourt Nissan, Scarborough

Richard Tasse  
President, Tasse Motors, Sudbury

### **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.

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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

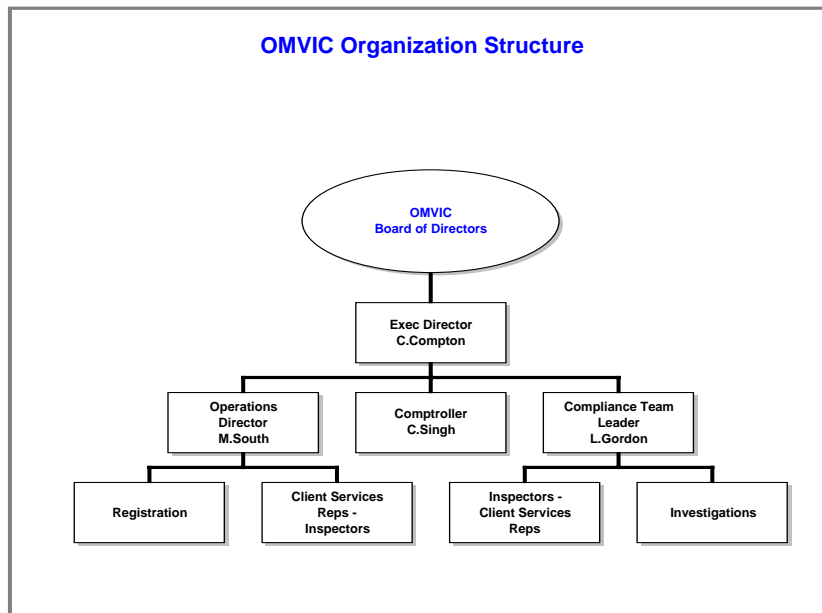
There are several active committees of the Board.

- *Appeals*, Chair, Pauline Mitchell (see also Appeals Committee section below)
- *Communications & Advertising*, Chair, Whipple Steinkrauss
- *Education*, Chair, Harold Cunningham
- *Ethics & Discipline*, Chair, Gerry Barg
- *Finance & Audit*, Chair, Anne Marie Chisholm
- *Human Resources Advisory*, Chair, Bob 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 Team Leader, and Comptroller. Approximately 34 staff provide the services described previously, eight of whom work from home-based offices.

### 3.5 Organizational Structure



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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. All staff, but particularly the Client Service Representatives, are trained to think of themselves as OMVIC's ambassadors in the community.

### 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 and Commercial Relations delegated responsibility for administering the *Motor Vehicle Dealers Act* on January 6, 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 2C5.

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, 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. When the MVDA was administered by the Ministry of Consumer and Commercial Relations, ministry staff struggled with an extraordinarily broad range of responsibilities.

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 and Facilities

OMVIC's headquarters are located at:

36 York Mills Road, Suite 110  
Toronto, ON  
M2P 2C5

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OMVIC staff can be reached at:  
416-226-4500  
1-800-943-6002  
<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 attempt mediations of disputes between consumers and dealers and between dealers.

### 4.0 Products and 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 and 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 *Motor Vehicle Dealers Act*.

There are an estimated 8,600 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 decides to propose refusal or revocation of 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 and 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 his 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, a sign and a separate office for



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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 and prepare 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 their transaction with a registered dealer are advised of 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 has recently endorsed a Code of Ethics for registrants which will be followed shortly by Rules of Practice and an open disciplinary process administered entirely by dealer members.

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 within 1998.

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### *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 during the course of 1998. These articles will highlight consumer rights, dealer responsibilities, and provide helpful tips for buying or leasing vehicles.

### **4. 2 Technology**

Through its first year of operation, OMVIC has depended on systems developed by the Ministry of Consumer and 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 current and future needs.

OMVIC will need to cease its dependence on ministry systems sometime in 1998 as the ministry migrates to new technology solutions reflective of its post self-management role. Currently, OMVIC is assessing a number of possible solutions with the aid of a consulting firm. Solutions being assessed include off-the-shelf applications in use elsewhere in North America, versus a design-build solution.

### **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**

In the event that 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. A record of all appeals will be included in OMVIC's Annual Report.

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### 5.0 Industry Analysis

There are currently approximately 8,600 registered dealers and 18,000 registered salespersons in Ontario. Over the years, overall population growth has shown a slow but steady increase of 2 to 4% per year until the early 1990s, when a small decline was noted. For the moment, the dealer population appears to have reached a plateau. As a result of OMVIC's focus on increasing compliance with the law, increasing dealer professionalism through certification programs and enforcement of a Code of Ethics, the population is not likely to grow beyond the current level during the course of the planning period.

In recent years, the motor vehicle dealer sector has enjoyed robust sales but with diminishing profit per unit sold and a much higher level of performance demanded by consumers. As a result of this demand and an increasingly critical media, novel means of selling have gained a foothold: Internet sales, shopping consultants, used car super stores, and "no haggle" pricing, to name a few. These present new challenges to OMVIC in appropriate regulation of the marketplace and providing protection to consumers.

Demographically, approximately 50% of Ontario's registered dealers are located in the Golden Horseshoe; less than 20% are franchise dealers and some 35 to 40% of Ontario's dealers are members of the principal dealer trade associations (Toronto Automobile Dealers Association, Ontario Automobile Dealers Association and/or the Used Car Dealers Association.)

Consumers are provided a significantly enhanced measure of protection by purchasing their vehicles from Ontario's registered dealers. The MVDA requires that all dealers conduct business with honesty, integrity, financial responsibility and in accordance with the law. Failure to do so can result in a dealer losing the ability to conduct business since the MVDA Registrar may choose to take administrative action against a dealer who refuses to live up to the requirements of the law. OMVIC provides a register of all dealers and salespersons in the province and can assist consumers in locating the principals behind a dealership which refuses to honour its legal commitments. OMVIC provides a mediation service for consumers and dealers as recourse to the courts and has been very successful in mediating complaints between consumers and dealers. OMVIC inspection and investigation staff are appointed as Provincial Offence Officers and are thus able to lay charges under a number of consumer protection statutes. The Motor Vehicle Dealers Compensation Fund, a fund established and funded by registered dealers, also provides a further degree of protection to consumers.

No similar protections exist for consumers who choose to buy privately.

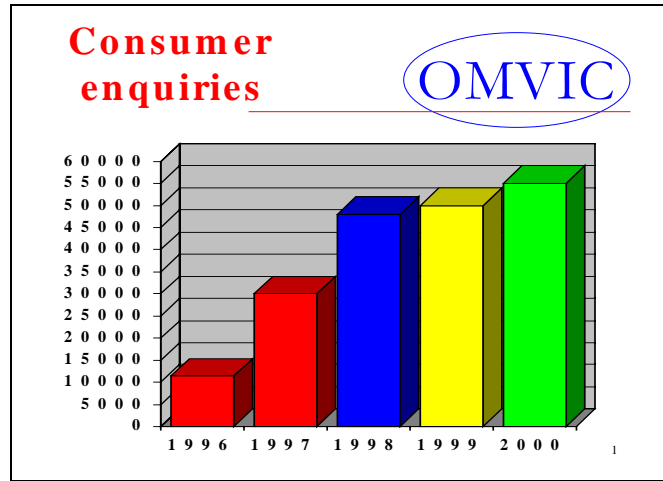
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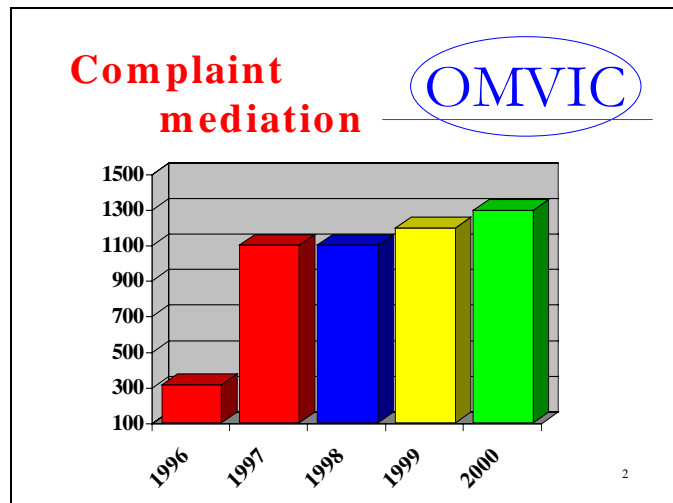
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### 6.0 Performance Measures

The following charts provide an indication of our expected outcomes over the course of the next three years in terms of enquiries, mediations, inspections, investigations and Registrar's actions.

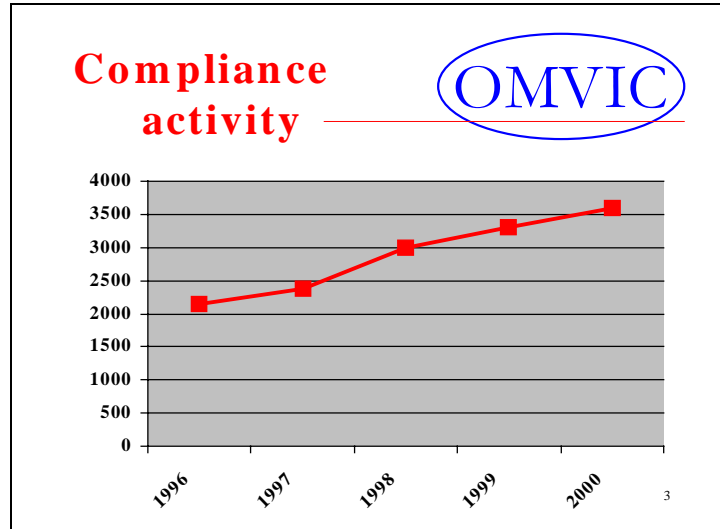


**Fig.1 - Consumer Enquiries:** Consumer enquiries toward the end of 1997 were running at approximately 4,000 per month. We assume that this trend will continue with only marginal growth in 1999 and 2000. Should OMVIC become better known to consumers, a steeper growth rate may result. In order to better handle the volume of enquiries in the years prior to self management, the Ministry of Consumer and Commercial Relations introduced an interactive voice-mail system. OMVIC may have to consider a similar system in order to keep up with the volume.

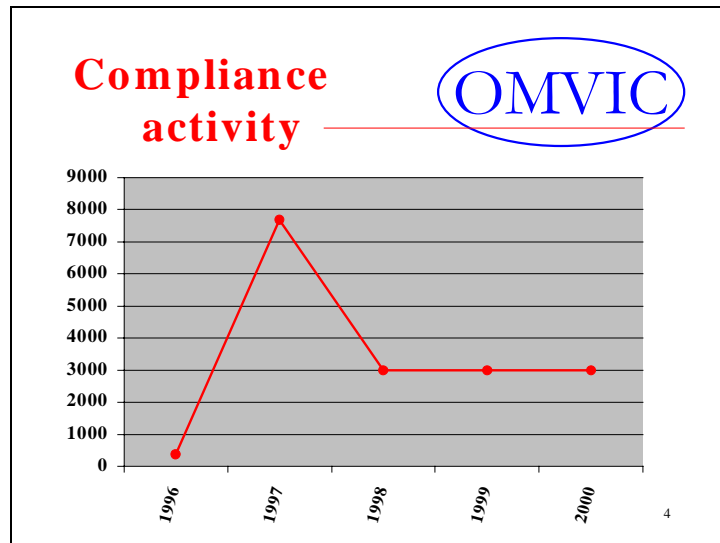


**Fig. 2 - Complaint Handling:** OMVIC staff attempt to resolve disputes between consumers and dealers and between dealers themselves. Staff were called upon to mediate approximately 1,100 disputes in 1997.

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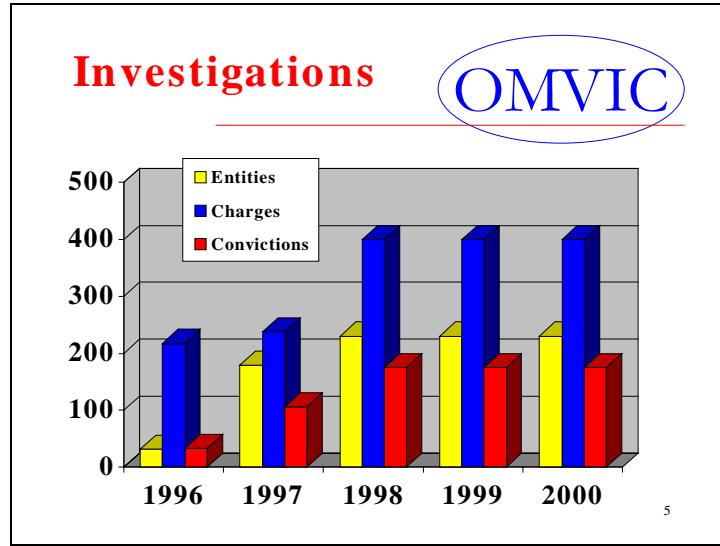


**Fig. 3 - Inspections:** OMVIC inspectors expect to complete 3,000 inspections in 1998, increasing to 3,600 in 2000, a two-thirds increase over the volume completed in 1996, the year immediately prior to self management.

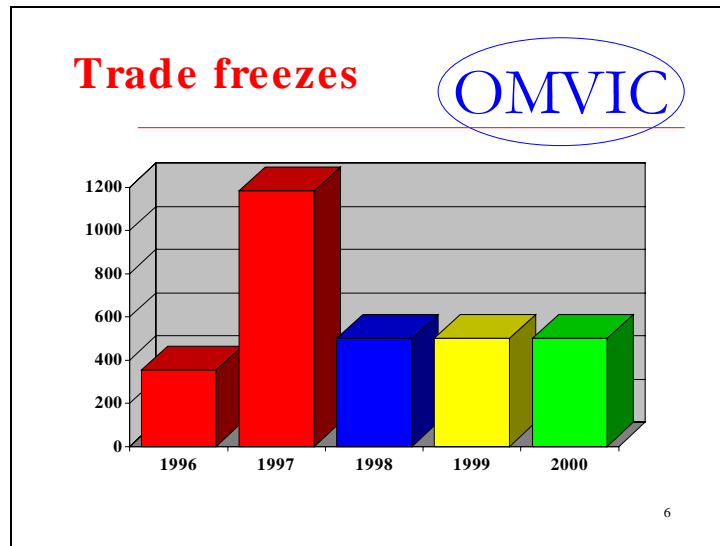


**Fig.4 - Site Visits:** As part of OMVIC's phantom dealer campaign, every registered dealer in the province was visited by an OMVIC inspector in 1997 in order to ensure that dealers were operating from their registered premises. As a result, over 1,000 trade freezes were imposed on dealers who were not found to be operating from their approved premises. Site visits will continue to be an integral art of OMVIC's compliance activities throughout the planning period of this business plan.

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**Fig. 5 - Investigations:** Investigative activity rose sharply in 1997, OMVIC's first year of operation, with the number of entities charged and convictions registered increasing dramatically over previous years. At this time, only a modest increase in these activities is proposed in 1998 through 2000. The forecast is a cautious one since the number of trials may be expected to increase as compared to 1997, thus decreasing the amount of time available to handle new cases.

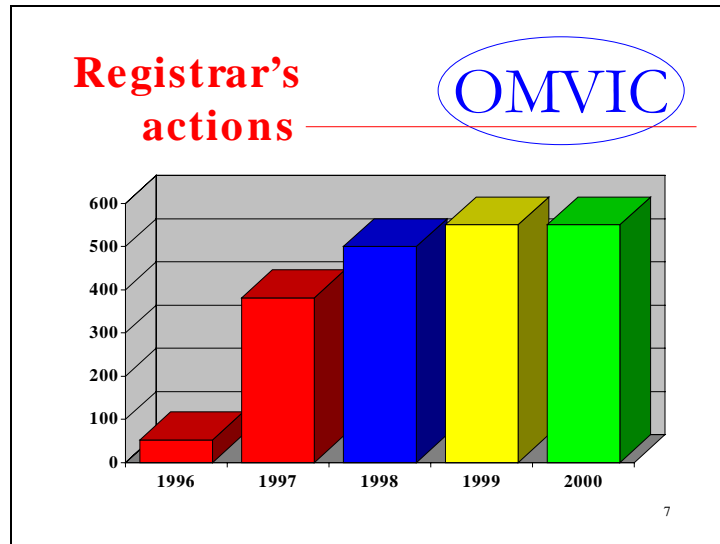


**Fig.6 – Trade Freezes:** A trade freeze is an administrative action which prevents a dealer's registration number from being used for improper purposes at Ministry of Transportation licensing offices. The "freeze" is intended to provide a measure of protection to registrants but is also an effective 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. In 1998 through 2000, the number of trade freezes is expected to stabilize as the number of phantom dealers diminishes.

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**Fig.7 – Registrar’s Actions:** These include issuance of proposals to refuse or revoke registration, negotiation of terms & conditions, abandonments, mediations, and pre-hearing conferences.

### 7.0 Major Milestones

During the business planning period, and beginning in 1998, we expect to accomplish a number of significant milestones.

Working closely with the Canadian Automotive Institute at Georgian College, we expect to see a **mandatory certification program** for new dealers and salespersons introduced. Course content will focus on honesty, integrity, ethical behaviour, the law and those skills and abilities expected of practitioners of a professional business sector.

Complementing our **Code of Ethics**, detailed **Rules of Practice** will provide concrete examples of how the Code of Ethics applies to everyday business in the motor vehicle retail sector. Both the Code and the Rules of Practice will be included in the certification program, and will form part of a Dealer’s Handbook.

The Discipline Committee expects to be in a position to unveil a new **disciplinary process** that will enforce the Code and the Rules of Practice. While protecting the rights of individual dealers, the process will ensure that non-compliant dealers are made accountable and that remedies are fair and meaningful.

We will offer for publication a number of articles intended to assist consumers as they undertake the important and often challenging process of acquiring a motor vehicle. **Public service articles** on buying or leasing, how to avoid curbsiders, consumer rights and the benefits of doing business with registered dealers will appear regularly in the print media.

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OMVIC will adopt new technologies that will allow it to better serve the dealer and consumer communities through the **Internet**. Members will be able to access their own records in order to check, and to correct, their registration status and those of their salespersons. Consumers will be able to access helpful information on acquiring a motor vehicle and will be able to download brochures and buying aids.

A **Dealer Handbook** will help dealers by providing a single reference binder of information that will help them to stay in compliance with the myriad laws which regulate the motor vehicle retail sector. The handbook will also contain a Dealer's Bill of Rights so that dealers understand the laws which affect their business as well as their rights under those same laws.

New, more detailed, more understandable **advertising guidelines** will be distributed replacing those issued in 1991. With the new guidelines will come increased enforcement, and more effective discipline through the Discipline Committee.

Working with stakeholders, OMVIC will recommend a comprehensive package of **regulatory and legislative reforms** that will strengthen the sector, bolster consumer confidence and modernize the regulatory framework to recognize the changes of the last two decades. Such changes include the increased prevalence of leasing, new methods of marketing vehicles, and self management of the sector.

### 8.0 Future Products and Services

Current revenue streams are limited to the fees collected for registration and renewal of registration under the MVDA. OMVIC staff are anxious to augment these revenue streams through the introduction of member services which are compatible with OMVIC's role as a professional association.

Such services might include endorsement of technology applications which would assist in uniform maintenance of books and records; and means by which dealers could benefit from ISO9000 (or similar) registration at substantially reduced costs.

### 9.0 Assumptions

Following are the key assumptions made in this business plan:

- ◆ The current revenue stream will remain reasonably constant throughout the planning period. Underlying this assumption is the further assumption that the registrant population does not experience a significant decline as a result of the introduction of a more rigorous registration process.
- ◆ Salary increases limited to 2% in each of the two years 1999 and 2000.
- ◆ Benefits program to include pensions introduced in 1999.
- ◆ Inflation to remain constant at 2%.



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- ◆ Commencing 1999, OMVIC will assume full responsibility for technical and administrative services currently provided by the Ministry of Consumer and Commercial Relations.
- ◆ Commencing April 1, 1998 costs of routine checks of government databases including criminal record checks, business name and corporate record checks, and vehicle record checks will be down loaded by government to OMVIC.
- ◆ Costs of new programs or initiatives (legislative drafting, staff support of disciplinary panels, technology support, phantom dealer project, publication costs) will be funded as special projects and not from operational costs.
- ◆ No new or significant hiring takes place during the planning period (see previous point).
- ◆ No significant increase in other operational expenses such as municipal tax or further down loading of provincial government costs of operations.

Financial statements for the first year of operation (1997) are attached as Appendix A.  
Financial goals for the planning periods 1998 through 2000 are attached as Appendix B.

## **Appendix A**

### **1997 Audited Financial Statements**

## **Appendix B**

### **Pro-forma Financial Statements**