Motor
Vehicle Sales Authority
of British Columbia

The Strategic Business Plan 2007 / 2008

with a planning overview for

2008/2009 and 2009/2010

THE MOTOR VEHICLE SALES AUTHORITY OF BRITISH COLUMBIA
THE STRATEGIC BUSINESS PLAN 2007/2008

with a planning overview for 2008/2009, 2009/2010

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1 OVERVIEW

The Motor Vehicle Sales Authority of British Columbia (VSA), incorporated and formerly known as The Motor Dealer Council of British Columbia (MDC) is an organization created to exercise the authorities assigned by the government of British Columbia for the administration and enforcement of the *Motor Dealer Act*, the *Business Practices and Consumer Protection Act* and related regulations under those Acts.

Commencing on April 1, 2004, MDC became one of the first examples in British Columbia of a new kind of organization, an independent authority, administered under an agreement with government. It is an alternative governing structure for the delivery of public services for consumers and industry. This innovative arrangement is working because government and the motor dealer industry are committed to a partnership and cooperation of the highest order.

There are approximately 1,700 licensed motor dealers, 8,000 salespersons, and 5,000 other employees, many of whom are highly skilled workers. In terms of commerce, the motor dealer industry is thought to achieve a $15 billion annual impact to the provincial economy and remit more than $1.5 billion in taxes annually.

The focus of this plan is on MDC's fourth year of operations, April 1, 2007 to March 31, 2008. The business plan also spans the next three fiscal/operational years of MDC and includes financial estimates through to March 31, 2010.

1.1 IDENTITY

From MDC's first day of business, the name was recognized as a problem. It has caused unnecessary confusion, sounding more like a trade association of dealers than a regulatory authority. Finding a better name became a thoughtful consultative process during the past fiscal year. Workshops involved management, staff, stakeholders and a full-day session with leaders from all aspects of the industry.

When the proposed new name *Motor Vehicle Sales Authority of British Columbia (VSA)* achieved consensus, we briefed all stakeholders and having complete support, decided to proceed. A graphic designer was retained to create a bright new logo which, hopefully, will eventually become a symbol of professionalism and integrity within the industry.

Appropriate amendments to provincial legislation will be made in due course to remove references to the old name and replace them with Motor Vehicle Sales Authority (VSA). Until that is done, VSA is permitted to use the new name, but legal documents will require a notation stating "formerly known as the Motor Dealer Council (MDC)."

The conversion to the new look of all stationery, business cards, signs, forms, licences, contracts, the web site and all other identity items will take place progressively during the course of the fiscal year in progress.

1.2 ORIGINS AND HISTORY

The history of vehicle regulation in some jurisdictions predates the automobile; original efforts to ensure travelers that sellers and service-providers could be trusted involved horses, wagons and livery stables. The motor vehicle industry has been in existence in British Columbia for over a century. Today, the retail motor dealer industry has long been interested in bringing increased professionalism and improved regulatory oversight to British Columbia. In November 1997 a study group began meeting to explore the feasibility of modernizing the regulatory framework applicable to motor dealers in B.C. The intent of their efforts was to find ways and means to make this regulatory framework more effective and efficient, to increase the breadth and scope of consumer protection, and to develop improved standards for performance throughout the industry. The result of these efforts was a voluntary organization, the Motor Dealer Standards Association (MDSA), founded in 1999. MDSA established a foundation for what exists today, eventually reaching a membership of 450 dealers and processing 4,000 salespeople through a certification course. As worthy as MDSA proved to be, the voluntary nature of its mandate limited its ability to more dramatically impact upon the industry.

MDC was registered as a not-for-profit society with the Registrar of Societies on July 21, 2003. The founding Board, being the five signatories to the incorporation papers, then went through an open public recruiting process to select the remaining six members of the Board. MDC and the Ministry of Public Safety and Solicitor General continue to work co-operatively to ensure that this new independent authority achieves its vision.

The many years of work came to fruition on April 1, 2004 when government, industry and consumer stakeholders created MDC. The new organization was empowered to manage and enforce the *Motor Dealer Act.* In January 2005 this new administrative authority was also delegated responsibility for administering and enforcing the newly proclaimed *Business Practices and Consumer Protection Act* as this Act applies to the motor dealer industry.

MDC plays a major role in the regulation and licensing of motor dealers, their sales staff, and in related areas of consumer protection legislation applicable to motor dealers. More specifically, the government has mandated MDC to assume responsibility for some or all of the following activities as they relate to the motor dealer industry: consumer protection and public education, industry licensing, standard setting and enforcement, professional development, and complaint resolution.

THE FIRST TWO YEARS

Annual reports for the fiscal years ending March 31, 2005 and March 31, 2006, published in both hard copy and a digital file available through VSA web site, trace the start-up phase and the evolution.

Building an organization from scratch, establishing templates for consumer services; management of the Motor Dealer Compensation Fund with its independent Board of Directors; a compulsory certification course and mandatory licensing for all salespeople and significantly enhanced enforcement highlighted Year One.

Progress was reported on all fronts during Year Two, including enforcement activity, and ongoing efforts to certify and licence salespeople. Major thrusts included the publication of advertising guidelines and industry workshops; the completion of a two-year Legislation Review; significantly enhanced communication; a sophisticated software system for all business activity including licence renewals; and, more stringent requirements for new Motor Dealer Licenses, including a proper business plan and other documentation.

The greatest challenge of Year Two was to find a fair and equitable fee structure that would provide sufficient resources to fulfill the mandate. Industry and government understood from the outset that MDC would require far greater financial resources as it went forward. As programs evolved and succeeded in the second year of operation, it became overwhelmingly evident that the organization was seriously under-resourced.

YEAR THREE (2006-2007)

New fees commencing May 1, 2006 moved the annual budget to $3.8 million from $2.4 million, and facilitated an increase of staff from 20 FTEs to about 35. EQUITY became the principal issue in establishing new fees: salesperson licences, which had accounted for almost half the total budget, would now raise just 28 per cent; new car dealers would pay more and a special Lower Mainland surcharge would reflect the disproportionate amount of work required in the region.

The mission of the year was to increase capacity in all areas of activity, and to add programs to better serve both the industry and the public.

Other highlights:

- Growing the organization by more than 50 per cent in a matter of a few months, while maintaining business as usual and a culture of communications among all staff, ensuring that everyone felt part of the process.
- Once additional staff became available, service backlogs (licences, inspections) disappeared. Licence renewals are now processed instantly on-line and otherwise within one or two days.
- Completed the first round of advertising workshops.
- Presented the outcome of the Legislation Review to government emphasizing the urgency of necessary changes.

- A Summit of motor dealer industry Boards of Directors was held in November, 2006, a response to the misunderstandings that seemed to surround the changes in MDC's fee structure, mission and operations. While multiple viewpoints and different approaches were aired on some issues, there was no doubt about the consensus achieved on crucial matters, and the commitment to the MDC vision.
- Communications successes include an increasingly high media profile through features and guest appearances, the headlines attained by MDC news releases, a favorable response to the annual reports and the steady growth of web site activity.
- A new executive position was created to take charge of special projects, with an emphasis on industry research and professional development.
- Among the special projects has been a decision to bring all professional development activity, including the Salesperson Certification Course, in house, and developing the infrastructure to do so. To date, the curriculum has evolved in cooperation with Douglas College and Okanagan College, while the program administration and the hiring of instructors has been done by the colleges. VSA's "Learning Division" will now do this.
- Two Dispute Resolution Officers have been hired and the goal is to develop a program to assist consumers and dealers to resolve complaints, more effectively and less expensive than court processes.

2 GOVERNANCE

MDC – now VSA - is required to produce and publish each year a business plan, an annual report and audited financial statements. It is to demonstrate, through independent survey and statistical information, consumer and industry satisfaction.

Since April 1, 2004, MDC has operated without government funding and has assumed full responsibility for administering the Motor Dealer Act as well as its regulations and related consumer legislation.

MDC annual reports and this Strategic Business Plan demonstrate growth, program quality and an extraordinary amount of activity and consultation. The Council began without any working capital and yet assumed and expanded all of the functions previously performed directly by government, and successfully implemented the first compulsory education and salesperson licensing program in Canada.

The impact of the agency and levels of "consumer satisfaction" can only be determined by expensive professional surveys. Such an investment would be wasteful at the present time, demonstrating only that VSA is not well known to the public-at-large.

Until the long-studied changes can be made to legislation, the ability to profoundly address the industry's greatest problems will be limited. It is far too easy for the worst offenders to escape the intent of the Legislation by calling themselves brokers, wholesalers, importers, bailiffs or agents.

Once the Legislation is in place, VSA will be able to more effectively deal with unlicensed people - so called "curbers" - and be more proactive in public awareness.

Resources are as yet unavailable for effective consumer information programs but various strategies are the subject of active industry-wide discussion and it is expected that progress will soon be made on that front as well.

2.1 THE GOVERNING BOARD

VSA is governed by an eleven-person Board. Six members of the Board are drawn from the motor dealer industry (i.e. the Automotive Retailers Association of BC, the New Car Dealers Association of BC and the Recreation Vehicle Dealers Association of BC). The remaining five Board members include two appointed by the Government and three members selected from the public-at-large. Significant input into the public-at-large appointees is provided by The British Columbia Automobile Association, the Better Business Bureau and the Public Interest Advocacy Centre.

While the nomination process seeks the recommendation of specific stakeholders, Board members immediately become independent upon appointment. They all have the same constituency: a responsibility to conscientiously supervise the letter and intent of the legislation and regulations, and to act in the best interests of both industry and the general public.

The current Board members are:

Ken Bessason	Public-at-large
James Carter	New Car Dealers of BC
Henning Brasso	New Car Dealers of BC
Edd Crooks	Automotive Retailers Association
Shell Harvey	Government
Neil Kalawsky - Secretary/Treasurer	New Car Dealers of BC
George Morfitt - Vice-Chair	Government
Catherine Rankine	Automotive Retailers Association
John Ratel	Public-at-large
Anne Salomon	Recreation Vehicle Dealers Association of BC
Robert (Bob) Stewart - Chair	Public-at-large

The President of VSA is a non-voting member of the Board of Directors. He reports directly to the Board and is responsible for the day-to-day affairs of VSA. The President also serves as Registrar and has the legal authority to administer and enforce the regulatory programs of VSA. In carrying out his duties as Registrar, the President is responsible for administering and enforcing the legislation in accordance with the laws of British Columbia. Accordingly, the Supreme Court of BC and not the Board of Directors determines the appropriateness of the decisions and actions of the Registrar.

2.2 THE ROLE OF THE BOARD

The Directors, acting together as the Board, are the stewards of the Authority. The Board has the responsibility to oversee the conduct of the business, supervise management and endeavor to ensure that all major issues affecting the business and affairs of the Authority are given proper consideration.

In supervising the conduct of VSA's business, the Board through the President/Registrar sets the standards of conduct for the Authority. The Board has developed and approved a "Board of Directors Governance Manual". The manual includes documents outlining the governing structures and legislation applying to VSA.

In April 2004 the Board approved the "Board of Directors Operating Manual". This comprehensive document outlines the governance policies of VSA and includes a "Code of Conduct" and "Conflict of Interest Guidelines".

2.3 THE MOTOR DEALER CUSTOMER COMPENSATION FUND

The Motor Dealer Customer Compensation Fund was established in 1995. The Fund compensates individuals who have purchased a motor vehicle from a licensed dealer and who have incurred a financial loss. Eligible losses are defined by regulation and include dealership business failure, dishonest conduct and failure to provide clear title to the purchaser by a licensed dealer.

The administration of the Fund was transferred to the Motor Dealer Council on April 1, 2004. The Motor Dealer Customer Compensation Fund Board operates independently and consists of five members appointed by the Motor Dealer Council Board of Directors. They are:

Rick Bentley	New and Used Car Dealer
Kyong-ae Kim	Public-at-large
Jack Jenner - Chair	New and Used Car Dealer
Art Pike	Recreation Vehicle Dealer
Doug Potentier	Public-at-large

The Motor Dealer Customer Compensation Fund Board meets approximately 8 times per year and continues to hear and decide on all claims made against the Fund.

3 THE CONSUMER – A CHALLENGE FOR 2007 – 2008

The emphasis on the consumer within the VSA mandate and mission statement makes the Authority unique in North America. Most regulatory authorities either within or outside of government, are entirely focused upon some or all of the following: statutes, regulations, licensing, inspections, enforcement and consumer protection. None other than VSA have the mandate to educate the public.

VSA's mission from the outset has been twofold: professionalism within the motor dealer industry and an "informed, confident consumer." The Authority has made significant strides with respect to its industry obligations but has, to date, lacked the resources necessary to systematically address public education and behaviour.

Experience from health authorities dealing with anti-smoking campaigns and those engaged in motor vehicle issues such as impaired driving and seat belt utilization, demonstrate how expensive a task VSA may face. Millions of dollars have been required to make even modest changes in public behaviour.

To date, VSA has utilized many cost-effective methods to encourage good consumer habits: extensive information on the web site, free public service announcements carried by advertising media, brochures, trade show appearances and media interviews.

During 2006, a joint promotion agreement signed by VSA, the Automotive Retailers Association and the New Car Dealers Association of BC with the vehicle history search company CarProof, was a strategy to encourage consumers to research used vehicles before buying, particularly those that might have come from out of the province. As part of the arrangement, VSA receives a small commission on every CarProof search conducted in B.C.

A cornerstone of talks concerning methodology to improve consumer behavior is that there needs to be some consumer participation in search of these benefits. A good marketplace is a negotiation between vendors and buyers and there are responsibilities and expectations on each side. Both need to understand their role and responsibilities and what to expect in an effective negotiation process. Since there would be a consumer benefit from any province-wide program aimed at improving consumer awareness, current consensus is that there should be some public participation in program costs, likely a small charge assessed against all sales transactions.

The target audiences where help is most needed are relatively small and easy to define: high school students and other first time buyers, new immigrants and economically disadvantaged groups.

4 THE STRATEGIC PLAN

The strategic plan of the VSA is built around a vision, mission and values (see below). An updated Strategic Plan has been developed jointly by the Board and VSA's staff over the past year. VSA's purpose is to go beyond just "consumer protection." The longer term outcome, or definition of success, for VSA is seen as being the establishment of a confident and informed consumer being served by a respected and professional motor dealer industry.

4.1 VISION

The vision of the Motor Vehicle Sales Authority of BC is:

A respected motor dealer industry serving an informed and confident public.

4.2 MISSION

The mission of the Motor Vehicle Sales of BC is:

To promote excellence and foster public confidence by raising industry standards, providing education, ensuring compliance, and leading innovation.

4.3 VALUES

The values of the Motor Vehicle Sales Authority of British Columbia are:

Integrity – fulfilling our responsibilities in a truthful, professional and ethical manner while demonstrating impartiality, openness and transparency in all our actions

Effective Communications – timely delivery of industry related information

Fiscal Responsibility- managing resources effectively and efficiently

Life Long Learning – promote innovation in the use of new ideas and technology; and encourage and support personal growth and development

Teamwork – effectively working together with each other, with our industry partners and other stakeholders to achieve agreed upon goals

4.4 KEY RESULTS : OBJECTIVES

Key Results are clear high-level descriptions of the outcomes that VSA is working to achieve. They are the noticeable and measurable achievements expected from the organization over the next five to ten years. They clarify direction, address major issues and help to focus priorities. There are six key results:

- We are one of Canada's most respected independent regulatory agencies
- British Columbia's consumers have greatly improved confidence in the motor dealer industry
- VSA is a valued partner in developing the industry
- Our activities continue to foster a high level of integrity – with both consumers and industry
- We develop world class learning programs and products
- We are financially responsible and innovative

VSA's Board and staff continue to revise and update strategies and actions under each of these Key Result areas. High-level measures and accountabilities track all goals and activities.

5 STRATEGIC PRIORITIES: 2006-2008

The greatest challenge at the beginning of Fiscal 2007 on April 1, 2006, was to increase capacity. Personnel and resources had been insufficient to deliver acceptable levels of service in licensing, enforcement and elsewhere.

A list of Strategic Priorities was established a year ago with a plan to have everything in place and operating smoothly within a two-year time span.

These priorities are:

- ***Implement growth strategies***
- ***Significantly increase compliance***
- ***Legislation review - finalize position***
- ***Upgrade new dealer licensing requirements***
- ***Design & fund consumer awareness***
- ***Establish advisory committees***
- ***Initiate salesperson recertification program***
- ***Develop dispute resolution service***

5.1 IMPLEMENT GROWTH STRATEGIES

The annual budget grew to $3.8 million from $2.4 million, and facilitated an increase of staff from 20 FTEs to about 35. Expanding, furnishing and equipping the office space became a prerequisite to this growth.

In addition to more licensing officers, investigators and support staff, VSA added the following key positions:

Hearing Co-ordinator – Organizing and servicing these sessions has become a full-time job.

Project Manager – a management position to co-ordinate and supervise the establishment of new programs and services, special projects and to conduct research.

Senior Investigator - A "senior investigator" who eases the managerial burden on the Director of Regulatory Services.

Senior Licensing Officer – Similarly, the Director of Licensing now has additional managerial support.

Dispute Resolution Officers – Two individuals will operate this new VSA service. Initially, they are assisting in customer information services but, in time, it is hoped to model a mediation program similar to that offered consumers by the Better Business Bureau.

Advertising, interviewing applicants and integrating them and the new programs occupied much of the fiscal year just past, but progress has been made in each of the areas for which they were recruited and goals should be reached during the second half of the two-year plan.

5.2 SIGNIFICANTLY INCREASE COMPLIANCE

Increased management, licensing officers and investigators have assisted in achieving better service and province-wide coverage

The province has been divided into service regions and each dealer now has two key people assigned to their area: a licensing officer and an investigator/inspector, people whom they can get to know.

Several hearings and disciplinary actions during the year achieved major media and public attention and there seems to be more acceptance that there are consequences to violating the rules.

One area of concern has been the large number of salespeople, with either the implicit or complicit cooperation of their dealer principals, who have continued to evade compulsory licensing. A research project has determined that as many as 1,000 salespeople who were working in the industry on June 1, 2004, when licensing became mandatory, were still unlicensed by late 2006.

A project was devised to systematically audit the payroll records of dealers and to compare this information with VSA licensing data. The pilot project included a

representative sample of dealers small and larger, all types of vehicles from all over the province. Some of these dealers had done a good job in conscientiously licensing personnel, but others proved woefully negligent. When documented, the salespeople were forced to pay backdated licence fees to June 1, 2004, or the date of first employment. Administrative assessments were levied against dealers and salespeople related to their negligence and the costs of catching up to them.

Some dealers have protested the request for payroll records as an improper invasion of their privacy but VSA has legal advice that Legislation empowers investigators to request written records related to any issue, which also applies to payroll.

This project will be expanded in the year to come and the goal of uniform compliance to licensing regulations will be attained.

5.3 LEGISLATION REVIEW - ENACT CHANGES

A two-year review by VSA's Legislation Review Committee, the first comprehensive analysis in 27 years, was completed during the past year and is now in the hands of government, awaiting enactment. The Legislation Review is the most important issue now facing the industry.

The review focused on all legislation and regulations with respect to the sale of motor vehicles. The committee had representatives from industry, the public-at-large, ICBC, Autoplan agents and the British Columbia Automobile Association. At the outset of the review process a total of 15 organizations, representing both consumers and industry, were asked to make submissions. The 42-page report of this committee is available on VSA's web site, www.vehiclesalesauthority.com.

Changes to legislation would assist greatly in current efforts to control curbers, unlicensed people who are dealers by any definition. These people, who often define themselves as wholesalers, agents, brokers, financiers, bailiffs or other related trades, are actually dealers who should be licensed and covered by legislation.

Once passed by the Legislature, a new era for motor vehicle sales in B.C. can truly commence.

5.4 UPGRADE NEW DEALER LICENSING REQUIREMENTS

Licensed motor dealers are truly front and centre when it comes to the sale of motor vehicles in British Columbia. They are legally responsible for all of the dealership's actions. This is not something that is new – but what is new are the ever-increasing legal and administrative complexities that apply to owning and operating a small business in British Columbia. Since taking over in April 2004, VSA has seen many dealerships forced out of business for things such as non-payment of sales taxes, failing to remit employee deductions, and similar poor business practices. Also, as outlined herein, VSA's mandate to improve industry

professionalism has further increased the requirements for owning and operating a licensed dealership.

This means that individuals and organizations applying for a new dealer licence can expect much more to be reviewed and considered by VSA before a new motor dealer licensed is issued. We now require a comprehensive business plan to be presented with each application and no licence will be issued unless either the owners or their chosen business manger has adequate prior industry experience. VSA staff have significantly increased the background checks made on all owners, directors and officers of the dealerships, raised the financing thresholds and significantly increased the sureties required for establishing a new dealership.

As VSA gains experience consumers and industry will see this ongoing upgrading of new dealer licensing requirements to continue.

5.5 DESIGN AND FUND CONSUMER AWARENESS

The emphasis on the consumer within VSA's mandate and mission statement makes the Authority unique in North America. Most regulatory authorities either within or outside of government, are entirely focused upon some or all of the following: statutes, regulations, licensing, inspections, enforcement and consumer protection. None other than VSA have so extensively expanded their mandate for educating the public. To date, the Authority has lacked the resources necessary to systematically address public education and behaviour, but this is now the focus of high priority industry-wide discussions.

A cornerstone of talks concerning methodology to improve consumer behavior is that there needs to be some consumer participation in search of these benefits. Both consumers and industry need to understand their role and responsibilities and what to expect in an effective negotiation process. Since there would be a consumer benefit from any province-wide program aimed at improving consumer awareness, current consensus is that there should be some public participation in program costs, likely a small charge assessed against all sales transactions.

5.6 ESTABLISH ADVISORY COMMITTEES

Experience demonstrated that four groups within the industry were insufficiently represented and consulted with respect to VSA policy development. The plan a year ago was to create four voluntary committees to advise the Board of Directors.

These were:

- Salespeople
- Motorcycle dealers
- Advertising [Personnel]

- Stakeholders – a cross-section of industry and related public organizations

It is believed now that two of these areas of concern can be better managed in other ways.

- **Advertising -** Advertising has become one of the key policy monitoring and development areas for VSA's new Learning Division. Not only will the rules and ethical standards be integrated with all course curricula, the Learning Division will offer Advertising Workshops, attended by both industry and media representatives.
- **Stakeholders** - Last Fall, VSA led in the creation of an "Industry Summit" attended by the Board of Directors and management of the Authority and the three trade associations: ARA, NCDA and the RVDA. This was such a successful airing of all issues the consensus following was that other vital stakeholder groups such as the BCAA, the Better Business Bureau, ICBC, the Motor Dealer Customer Compensation Fund and others could participate in subsequent years.

The other two committees; Salespeople and Motorcycle Dealers will be formed within the next year. They will be designed to have province-wide representation, with funds to assist in travel where required. They will report to VSA Board of Directors.

- Salespeople
- Motorcycle dealers

5.7 THE LEARNING DIVISION (INITIATE SALESPERSON RECERTIFICATION PROGRAM)

This 2006 strategic priority was rolled into the plans for VSA's new Learning Division. First, the background.

The Salesperson Certification Course was implemented by the voluntary MDSA in 1999. By the time it became mandatory under the new MDC in 2004, more than 4,000 salespeople had voluntarily completed the program. They were not required to take the course again once licensing became compulsory on June 1, 2004.

A key challenge for the immediate future will be to update these industry veterans. Of the 4,000 who completed the voluntary MDSA course, it is believed that 2,500 are still in the industry. Soon they will be pioneers again, the first people required to complete the VSA's upgrade course. A new two day Salesperson Recertification Course, now being designed will put emphasis on industry legislation and regulations, particularly those that have changed since June 2004. The course design will encourage a high degree of participation.

The current two-day Salesperson Certification Course is being updated to be a more comprehensive program; focused upon the latest legislation, regulations,

business practices, advertising standards and a mutually beneficial exchange of ideas and experience among industry leaders, instructors and salespeople.

The Learning Division has commenced with three key thrusts: the revised and updated Salesperson Certification Course, a new round of Advertising Workshops and the Salesperson Recertification Course.

5.8 DEVELOP DISPUTE RESOLUTION SERVICE

VSA's Dispute Resolution service is being developed in two stages. The first stage was put in place last year. Two Dispute Resolution Officers were hired and they immediately became useful in assisting with consumer information requests and other services. Also, they are helping management determine the areas where the Authority can, and can not, be effective in providing a voluntary dispute resolution system for disagreements between dealers and consumers.

The second phase will start later this year. The Authority will then be developing a program to provide voluntary mediation and/or arbitration between dealers and consumers. Similar programs in other industries have been highly successful. Voluntary arbitration often requires each party to sign an agreement in advance to abide by the arbitrator's ruling and not proceed through the courts.

5.9 OTHER PRIORITIES

- **The on-line "salesperson licence renewal"** service that has been offered has not only simplified matters for applicants, it has greatly reduced the burden upon our Licensing Department. It is hoped that in the near future we can expand this service to include new applicants. To date, they must mail their application and a manual process then takes place within the office to review the information, obtain criminal record checks and photos, before issuing a licence. In the future, only when there are missing pieces or problems noted, will manual processes be necessary.

- **Communications –** The principal task at the outset of the new fiscal year is the redevelopment of VSA web site, incorporating the new name, logo and a dynamic, modern look. The web site has, from the outset, been an excellent source of information for dealers, salespeople and the public. It has progressively evolved as an interactive tool for communications, licence renewals and related activity. Web site statistics have demonstrated that MDC/VSA Bulletins to industry and news releases to the public have a high degree of impact. More are planned in the year to come.

  Publications such as the annual report and brochures have been favourably received by all stakeholders, but resources have been lacking to make them sufficiently available in hard copy to a broad public market. All VSA publications and newsletters are made available in PDF format on the web site. New brochures explain the new name and identity, as well as the Motor Dealer Compensation Fund. A brochure is in the development stage

that will outline the new Learning Division. A new trade show display was introduced at the Vancouver International Auto Show in April, 2007, and it is expected that this will be seen throughout the year at other events and locations.

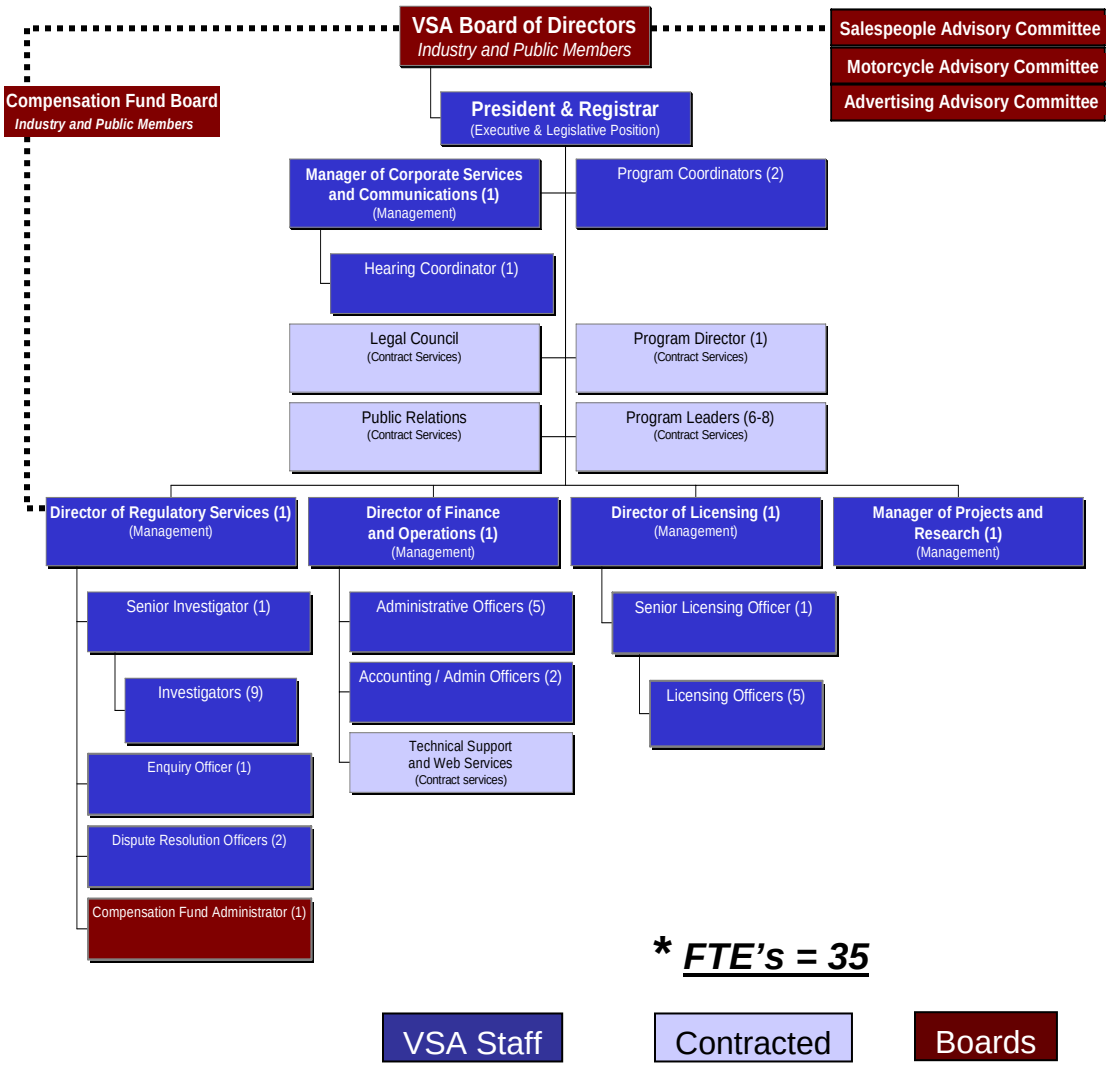
The co-operative project with the industry to encourage consumers to do vehicle history searches before buying used cars is expected to generate revenue for consumer information, as a fee paid by the search company CarProof. These funds can be expected to start a modest consumer education advertising program.

- **The 2007 Summit** – The inaugural Summit in October, 2006 brought together the Boards of Directors of MDC, the New Car Dealers Association, the Automotive Retailers Association and the Recreation Vehicle Dealers Association. The Summit reviewed the history, the progress to date and the goals for the future. It was such a successful airing of issues it was decided to make it an annual event. It will be expanded this fall to also include important consumer stakeholders such as the Better Business Bureau, British Columbia Automobile Association, the B.C. Crime Prevention Association, Motor Dealer Customer Compensation Fund and the Public Interest Advocacy Centre. In time, the Summit could add yet another dimension with fee-based workshops and events open to the public, possibly featuring distinguished speakers.
- **Ending the relationship with Douglas College & Okanagan College** - Effective July 1, 2007, VSA's Learning Division will eliminate the need for outsourced administration of the Salesperson Certification Program. Douglas College and Okanagan College have been outstanding partners in salesperson education since the voluntary MDSA era, but upgraded programs, additional courses, and the growing need for two-way proactive dialogue between the industry and VSA, contributing to the evolving body of knowledge, built a case for the direct program management. VSA's Director of Projects and Research (a new position created in 2006) helped to lead the development of the new Learning Division and a Program Director for the Salesperson Certification Program has been retained.

6 ORGANIZATIONAL STRUCTURE

This strategic business plan is developed on the organizational structure presented on the following page. This structure contains the key functional areas that are required to manage the Council's core lines of business.

ORGANIZATION CHART



This organizational structure in the 2007/08 year calls for a staff complement of 35 FTE positions. Four of the current Investigators work from private offices in Victoria, Kelowna and Clearwater.

VSA provides administrative and investigative support for the Motor Dealer Customer Compensation Fund. The Fund reimburses VSA monthly for these services.

7 PREMISES AND EQUIPMENT

VSA leases office space at #150-6400 Roberts Street in Burnaby. With a substantial increase in staff there was a need to acquire additional office space, and the premises were expanded in 2006. The area now comprises approximately 8,100 sq. ft., and the lease expires February 28, 2009. The total cost for the base rent, property taxes and building operating expenses is $22.15 per sq. ft. per annum.

VSA leases six vehicles for the investigation team, but owns a majority of its office equipment. Currently there are 25 computers, 12 laptops, two photocopiers, two multi-function laser printers, two fax machines, several desktop printers, label printers, and a complete telephone system. The photocopiers, faxes and a mail machine are leased.

7.1 LEASE VEHICLES

VSA leases six vehicles, four for the lower mainland, one for the Kootenays, and one for use in the Okanagan. In acknowledgment of our need to participate in the movement towards more earth-friendly vehicles, three of these are hybrids, low emission vehicles with maximum fuel efficiency.

7.2 UPGRADE PHONE SYSTEM

In order to ensure prompt and efficient service, VSA is exploring alternatives to the current telephone system configuration. Currently callers must choose a department or local offered by an automated system. Avenues being considered include the option of all calls being answered by a receptionist, or dedicated direct dial phone numbers for each department.

7.3 LEARNING PORTAL

Learning is becoming a major strategic component for the Motor Vehicle Sales Authority (VSA). With an 8-10 per cent annual growth rate in the industry in B.C. and an estimated turnover of staff of up to 30 per cent, VSA has been given the mandate to broaden its role in education. This is seen to be of a higher strategic priority than licensing and enforcement, in efforts to meet many of its objectives. Rather than have licensing and compliance as priorities over learning, as is the case today, VSA will make the transition in the next few years to having learning the number one priority.

In addition to industry growth and turnover, other factors influence the need for this focus on education:

- A huge variance in technical competency among salespeople and dealers.
- A clear direction to VSA to help mature an industry with very immature Human Resources practices.

Currently VSA estimates that as many as 1,200 salespeople in B.C. are still unlicensed. The goal is to licence 600 of these per year for the next two years, in addition to a forecast of 1,500 new salespeople each year.

VSA will also be introducing and scheduling other educational offerings in addition to upgrading the current two-day Salesperson Certification Course. It is expected that 300-400 salespeople, other dealership employees and media representatives will take these additional offerings in each of the next two years. A 300-500 percent growth in annual numbers of educational program participants (all courses) is expected during the next three-five years.

To meet this demand, VSA is setting up a "Learning Division" designed to continue as a profit center. Revenues are expected to exceed $800,000 this next year and more than $1 million by 2008-09.

8 THE FINANCIALS

The financial plan contemplates staffing levels and an organizational structure as described in the previous sections. The 2007/08 projections are from VSA's final budget approved by the Board in February, 2007.

The 2008/09 and 2009/10 figures are estimates only, and will be updated each year as part of the ongoing budgeting process. VSA continuously projects its financial plans three years into the future.

8.1 OPERATING ASSUMPTIONS

The following assumptions are part of this strategic business plan:

- VSA will continue to have little or no staff turnover
- Stability of existing portals within VSA's information technology (IT) systems
- Full implementation of the Learning Division IT portal by October, 2007.
- Successful recruitment for remaining positions.
- Updating of dealer license packages and internal processes documentation
- Ongoing Salesperson Compliance Project targets met

8.2 BUDGET

8.2.1 REVENUE

VSA revenues are generated from licensing and administrative fees, course fees, the Sales Compliance Project, and bank interest. Salesperson licensing fees, new and used vehicle dealer fees, and course fees are not expected to change for the 2007/2008 budget year.

The one small exception to this is an annual license fee increase to $1,000 for dealers selling new motorcycles in the province, commencing April 1, 2007.

VSA's annual budget moves from $3.8 million, to 5.4 million, the most significant item being the $780,000 increase in revenue for the Sales Compliance Project - which is offset by a matching expense. The other significant increase is $533,362 of increased revenue from the newly formed "Learning Division" discussed above. The balance of the increase is accrued income generated by adjustments on last year's dealer license fees.

8.2.2 EXPENSES

Compliance - A change here is that in past years, salaries related to enforcement and regulation ($1.2 million in 2006-2007) were listed as a separate item. This has now been integrated with the rest of VSA payroll, now recorded under the line Salaries/Benefits.

Salesperson Compliance Project - The large number of individuals (over 1,000) who have evaded licence fees since June 1, 2004, represents a substantial financial receivable. A pilot project of auditing dealer payroll records has confirmed the value of the process. Each violator discovered is required to pay overdue licence fees to either June 1, 2004, or the date of first employment, and extra charges for overdue accounts. Dealers face administrative assessments to offset the cost of the auditing and compliance process. Recovering these overdue accounts is expected to achieve significant project based revenue during the next two years, at which point it is hoped that the industry will be closer to universal compliance.

Communication – The communications culture requires that everyone must be part of the process, both internally and externally. Lacking substantial resources for mass advertising and public education initiatives, an attempt is made to leverage all required industry Bulletins, news releases, media appearances, brochures, the annual report, trade shows, workshop attendance, the web site, invitations to contribute articles to industry media and other opportunities into as ubiquitous a presence as possible. Last year the position of Communications Manager was established and VSA continues to make judicious use of consultants for well-defined tasks. Also, the entire management team is active in the development of communication strategies and initiatives. The communications budget shown under "expenses" is leveraged into an annual promotional value several times its number.

Compensation Fund – VSA provides administrative support for the Motor Dealer Customer Compensation Fund. This expense item is offset by an equal amount of revenue, as all administration costs are paid by the fund itself.

Depreciation expense - Includes amortization of leasehold improvements, software and hardware, as well as OASIS web-based software for licensing and compliance and the new learning division portal.

Governance - VSA is governed by an eleven-person volunteer Board. Six members of the Board are drawn from the motor vehicle sales industry (i.e. the Automotive Retailers Association of BC, the New Card Dealers Association of BC, and the Recreation Vehicle Dealers Association of BC). The remaining five Board members include two appointed by the Government and three members selected from the public-at-large. The Directors, acting together as the Board, are the stewards of the Authority. The board has the responsibility to oversee the conduct of the business and endeavours to ensure that all major issues affecting the business and affairs of the Authority are given proper consideration. In supervising the conduct of VSA's business, the Board through the President/Registrar, sets the standards of conduct for the organization.

Office and Administration/ Salaries and Benefits - These two expense categories represent all operating expenses, including salaries for all VSA staff.

Telecommunications / IT Systems & Support - Providing an equal level of service on a provincial basis can be expensive. VSA uses the latest in telecommunication and information technology systems to keep these costs in line.

APPENDIX #1 – FINANCIAL ESTIMATES

Motor Dealer Council of B.C.
1 Year Budget - 2 Year Forecast

REVENUES	2007/2008	2008/2009	2009/2010
Licensing Revenue	3,519,061	3,589,141	3,660,624
Course Revenue	833,362	833,362	833,362
Administrative Fees/Penalties	150,000	150,000	150,000
Compensation Fund Support (Recovery)	119,714	122,108	124,551
Registrar's Hearings (Recovery)	24,000	24,000	24,000
Interest Revenue	28,000	28,000	28,000
Total Revenues	4,674,137	4,746,611	4,820,537

EXPENSES			
Compliance	155,355	158,462	161,631
Communication	122,100	124,542	127,033
Compensation Fund Expenses	119,714	122,108	124,551
Depreciation Expense	309,400	222,200	107,200
Governance	146,350	146,350	146,350
Office and Administration	1,162,180	1,176,316	1,190,732
Salaries / Benefits	2,385,598	2,433,310	2,481,976
Telecommunications / IT Systems & Support	120,720	123,134	125,597
Total Expenses	4,521,417	4,506,422	4,465,070
contingency (excess revenue over expenses)	152,720	240,189	355,467
Total Expenditures	4,674,137	4,746,611	4,820,537