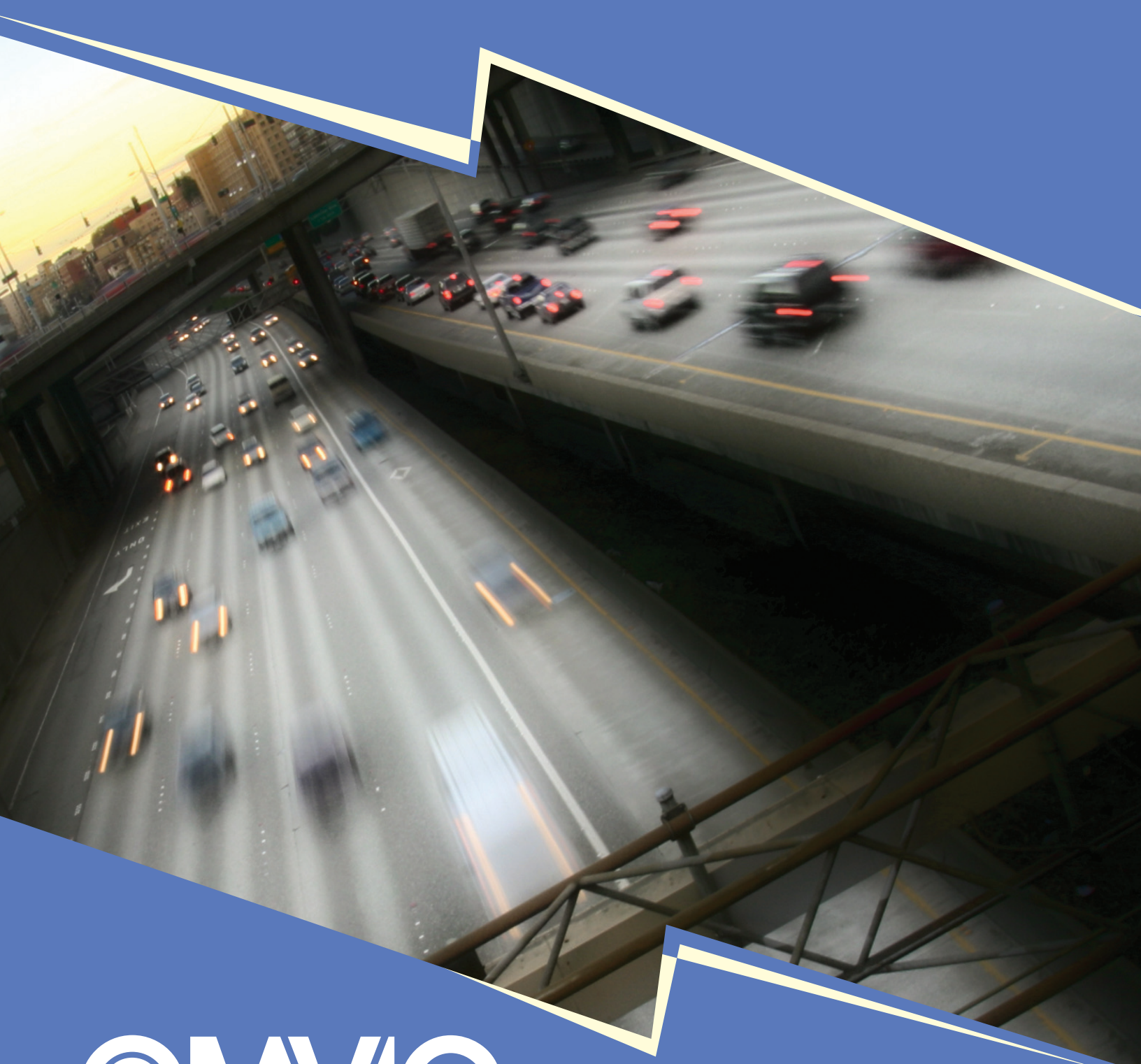


# 2003 ANNUAL REPORT

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# 2004 BUSINESS PLAN







## PRESIDENT'S MESSAGE

This time last year my predecessor reported on the successes of 2002 and, as expected, paid special attention to the passing of Bill 180 -- the new consumer protection legislation introduced by the Ministry of Consumer and Business Services. OMVIC played a role in the process through its collaboration on changes to the Motor Vehicle Dealers Act and was extremely pleased to report greater protection to both consumers and OMVIC's membership would soon be available.

During 2003, we continued that collaboration with the Ministry in the development of regulations under the new Motor Vehicle Dealers Act 2002. As well, OMVIC's special attention and efforts over the last 12 months in responding to the needs of the industry, stakeholders and Ontario's consumers are definitely worthy of note.

Through consultations with stakeholders, responses to consumer and dealer surveys and the efforts of active committees, OMVIC was able to identify and target specific areas that were open to improvement in terms of service delivery. I am happy to report OMVIC's response to these target areas successfully formed the roots of many of its major accomplishments during 2003.

### **Some achievements include:**

- A redesigned complaint handling process for consumers and dealers
- The introduction of higher customer service standards developed in conjunction with customer service training for staff
- The implementation of a fast-track process for registrations
- The development of recommendations to the Standards of Business Practice for third-party warranties
- The development of an online consumer education newsletter

These initiatives, along with the other 2003 activities detailed throughout this report, reflect an ongoing commitment to find effective and useful solutions to consumer and industry needs -- both of which are continually evolving and changing.

And, of course, OMVIC's active participation over the last year in the development of regulations to accompany the new legislation also marks a commitment to fostering and delivering the best possible standards for the industry as a whole over the long term. We look forward to continuing our work with the Ministry.

On behalf of the Board of Directors, I extend our thanks to OMVIC's dedicated staff for another stellar year on behalf of the consumers of Ontario.

-Ken Peterson



## REGISTRAR'S REPORT

OMVIC's business objectives for 2003 outlined targets and performance measures in the areas of dealer professionalism, consumer awareness and customer service. I am pleased to report the following highlights of 2003 have directly addressed those objectives:

- 4,517 inspections completed which exceeded forecasted targets
- 1,413 Registrar's Actions executed which exceeded forecasted targets
- 1,882 charges were laid which exceeded forecasted targets
- 57,026 inquiries were handled through OMVIC's toll-free 1-800 line
- 1,127 complaints handled
- 61 claims to the Motor Vehicle Dealers Compensation Fund were approved by the Board of Trustees with a total payout of \$223,284
- Urged the Ministry of Transportation (MTO) to begin capturing and reporting odometer readings on its Vehicle Registration System (implemented by MTO in December 2003)
- New pocket certificate with added security features implemented for registered salespersons
- Consumer and dealer surveys were implemented to encourage feedback on OMVIC's programs
- Consultation with industry stakeholders representing trade and consumer associations continues to be successful
- OMVIC's Board approved increased funding for communications activities and consumer awareness

These highlights reflect OMVIC's ongoing commitment to providing consumer protection and enhancing dealer professionalism. Our benchmarks for industry efficiency continue to be raised through compliance and enforcement activities, registration standards and the consumer protection offered through redesigned complaint handling services and the efficient management of the Motor Vehicle Dealers Compensation Fund.

Board and Committee members dedicate a significant amount of their personal time to OMVIC's priorities – **Consumer Protection, Dealer Professionalism, and Customer Service**. They are truly unsung heroes and I wish to acknowledge their efforts and the support they so willingly extend to OMVIC staff.

-Carl Compton



## CONTENTS

Overview .....	9
Board of Directors .....	11
Committees .....	17
Registration .....	18
Inspection .....	21
Investigation and Prosecution .....	22
Complaint Handling .....	23
Industry-funded Consumer Protection .....	25
Report on Objectives .....	27
Financial Overview and Audited Statements .....	32
2004 Business Plan .....	55
Business Objectives .....	57
Financial Forecast .....	63
Organizational Structure and OMVIC Contacts .....	64





**OMVIC**



**2003**

**ANNUAL REPORT**







## OVERVIEW

OMVIC is a non-profit professional association of Ontario's 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 is Ontario's first administrative authority created pursuant to the Safety and Consumer Statutes Administration Act. The 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 Honorable Jim Watson, Minister of Consumer and Business Services.

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.

***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 complaint handling
- 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 FOR ONTARIO'S REGISTERED DEALERS:

<b><i>INTEGRITY</i></b>	Conduct our activities with honesty, fairness and financial 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.



## BOARD OF DIRECTORS

**Ken Peterson**, President

Ken Peterson Sales and Leasing, Thunder Bay

**Al McDowell**, Vice President

Southbank Dodge Chrysler, Ottawa

**Gary Mackie**, Secretary Treasurer

Gary Mackie Chevrolet Oldsmobile, Tilbury

**Colin Abbott**

Car-o-line Auto, Chesterville

**Kevin Bavelaar**

Auto Showplace, Toronto

**Hugh Brennan**

Dixie Plymouth Chrysler Ltd., Brampton

**Sue Corke**

Ministry of Consumer and Business Services

**Jeff Gray**

Consumer advocate, lawyer

**Robert Positano**

Woodbine Pontiac Buick GMC, Etobicoke

**Gerd Reisenecker**

Greenbelt Volkswagen, Unionville

**Ron Scagnetti, Sr.**

Mid North Motors, Sudbury

**Michael Turk**

Consumer advocate, lawyer



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. Dealer 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.



## **BIOGRAPHIES**

### ***KEN PETERSON, CHAIR***



Mr. Peterson has over 21 years experience in the automotive business, with 10 years as general manager of a franchise dealership. He is currently the President of Ken Peterson Sales and Leasing, of Thunder Bay.

He has served 2 terms on the Thunder Bay Hydro Commission and was its chair for 3 years. He was also Director and Treasurer of Northwest Energy and Director and Vice Chair of the Municipal Electric Association.

Mr. Peterson was elected to OMVIC's board of directors in June 2001 for a 3-year term and also served as OMVIC's Secretary Treasurer from June 2003 to May 2003.



## BIOGRAPHIES

### *AL MCDOWELL, VICE PRESIDENT*



Mr. McDowell has been a dealer in the Ottawa area for 24 years and is the president of Southbank Dodge Chrysler in Ottawa.

Active in the community, Mr. McDowell previously served on the boards of the Riverside Hospital Foundation and the Rideau Carleton Raceway. He also served as a trustee of the Motor Vehicle Dealers Compensation Fund. Currently Mr. McDowell serves on the board of Loaves & Fishes – an agency which provides food for the needy. He also participates in fundraising activities for the Children's Hospital of Eastern Ontario.

He is President of the Ottawa Gatineau DaimlerChrysler advertising association and a member of the DaimlerChrysler President's Advisory Council of Canada.

Mr. McDowell was elected to the Board of Directors in May 2003 for a three-year term. This is his second term on the board, having served previously from 1997 to 1999.



## **BIOGRAPHIES**

### ***GARY MACKIE, SECRETARY TREASURER***



Mr. Mackie has been involved in the automotive business for the past 29 years and is the president of Gary Mackie Chev Olds in Tilbury. Prior to becoming a dealer, he was employed by General Motors as a District Service Manager.

He is past President of the Ontario Goodwrench Dealer Marketing Association and is also a member of Tilbury's Lions Club. He has been Chair of the District 1 Lions Sight Conservation Foundation, President of the Tilbury Lions Club and Chair of Tilbury Goodfellows.

Mr. Mackie was elected to the OMVIC board of directors in June 2001 for a 3-year term.





## **BIOGRAPHIES**

### ***CARL COMPTON, EXECUTIVE DIRECTOR AND REGISTRAR***

Prior to his appointment as OMVIC's first Executive Director and Registrar in January 1997, Mr. Compton filled a series of progressively responsible positions with the Ministry of Transportation and the Ministry of Consumer and Business Services.

Through these positions he was responsible for corporate policy development, issues management, and acted as corporate liaison for several regulatory agencies. He was also responsible for the administration of consumer protection legislation governing a number of commercial sectors including, among others, motor vehicle dealers, real estate, travel, cemeteries and collection agencies.



## **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.

## **BOARD COMPOSITION AND SKILLS**

OMVIC's board of directors is composed of 12 individuals as follows:

- Three directors who are members of the Used Car Dealers Association
- Three directors who are members of either the Toronto or Ontario Automobile Dealers Association
- Three directors who are members of both the Used Car Dealers Association and the Toronto or Ontario Automobile Dealers Association
- Three directors who are appointed by the Minister of Consumer and Business Services.

The term of office for a board member is three years from the date of the Annual and General Meeting at which the member is elected. Once elected, directors are required to sign agreements related to confidentiality, conduct and conflict of interest. Although not a requirement, board members are encouraged to complete OMVIC's certification course.

\*Board requirements and selection criteria, director responsibilities and director skills profile included in Appendix A.



## COMMITTEES OF THE BOARD

### **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.

### **Consumer Protection Advisory Committee**

#### **Chair, Jeff Gray**

This committee develops and recommends strategies to increase consumer protection through development and regular review of 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.

### **Legislative Review Committee**

#### **Chair, Ken Peterson**

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, Ken Peterson**

The Management Committee -- which also serves as the Audit, Finance and Risk Committee -- assists the board of directors in the provision of its governance role. Responsibilities include: guidance and direction to 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 annual report and business plan.

### **Nominations Committee**

#### **Chair, Ken Peterson**

The Nominations Committee carries out the duties assigned in the OMVIC 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.



## **REGISTRATION**

At year end, there were 8,822 dealers and 22,170 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.

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.

New registration service standards for 2003 included the implementation of a fast-track process for applications. To assist with application tracking, all applications are entered in OMVIC's database within 24 hours of receipt.

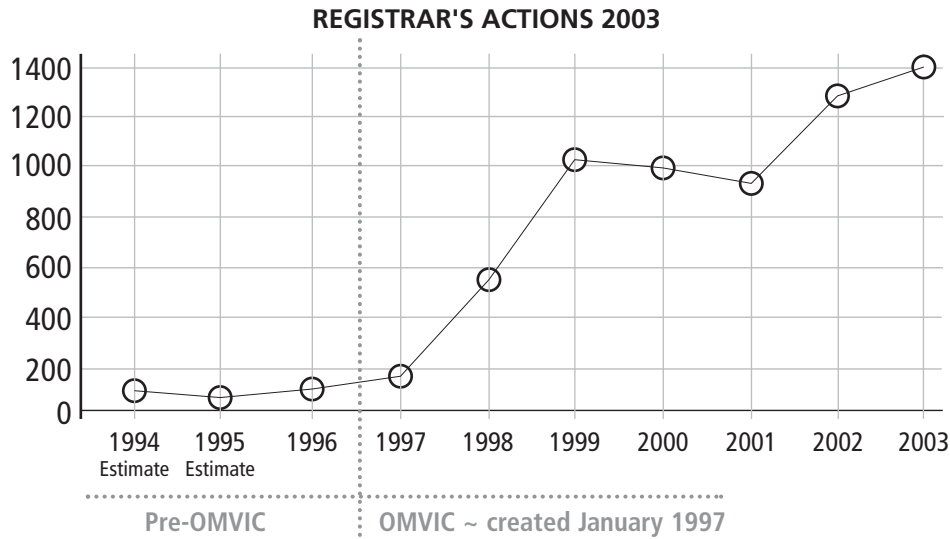
## **REFUSALS AND REVOCATIONS**

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.



## REGISTRATION STATISTICS AND ACTIVITIES



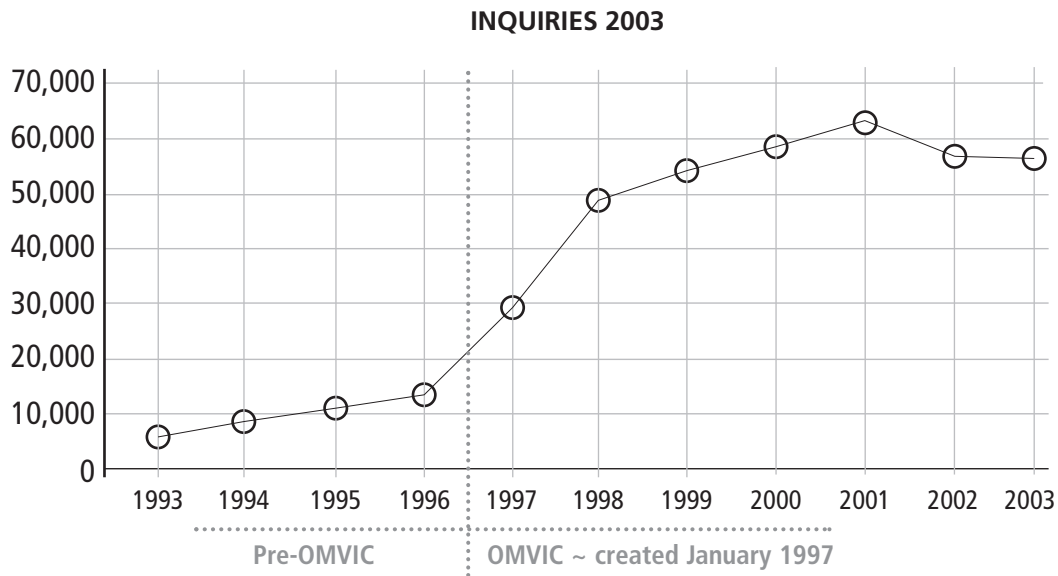
**Registrar's Actions:** These include issuance of proposals to refuse or revoke registration and terms and conditions of registrations. The number of Registrar's actions logged in 2003 was 1,413.

## REGISTRATION ACTIVITIES FOR 2003

<b>New Dealer Applications</b>	<b>856</b>
<b>New Salesperson Applications:</b>	<b>3,460</b>
<b>Dealer Renewals:</b>	<b>4,719</b>
<b>Salesperson Renewals:</b>	<b>12,168</b>
<b>Information Changes:</b>	<b>1,690</b>
<b>Employee Transfers:</b>	<b>5,336</b>
<b>Registration Terminations:</b>	<b>7,934</b>



## INQUIRIES



**Inquiries (1-800 line): Staff handled 57,026 toll free calls during 2003. This chart does not include local calls which are assumed to match the volume of toll free calls.**

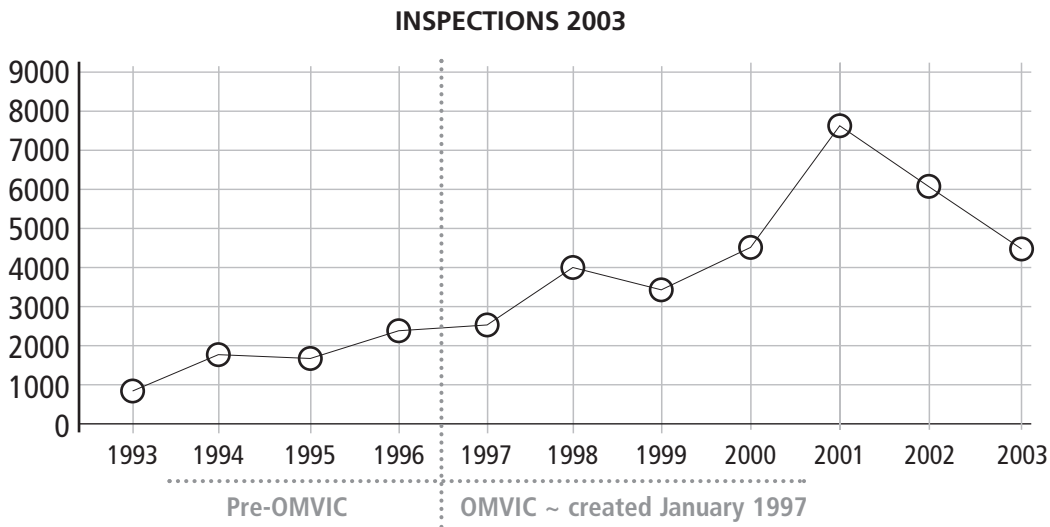




## INSPECTION

The MVDA requires members to conduct business from premises approved by the Registrar and sets out the requirement to have a lot, sign and an 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.

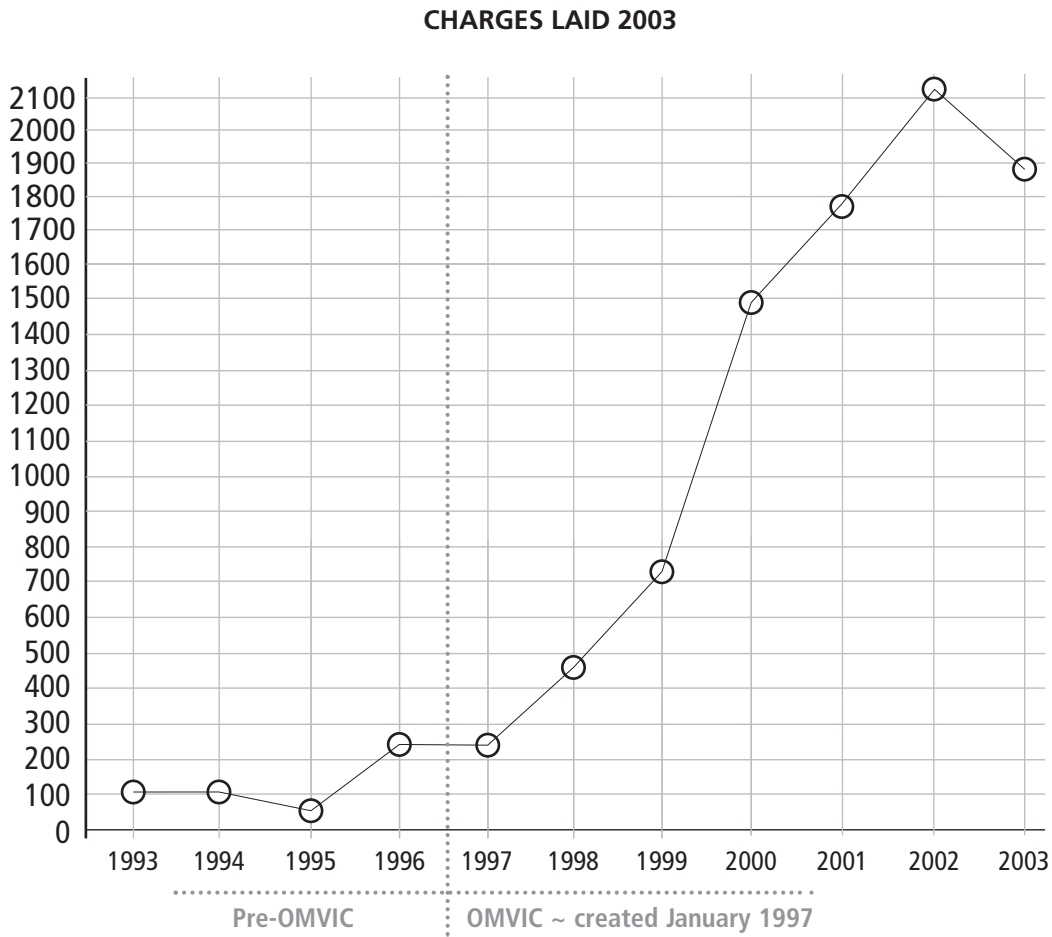


**Completed Inspections:** 4,517 inspections were completed during 2003. This exceeds the forecasted total of 4,450. The lower inspection numbers in 2002 and 2003 (compared to 2001) can be attributed to OMVIC’s move towards a risk-based inspection program. The program balances routine inspections with targeted inspections of dealerships that have been the subject of consumer complaints.



## INVESTIGATION AND PROSECUTION

OMVIC's investigations staff are appointed under the MVDA, the Provincial Offences Act, and are also designated as Special Constables. 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.



**Investigations:** OMVIC's investigative activities remained successful in 2003. 1,882 charges were laid.



## COMPLAINT HANDLING

OMVIC’s complaint handling process was designed to handle incoming complaints and inquiries from both consumers and dealers regarding the conduct of registered motor vehicle dealers in Ontario.

In June 2003 OMVIC made changes to its complaint handling process in order to better prioritize incoming calls. Intake staff take skeleton information initially, provide self-help instructions to the consumer and escalate the file to a complaint depending on the nature of the concerns, the history of the dealer and the information provided by the consumer. In many situations, consumers are encouraged to settle the disagreement by contacting the dealer directly.

This new process has proven effective as it allows complaint representatives to spend more time with a complainant and a dealer.

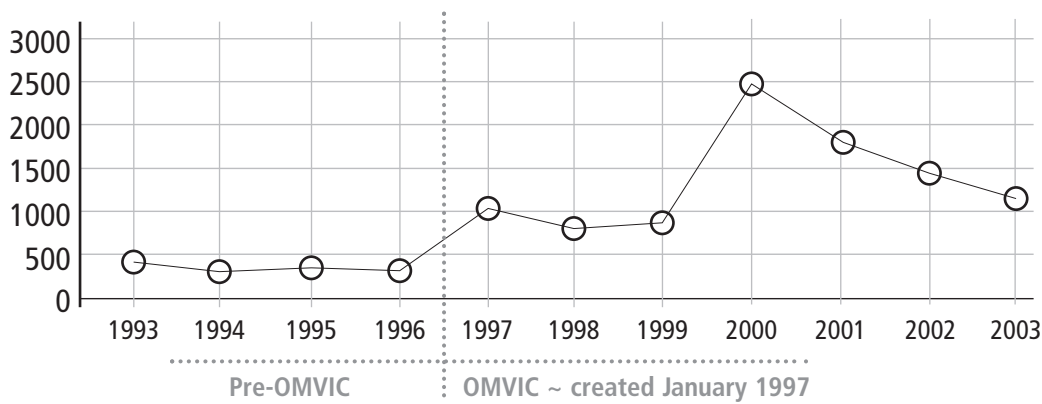
Once a complaint file is opened, it may take anywhere from a few hours to a few weeks – or even months – to complete, depending upon the complexity of issues, the availability of documents and the level of cooperation of those involved. Generally speaking, however, two-thirds of files are closed within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



### 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 HANDLING 2003



Complaint Handling: OMVIC staff were actively involved in handling 1,127 disputes in 2003. Given that more consumers are now relying on the self-help instructions provided to them by complaint representatives, the number of cases requiring active involvement of OMVIC staff has declined in recent years.



### **Disciplinary Process**

In December 2000, OMVIC's Ethics Committee implemented a two-tiered discipline process that involves a Remedial Panel and a Discipline Panel. Remedial Panels are informal venues for discussing violations while Discipline Panels involve a hearing and the imposition of disciplinary measures if necessary. This Discipline Process was instituted to monitor and enforce compliance with the Code of Ethics as illustrated by the Standards of Business Practice.

While the majority of discipline matters involve advertising infractions, recent discipline matters have involved a range of infractions including: non-disclosure of accident vehicles, misleading advertising, employing unregistered salespersons and supplying vehicles to curbsiders.

### **Dealer Professionalism and Education**

By completing the 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. "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 encourages consumer awareness with the use of an information campaign, which includes helpful printed material, anti-curbsider ads placed in dailies and trade magazines, participation in media interviews, events and trade shows. An online consumer newsletter was conceived and developed in 2003 with implementation expected in 2004.

### **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 web site, [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 is 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.

Registration application forms are available in both English and 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 and consumers are expected to have exhausted all other legal remedies prior to making a claim against the Fund. Full documentation as evidence of their claim is also required.

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 judgment (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 suffered a financial loss resulting from a trade in a motor vehicle as a result of a dealer's bankruptcy or receivership.
- A customer has suffered a financial loss resulting from a trade in a motor vehicle for which the dealer has been convicted of an offence under the Criminal Code of Canada.
- 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 judgment 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 business, other dealer or other customer acting in a business relationship even if the dealer is registered under the Act and a court judgment received. These restrictions reflect the Fund's mandate: industry-funded consumer protection.

During fiscal 2003 (ending October 31, 2003), 67 claims were received. Of these, 61 claims were approved by the Board of Trustees for a total payment to consumers of \$223,284.

**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)





## REPORT ON OBJECTIVES

### DEALER PROFESSIONALISM

Strategy	2003-2005 Targets	2003 Activities and Results
<p>Reduce or eliminate proportion of registrants who have not taken the OMVIC certification course through voluntary participation.</p>	<p>Introduce programs to recognize dealerships where all registrants have completed the course.</p> <p>The OMVIC/CAI logo will be made available for use on business cards by certified members.</p>	<p>Articles supporting voluntary certification published in The Dealer Standard.</p> <p>During 2003, certified registrants were introduced to the designation C.A.L.E. or "Certified in Automotive Law and Ethics" and are encouraged to include it on their business cards.</p> <p>The OMVIC/CAI logo was made available through Georgian College for use on registrant business cards.</p>
<p>Update/revise OMVIC certification course material to reflect new Motor Vehicle Dealers Act.</p>	<p>To be developed when new legislation finalized.</p>	<p>Updates are pending legislative changes.</p>
<p>Inspections: an inspection program which employs risk management principles to target problem areas and review consumer and dealer complaints</p>	<p>Implementation of a risk-based inspection program which balances routine inspections with targeted inspections.</p>	<p>4,517 inspections were completed for 2003. This exceeded the forecasted 4,450.</p>
<p>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</p>	<p>Pre-approval inspections are conducted on many applicants before registration is granted. Meetings in person at OMVIC are conducted by the senior registration clerk or other senior OMVIC representatives on a case by case basis.</p>	<p>The vast majority of dealers had an inspection within the first 60 days of registration to ensure they were educated about OMVIC requirements and the terms and conditions attached to their registration. Books and records were inspected to ensure compliance with the terms and files flagged for follow up if need be.</p>



## REPORT ON OBJECTIVES

### DEALER PROFESSIONALISM

Strategy	2003-2005 Targets	2003 Activities and Results
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 2003 through 2004.	1,882 charges were laid in 2003 exceeding the target of 850.
Dealer relations: Conduct dealer surveys in order to determine new ideas for enhancing dealer professionalism from dealers themselves.	Request input from all dealers and salespersons regarding OMVIC's goals and targets.	Results of 2002 dealer survey incorporated into 2003 Business Plan. Areas of registrant concern included consumer awareness and professional development.
Review Standards of Business Practice	Standards of Business Practice updated as required.	The review was completed in 2003 and revisions are pending the introduction of new legislation.
Enhanced communication between OMVIC and trade associations and stakeholders.	Continue to encourage stakeholder participation in annual stakeholder sessions.	Annual stakeholder meeting held in October 2003. Areas of concern included: the use/misuse of third-party warranties and the need to promote the Compensation Fund. Concerns were also expressed regarding the need to reduce the level of curbsiding in the province.
Follow up with dealer community on issues of non-compliance by providing stats on offenders and the action taken by OMVIC.	Provide details on the types of calls fielded by the complaints team so dealers can address issues internally.	Discipline and LAT cases were reviewed in OMVIC's quarterly newsletter. The Dealer Standard published 8 articles related to this theme.
Standardized contracts: increase level of disclosure, dealer accountability, compliance with law and OMVIC Standards of Business Practice.	Develop recommendations for standardized contracts.	Recommendations finalized and pending introduction of new legislation.



## REPORT ON OBJECTIVES

### CONSUMER PROTECTION

Strategy	2003-2005 Targets	2003 Activities and Results
Complaint handling: provision of an effective no-cost service for consumers and dealers as an alternative to litigation whenever possible	Engage relevant stakeholders in discussions concerning the need for, and possible models for, an alternative dispute resolution process  Provide effective, professional complaint handling.	Not undertaken since a review of OMVIC's Letters Patent and agreement with the Ministry is that this service must be provided by the delegated administrative authority.  Complaint handling system redesigned to prioritize incoming calls.
Anti-curbsider programs: increase awareness of benefits of conducting business with registered dealers	Anti-curbsider ads to be placed in trade magazines.	OMVIC published anti-curbsider ads in automotive classified sections of The Toronto Star, The Globe and Mail, Auto Trader and Auto Mart during 2003.  2 consumer alert ads were published to warn consumers of known curbsiders.  Anti-curbsider messages were also placed on consumer brochures and handouts.
Consumer relations	Design consumer information brochures and materials based on consumer feedback acquired through surveys.	10,000 brochures distributed to consumers in 2003 through trade shows, registrants and Government Information Centres.
Provide more consumer protection information on OMVIC Web site including: glossary of terms, things to be aware of when buying or leasing, warranties, misconceptions regarding cooling off periods and deposit returns.	Research and write content and develop editorial calendar.  Offer series of consumer awareness articles for publication to trade journals.	Provision of monthly online consumer newsletter developed that will be delivered to consumers and archived on OMVIC's Web site. OMVIC's Consumer Protection Advisory Committee supports this initiative.  Series of articles for publication under development.



## REPORT ON OBJECTIVES

### CONSUMER PROTECTION

Strategy	2003-2005 Targets	2003 Activities and Results
Community outreach and speaking engagements	Develop unique opportunities to speak with community groups or organizations about OMVIC and its protection services	In 2003 OMVIC attended 3 trade shows and 2 community events. Other venues and opportunities for speaking engagements were researched and are expected to be implemented in 2004.
Legislative and Regulatory reform	Support the Ministry's reform of the MVDA.	Worked diligently with the Ministry to develop regulations to accompany the new legislation.
Standardized contracts: increase level of disclosure, dealer accountability and 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.	Review completed and pending introduction of new legislation.
Encourage Ministry of Transportation to improve and enhance Vehicle Registration system, e.g. capturing odometer readings, titling, requiring sellers to effect vehicle transfers.	Lobby MTO and encourage the required changes.	MTO has developed an odometer capturing program and OMVIC will support the initiative.



## REPORT ON OBJECTIVES

### CUSTOMER SERVICE

Strategy	2003-2005 Targets	2003 Activities and Results
<p>OMVIC Web site: 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>*OMVIC servers and workstations upgraded. Overall system security enhanced. Separate infrastructure for electronic service delivery set up to provide better administration and security.</p>
<p>Review registration service levels</p>	<p>Establish new service level targets where appropriate.</p>	<p>Registration service standard set for 2003: to assist with application tracking, all applications are entered in OMVIC's database within 24 hours of receipt.</p>



\*Server and workstation upgrades are conducted routinely in accordance with OMVIC's ongoing hardware and software replacement policies.



## FINANCIAL OVERVIEW

The following financial overview is based on the audited financial statements for the year ended December 31, 2003 with comparative figures for 2002.

### Overview

Net assets of OMVIC at December 31, 2003 were \$226,593 compared to a deficit of \$128,768 at December 31, 2002. This increase in net assets resulted from an excess of revenue over expenses of \$355,361 for the year. In comparison, excess revenue for 2002 was \$139,436.

### Revenue

Total revenue in 2003 was \$5,425,020 compared to \$5,241,727 in 2002 and comprises:

#### Registration fees:

As in previous years, Registration fees of \$4,790,575 represented the bulk (or just over 88%) of the total revenue in 2003. In 2002, this amount was \$4,660,573 or about 89% of the total revenue. Revenue from Registration fees in 2003 increased by \$130,002 over last year representing an increase in overall registrations during the year.

#### Transfer fees:

Transfer fees of \$274,425 increased by \$36,825 over last year. This increase results from more transfers recorded in 2003 than in 2002.

#### Certification course fee:

Revenue from the certification fee in 2003 of \$272,730 was slightly below that of 2002 (\$280,880). This decline in revenue over last year is attributable to fewer certifications during 2003.

#### Interest and other revenue:

Interest and other revenue received in 2003 was \$69,290 compared to \$45,174 for 2002. Interest received during 2003 from short-term investments was \$61,753 compared to \$36,006 in 2002 mainly because of larger portfolio.

#### Administrative penalties:

Administrative penalties imposed on dealers during 2003 (\$18,000) through an internal OMVIC disciplinary process for failing to comply with OMVIC's Code of Ethics and the Standards of Business Practices remained consistent with last year's level (\$17,500).



## Expenses

Total expenses in 2003 decreased to \$5,069,659 from \$5,102,291 in 2002. Major variances were in the following areas:

### Salaries and benefits:

Salaries and benefits cost \$2,682,488 in 2003 compared to \$2,466,958 in 2002. In 2003 OMVIC decided to reflect year end accrued vacation in its financial statements. This liability is estimated at \$31,838 for 2003 and is included in the total for the year.

### Professional services:

Professional services cost in 2003 was \$535,272 compared to \$421,315 in 2002. The higher expense in 2003 resulted from costs associated with increased background checks of registrants, rising costs of processing and producing salespersons' certificates that distinguish certification and non-certification and introduction of security features in certificates. This category also includes costs incurred in collaborating with the Ministry in the development of the new Motor Vehicle Dealers Act.

### Communications:

Communication expenses increased in 2003 to \$452,224 from \$383,831 in 2002. Factors contributing to the increased cost in 2003 include some first time expenses such as consumer alert advertising, notices of board appointments, and anti-curbsider advertisements. During the year mailing costs for salesperson's certificates and printing and mailing of expanded Dealer Standards also rose.

### Government oversight fees:

Government oversight fees declined to \$160,479 in 2003 from \$669,887 in 2002. This fee is payable to the Ministry of Consumer and Business Services under the terms of its Administrative Agreement with OMVIC.

The original Agreement required payment to the Ministry of \$54 for each registration application processed during the five years immediately following the execution of the Agreement. Since this fee was directly related to registration applications processed, the fee was expensed evenly over two years just as the related revenue from registrations was recognized over the two-year registration period. This agreement expired on January 6, 2002 and at that time \$493,965 deferral from 2001 remained to be expensed. This amount was expensed during 2002, hence the higher expense recorded in that year.

Under the new Agreement with the Ministry, government oversight fees is payable on a cost recovery basis from January 7, 2002. Fees under this agreement for 2003 and 2002 were \$160,479 and \$175,922 respectively.



The 2003 expenses by service functions were as follows:	
Registration	\$1,063,612
Inspections	1,044,300
Investigations	1,014,947
Legal services	453,824
e-Business	441,058
Consumer inquiries and mediation	403,510
Governance	393,825
Communications	254,583
<b>Total</b>	<b>\$5,069,659</b>

#### Liquidity and capital resources

Based on cash flows provided by its operations, OMVIC has sufficient liquidity to fund its current business plans and obligations. Cash and short-term investments at December 31, 2003 totalled \$2,785,374. In comparison, total cash and short-term investments at December 31, 2002 was \$1,815,359. The increase is primarily due to the lower government oversight fees since January 2002.

#### Capital expenditures

Capital expenditures during 2003 amounted to \$315,428 (2002 - \$326,315) and were used to support operational growth and develop operating efficiencies through technological improvements.





**FINANCIAL STATEMENTS OF**

**ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL**

Year ended December 31, 2003



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

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, 2003 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, 2003 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, 2004



## ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Statement of Financial Position

December 31, 2003, with comparative figures for 2002

	2003	2002
<b>Assets</b>		
Current assets:		
Cash	\$ 268,893	\$ 108,418
Short-term investments	2,516,481	1,706,941
Accounts receivable	80,022	57,375
Prepaid expenses	62,424	105,650
	<u>2,927,820</u>	<u>1,978,384</u>
Capital assets (note 2)	380,293	412,299
	<u>\$ 3,308,113</u>	<u>\$ 2,390,683</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued charges (note 3)	\$ 462,232	\$ 386,988
Deferred revenue (note 4)	2,619,288	2,132,463
	<u>3,081,520</u>	<u>2,519,451</u>
Net assets:		
Invested in capital assets	380,293	412,299
Unrestricted	(153,700)	(541,067)
	<u>226,593</u>	<u>(128,768)</u>
Commitments (note 6)		
	<u>\$ 3,308,113</u>	<u>\$ 2,390,683</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, 2003, with comparative figures for 2002

	2003	2002
Revenue:		
Registration fees	\$ 4,790,575	\$ 4,660,573
Transfer fees	274,425	237,600
Certification course fees	272,730	280,880
Interest and other	69,290	45,174
Administrative penalties	18,000	17,500
	<u>5,425,020</u>	<u>5,241,727</u>
Expenses:		
Salaries and benefits, net of recoveries (note 5)	2,682,488	2,466,958
Professional services	535,272	421,315
Communications	452,224	383,831
Travel	380,715	364,920
Amortization of capital assets	347,434	335,884
General and administrative, net of recoveries (note 5)	239,306	217,506
Occupancy	197,691	154,677
Government oversight fees (note 4)	160,479	669,887
Per diem allowances	74,050	87,313
	<u>5,069,659</u>	<u>5,102,291</u>
Excess of revenue over expenses	<u>\$ 355,361</u>	<u>\$ 139,436</u>

See accompanying notes to financial statements.



## ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

### Statement of Changes in Net Assets

Year ended December 31, 2003, with comparative figures for 2002

			2003	2002
	Invested in capital assets	Unrestricted	Total	Total
Net assets, beginning of year	\$ 412,299	\$ (541,067)	\$ (128,768)	\$ (268,204)
Excess of revenue over expenses (expenses over revenue)	(347,434)	702,795	355,361	139,436
Investment in capital assets	315,428	(315,428)	–	–
Net assets, end of year	\$ 380,293	\$ (153,700)	\$ 226,593	\$ (128,768)

See accompanying notes to financial statements.

**ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL**

## Statement of Cash Flows

Year ended December 31, 2003, with comparative figures for 2002

	2003	2002
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 355,361	\$ 139,436
Items not involving cash:		
Amortization of capital assets	347,434	335,884
Loss on disposal of capital assets	-	10,818
Trade-in value of assets	-	3,000
Change in non-cash operating working capital:		
Accounts receivable	(22,647)	(5,507)
Prepaid expenses	43,226	(36,501)
Accounts payable and accrued charges	75,244	(19,229)
Deferred revenue	486,825	167,128
	<u>1,285,443</u>	<u>595,029</u>
Investing activities:		
Purchase of capital assets	(315,428)	(326,315)
Net purchase of short-term investments	(750,000)	(200,000)
Interest distributions reinvested into short-term investments	(59,540)	(33,030)
	<u>(1,124,968)</u>	<u>(559,345)</u>
Increase in cash	160,475	35,684
Cash, beginning of year	108,418	72,734
Cash, end of year	<u>\$ 268,893</u>	<u>\$ 108,418</u>
Supplemental cash flow information:		
Interest received	\$ 61,753	\$ 36,006

See accompanying notes to financial statements.



## ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Notes to Financial Statements

Year ended December 31, 2003

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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 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, 2003

**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 less accumulated amortization. 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

**2. Capital assets:**

			2003	2002
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	\$ 471,520	\$ 326,377	\$ 145,143	\$ 165,459
Computer software	425,415	300,510	124,905	89,980
Furniture and fixtures	107,416	47,076	60,340	81,823
Office equipment	134,861	84,956	49,905	75,037
	<u>\$ 1,139,212</u>	<u>\$ 758,919</u>	<u>\$ 380,293</u>	<u>\$ 412,299</u>

**3. Accounts payable and accrued charges:**

Accounts payable and accrued charges of \$462,232 include an amount of \$26,600, which the Council received during 2002 as court-ordered funds to be held in trust relating to an odometer tampering case. The funds will be used to pay restitution to claimants who suffered loss. The first series of payments will start in February 2004.





## ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2003

#### 4. Deferred revenue:

	2003	2002
Registration fees received in advance	\$ 2,619,288	\$ 2,132,463

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 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, 2003, government oversight fees comprised of:

	2003	2002
Deferral from previous year	\$ -	\$ 493,965
Current year expense	160,479	175,922
	\$ 160,479	\$ 669,887

#### 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 \$138,286 (2002 - \$114,492) relating to salaries and benefits and \$8,159 (2002 - \$4,915) relating to general and administrative expenses. At December 31, 2003, \$30,763 (2002 - \$24,043) 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, 2003

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### 6. Commitments:

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

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2004	\$	205,573
2005		200,668
2006		200,668
2007		208,160
2008 and thereafter		909,278
	\$	<u>1,724,347</u>

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## **ONTARIO MOTOR VEHICLE DEALERS**

### **COMPENSATION FUND**

### **FINANCIAL STATEMENTS**

October 31, 2003



**MOTOR VEHICLE DEALERS  
COMPENSATION FUND**

**FINANCIAL STATEMENTS**

**OCTOBER 31, 2003**

<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 - 7



McGovern, Hurley, Cunningham, LLP  
Chartered Accountants

Page 1

## 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, 2003 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, 2003 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**

**Chartered Accountants**

TORONTO, Canada  
December 8, 2003

2005 Sheppard Avenue East, Suite 300, 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, 2003

Page 2

	2003	2002
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	7,341	41,668
Interest and other receivable	72,811	81,535
Prepaid expenses	<u>8,420</u>	<u>2,723</u>
	88,572	125,926
<b>INVESTMENTS</b>		
(Market value \$7,211,292; 2002 - \$6,778,959)	7,190,667	7,195,569
<b>EQUIPMENT (Note 3)</b>		
	<u>11,648</u>	<u>14,560</u>
	<u><u>7,290,887</u></u>	<u><u>7,336,055</u></u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	29,259	37,810
Claims payable	<u>-</u>	<u>30,358</u>
	<u>29,259</u>	<u>68,168</u>
<b>NET ASSETS</b>		
Invested in equipment	11,648	14,560
Unrestricted net assets (Note 4)	<u>7,249,980</u>	<u>7,253,327</u>
	<u>7,261,628</u>	<u>7,267,887</u>
	<u><u>7,290,887</u></u>	<u><u>7,336,055</u></u>

APPROVED ON BEHALF OF THE BOARD OF TRUSTEES:

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

\_\_\_\_\_  
 "RON MAROSTICA", Vice Chair



MOTOR VEHICLE DEALERS COMPENSATION FUND  
**STATEMENT OF CHANGES IN NET ASSETS**  
 FOR THE YEAR ENDED OCTOBER 31, 2003

Page 3

	Invested in Equipment \$	Unrestricted \$	2003 \$	2002 \$
<b>BALANCE</b> , beginning of year	14,560	7,253,327	7,267,887	7,315,396
(Deficiency) of revenue over expenses for the year	<u>(2,912)</u>	<u>(3,347)</u>	<u>(6,259)</u>	<u>(47,509)</u>
<b>BALANCE</b> , end of year	<u>11,648</u>	<u>7,249,980</u>	<u>7,261,628</u>	<u>7,267,887</u>



MOTOR VEHICLE DEALERS COMPENSATION FUND  
**STATEMENT OF OPERATIONS**  
FOR THE YEAR ENDED OCTOBER 31, 2003

Page 4

	2003	2002
	\$	\$
<b>REVENUES</b>		
Investment and other income	259,074	280,428
Participant fees	<u>222,900</u>	<u>209,100</u>
	<u>481,974</u>	<u>489,528</u>
<b>EXPENSES</b>		
Claims (net of recoveries of \$16,151; 2002 - \$14,222)	207,132	245,619
Salaries and benefits	133,782	114,021
Board	59,162	80,802
Investment management fees	36,564	18,347
Legal	12,721	39,397
Trustee fees	12,271	13,626
Occupancy	8,112	4,915
Insurance	6,587	2,723
Professional fees	5,526	4,642
Office and general	3,464	8,561
Amortization	<u>2,912</u>	<u>4,384</u>
	<u>488,233</u>	<u>537,037</u>
<b>(DEFICIENCY) OF REVENUES OVER EXPENSES, FOR THE YEAR</b>	<u>(6,259)</u>	<u>(47,509)</u>





MOTOR VEHICLE DEALERS COMPENSATION FUND  
**NOTES TO THE FINANCIAL STATEMENTS**  
 OCTOBER 31, 2003

Page 5

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**1. PURPOSE OF THE ORGANIZATION**

The Motor Vehicle Dealer Compensation Fund (the "Fund") was established 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 claims are submitted by consumers and approved by the Board of Trustees ("the Board"). The Fund pays claims to consumers up to a maximum of \$15,000 each.

The affairs of the Fund are overseen by 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 and consist of Government of Canada, Provincial and corporate bonds, Government of Canada treasury bills, equities and other investments.

**Equipment and Amortization:**

Equipment is 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.

continued



MOTOR VEHICLE DEALERS COMPENSATION FUND  
**NOTES TO THE FINANCIAL STATEMENTS**  
 OCTOBER 31, 2003

Page 6

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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. EQUIPMENT**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2003 Net</u>	<u>2002 Net</u>
	\$	\$	\$	\$
Computer equipment	16,111	13,658	2,453	3,065
Computer software	15,143	6,922	8,221	10,277
Furniture	2,249	2,052	197	247
Office equipment	<u>3,794</u>	<u>3,017</u>	<u>777</u>	<u>971</u>
	<u>37,297</u>	<u>25,649</u>	<u>11,648</u>	<u>14,560</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, 2003

Page 7

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**5. CONTINGENT LIABILITY**

As at October 31, 2003, the Board of Trustees had denied 8 (2002 - 13 claims) totalling \$46,657 (2002 - \$18,403), none of which were subject to appeal.

**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. There were no acquisitions of equipment during the year (2002 - \$7,644).

**9. FINANCIAL INSTRUMENTS**

Fair Value:

Canadian generally accepted accounting principles require that the Fund 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 and other 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.





**OMVIC**



**2004**

**BUSINESS PLAN**





## **BUSINESS OBJECTIVES**

OMVIC's Business Plan outlines its principal targets for the next three years and highlights the strategies which will be used to achieve those targets.

The Business Plan is reviewed annually and input received from the Ministry of Consumer and Business Services and stakeholders, coupled with responses collected through customer surveys, are taken into consideration when determining objectives.

While OMVIC and the motor vehicle dealer industry welcome new legislation, upcoming changes to the Motor Vehicle Dealers Act will require a complete restructuring of administrative procedures and departmental policies in the areas of registration, compliance, inspection and investigation. This process will demand periods of ongoing training and extensive communication with the dealer community. In addition, revisions will also be required for OMVIC's Standards of Business Practice and to the content of OMVIC's Certification Course.

Although objectives like customer service and dealer professionalism will remain priorities during the upcoming planning period (2004-2006), implementation of the new Act will require substantial time and resources and for that reason will be considered a primary objective.

The following outline provides further details on the objectives slated for the 2004-2006 planning period:



## BUSINESS OBJECTIVES:

### NEW LEGISLATION

Strategy	Performance Measure
Improve consumer and registrant protection through changes to relevant legislation	Continue collaboration with the Ministry of Consumer and Business Services in development of regulations under the Motor Vehicle Dealers Act.
Ensure organizational structure supports administration of the new Act and regulations	<p>Allow for significant changes to OMVIC's certification course materials.</p> <p>Appropriate departmental training and restructuring as necessary; development of new departmental policies.</p> <p>Revisions to Standards of Business Practice.</p> <p>Reflect legislative changes in all communications: Web site, registration kits etc.</p> <p>Communicate legislative changes to registrants.</p>





## BUSINESS OBJECTIVES:

### DEALER PROFESSIONALISM

Strategy	Performance Measure
Reduce or eliminate proportion of registrants who have not taken the OMVIC certification course through voluntary participation.	<p>Introduce programs to recognize both salespersons who have completed the course and dealerships where all registrants have completed the course, e.g. special designation on registration certificate, business card and OMVIC Web site.</p> <p>Market course benefits through renewal flyers, Dealer Standard articles.</p> <p>Target: 45% of registrants certified by end of planning period.</p>
Conduct dealer surveys in order to determine new ideas for enhancing dealer professionalism from dealers themselves.	Surveys designed, conducted via OMVIC's newsletter and analyzed.
Enhanced communication between OMVIC and trade associations and stakeholders.	Key stakeholder groups invited to make presentations at OMVIC's annual board planning meeting.
<b>Inspections:</b> An inspection program which employs risk management principles to target problem areas and review consumer and dealer complaints.	Continued refinement of a risk-based inspection program which balances routine inspections with targeted inspections.



## BUSINESS OBJECTIVES:

### DEALER PROFESSIONALISM CONTINUED

Strategy	Performance Measure
<p><b>Registrar's actions:</b> Effective registration and inspection processes which identify those who should not be registered or who require close monitoring through terms and conditions of registration.</p>	<p>The volume of Registrar's actions is predicted to remain steady through the planning period at approximately 850 actions yearly, although increased usage of OMVIC's internal disciplinary process may result in a reduction of Registrar's actions.</p> <p>Continue to protect consumers and the integrity of the dealer community by identifying high-risk applicants during the registration process.</p>
<p>Follow up with dealer community on issues of non-compliance by providing stats on offenders and the action taken by OMVIC.</p>	<p>Provide details on the types of calls fielded by the complaints team so dealers can address issues internally.</p> <p>Develop communications plan to report updates and stats.</p>



**BUSINESS OBJECTIVES:**  
**CONSUMER PROTECTION**

Strategy	Measure
<p>Development and implementation of strategic communications plan that will increase consumer awareness.</p>	<p>Outline objectives, key audiences and communications tactics.</p> <p>Develop strategies that will incorporate various delivery methods: print, broadcast, Internet.</p> <p>Encourage and promote increased media coverage.</p> <p>Implement delivery of monthly consumer online newsletter in 2004.</p> <p>Identify unique opportunities to speak with community groups or organizations about OMVIC and its consumer protection services. Increase trade show attendance.</p> <p>Produce and distribute education materials that offer information on consumers' rights and the vehicle buying experience.</p> <p>Continue development of articles for publication.</p> <p>Allow for consumer feedback through surveys.</p>
<p>Effective, professional complaint handling</p> <p>Complaint Handling: Provision of a no-cost service for consumers and dealers as an alternative to litigation whenever possible.</p>	<p>Complaint representatives to receive professional training during 2004.</p> <p>OMVIC anticipates handling approximately 1,250 complaints per year throughout the planning period.</p>



## BUSINESS OBJECTIVES:

### CUSTOMER SERVICE

Strategy	Performance Measure
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 salesperson. Policing authorities will be able to access necessary records.
Regularly review registration service levels.	Establish new service level targets as required in response to external influences ie. analysis of complaints/feedback or changing regulatory requirements.



## THREE YEAR FINANCIAL FORECAST

### ONTARIO MOTOR VEHICLE INDUSTRY COUNCIL

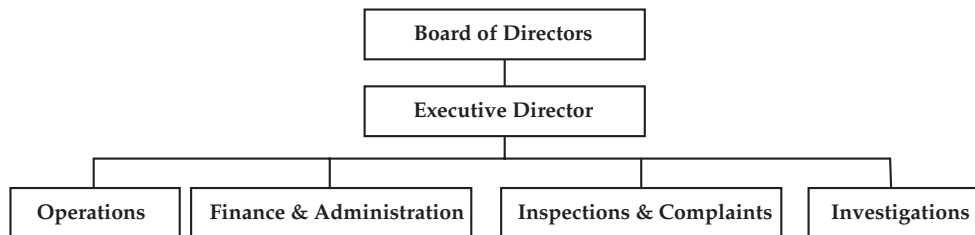
Three year Financial Forecast

(FISCAL YEARS 2004 TO 2006)

	2004	2005	2006
Revenues	\$ 5,256,043	\$ 5,356,800	\$ 5,370,400
Expenses:			
Salaries and benefits	2,800,425	2,856,434	2,913,563
Government oversight fees	220,000	220,000	200,000
Professional services	568,800	535,272	545,977
Communications	543,600	503,472	513,541
Travel	393,295	395,000	395,000
Amortization	342,715	355,000	365,000
Other operating expenses	225,471	229,980	234,580
Occupancy	203,413	207,481	211,631
Per-diem allowances	92,000	92,000	92,000
	5,389,719	5,202,827	5,471,292
Excess / (deficiency) of revenues over expenses	\$ (133,677)	\$ 153,973	\$ (100,892)



## ORGANIZATIONAL STRUCTURE



Approximately 55 staff provide OMVIC's services, a number of whom work from regional home-based offices.



## **SENIOR MANAGEMENT**

***Carl Compton***

Executive Director and Registrar, [registrarmvda@omvic.on.ca](mailto:registrarmvda@omvic.on.ca)

***Mary Jane South***

Deputy Registrar

***Chandar Singh***

Comptroller

***Laura Gordon***

Director, Compliance

***Aviva Harari***

Senior Legal Counsel

***Don MacAndrew***

Lead Investigator, Unregistered Activity

***Carey Smith***

Lead Investigator, Industry Conduct

***Javier Valdivieso***

Manager, e-Business



## **CONTACTING OMVIC**

### **REGISTRATION SERVICES:**

registration@omvic.on.ca, 416-226-4500, ext. 3113

Registration kits can be downloaded from [www.omvic.on.ca](http://www.omvic.on.ca)

### **CONSUMER INQUIRIES, COMPLAINT HANDLING:**

consumers@omvic.on.ca, 416-226-4500 ext. 3105

Complaints can also be submitted online at [www.omvic.on.ca](http://www.omvic.on.ca)

### **REPORTING CURBSIDER ACTIVITY:**

nocurbs@omvic.on.ca; 1-888-NOCURBS

### **COMPENSATION FUND**

compfund@omvic.on.ca, 416-226-4500

### **COMMUNICATIONS AND MEDIA RELATIONS:**

Brenda McIntyre, 416-512-3167

**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)





## APPENDIX A

### BOARD REQUIREMENTS AND SELECTION CRITERIA:

In order to qualify as a candidate for election to the OMVIC board of directors, a nominee must meet specific criteria:

1. Be registered as a motor vehicle dealer, in good standing, under the Motor Vehicle Dealers Act, and
  - a. Whose registration is not currently subject to Terms & Conditions imposed by the Licence Appeal Tribunal;
  - b. Not currently the subject of a proposal of the Registrar;
  - c. Have been registered under the MVDA for at least the two-year period prior to the date of the nomination;
2. be a person of good character, honesty, integrity and financial responsibility;
3. Agree to completion of any reasonable background checks and inquiries which may be required at the sole discretion of the Nominations Committee in its determination of the nominee's honesty, integrity, financial responsibility, and suitability to be a director, including, but not limited to, OMVIC inspection findings, complaint history, and a Canada-wide criminal record check;
4. agree to permit the Registrar to share with the members of the Nominations Committee the results of the background checks referred to above;
5. commit to attending 75% of scheduled meetings of the board of directors in each year, and commit to active participation on committees;
6. commit to reviewing relevant materials prior to board and committee meetings;
7. commit to the objects and purposes of OMVIC as listed in its Letters Patent
8. be an Ontario resident;
9. be at least eighteen (18) years of age;
10. not be an undischarged bankrupt
11. be supported by two other registrants in good standing who have endorsed the nominations form by affixing their signatures where noted
12. satisfy such other qualifications or criteria which are established by the Nominations Committee from time to time including the endorsement of nominees by the appropriate trade association (ie. UCDA, OADA/TADA, UCDA – OADA/TADA) and the desirability of maintaining regional representation; and
13. sign agreements relating to confidentiality, conduct and conflict of interest.



## RESPONSIBILITIES OF A DIRECTOR OF OMVIC

- Remain well informed about the work of the Council and its stated objectives.
- Understand the role of the Council, its members, its goals and its services.
- Be thoughtful and objective, in all deliberations.
- Make decisions in consideration of the Council, its stated objectives and the motor vehicle industry as a whole.
- Place the best interests of the motor vehicle industry and protection of the public above any special interest, geographic or personal constituency.
- Attend and participate in, at a minimum, three-quarters of the board meetings, committee meetings and subcommittees (if applicable). Failure to consistently attend meetings will result in a request for resignation.
- Complete tasks and projects assigned and accepted.
- Be prepared to accept at least one board committee assignment and participate by attending the committee meetings.
- Inform the board of the needs and concerns of members.
- Self-evaluate performance as a director each year.
- Understand the role of a board member is to set policy. Recognize the role of the Registrar/CEO and OMVIC staff and refrain from becoming involved in administrative decision-making or program implementation.

### BOARD MEMBERS AGREE NOT TO:

- Authorize the use of, or use for the benefit or advantage of any person, the name, emblem, endorsement, services, or property of the Council except in conformance with Council policy.
- Accept, or seek on behalf of another individual, any financial advantage or gain of other than nominal value offered as a result of Council affiliation.
- Utilize any Council affiliation in connection with the promotion of partisan politics, religious matters, or positions on any issue not in conformity with the position of the Council.
- Disclose any information available because of Board membership to any person not authorized by law or the by-laws of the Council to receive such information.
- Knowingly take any action or make any statement intended to influence the conduct of the Council in such a way as to confer any financial benefit or any corporation or entity in which there is a significant interest or affiliation.
- Operate in any manner that is contrary to the best interests of the Council or the motor vehicle industry or the public.
- Make public statements about the Council and its policies, the Board or other Board members or about Council or Board administrative matters, without the express authorization of the Council.



**BOARD MEMBERS UNDERSTAND AND AGREE TO SUPPORT THE FOLLOWING MAJOR FUNCTIONS OF THE BOARD:**

- Maintain and perpetuate the Council as a viable, relevant, effective and legal entity by working with other Directors in overseeing and reviewing the conduct and operation of the Council.
- Act as a trustee of members' interests.
- Review and approve plans and financial objectives for the Council's future role and scope of activities.
- Ensure the integrity of internal control and of management and financial systems.
- Measure progress towards stated goals and control resource allocation.
- Assess the performance and results of management and the Council, including the board of directors.
- Exercise due diligence.
- Along with other Directors, act as steward of the Council's assets.



## **BOARD OF DIRECTORS SKILLS PROFILE**

The Nominations Committee reviews and updates the following profile periodically to ensure that it reflects the current needs of the Board consistent with the achievement of OMVIC's mandate and vision.

### **BOARD MEMBERS SHOULD:**

- Possess a positive orientation for proactive public interest initiatives
- Provide credible broad perspectives
- Provide strong participation that strives for excellence and supports consensus-building
- Be strategic thinkers who take a governance-focused approach to Board responsibilities
- Demonstrate a willingness to proactively support OMVIC's mandate and vision
- Be sensitive to the economic and ethnic diversity of the retail automotive sector

### **TO FOSTER ITS ABILITY TO PROVIDE STRATEGIC DIRECTION AND FULFILL ITS OVERSIGHT RESPONSIBILITIES, THE COLLECTIVE BOARD SHOULD INCLUDE MEMBERS WITH KNOWLEDGE OF AND EXPERIENCE IN THE FOLLOWING AREAS:**

- Knowledge of retail automotive sector: new, used, leasing
- Membership on Boards, including not-for-profit boards
- Possess diverse perspectives, including that of business, government, consumers
- Public policy and regulatory environments especially pertaining to consumer law
- Customer service delivery
- Financial literacy
- Marketing, public relations and communications
- Executive management and compensation
- Technical training and public education
- Risk management and analysis
- Planning





**Ontario Motor  
Vehicle Industry  
Council**

**Conseil ontarien  
de commerce des  
véhicules automobiles**

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