



**Ontario Motor
Vehicle Industry
Council**

2001 Annual Report

Committed To A Fair Marketplace

The Honourable Tim Hudak
Minister of Consumer and Business Services
250 Yonge Street
Toronto, ON
M5B 2N5

May 1, 2002

Dear Minister,

It is my pleasure to submit to you OMVIC's fifth annual report. In many respects, it was our best year ever.

- OMVIC investigators laid over 1,700 charges and registered 380 convictions plus approximately 220 convictions related to charges laid in 2000
- Over 7,500 inspections were completed in 2001, the first year in our two year project to visit every registered dealer in Ontario
- OMVIC staff handled some 120,000 incoming telephone inquiries in 2001 – roughly 10,000 per month
- 5,000 individuals registered for OMVIC's Certification Course in automotive law and ethics
- Staff mediated over 1,800 consumer and dealer complaints
- Over 900 administrative actions were taken, including registration refusals, revocations or imposition of terms and conditions of registration
- Under OMVIC's new disciplinary process, 6 remedial panels were convened to rule on issues raised by OMVIC staff pertaining to compliance with OMVIC's Standards of Business practice
- A new Consumer Protection Advisory committee with broad consumer advocacy representation was created to assist the Board in development of consumer protection programs
- Registration staff handled over 35,000 transactions on behalf of dealers and salespersons which include processing applications for registration, information changes, renewals and employee transfers and terminations, and there are no backlogs in the handling of these requests

I'm also pleased to report on behalf of the Compensation Fund Board of Trustees that in fiscal 2001, a total of 65 claims were paid out for a total value of \$347,000.

OMVIC continues to demonstrate that Ontario's motor vehicle dealer sector is a mature industry, taking responsibility for consumer protection and 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, and increasing the registration standards for dealers and salespersons.

I wish to express our appreciation for the professionalism of the staff of your ministry and their willingness to provide assistance and support to us in 2001. We look forward to another successful year with a renewed sense of enthusiasm and commitment to a fair marketplace.

Sincerely,

Paul Burroughs
Chair, Board of Directors

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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 & Commercial Relations, delegated responsibility for the day-to-day administration of the Motor Vehicle Dealers Act on January 7, 1997. This delegation continues today under the Honourable Tim Hudak, Minister of Consumer & Business Services.

This document sets out our performance against commitments contained in OMVIC's 2001 Business Plan. The following pages provide an overview of OMVIC, list our services and detail our accomplishments during our fifth year.

2.0 OVERVIEW

2.1 VISION & MISSION

OMVIC's vision is simple: A fair marketplace.

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

2.2 VALUES

OMVIC has a series of values which guide it in its day-to-day decision-making. These values were identified by staff as necessary for the effective delivery of the OMVIC mandate. These values form the basis of the following Code of Conduct for OMVIC staff.

- We will be innovative in providing the best solutions for our clients.
- We will respect our clients, our colleagues 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 the industry and communicate with clients.
- Without assigning 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.
- We will maintain a work environment that fosters job satisfaction and enjoyment.

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, Standards of Business Practice and an open Disciplinary Process;
- Consumer protection through pursuit of those who would prey on an unwary public;
- 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 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 & Business Services. 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 is made up of 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 & Business Services. The responsibility of Director under the Motor Vehicle Dealers Act is provided by a member of the Board of Directors appointed by the Minister. Board members are elected by dealers across the province.

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.

BOARD OF DIRECTORS

Paul Burroughs, President

President, City Chevrolet Oldsmobile Ltd., Hamilton

Gerry Barg, Secretary Treasurer (until May 2001)

President, Barg Management, Kitchener

Jim Pears, Secretary Treasurer (from June 2001)

President, Metro Chrysler Jeep, Ottawa

Kevin Bavelaar, Vice-president

Owner, Auto Showplace, Toronto

Peter Eatson, Vice-president

President, Peterborough Volkswagen, Peterborough

Sue Corke

Assistant Deputy Minister, Business Division,
Ministry of Consumer & Business Services

Richard Lang

President, Lang Motorcar Corporation, Toronto

Roger Lockhart

President, Lockhart Motors Ltd., Collingwood

Gary Mackie (from June 2001)

President, Gary Mackie Chev Olds, Tilbury

Ken Peterson (from June 2001)

President, Ken Peterson Sales & Leasing, Thunder Bay

Gerd Reisenecker (from June 2001)

President, Greenbelt Volkswagen, Unionville

Whipple Steinkrauss

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

Bob Stephen (until May 2001)

President, Agincourt Infiniti Nissan

Michael Turk

Senior Counsel, Automobile Protection Association

3.2 ROLE OF THE BOARD OF DIRECTORS

The Board's role is to:

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

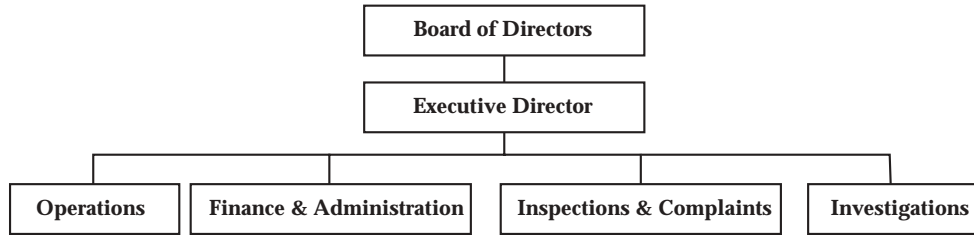
3.3 COMMITTEES

There are several active committees of the Board.

- Appeals, Chair, Michael Turk (see Appeals Committee section below)
- Compensation Fund Liaison, Whipple Steinkrauss
- Consumer Protection Advisory, Chair, Whipple Steinkrauss
- Curbsider Strategy, Chair, Richard Lang
- Executive, Chair, Paul Burroughs
- Industry Professionalism, Kevin Bavelaar
- Legislative Review, Chair, Peter Eatson
- Nominations, Chair, Paul Burroughs

3. 4 ORGANIZATIONAL STRUCTURE

Ontario Motor Vehicle Industry Council



Approximately 45 staff provide the services described in Section 4 below, a number of whom work from regional home-based offices.



3.5 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 to OMVIC for administering the Motor Vehicle Dealers Act on January 7, 1997.

OMVIC's creation is a result of the shared commitment by both dealers and government to improving consumer protection through higher industry standards and professionalism.

3.6 LOCATIONS AND FACILITIES

OMVIC's headquarters are located at:

789 Don Mills Rd
Suite 800
Toronto ON M3C 1T5

OMVIC staff can be reached at:

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

4.0 PRODUCTS AND SERVICES

OMVIC activities include:

- Registration
- Inspection
- Investigation and prosecution
- Enquiry and complaint handling
- Dealer professionalism
- Consumer awareness

These 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 as appropriate.

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 20,000 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 Licence Appeal Tribunal (LAT), an independent quasi-judicial agency of the Ministry of Consumer & Business Services. 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 at the registered premises. 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 LAT.

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 lay charges under a number of provincial statutes including the Motor Vehicle Dealers Act, and the Business Practices Act.

OMVIC prosecutes offenders using the services of trained prosecutors. Investigators also collect evidence, interview witnesses, prepare court briefs, and present evidence.

Enquiries and complaints:

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

Consumers dissatisfied by a transaction with a registered dealer are advised as to their rights. They are encouraged 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:

By completing the new OMVIC Certification program, registrants can increase their level of professionalism. The program, which is mandatory for new dealers and salespersons, focuses on law and ethics and is a community college credit course.

Consumer awareness:

OMVIC encourages consumer awareness with the use of an information campaign, which includes helpful printed material, participation in media interviews, events and trade shows.

4.2 TECHNOLOGY

Initially, OMVIC depended on systems developed by the Ministry of Consumer & Commercial Relations in the mid- to late-eighties. These systems were designed to accommodate the needs of several different business sectors regulated by the ministry. As a result, some features required by OMVIC were lacking.

In March 1999, OMVIC implemented a new Y2K compliant information system integrating registration, enforcement and compensation fund information. As this new system continues to evolve, it takes advantage of the Internet to provide an increasing array of online services to clients.

OMVIC's telephone system experiences significant pressure as a result of the high volume of inquiries received. Originally, the system was designed to handle the 2,000 to 3,000 calls per month traditionally handled by the former Ministry of Consumer & Commercial Relations. Actual volumes of calls handled by OMVIC, however, run in excess of 9,000 calls per month. In an effort to improve service levels and to provide automated services after hours, the system was upgraded in 2000.

4.3 FRENCH LANGUAGE SERVICES

OMVIC makes an effort to be 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 & Business Services.

In 2001, one complaint was referred to the Appeals Committee which determined that the consumer's remedies, if any, were beyond OMVIC's scope, and advised the consumer as such. The Appeals Committee also suggested that OMVIC staff review the conduct of the dealer to determine whether the alleged conduct warranted further investigation.

5.0 STATISTICS AND SERVICE LEVELS

There are currently approximately 9,000 registered dealers and 20,000 registered salespersons in Ontario. This population has remained reasonably stable for a number of years now.

During 2001, approximately 770 applications for new dealer registrations and 3,000 applications for new salesperson registrations were processed. Due to the significant scrutiny and background checks that are conducted on all new applications, dealer applicants are advised that final approval may take up to six weeks.

Analysis of new dealer applications processed in 2001 indicates that 25% were processed within 2 weeks, 50% within 4 weeks and 80% within 6 weeks. Virtually all processing delays beyond 4 weeks are as a result of deficiencies in the application or issues arising from background checks.

Processing of new salesperson applicants has been streamlined in order to remove unnecessary barriers to employment. As a result, 80% of new applicants

receive conditional approval within two days, permitting them to commence work. Conditional approval is cancelled immediately if background checks reveal undisclosed problems.

During 2001, 16,000 renewal applications, 1,800 information changes, 4,800 employee transfers and 8,400 registration terminations were processed. Processing time is normally under two weeks unless the forms are received incomplete.

All registration forms are available from OMVIC's website – www.omvic.on.ca.

OMVIC staff handled approximately 28,300 consumer telephone inquiries in 2001. Of these, a little over 1,800 required that a complaint file be opened i.e. some form of mediation or assistance from OMVIC staff was required.

Once a complaint file is opened, it may take anywhere from a few hours to a few weeks - or even months - to complete, depending upon the complexity of issues, the availability of documents and the level of cooperation of those involved. Generally speaking, however, two-thirds of files are closed within 4 weeks.

6.0 DISCIPLINARY PROCESS

In December of 2000, OMVIC enshrined its Code of Ethics, adopted in 1997, in its bylaws. The Code of Ethics is illustrated by Standards of Business Practice and enforced through an internal disciplinary process.

In October of 2001, the first Remedial Panels pursuant to the new process were convened to deal with issues brought forward by OMVIC staff. Four issues related to compliance with section 3 of the Standards (marketing), and two issues related to the compliance with section 4 (issuance of a Safety Standards Certificate when leasing a vehicle and failure to honour contractual obligations).

The complete written decisions of the Remedial Panels can be found on OMVIC's website: www.omvic.on.ca.

OMVIC encourages anyone interested in concrete proof of the efficacy of self-management or of the dedication of registered dealers to ensure that their peers meet the highest standards of honesty and integrity, to read the decisions of the Remedial Panels in these cases.

7.0 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. As a result of the delegation of the Motor Vehicle Dealers Act to OMVIC, the OMVIC Board of Directors assumes the Minister's responsibilities for the Compensation Fund, including the responsibility to appoint members of the Board of Trustees. The Trustees review all claims and have exclusive responsibility for determining eligibility for payment of claims.

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 (related to a trade in a motor vehicle) 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 since they should have exhausted other avenues of compensation available to them before applying to the 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 – industry-funded consumer protection.

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 fiscal 2001 (ending October 31st), 77 claims were received with a claim value of \$584,500. Of these, 65 claims were approved by the Board of Trustees for a total payment to consumers of \$347,000.



Further information about the Compensation Fund may be obtained from:

Motor Vehicle Dealers Compensation Fund
789 Don Mills Road
Toronto, Ontario
M3C 1T5
Telephone: 416-226-3661 or 800-943-6002 ext. 3661
Fax: 416-226-9406
Email: compfund@omvic.on.ca.

8.0 PERFORMANCE REVIEW

The following charts demonstrate our operational performance during 2001 as compared to previous years for inspections, mediations, enquiries handled, investigations and Registrar's actions.

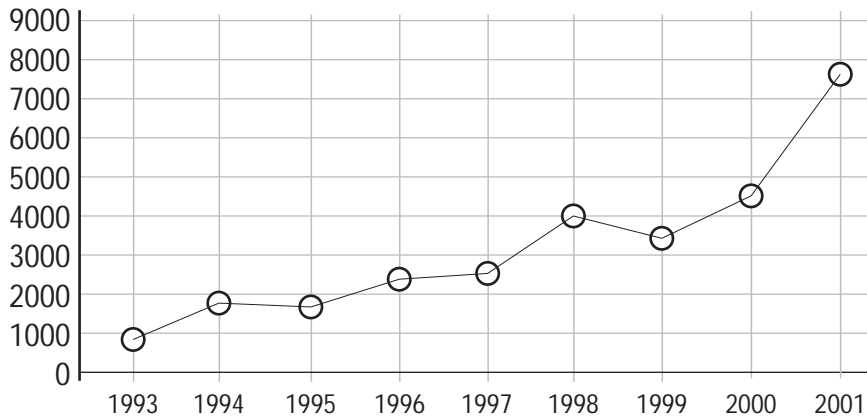


Fig.1 - COMPLETED INSPECTIONS: 2001 was the first year in a two-year project to visit all registered dealers in Ontario. OMVIC inspectors completed 7,623 inspections in 2001.

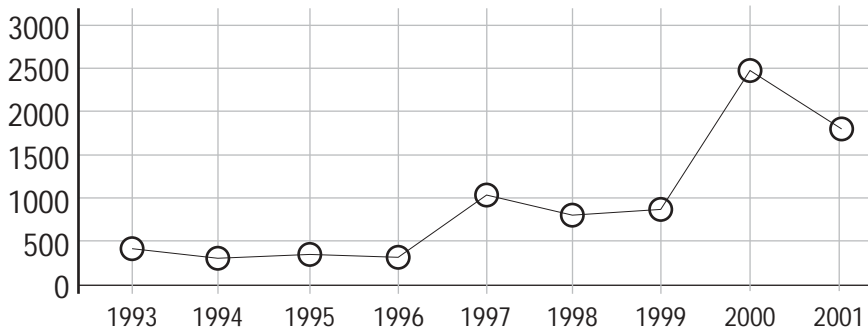


Fig.2 - COMPLAINT MEDIATIONS. OMVIC staff mediate disputes between consumers and dealers and between dealers themselves. Staff were actively involved in mediating 1,837 disputes in 2001.

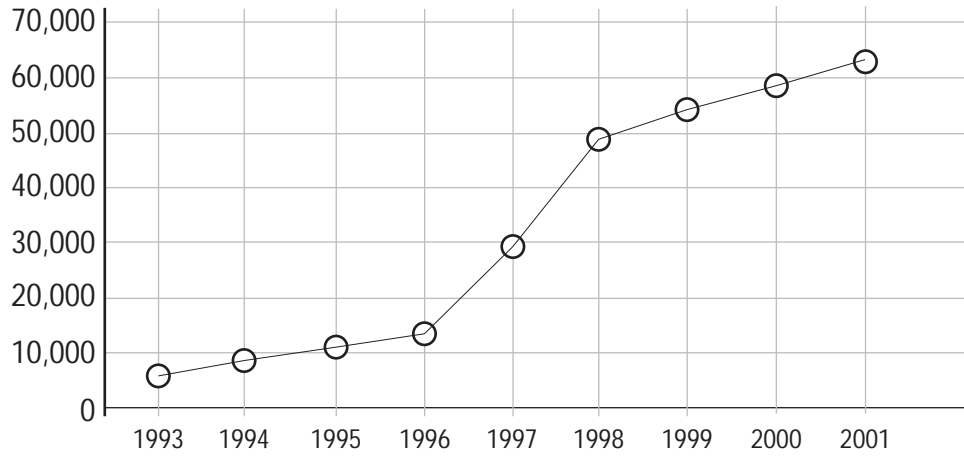


Fig.3 - CLIENT ENQUIRIES (1-800 line only): Staff handled over 63,500 toll-free calls during 2001. This chart does not include local calls which are assumed to match the volume of toll-free calls.

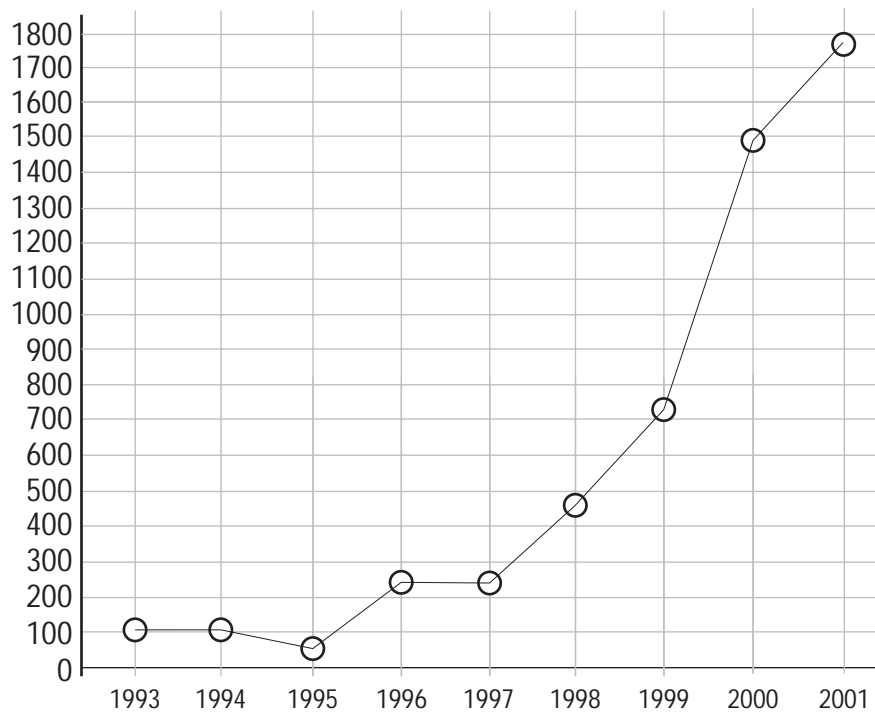


Fig.4 - INVESTIGATIONS. Investigative activity rose sharply again in 2001, with the number of charges increasing dramatically over previous years. During 2001, 1,765 charges were laid.

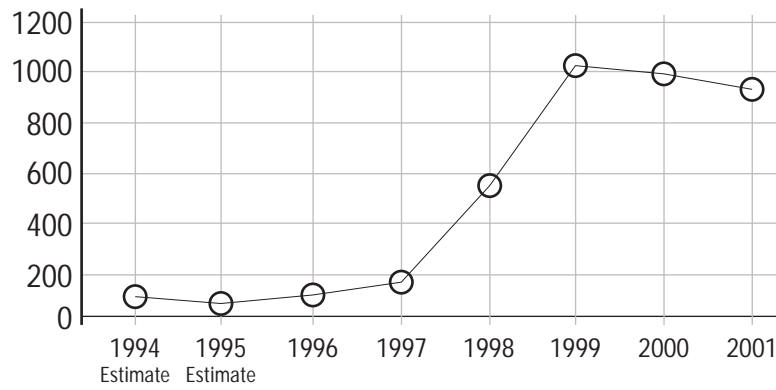


Fig.5 - REGISTRAR'S ACTIONS: These include issuance of proposals to refuse or revoke registration, and terms & conditions of registrations. The number of Registrar's actions logged in 2001 was 919.

8.0 MAJOR MILESTONES

Our 2001 Business Plan proposed a number of milestones for the 2001 to 2003 planning period. Our progress towards completion of these milestones is shown below:

PRIORITY	STRATEGY	2001-2003 TARGETS	2001 ACTIVITIES & RESULTS
Consumer protection, Dealer professionalism	Certification Program: Increase the number of grandfathered registrants who voluntarily complete the OMVIC Certification program Investigations	Introduce programs to recognize those dealers where all registrants have completed the course	New certification plaque introduced suitable for display by graduates. New pocket certificate designed specifically for graduates (to be introduced in 2002). OMVIC continues to urge manufacturers to encourage certification of dealers' sales staff.
Consumer protection, Dealer professionalism	Standards of Business Practice reviewed	Standards of Business Practice updated as required	Consumer Protection Advisory Committee and Industry Professionalism Committee formed in 2001 with mandate to review the Standards in 2002.
Consumer protection	Anti-curbsider programs Increase consumer awareness of benefits of conducting business with registered dealers	OMVIC will offer for publication articles etc. to assist consumers in the process of acquiring a motor vehicle e.g. articles on buying or leasing, how to avoid curbsiders, consumer rights and the benefits of doing business with registered dealers. Establish a Curbsider Liaison Committee for development of cooperative strategies for reducing curbsiding	OMVIC participated in Ontario Association of Chiefs of Police conference. Theme: communicate to municipal forces the hazards of curbsiders in the local communities and provide investigation and prosecution tools. Curbsider Strategy Committee formed in 2001. (Recommendations expected: March 2002)
Consumer protection, Dealer professionalism	Standardized contracts: Increase level of disclosure, dealer accountability, compliance with law and OMVIC Standards of Business Practice	Commence collaborative review of sales and leasing contracts with a view to standardization and increased clarity.	Consumer Protection Advisory Committee and Industry Professionalism Committee formed in 2001 with mandate to review the Bills of Sale. (Recommendations expected: May 2002)
Dealer professionalism	Dealer Handbook: Increased awareness of dealer responsibilities	Provide specific area of OMVIC website where dealers can find reference material: Acts, Standards, Bulletins, newsletters, forms, etc.	All required material now available. Specific access point for dealers to be established in 2002.
Consumer protection, Dealer professionalism	Legislative and regulatory reform	Support the Ministry's reform of the MVDA.	OMVIC staff and Legislative Review Committee provided support and feedback on the draft legislation.



8.0 MAJOR MILESTONES CONTINUED

PRIORITY	COMMITMENT/ACTIVITY	RESULT	BENEFITS
Customer service	OMVIC website: Effective adoption of new technologies that will allow OMVIC to better serve the dealer and consumer communities through the Internet.	In successive phases during the planning period, new services will be introduced which will permit dealers 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.	Online consumer complaint form launched. Dealer and salesperson search facility enhanced. "Partners" website access portal piloted with two ministries and a wholesale auction during 2001.
Consumer protection, Dealer professionalism	Complaint Handling: Provision of a no-cost mediation service for consumers and dealers as an alternative to litigation whenever possible. Explore possibility of introducing an alternative dispute resolution process for complaints	OMVIC anticipates mediating approximately 1,500 complaints per year throughout the planning period. Engage relevant stakeholders in discussions concerning the need for, and possible models for, an alternative dispute resolution process	1,837 mediation files handled in 2001 No further action planned on this initiative as it would duplicate current services.
Consumer protection, Dealer professionalism	Inspections: An inspection program which endeavours to inspect every registered dealer at least once during its registration period, in addition to employing risk management principles to target problem areas and review consumer and dealer complaints	OMVIC is targeting completion of 7,350 inspections per year throughout the planning period – over 3 times as many as the number completed in 1996, the year immediately prior to self management.	7,623 inspections completed in 2001.
Consumer protection	Investigations: Effective program of enforcement of legislation governing dealers with emphasis on consumer protection, and establishing a level playing field for business.	OMVIC is forecasting approximately 850 charges per year from 2001 through 2003.	1,765 charges laid in 2001.
Consumer protection, Dealer professionalism	Registrar's Actions: Effective registration and inspection processes which identify those who should not be registered or who require close monitoring through Terms and Conditions of registration.	The volume of Registrar's Actions is predicted to remain steady through the planning period at approximately 850 actions yearly.	919 Registrar's actions logged in 2001.



APPENDIX A:

AUDITED FINANCIAL STATEMENTS OF ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Year ended December 31, 2001



KPMG LLP
Chartered Accountants

Yonge Corporate Centre
4120 Yonge Street Suite 500
North York ON M2P 2B8
Canada

Telephone (416) 228-7000
Telefax (416) 228-7123
www.kpmg.ca

AUDITORS' REPORT

To the Members of Ontario Motor Vehicle Industry Council

We have audited the statement of financial position of Ontario Motor Vehicle Industry Council as at December 31, 2001 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 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 Council as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Toronto, Canada

February 13, 2002



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ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Statement of Financial Position

December 31, 2001, with comparative figures for 2000

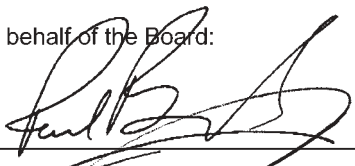
	2001	2000 (Restated - note 2)
Assets		
Current assets:		
Cash	\$ 72,734	\$ 168,957
Short-term investments	1,473,911	906,308
Accounts receivable	51,868	46,924
Prepaid expenses	69,149	35,770
	<u>1,667,662</u>	<u>1,157,959</u>
Capital assets (note 3)	435,686	416,371
	<u>\$ 2,103,348</u>	<u>\$ 1,574,330</u>

Liabilities and Net Assets

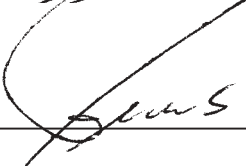
Current liabilities:		
Accounts payable and accrued charges	\$ 406,217	\$ 404,315
Deferred revenue (note 4)	1,965,335	1,558,560
	<u>2,371,552</u>	<u>1,962,875</u>
Long-term liability:		
Deferred contributions related to capital assets (note 6)	-	50,000
Net assets:		
Invested in capital assets	435,686	366,371
Unrestricted	(703,890)	(804,916)
	<u>(268,204)</u>	<u>(438,545)</u>
Commitments (note 7)		
	<u>\$ 2,103,348</u>	<u>\$ 1,574,330</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, 2001, with comparative figures for 2000

	2001	2000 (Restated - note 2)
Revenue:		
Registration fees	\$ 4,506,820	\$ 3,930,700
Certification course fees	248,615	234,275
Transfer fees	242,250	224,175
Interest and other	80,946	89,241
Amortization of deferred contributions (note 6)	50,000	50,000
	<u>5,128,631</u>	<u>4,528,391</u>
Expenses:		
Salaries and benefits, net of recoveries (note 5)	2,271,458	1,912,006
Government oversight fees (note 4)	900,180	889,812
Communications	362,167	302,976
Professional services	380,533	275,993
Travel	317,089	256,402
General and administrative, net of recoveries (note 5)	185,124	207,656
Amortization of capital assets	394,107	276,718
Occupancy	106,026	96,805
Per diem allowances	41,606	41,625
	<u>4,958,290</u>	<u>4,259,993</u>
Excess of revenue over expenses	<u>\$ 170,341</u>	<u>\$ 268,398</u>

See accompanying notes to financial statements.

ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Statement of Changes in Net Assets

Year ended December 31, 2001, with comparative figures for 2000

			2001	2000
	Invested in capital assets	Unrestricted	Total	Total (Restated - note 2)
Balance, beginning of year	\$ 366,371	\$ (804,916)	\$ (438,545)	\$ (706,943)
Excess (deficiency) of revenue over expenses	(344,107)	514,448	170,341	268,398
Investment in capital assets	413,422	(413,422)	-	-
Balance, end of year	\$ 435,686	\$ (703,890)	\$ (268,204)	\$ (438,545)

See accompanying notes to financial statements.

ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Statement of Cash Flows

Year ended December 31, 2001, with comparative figures for 2000

	2001	2000 (Restated - note 2)
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 170,341	\$ 268,398
Items not involving cash:		
Amortization of capital assets	394,107	276,718
Amortization of deferred contributions	(50,000)	(50,000)
Change in non-cash operating working capital:		
Accounts receivable	(4,944)	60,799
Prepaid expenses	(33,379)	11,948
Accounts payable and accrued charges	1,902	58,479
Deferred revenue	406,775	136,182
	<u>884,802</u>	<u>762,524</u>
Investing activities:		
Purchase of capital assets	(413,422)	(394,980)
Net purchase of short-term investments	(500,000)	-
Interest distributions reinvested into short-term investments	(67,603)	(49,055)
	<u>(981,025)</u>	<u>(444,035)</u>
Increase (decrease) in cash	(96,223)	318,489
Cash (bank indebtedness), beginning of year	168,957	(149,532)
Cash, end of year	<u>\$ 72,734</u>	<u>\$ 168,957</u>
Supplemental cash flow information:		
Interest received	\$ 73,564	\$ 57,626

See accompanying notes to financial statements.

ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Notes to Financial Statements

Year ended December 31, 2001

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 (the "Ministry") on January 7, 1997 through an Administrative Agreement (the "Agreement") with the Ministry.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian 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) Short-term investments:

The Council invests excess funds into low risk mutual fund units which are convertible into cash upon demand, recorded at the lower of cost and market.

(c) Revenue recognition:

(i) Registration fees:

Fees charged for registration as a motor vehicle dealer or salesperson are for a two-year period and are recognized evenly over two years. Unearned fees are recorded as deferred revenue.

(ii) Certification course fees:

New applicants for registration must pass a certification course run by the Canadian Automotive Institute on behalf of the Council. Certification course fees are recognized when a new applicant registers for the course.

(iii) Transfer fees:

A transfer fee is charged when a registered salesperson moves from one dealership to another. Transfer fees are recognized upon written notice and when the Council receives payment.

ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2001

1. Significant accounting policies (continued):

(d) Capital assets:

Capital assets are recorded at cost. Amortization is recorded on a straight-line basis over the assets' estimated useful lives as follows:

Computer hardware	3 years
Computer software	3 years
Furniture and fixtures	5 years
Office equipment	5 years
Leasehold improvements	Term of lease

2. Change in accounting policy:

During 2001, the Council changed its method of amortizing depreciable assets from declining-balance basis to straight-line basis to realistically reflect amortization of assets over their useful lives. The change has been applied retroactively and has decreased the invested in capital assets amount at December 31, 2000, as previously reported, by \$225,164, representing decreases for capital assets of \$264,414 and deferred contributions related to capital assets of \$39,250. The change in the basis of amortization of capital assets has had the effect of increasing amortization of capital assets by \$88,498 and amortization of deferred contributions by \$11,750 in 2000. The change has also had the effect of increasing amortization by \$129,831 in 2001 over that which would have been provided under the former policy.

3. Capital assets:

			2001	2000
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 405,545	\$ 242,992	\$ 162,553	\$ 124,786
Computer software	588,408	396,719	191,689	160,396
Furniture and fixtures	98,876	71,438	27,438	36,962
Office equipment	113,685	64,749	48,936	68,881
Leasehold improvements	27,036	21,966	5,070	25,346
	\$ 1,233,550	\$ 797,864	\$ 435,686	\$ 416,371

ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2001

4. Deferred revenue:

	2001	2000
Registration fees received in advance	\$ 2,459,300	\$ 1,964,775
Government oversight fees portion of registration fees	(493,965)	(406,215)
	<u>\$ 1,965,335</u>	<u>\$ 1,558,560</u>

Registration fees are for a two-year period and are amortized to revenue evenly over the two years. 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. This fee is expensed evenly over the two years.

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 \$106,868 relating to salaries and benefits and \$4,915 relating to general and administrative expenses. At December 31, 2001, \$30,020 was receivable from the Fund. Amounts received from the Fund are determined on a cost recovery basis.

6. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of restricted contributions received for, and expended on, the purchase of capital assets. These contributions are recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

Changes in the deferred contributions balance are as follows:

	2001	2000
Balance, beginning of year	\$ 50,000	\$ 100,000
Amount recognized as revenue	(50,000)	(50,000)
Balance, end of year	<u>\$ -</u>	<u>\$ 50,000</u>

ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2001

7. Commitments:

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

2002	\$ 85,730
2003	92,849
2004	87,814
2005	83,950
2006	83,950
2007 and thereafter	454,730
	<hr/>
	\$ 889,023

8. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



**Ontario Motor
Vehicle Industry
Council**

789 Don Mills Rd
Suite 800
Toronto ON M3C 1T5
www.omvic.on.ca

