



Ontario Motor  
Vehicle Industry  
Council



*Committed to a fair marketplace...*

# 2002 Annual Report



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

May 1, 2003

Dear Minister,

I am pleased to present OMVIC's results for 2002. This annual report outlines the achievements of the past year and provides details for all service areas including registration, mediation, inspection and investigation. Some highlights:

- OMVIC investigators laid over 2,162 charges and registered 692 convictions.
- 6,013 inspections were completed.
- OMVIC staff fielded over 117,000 incoming telephone inquiries.
- Registration staff handled over 31,327 transactions on behalf of dealers and salespersons which included processing applications for registration, information changes, renewals and employee transfers and terminations.
- 1,269 administrative actions were taken, including registration refusals, revocations or imposition of terms and conditions of registration.
- 45 claims to the Ontario Motor Vehicle Dealers Compensation Fund were paid out for a total of \$259,841.

Although we are proud of these figures, the passing of Bill 180 - the new consumer protection legislation which you introduced - was the real success story of 2002.

OMVIC has made great strides in advancing dealer professionalism and increasing consumer awareness, but we look to 2003 and beyond with great pleasure knowing this legislation will offer us the opportunity to achieve even better results.

Protecting consumers who lease their vehicles; increasing disclosure for transactions; increasing fines under the MVDA and reducing "curbsiders," unlicensed dealers, will not only champion consumer rights, but will also protect the interests of our membership - the dealer community.

OMVIC was pleased to have a role in drafting the changes to the MVDA and welcomes the opportunity to continue working with you and the staff of your Ministry. Without doubt, Bill 180 exemplified the results that can be produced through the successful collaboration of the Ministry of Consumer and Business Services and OMVIC staff.

As always, we look forward to another outstanding year.

Sincerely,



Peter Eatson  
Chair, Board of Directors

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## OVERVIEW

OMVIC is a non-profit professional association of Ontario's 9,000 motor vehicle dealers and was established for the purpose 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 Business Services. The Council is government sanctioned, serves the public interest and membership is mandatory for Ontario's registered dealers.

### OMVIC's vision is simple: a fair marketplace

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

## PRIORITIES



## 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 and media interviews
- Dealer professionalism through certification programs for new dealers and salespersons

**OMVIC'S CODE OF ETHICS**

<b><i>INTEGRITY</i></b>	Conduct our activities with honesty, fairness and fiscal responsibility.
<b><i>DISCLOSURE</i></b>	Communicate all material facts and ensure our products and services are fully understood.
<b><i>MARKETING</i></b>	Guard against using any form of misleading advertising or innuendo in marketing our products and services.
<b><i>ACCOUNTABILITY</i></b>	Fulfill all contractual obligations promptly and completely and resolve legitimate claims without delay.
<b><i>COMPLIANCE</i></b>	Abide by all applicable laws and regulations and never knowingly do business with those operating outside these laws.
<b><i>COMPETITION</i></b>	Ensure fair and open competition and refrain from unjustly attacking competitors, their products and services or their business methods.
<b><i>PROFESSIONALISM</i></b>	Enhance our professional knowledge, skills and competencies throughout our careers.
<b><i>RESPECT</i></b>	Treat all people with equality and respect, regardless of gender, age, race or religion.
<b><i>CONFIDENTIALITY</i></b>	Hold all personal and financial information we receive in the strictest confidence.
<b><i>ENVIRONMENT</i></b>	Remain committed to a healthy coexistence with our environment.

## HISTORY AND ORIGINS

OMVIC is Ontario's first administrative authority created pursuant to the Safety and 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 on January 7, 1997. This delegation continues today under the Honourable Tim Hudak, Minister of Consumer and Business Services.

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.

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.

## LOCATION

789 Don Mills Road, Ste. 800  
Toronto, Ontario  
M3C 1T5

Telephone: (416) 226-4500  
Facsimile: (416) 226-3208  
Toll free: 1-800-943-6002  
Web site: [www.omvic.on.ca](http://www.omvic.on.ca)  
Email: [omvic@omvic.on.ca](mailto:omvic@omvic.on.ca)

## BOARD OF DIRECTORS

***Peter Eatson, President***

Peterborough Volkswagen, Peterborough

***Jim Pears, Vice President***

Metro Chrysler Jeep, Ottawa

***Ken Peterson, Secretary Treasurer***

Ken Peterson Sales and Leasing, Thunder Bay

***Kevin Bavelaar***

Auto Showplace, Toronto

***Hugh Brennan***

Dixie Chrysler, Brampton

***Sue Corke***

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

***Richard Lang*** (until October 2002)

Lang Motorcar Corporation, Toronto

***Gary Mackie***

Gary Mackie Chevrolet Oldsmobile, Tilbury

***Al McDowell***

Southbank Dodge Chrysler, Ottawa

***Gerd Reisenecker***

Greenbelt Volkswagen, Unionville

***Whipple Steinkrauss***

Assistant Deputy Minister (retired),  
Ministry of Consumer and Commercial Relations

***Michael Turk***

Automobile Protection Association, Toronto



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 and Business Services. The responsibility of the 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.

**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 fulfill its mandate.
5. Communicate and market the benefits OMVIC offers to consumers, registrants, members and government.

**COMMITTEES****Appeals Committee****Chair, Michael Turk**

The Appeals Committee provides a forum for reviewing complaints from consumers regarding OMVIC's handling of consumers' complaints about dealers, and if appropriate, makes recommendations to staff to ensure that subsequent complaints are handled in the most effective and expeditious manner. This committee also provides an impartial forum for hearing appeals from decisions of a Disciplinary Panel.

**Compensation Fund Liaison, Whipple Steinkrauss**

The Compensation Fund Liaison provides reports to the OMVIC Board of Directors concerning management of the Compensation Fund in recognition of OMVIC's responsibilities for the Fund. The Liaison also offers a means of communication between the OMVIC Board of Directors and the Compensation Fund Board of Trustees.

**Consumer Protection Advisory Committee****Chair, Whipple Steinkrauss**

This committee develops and recommends strategies to increase consumer protection through development and regular review of the Standards of Business Practice and provides a cooperative forum for two-way communication with consumers and consumer interest groups.

### **Industry Professionalism Committee**

#### **Chair, Kevin Bavelaar**

The Industry Professionalism Committee develops and recommends strategies to increase industry professionalism and consumer protection through development and regular review of certification programs, registration standards, Standards of Business Practice and an accompanying disciplinary process. It also provides a cooperative forum for two-way communication with industry associations on issues of mutual concern.

### **Legislative Review Committee**

#### **Chair, Peter Eatson**

The Legislative Review Committee reviews and recommends to the OMVIC Board changes to provincial statutes and regulations which govern the motor vehicle dealer sector and which will support OMVIC's objectives.

### **Management Committee**

#### **Chair, Peter Eatson**

The Management Committee assists the Board of Directors in the provision of its governance role. Responsibilities include: guidance and direction to the Executive Director and Comptroller as needed; assisting management to assure appropriate financial and operational controls are in place; liaising with the provincial government, trade associations and consumer groups on industry matters; review of management reports regarding statutory and ethical compliance; review of quarterly and annual financial statements; annual briefings to the Minister on OMVIC's activities and review of the annual report and business plan.

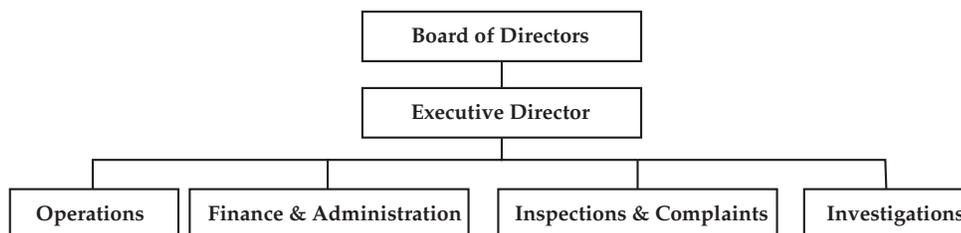
### **Nominations Committee**

#### **Chair, Peter Eatson**

The Nominations Committee carries out the duties assigned in OMVIC's bylaws and those assigned to it by the Board of Directors. Some responsibilities include: developing and recommending selection criteria for new Board members, seeking nominees for vacancies on the Board of Directors and developing selection criteria for membership on committees of the Board and for the Compensation Fund Board of Trustees.

## **ORGANIZATIONAL STRUCTURE**

Ontario Motor Vehicle Industry Council



## SERVICE LEVELS

At the close of 2002 there were 8,779 registered dealers and 21,796 salespersons registered with OMVIC. This population has remained reasonably stable for a number of years now.

During 2002, 752 applications for new dealer registrations and 3,572 applications for new salesperson registrations were processed. Due to the significant scrutiny and background checks 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 2002 indicates the average processing time for all new dealer applications is 43 days. A review of applications taking in excess of 42 days indicates that virtually all of them had some problem associated with them, including deficiencies, investigations, proposals and terms and conditions. This average drops to 21 days when only applications taking up to 42 days are reviewed.

Processing of new salesperson applications 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 2002, 14,042 renewal applications, 1,679 information changes, 4,757 employee transfers and 6,525 registration terminations were processed. Processing time is normally under two weeks unless the forms are received incomplete.

OMVIC staff handled approximately 57,935 toll free consumer telephone inquiries in 2002. Of these, 1,450 required a complaint file be opened (some form of mediation or assistance from OMVIC staff was required).

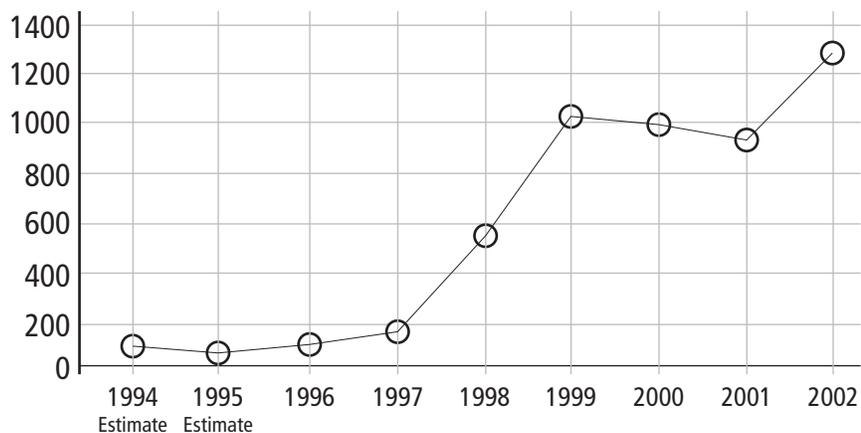
Once a complaint file is opened, it may take anywhere from a few hours to a few weeks - or even months - to complete, depending upon the complexity of issues, the availability of documents and the level of cooperation of those involved. Generally speaking, however, two-thirds of files are closed within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

## REGISTRATION

At the close of 2002 there were 8,779 dealers and 21,796 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. OMVIC maintains a register of dealers and salespersons in Ontario that have qualified for registration under the MVDA.

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.

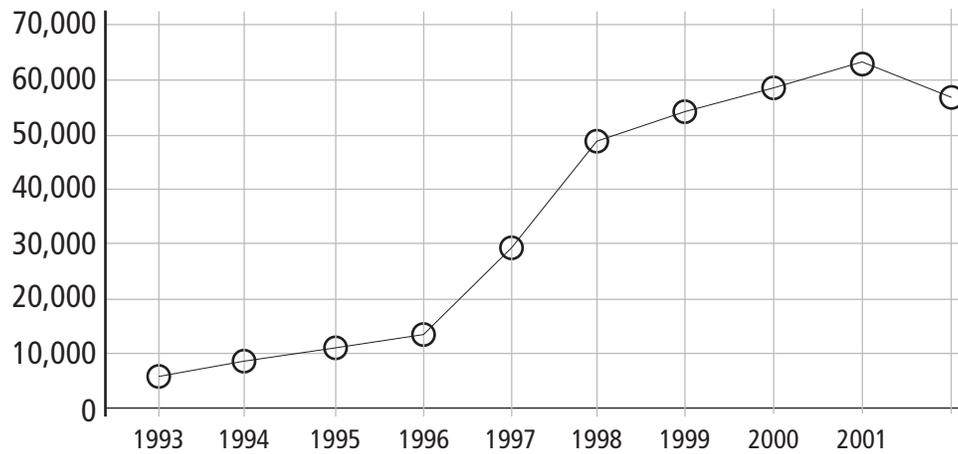
When the Registrar proposes to refuse or revoke registration, the affected applicant or registrant may request a hearing before the Licence Appeal Tribunal (LAT), an independent quasi-judicial agency of the Ministry of Consumer and Business Services. In such cases, the office of the Registrar presents 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.



**Registrar's Actions:** These include issuance of proposals to refuse or revoke registration and terms and conditions of registrations. The number of Registrar's actions logged in 2002 was 1,269.

## REGISTRATION ACTIVITIES FOR 2002

<b>New Dealer Applications:</b>	<b>752</b>
<b>New Salesperson Applications:</b>	<b>3,572</b>
<b>Dealer Renewals:</b>	<b>3,779</b>
<b>Salesperson Renewals:</b>	<b>10,263</b>
<b>Information Changes:</b>	<b>1,679</b>
<b>Employee Transfers:</b>	<b>4,757</b>
<b>Registration Terminations:</b>	<b>6,525</b>



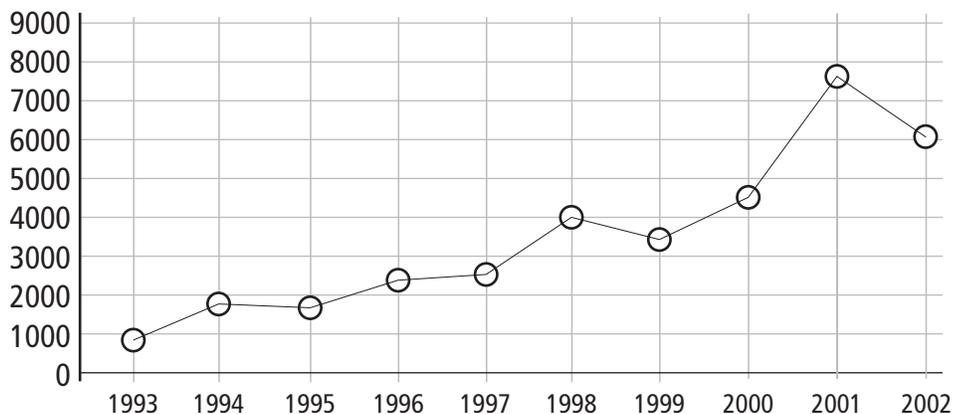
**Inquiries (1-800 line):** Staff handled 57,935 toll free calls during 2002. This chart does not include local calls which are assumed to match the volume of toll free calls.

## 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 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.

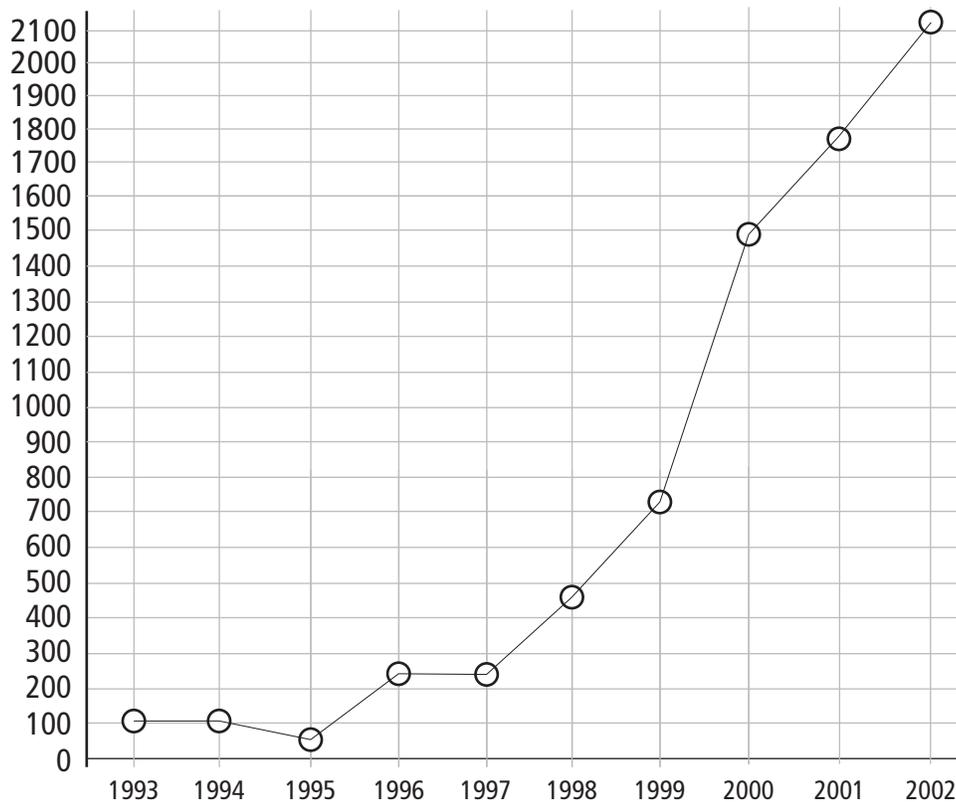


**Completed Inspections:** 2002 was the second year in a two-year project to visit all registered dealers in Ontario. OMVIC inspectors completed 6,013 inspections in 2002.

## INVESTIGATION AND 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.



**Investigations:** OMVIC's investigative activities remained successful in 2002. The number of charges laid increased to 2,162.

## COMPLAINTS AND MEDIATION

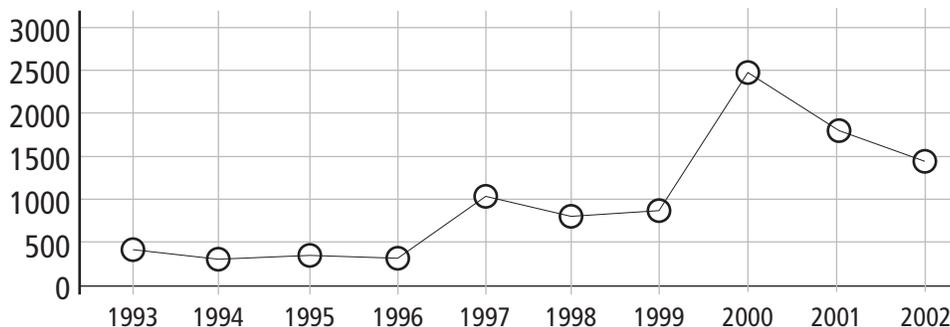
OMVIC staff handle inquiries from consumers, dealers, salespersons, applicants for registration, government and other stakeholders. Staff also offer a mediation service for complaints between consumers and dealers and between dealers themselves.

Consumers dissatisfied by a transaction with a registered dealer are advised of 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.



### APPEALS COMMITTEE

In the event that a consumer feels 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 Ministry of Consumer and Business Services.



**Complaint Mediations: OMVIC staff were actively involved in mediating 1,450 disputes in 2002.**

## OTHER SERVICES

### Dealer Professionalism

By completing OMVIC's 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. "Grandfathered" salespersons - those registered prior to the introduction of the certification course - are not required to enroll in the course, but certification is encouraged by OMVIC.

### Consumer Awareness

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

### Disciplinary Process

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

In 2002, 13 discipline files were resolved. 11 of the 13 were resolved through negotiated settlement while 2 went to a full hearing with administrative penalties and cost levied against the dealers involved.

OMVIC encourages anyone interested in concrete proof of the efficacy of self-management or of the dedication of registered dealers to ensure their peers meet the highest standards of honesty and integrity, to read the decisions of the remedial panel available on OMVIC's website.

### Communications

OMVIC's quarterly newsletter, *The Dealer Standard*, provides ongoing communication with the dealer community. Written features promote education and awareness by reporting OMVIC activities and industry news and events. OMVIC's website, [www.omvic.on.ca](http://www.omvic.on.ca), is marketed towards a consumer audience, but also provides content for dealers and new applicants.

### French Language Services

OMVIC makes an effort to be responsive to all inquiries 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 are sought for key positions in order to ensure that French language inquiries, whether from dealers or consumers, can be dealt with quickly, courteously and effectively. As well, all correspondence received in French receives a response in French.

## INDUSTRY-FUNDED CONSUMER PROTECTION

The Motor Vehicle Dealers Compensation Fund is a consumer protection fund that was introduced in 1986. It reimburses consumers for motor vehicle transactions with a registered dealer under the specific circumstances described in the Motor Vehicle Dealers Act. Each case is considered individually on its own merits. Consumers are expected to have exhausted all other legal remedies prior to making a claim against the Fund and to provide full documentation as evidence of their claim.

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 who is unable to fulfill his or her obligation because the dealer has gone out of business.
- A customer has made a down payment or left 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 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.

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.

During fiscal 2002 (ending October 31, 2002), 58 claims were received with a claim value of \$391,381. Of these, 45 claims were approved by the Board of Trustees for a total payment to consumers of \$259,841.

**Further information about the  
Compensation Fund may be obtained from:**

Motor Vehicle Dealers Compensation Fund  
789 Don Mills Road, Suite 800  
Toronto, Ontario  
M3C 1T5

Telephone: (416) 226-3661  
Facsimile: (416) 226-9406  
Toll free: 1-800-943-6002 ext. 3661  
Web site: [www.compfund.ca](http://www.compfund.ca)  
Email: [compfund@omvic.on.ca](mailto:compfund@omvic.on.ca)

## MAJOR MILESTONES

### DEALER PROFESSIONALISM

Strategy	2002-2004 Targets	2002 Activities and Results
Certification Program: increase the number of grandfathered registrants who voluntarily complete the OMVIC certification program.	Introduce programs to recognize dealerships where all registrants have completed the course.	New pocket certificates designed and issued in 2002 to registrants who have completed the certification course. Those who have not taken the course will receive their certificate when they renew or transfer registration.  Articles supporting voluntary certification published in <i>The Dealer Standard</i> .
Standards of Business Practice reviewed	Standards of Business Practice updated as required.	The Consumer Protection Advisory Committee completed its review of the Standards of Business Practice and the Industry Professionalism Committee has commenced its review. The entire review will be completed concurrent to the completion of the new regulations under the MVDA.
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.	Complete the balance of the 5,500 inspections targeted for 2002. In subsequent years of the planning period, develop a risk management strategy.	6,013 inspections completed in 2002.
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.	The volume of Registrar's actions is expected to remain steady through the planning period at approximately 850 actions yearly.	1,269 Registrar's actions logged in 2002.
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 2002 through 2004.	2,162 charges laid in 2002.  692 convictions were registered.
Dealer relations	Request input from all dealers and salespersons regarding OMVIC's goals and targets.	Dealer survey designed and issued in <i>The Dealer Standard</i> .

## CONSUMER PROTECTION

Strategy	2002-2004 Targets	2002 Activities and Results
Complaint handling: provision of a no-cost mediation service for consumers and dealers as an alternative to litigation whenever possible.	<p>OMVIC anticipates mediating approximately 1,500 complaints per year throughout the planning period.</p> <p>Engage relevant stakeholders in discussions concerning the need for, and possible models for, an alternative dispute resolution process.</p>	<p>1,450 mediation files handled in 2002.</p> <p>Stakeholder input invited through Board planning meetings. Stakeholders included: dealer associations, law enforcement agencies, consumer advocacy groups and the Ministry of Transportation.</p>
Anti-curbsider programs: increase awareness of benefits of conducting business with registered dealers.	<p>OMVIC will publish articles in consumer publications which will provide assistance to those purchasing a motor vehicle.</p> <p>Anti-curbsider ads to be placed in trade magazines.</p>	<p>OMVIC published an anti-curbsider ad in automotive classified sections of <i>The Toronto Star</i>, <i>The Globe and Mail</i>, <i>Auto Trader</i> and <i>Auto Mart</i>, weekly throughout the month of December 2002. Success of ad placement will be measured through incoming calls and website traffic and assessed for ad placement in 2003.</p>
Legislative and Regulatory reform	<p>Support the Ministry's reform of the MVDA.</p> <p>During 2003, OMVIC will be working closely with the Ministry in the development of recommendations for new regulations under the MVDA.</p>	<p>Minister successful in achieving 3rd reading of Bill 180 in 2002.</p>
Consumer relations	<p>Design consumer information brochures and materials based on consumer feedback acquired through surveys.</p>	<p>Consumer survey designed and launched on OMVIC website in 2002. Survey was promoted through: a news release and links on stakeholder websites.</p>
Standardized contracts: increase level of disclosure, dealer accountability and compliance with law and OMVIC Standards of Business Practice.	<p>Commence collaborative review of sales and leasing contracts with a view to standardization and increased clarity.</p>	<p>Reviewed the following recommendations for bills of sale from the Industry Professionalism Awareness Committee:</p> <ul style="list-style-type: none"> <li>• consumers should be warned there are no "cooling off" periods</li> <li>• consumers should always be provided with copy of safety standards certificate</li> </ul>

**CONSUMER PROTECTION**

Strategy	2002-2004 Targets	2002 Activities and Results
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		<ul style="list-style-type: none"> <li>• explanation of branding terms should be provided</li> <li>• terms "conditional on financing / mechanical inspection should be included in "comments" section of bill</li> </ul>
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Effective, professional complaint handling	Complaint mediators to receive professional training	<p>Continuous learning initiative started. Representatives from the Ministry of Consumer and Business Services' mediation department, the Canadian Finance and Leasing Association and a consumer lawyer were invited to make presentations to the mediators at team meetings throughout the year.</p> <p>A survey was designed and issued for consumers to rate the level of service they received from mediators. Responses will be collected on an ongoing basis and analyzed in order to make improvements to service delivery.</p>
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Consumer Awareness	<p>Continue communications programs to:</p> <ul style="list-style-type: none"> <li>• Increase awareness of OMVIC</li> <li>• Increase consumer awareness of benefits of conducting business with registered dealers and dangers of curbsider transactions</li> <li>• Market the Compensation Fund</li> </ul>	<p>Communications Coordinator hired in September 2002 to increase communications activities.</p> <p>Communications strategy for distribution of OMVIC window decals for use by registrants completed.</p>
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## CUSTOMER SERVICE

Strategy	2002-2004 Targets	2002 Activities and Results
<p>OMVIC website: effective adoption of new technologies that will allow OMVIC to better serve the dealer and consumer communities through the Internet.</p>	<p>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 correct their registration status and those of their salespersons.</p>	<p>Dealer and salesperson search facility enhanced for OMVIC partners: Ministry of Finance, auto auctions and police services.</p>
<p>Effective administration/ registration process.</p>	<p>Review dealer registration process to increase turn around times.</p>	<p>Goals to approve "clean" salesperson applications (those requiring no follow-up) within 48 hours were met.</p> <p>Dealer and salesperson renewals were completed on or before renewal dates.</p>

**APPENDIX A:**

**AUDITED FINANCIAL STATEMENTS OF  
ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL**

Year ended December 31, 2002



KPMG LLP  
Chartered Accountants  
Yonge Corporate Centre  
4100 Yonge Street Suite 200  
Toronto ON M2P 2H3  
Canada

Telephone (416) 228-7000  
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## 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, 2002 and the statements of operations and deficit 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, 2002 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 14, 2003



KPMG LLP, a Canadian limited liability partnership is the Canadian member of KPMG International, a Swiss non-profit association.

## ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Statement of Financial Position

December 31, 2002, with comparative figures for 2001

	2002	2001
<b>Assets</b>		
Current assets:		
Cash	\$ 108,418	\$ 72,734
Short-term investments	1,706,941	1,473,911
Accounts receivable	57,375	51,868
Prepaid expenses	105,650	69,149
	<u>1,978,384</u>	<u>1,667,662</u>
Capital assets (note 2)	412,299	435,686
	<u>\$ 2,390,683</u>	<u>\$ 2,103,348</u>
<b>Liabilities and Net Assets Deficiency</b>		
Current liabilities:		
Accounts payable and accrued charges	\$ 386,988	\$ 406,217
Deferred revenue (note 3)	2,132,463	1,965,335
	<u>2,519,451</u>	<u>2,371,552</u>
Net assets:		
Invested in capital assets	412,299	435,686
Unrestricted	(541,067)	(703,890)
	<u>(128,768)</u>	<u>(268,204)</u>
Commitments (note 6)		
	<u>\$ 2,390,683</u>	<u>\$ 2,103,348</u>

See accompanying notes to financial statements.

## ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

### Statement of Operations

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
<b>Revenue:</b>		
Registration fees	\$ 4,660,573	\$ 4,506,820
Certification course fees	280,860	248,615
Transfer fees	237,600	242,250
Interest and other	45,174	80,946
Amortization of deferred contributions (note 5)	-	50,000
Administrative penalties	17,500	-
	<u>5,241,727</u>	<u>5,128,631</u>
<b>Expenses:</b>		
Salaries and benefits, net of recoveries (note 4)	2,466,958	2,271,458
Government oversight fees (note 3)	669,867	900,180
Professional services	421,315	380,533
Communications	383,831	362,167
Travel	364,920	317,089
Amortization of capital assets	335,884	394,107
General and administrative, net of recoveries (note 4)	217,506	185,124
Occupancy	154,677	106,026
Per diem allowances	87,313	41,606
	<u>5,102,291</u>	<u>4,958,290</u>
<b>Excess of revenue over expenses</b>	<b>\$ 139,436</b>	<b>\$ 170,341</b>

See accompanying notes to financial statements.

## ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

### Statement of Changes in Net Assets

Year ended December 31, 2002, with comparative figures for 2001

			2002	2001
	Invested in capital assets	Unrestricted	Total	Total
Deficit, beginning of year	\$ 435,686	\$ (703,890)	\$ (268,204)	\$ (438,545)
Excess (deficiency) of revenue over expenses	(346,702)	486,138	139,436	170,341
Investment in capital assets	323,315	(323,315)	-	-
<b>Balance, end of year</b>	<b>\$ 412,299</b>	<b>\$ (541,067)</b>	<b>\$ (128,768)</b>	<b>\$ (268,204)</b>

See accompanying notes to financial statements.

## ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

### Statement of Cash Flows

Year ended December 31, 2002, with comparative figures for 2001

	2002	2001
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 139,436	\$ 170,341
Items not involving cash:		
Amortization of capital assets	335,884	394,107
Amortization of deferred contributions	-	(50,000)
Loss on disposal of capital assets	10,818	-
Trade in value of assets	3,000	-
Change in non-cash operating working capital:		
Accounts receivable	(5,507)	(4,944)
Prepaid expenses	(36,501)	(33,379)
Accounts payable and accrued charges	(19,229)	1,902
Deferred revenue	167,128	406,775
	595,029	884,802
Investing activities:		
Purchase of capital assets	(326,315)	(413,422)
Net purchase of short-term investments	(200,000)	(500,000)
Interest distributions reinvested into short-term investments	(33,030)	(67,603)
	(559,345)	(981,025)
Increase (decrease) in cash	35,684	(96,223)
Cash, beginning of year	72,734	168,957
Cash, end of year	\$ 108,418	\$ 72,734
Supplemental cash flow information:		
Cash received for interest	\$ 36,006	\$ 73,564

See accompanying notes to financial statements.

# ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Notes to Financial Statements

Year ended December 31, 2002

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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, 2002

## 1. Significant accounting policies (continued):

### (iv) Administrative penalties

Administrative penalties are imposed on dealers through an internal Council disciplinary process. These penalties are recognized as revenue when the Council receives payment.

### (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. Capital assets:

			2002		2001	
	Cost	Accumulated amortization	Net book value	Net book value	Net book value	Net book value
Computer hardware	\$ 476,425	\$ 310,966	\$ 165,459	\$ 162,553		
Computer software	368,894	278,914	89,980	191,690		
Furniture and fixtures	109,835	28,012	81,823	27,439		
Office equipment	135,372	60,335	75,037	48,935		
Leasehold improvements	-	-	-	5,069		
	\$ 1,090,526	\$ 678,227	\$ 412,299	\$ 435,686		

## ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2002

### 3. Deferred revenue:

	2002	2001
Registration fees received in advance	\$ 2,132,463	\$ 2,459,300
Government oversight fees portion of registration fees	-	(493,965)
	<u>\$ 2,132,463</u>	<u>\$ 1,965,335</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 the execution of the Agreement. This expired on January 6, 2002. Under the new Agreement with the Ministry, government oversight fees are payable on a cost recovery principle.

At December 31, 2002 government oversight fees comprised of:

	2002	2001
Deferral from previous year	\$ 493,965	\$ 406,215
Current year expense	175,922	493,965
	<u>\$ 669,887</u>	<u>\$ 900,180</u>

### 4. 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 \$114,492 (2001 - \$106,668) relating to salaries and benefits and \$4,915 (2001 - \$4915) relating to general and administrative expenses. At year end, \$24,043 (2001 - \$30,020) was receivable from the Fund. Amounts received from the Fund are determined on a cost recovery basis.

## ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2002

### 5. 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.

Deferred capital contributions were fully recognized as revenue in fiscal 2001.

### 6. Commitments:

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

2003	\$	209,567
2004		204,532
2005		200,668
2006		200,668
2007		208,160
2008 and thereafter		909,278
	\$	1,932,873

**APPENDIX B:**

**AUDITED FINANCIAL STATEMENTS OF  
MOTOR VEHICLE DEALERS COMPENSATION FUND**

Year ended October 31, 2002

**MOTOR VEHICLE DEALERS  
COMPENSATION FUND****FINANCIAL STATEMENTS****OCTOBER 31, 2002**

<b>INDEX</b>	<b>PAGE</b>
Auditors' Report	1
Statement of Financial Position	2
Statement of Changes in Net Assets	3
Statement of Operations	4
Notes to the Financial Statements	5 - 8



McGovern, Hurley, Cunningham, LLP  
Chartered Accountants

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## AUDITORS' REPORT

To the Board of Trustees and Participants in the  
**Motor Vehicle Dealers Compensation Fund**

We have audited the statement of financial position of the Motor Vehicle Dealers Compensation Fund as at October 31, 2002 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Fund'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 Fund as at October 31, 2002 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

**McGOVERN, HURLEY, CUNNINGHAM, LLP**

A handwritten signature in cursive script, likely representing a partner or representative of the firm.

**Chartered Accountants**

TORONTO, Canada  
December 17, 2002

2005 Sheppard Avenue East, Suite 503, Toronto, Ontario, Canada, M2J 5B4  
Telephone: (416) 496-1234 – Fax: (416) 496-0125 – E-Mail: info@mhc-ca.com – Website: www.mhc-ca.com

MOTOR VEHICLE DEALERS COMPENSATION FUND  
**STATEMENT OF FINANCIAL POSITION**  
 AS AT OCTOBER 31, 2002

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	2002 \$	2001 \$ (Note 9)
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	41,668	60,547
Interest receivable	81,535	136,364
Prepaid expenses	<u>2,723</u>	<u>2,250</u>
	125,926	199,161
<b>INVESTMENTS</b>		
(Market value \$6,778,959; 2001 - \$7,171,222)	7,195,569	7,171,222
<b>CAPITAL</b> (Note 3)	<u>14,560</u>	<u>11,300</u>
	<u>7,336,055</u>	<u>7,381,683</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	37,810	64,740
Claims payable	<u>30,358</u>	<u>1,547</u>
	<u>68,168</u>	<u>66,287</u>
<b>NET ASSETS</b>		
Invested in capital assets	14,560	11,300
Unrestricted net assets (Note 4)	<u>7,253,327</u>	<u>7,304,096</u>
	<u>7,267,887</u>	<u>7,315,396</u>
	<u>7,336,055</u>	<u>7,381,683</u>

APPROVED ON BEHALF OF THE BOARD OF TRUSTEES:

\_\_\_\_\_, "GERRY BARG", Chair

\_\_\_\_\_, "WHIPPLE STEINKRAUSS", Vice Chair

MOTOR VEHICLE DEALERS COMPENSATION FUND  
**STATEMENT OF CHANGES IN NET ASSETS**  
 FOR THE YEAR ENDED OCTOBER 31, 2002

Page 3

	Invested in Capital Assets \$	Unrestricted \$	2002 \$	2001 \$ (Note 9)
<b>BALANCE</b> , beginning of year	11,300	7,304,096	7,315,396	7,328,246
(Deficiency) of revenue over expenses for the year	(4,384)	(43,125)	(47,509)	(12,850)
Investment in capital assets	<u>7,644</u>	<u>(7,644)</u>	<u>-</u>	<u>-</u>
<b>BALANCE</b> , end of year	<u>14,560</u>	<u>7,253,327</u>	<u>7,267,887</u>	<u>7,315,396</u>

MOTOR VEHICLE DEALERS COMPENSATION FUND  
**STATEMENT OF OPERATIONS**  
 FOR THE YEAR ENDED OCTOBER 31, 2002

Page 4

	2002 \$	2001 \$ (Note 9)
<b>REVENUES</b>		
Investment and other income	280,428	381,898
Participant fees	<u>209,100</u>	<u>222,900</u>
	<u>489,528</u>	<u>604,798</u>
<b>EXPENSES</b>		
Claims	259,841	347,680
Less: recoveries	<u>14,222</u>	<u>27,548</u>
	245,619	320,132
Salaries and benefits	114,021	104,786
Board	80,802	52,268
Legal	39,397	78,059
Investment management fees	18,347	-
Trustee fees	13,626	22,978
Office and general	8,561	5,935
Occupancy	4,915	4,915
Professional fees	4,642	23,862
Insurance	2,723	2,206
Amortization	<u>4,384</u>	<u>2,507</u>
	<u>537,037</u>	<u>617,648</u>
<b>(DEFICIENCY) OF REVENUES OVER EXPENSES, FOR THE YEAR</b>	<u>(47,509)</u>	<u>(12,850)</u>

MOTOR VEHICLE DEALERS COMPENSATION FUND  
**NOTES TO THE FINANCIAL STATEMENTS**  
 OCTOBER 31, 2002

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**1. PURPOSE OF THE ORGANIZATION**

The Motor Vehicle Dealer Compensation Fund (the "Fund") was established on July 1, 1986 under the Motor Vehicle Dealers Act (the "Act"). The Fund was established to stand in place of registered motor vehicle dealers (the "participants") where the participant has refused, failed or been unable to pay a claim registered against the participant.

The affairs of the Fund are overseen by a Board of Trustees ("the Board") and the Fund is managed by a trust corporation appointed by the Board to act as the Trustee (the "Trustee").

In accordance with the Act, it is compulsory for motor vehicle dealers to pay an initial payment to the Fund in order to obtain registration in Ontario.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Fund are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year. Outlined below are those policies considered particularly significant.

**Investments:**

Investments are recorded at cost.

**Capital Assets and Amortization:**

Capital assets are stated at acquisition cost. Amortization is provided on the diminishing balance basis at the following annual rates:

Computer equipment	30%
Computer software	30%
Furniture	20%
Office equipment	20%

**Claims:**

Claims are recognized in the accounts at the time of approval by the Board of Trustees.

Continued...

MOTOR VEHICLE DEALERS COMPENSATION FUND  
**NOTES TO THE FINANCIAL STATEMENTS**  
 OCTOBER 31, 2002

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition:

The Fund follows the deferral method of accounting for contributions. Restricted contributions, if any, are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Use of Estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those reported.

**3. CAPITAL ASSETS**

	<u>Cost</u> \$	<u>Accumulated Amortization</u> \$	<u>2002 Net</u> \$	<u>2001 Net</u> \$ (Note 9)
Computer equipment	16,111	13,046	3,065	4,379
Computer software	15,143	4,866	10,277	5,400
Furniture	2,249	2,002	247	308
Office equipment	<u>3,794</u>	<u>2,823</u>	<u>971</u>	<u>1,213</u>
	<u>37,297</u>	<u>22,737</u>	<u>14,560</u>	<u>11,300</u>

**4. UNRESTRICTED NET ASSETS**

The capital of the Fund is comprised of contributions by participants and income earned on investments. Where at any time the net assets of the Fund are less, or are anticipated to be less than \$1,500,000 by reason of payments or proposed payments to claimants, the trustee may require each participant to pay such additional amounts as is considered necessary to bring the net assets of the Fund up to at least \$1,500,000.

Continued...

MOTOR VEHICLE DEALERS COMPENSATION FUND  
**NOTES TO THE FINANCIAL STATEMENTS**  
OCTOBER 31, 2002

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**5. CONTINGENT LIABILITY**

As at October 31, 2002, the Board of Trustees had denied 13 (2001 - 6) claims totalling \$18,403 (2001 - \$80,002), which were subject to appeal. The probability of these appeals and their outcome cannot be reasonably determined and no provision has been made in the financial statements for them. However, should any loss result from resolution of these claims, such loss would be accounted for in the period settled.

**6. DONATED PROPERTY AND SERVICES**

During the year, voluntary services were provided. Because these services are not normally purchased by the Fund and because of the difficulty in determining their fair value, donated services are not recognized in these statements.

**7. INCOME TAXES**

The Fund is a trust within the meaning of Section 149(1)(w) of the Income Tax Act (Canada) and as such, is exempt from income taxes.

**8. STATEMENT OF CASH FLOWS**

A statement of cash flows has not been included as the required cash flow information is readily apparent from the other financial statements. Cash flow from operations approximates the deficiency of revenues over expenses. During the year the Fund acquired capital assets valued at \$7,644 (2001 - \$2,546). There were no other investing or financing activities.

**9. COMPARATIVE FIGURES**

Certain of the 2001 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2002.

Continued...

MOTOR VEHICLE DEALERS COMPENSATION FUND  
**NOTES TO THE FINANCIAL STATEMENTS**  
OCTOBER 31, 2002

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**10. FINANCIAL INSTRUMENTS****Fair Value:**

Canadian generally accepted accounting principles require that the company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for interest receivable, prepaid expenses, accounts payable and accrued liabilities and claims payable on the balance sheet approximate fair value because of the limited term of these instruments.



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