



Motor Vehicle Sales Authority
of British Columbia

Annual Report 2009
Fifth Anniversary

previously known as the Motor Dealer Council of British Columbia

A fifth anniversary inspires reflection. . . .

The history of any organization - even a young one like the VSA - is far more than a record of events, achievements and challenges. It is the story of people working collectively toward a goal, an overarching philosophy and the evolution of a culture. *Ken Smith, President and Registrar.*

Vision

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

Mission

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

Values

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

Effective Communications – reinforcing the organization’s Vision, Mission and Key Results using effective communication tools and technology

Fiscal Responsibility – managing resources effectively and efficiently

Lifelong Learning – maximizing the use of new ideas and technology and encouraging growth and development in individuals, teams and in organizations

Service – prompt, efficient, professional, effective and courteous service to both licensees and consumers

Teamwork – effectively working as a team with our industry partners and other stakeholders to achieve agreed upon goals

Key Results | Objectives

Key Results are clear high-level descriptions of the outcomes that the 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:

- British Columbia’s consumers have greatly improved confidence in the motor vehicle sales 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.
- We are one of Canada’s most respected independent regulatory agencies.



LETTER OF TRANSMITTAL

Hon. Kash Heed

Minister of Public Safety
and Solicitor General
Victoria, BC

Dear Minister:

On behalf of the Board of Directors, the Registrar, the management and staff of the Motor Vehicle Sales Authority of British Columbia, it is a privilege for me to present the annual report for the year ending March 31, 2009.

In 2004, responding to appeals from industry and the public, government created this independent Authority to regulate, educate, and enforce motor dealer industry standards and to serve consumer interests. Our Board of Directors, consisting of individuals from both inside and outside the industry, is a reflection of this objective.

The VSA - originally established as the Motor Dealer Council of B.C. - achieved its fifth anniversary on April 1, 2009. An extraordinary amount has been achieved in the establishment of industry standards, licensing, salesperson education, enforcement and consumer services.

Sincerely yours,



Robert J. Stewart

Chair, Motor Vehicle Sales Authority
of British Columbia



A milepost in a marathon assignment

The fifth anniversary of the Motor Vehicle Sales Authority of British Columbia on April 1, 2009 went by as a routine day amid the challenge some of us accepted five years before this Authority was born.



In this space last year, I outlined how progressive motor dealers approached me and others, expressing their conviction that an independent agency could do a better job of regulation, professional development, enforcement and consumer education than had traditionally been done by government. I accepted an invitation to lead a voluntary effort that convinced hundreds of dealers to pledge themselves to ethical parameters and standards of practice; develop a basic certification course that was completed by 4,000 salespeople; and laid the foundation for everything that followed.

Great strides were made but it became apparent that the voluntary nature of the effort primarily attracted the most conscientious and professional people within the industry, and not those who could benefit most from the programs. The industry's least compliant dealers did not become involved. It became evident that an independent Authority created by legislation was required. Experience in Ontario with a regulator arms-length from government became the model upon which this Authority was built, initially named the Motor Dealer Council of B.C. (MDC).



Once again, I am proud to introduce this annual record of achievement. The content demonstrates progress in organizational issues and infrastructure, educational programs, services to consumers, compliance and communications. Absorbed without serious impact on the bottom-line during the course of the year were two major events. The first was the move to a newer, and more suitable office location, and the second, two serious industry business failures that victimized consumers. These failures not only required a tremendous investment of VSA investigative and legal resources, but also generated unprecedented claims to the independent Motor Dealer Customer Compensation Fund.

On behalf of the Board of Directors, I must pay tribute to the Registrar/President, Ken Smith, the management team and staff, who continue to make a positive impact upon an industry that generates \$15 billion dollars annually. It is also a credit to an outstanding Board, which consists of people representing the motor vehicle sales industry and also five individuals of a diverse professional background, such as myself, who, like me, represent the public interest. It has been a privilege to serve with these dedicated people. Some have completed their terms after making significant contributions and moved on to other pursuits. We have five new Directors this year and every indication I have is that the big shoes will be well-filled, with the added advantage of a fresh point of view.



Before concluding this introduction, I want to outline two areas of disappointment, the first with industry and the second with government.

When we began the voluntary organization 10 years ago, the enthusiasm of dealers was infectious. Hundreds came aboard, determined to solve the problems that had given their industry such a black eye, to reform the people who could be improved and to drive the bad apples out of the business. When the VSA was created by legislation, to commence operations April 1, 2004, we appointed a Registrar/President and helped him build a team to put "an industry vision" into effect. Unfortunately, too often, the VSA has to invest time and resources selling the vision to industry rather than just doing its job. Despite the many dealers who are just as dedicated as ever to the cause, and who work every day in pursuit of the goal, far too many operate with a mentality of "let others do it" and, even worse, complain bitterly if VSA compliance activity finds fault with anything at their dealership. I find it disturbing that the vast majority of industry members say they support efforts to encourage best practices, salesperson education and compliance activity - in principle - but then oppose paying proper fees, ignore evolving laws and standards, or fail to have their salespeople complete required courses in a timely fashion.

The disappointment with government dates back to perhaps the most important initiative launched during this Authority's earliest days, the first comprehensive review of both motor dealer and consumer legislation in over a quarter century. A blue ribbon panel of industry and consumer stakeholders, led by my colleague Gary Cowell, did an extraordinary job. The VSA cannot fulfil its mandate without modernizing legislation. A legislature-ready package of proposed amendments was presented in Victoria during 2007. The past two Solicitors-General of B.C. gave me their personal assurance that they would see this enacted, but they were unable to find a slot in the Legislature calendar.

This, I hope, will become a priority for the new Solicitor-General, the minister to whom the VSA reports, and that we will have an opportunity to work together to complete this unfinished business on behalf of consumers and the province's largest and most vibrant retail sector.

Robert J. Stewart

resilience

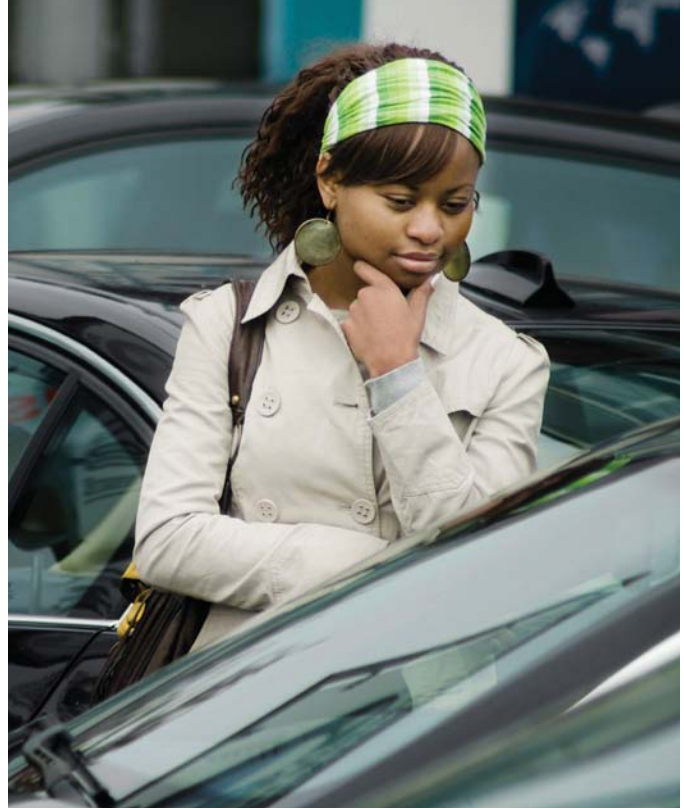
When the global auto industry recovers from the various crises of recent history, including the troubled North American manufacturing sector - and they will - I suspect the most resounding word to describe this era will be “resilience”.



It has been an amazing chapter of history, for both dealers and consumers.

- In late 2007, the Canadian dollar soared in value, suddenly worth more than the United States dollar. Thousands of imported vehicles, new and used, began to flood our market. Many consumers learned that they could save a considerable amount of money importing vehicles from the U.S., as long as the vehicles met Canadian standards. Dealers adjusted by becoming major importers themselves, passing on the savings to their customers.
- In early 2008, the price of a litre of gasoline rose dramatically toward \$1.50 and some experts were predicting \$2. RVs, SUVs, trucks and other gas-guzzlers, once dominant in the market, became pariahs on dealers' lots, as customers went shopping for vehicles that conserved energy. Many dealers found that they had the wrong inventory.
- During late 2008 and 2009, the world financial crisis devastated the financial foundation of the auto industry, particularly the North American Big Three and that story is yet to play itself out.





Never has there been a more advantageous situation for the well-researched consumer. Great deals abound and this is reflected in Canadian auto sales. The impact of the crisis can be noted in gross sales, which are nowhere near as catastrophic as experts once predicted. Industry and consumer resilience has responded to the constantly changing environment, with a remarkable ability to minimize damage and to seize positive opportunities.

As the industry regulator in B.C., our fundamental source of revenue is from motor dealer and salesperson licence fees. We have monitored renewals and new applications carefully, concerned that there might be a precipitous drop, but that has not materialized to date. Our numbers are soft, but basically meeting historic averages. We expected that desperate financial situations among some dealers would lead to an escalation of exploitative behaviour toward consumers, but our evidence is that the incidence of serious wrongdoing seems to have not changed dramatically.

Perhaps the worst is yet to come, as troubled companies no longer can hide the inevitable, but there is encouraging evidence that this industry is managing itself out of the crisis.

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On March 31, 2009, this Authority completed its fifth year of business and what follows is a comprehensive report of this past year's activities. A fifth anniversary, however, inspires reflection.

The history of any organization - even a young one like the VSA - is far more than a record of events, achievements and challenges. It is the story of people working collectively toward a goal, an overarching philosophy and the evolution of a culture. The chronology of this Authority can easily be tracked through the website: www.vehiclesalesauthority.com. Posted there you will find past annual reports, strategic business plans, and industry bulletins, news releases and many other records. The reader will note consistent progress, sound financial management and success on many fronts. Also evident will be challenges yet to be resolved.

When I accepted the position of Registrar and President of this new entity, created to regulate the motor vehicle sales industry, and serve the interests of dealers, salespeople and consumers, traditional thinking was that it might be a difficult task. It is, in essence, a fairly simple business: establishing standards, enforcing the law, educating professionals, enhancing public awareness and responding to consumer complaints.

We started with huge commitments to government, to industry, to consumers and to recently hired staff, with little money in the bank and with the only projected revenues being from dealer and salesperson licence fees. For the first two years our annual budget was just \$1.8 million. We could not afford many investigators or even the most basic public advertising to educate consumers.

In view of this, we had to be innovative, and the adjustments we made evolved into a philosophy that continues to serve us well today:

- We became convinced that more consistent education of dealers and salespeople, a more uniform understanding of the law and a better informed consumer would have more impact on industry professionalism than would an army of investigators.
- We emphasize the word "compliance" rather than "enforcement," because it accurately reflects the goal, not the process. The VSA's Progressive Enforcement Program puts its greatest emphasis on routine dealer inspections and the investigation of complaints, giving offenders every opportunity to put things right and to consistently comply with best practices. The consequences of repeat infractions or serious violations of law can be severe.
- The phrase "consumer protection" is an insult to both industry and the public, characterizing a whole industry as predators and all customers as helpless. Most dealers are honest and professional and most consumers know what they are doing. A successful marketplace puts responsibility on both sides of the equation, and some mechanism must be found so that consumers can share the costs of services on their behalf: public information, school programs, dispute resolution, mediation and related activity. A small fee attached to every vehicle ownership transfer has been proposed.
- We must ensure that everyone engaged in the retail sale of motor vehicles to the public is covered by the same regulatory system, an important consideration in the VSA's Legislation Review, which began in 2004 and which has been awaiting enactment since 2007. Until this package is passed by the Legislature, the VSA will not be able to fulfill its mandate.

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During the course of 2008-2009 the VSA was the subject of a formal "Ministerial Review" as required by our Administrative Agreement with the Ministry. It was conducted by the Victoria-based business consulting firm Goodburn and Company. The review was an overwhelmingly positive assessment of VSA activity, although there were a number of constructive recommendations for improvement on smaller matters. Of particular value was the emphasis placed upon the need for a speedy enactment of the legislation long proposed by the VSA.

The past year was eventful and productive on a number of fronts. Despite market uncertainties and the challenges imposed by at least two major business failures in the industry and resulting investigations, we were able to achieve budget goals. A great credit to our finance and administration personnel was a commendation from our auditors about the outstanding processes and systems in place.

The two cases referred to above required an unprecedented investment of management and compliance officers' time, and almost \$1 million in claims to the independent Motor Dealer Customer Compensation Fund.

- It was determined that JDM Wholesale Canada Ltd. of Delta failed to submit payments for multiple extended warranties to the insurance company or pay Provincial Sales Tax. This company sold consumers imported right-hand drive vehicles which later failed to meet Canadian standards. After a freeze order on assets had been issued by the Registrar, and enforced by the Supreme Court of B.C., vehicles were discovered to be in containers awaiting shipment out of the country. The company principals, James and Iain Robinson, had fled to New Zealand by the time their dealership was in the hands of a receiver.
- Southwest RV and Sport Ltd., a company with Vancouver Island locations at Sidney, Chemainus and Duncan, and its principal, Kersti Clark, illegally sold vehicles on consignment. Owners later had difficulty tracking either their vehicles or their money. After the Registrar froze assets and a receiver was



appointed, Ms. Clark also fled the country. There were dozens of complaints. VSA compliance officers were able to reunite many of the complainants with their vehicles, in various stages of disrepair, but multiple claims were made to the Compensation Fund.

To put the impact of these two cases into perspective, the management and investigation time involved in the JDM file amounted to 164 person-hours, and the Southwest RV file consumed 2,078. Related expenses and legal fees brought the net cost to \$473,000, equal to about 10 percent of the VSA annual budget, a sum later recovered from the Motor Dealer Customer Compensation Fund. The huge expenditure of time also impaired efforts of VSA compliance officers to adequately address other cases.



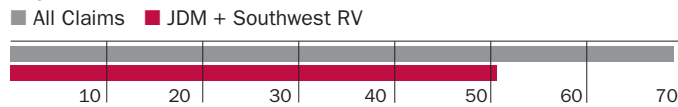
Considerable progress was made during the year in the development of a standardized sales contract that will reduce or eliminate a high percentage of the deceptive practices that occur in the industry. Working closely with the New Car Dealers Association (NCDA), the Automotive Retailers Association (ARA) and the Recreation Vehicle Dealers Association (RVDA), the plan is to achieve greater simplicity and coherency in transactions, easier compliance with statutes and less time spent ensuring that customers understand each section. Considerable discussion has taken place to include a written mechanical inspection report as part of this new standard form, already provided by most reputable dealers.

The vast majority of dealers would welcome the standard form but it would be yet another major hurdle for those few who set out to deceive. Confused and misleading contract language, coupled with highly questionable selling-practices, often facilitate consumer abuse. These activities remain the source of the majority of the consumer complaints handled by the VSA. "It's a standard contract item," is a phrase that is often used just as ingenuously as the word "sale". This is where hidden fees, improper or incomplete declarations and cost escalators are intentionally hidden from unsuspecting buyers.

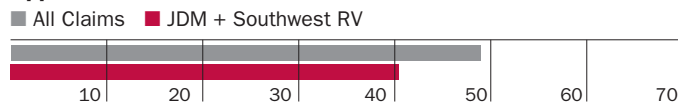
Among our challenges from the beginning has been an absence of verifiable research data upon which to determine goals and define priorities. Two important professional studies during the year expanded the VSA and industry knowledge base.

The charts show the serious impact two major cases had on the Motor Dealer Customer Compensation Fund. The investigation and assistance to victimized consumers required an extraordinary investment of time by VSA compliance officers and management.

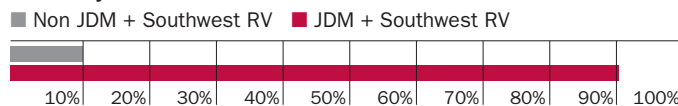
Adjudicated Claims



Approved Claims



Claim Payments



An "environmental scan" by Malatest Program Evaluation and Research of Victoria, gave us hard numbers about the size and scope of the industry. The second study, a consumer survey conducted by Ipsos-Reid, explored consumer experience, knowledge and impressions of the motor vehicle sales industry.

- ENVIRONMENTAL SCAN - The Malatest study tracks demographic and economic trends in B.C., provides automotive retail industry data, identifies market trends, presents VSA licence, consumer enquiry and compliance data and much more.
- CONSUMER SURVEY - Ipsos-Reid surveyed B.C. consumers to learn how they felt they were treated when they purchased a vehicle, the type of vehicles they bought and their impressions of the industry. Among the findings was that nine-in-ten people who either bought or leased a motor vehicle during the past 12 months or are very likely to do so in the next 12 months, say they feel confident (87%) and informed (89%) when buying/leasing a vehicle, but the poll suggests they might not know as much as they think they do. Responses to questions concerning pre-purchase research suggest that satisfaction with the deal may be misplaced.

Other highlights of 2008-2009 were:

- The Learning Division continued to grow in importance within the VSA and the industry with the development of the Level II advanced certification course. With a focus on legislative changes and the interpretation of the law, this interactive workshop allows experienced industry professionals to bring their knowledge into the classroom. The Level I introductory Salesperson Certification Course also continued to improve, with the addition of a facilitated webinar option. Designed for those outside the major population centers, the online option combines a self-study website with a series of facilitated webinars.
- New Advisory Committees, reporting to the VSA Board of Directors, representing salespeople and motorcycle dealers respectively, held their first meetings during the year, conveying valuable insight into their unique concerns.
- There was a significant updating of the VSA advertising guidelines, following an exhaustive consultative process throughout the year.
- Major improvements to the consumer complaint handling process were made during the year, including a new standardized complaint form. Cases are now tracked until they are resolved, or a course of action is determined: informal or formal mediation with the dealer, a VSA investigation or, in rare instances, a referral to the courts. The new process established the Compensation Fund as the dispute resolution alternative of last resort.
- The VSA Licensing Department has completely eliminated backlogs, responding to all enquiries within 24 hours, at the latest. A leap forward during the past year has been the ability to accept new salesperson licence applications online, with photos and required documents included as attachments or sent later by mail.

- Stakeholder networking has led to articles in publications of the British Columbia Automobile Association (BCAA) and the B.C. Crime Prevention Association (BCCPA). We also reached an agreement with the Insurance Brokers Association of B.C. (IBABC) and the Insurance Corporation of B.C. (ICBC) to distribute a VSA rack card through all Autoplan agents. The rack card is a check list of important considerations for a person to follow when purchasing a vehicle. Other communications highlights include continued growth in website traffic, multiple articles in industry magazines, appearances by VSA representatives in major media, industry bulletins and public news releases.
- The VSA hosted the first Provincial Vehicle Dealer Regulators' Conference to explore information sharing and consultation on issues and best practices. Ontario has a structure similar to that of B.C., arm's length from government, while public officials represented other provinces.

Finance and Administration

Apart from the anomaly of the major investigations reported earlier, the total VSA budget - for comparative purposes - has remained the same as last year's. A significant bump in both revenues and expenditures occurred during 2007-2008 with the maturity of the VSA's Learning Division, moving in-house after years of being conducted in partnership with community colleges.

Course fees paid by salespeople offset the costs of the programs. We have succeeded in the avoidance of increases to dealer and salesperson licence fees.

The VSA head office moved in September 2008 to 152nd Street (at #10 Highway) in Surrey. We had been advised to expect a significant rent increase at the former Burnaby location for



space that had become inadequate for current and projected future needs, and inconvenient for the majority of staff and industry visitors. The new office is better designed and provides free parking for staff and visitors. New facilities can accommodate Learning Division classes and compliance hearings, reducing the reliance on expensive hotel meeting rooms. Foot traffic arriving at the office has grown tenfold. Preplanning ensured that the move was seamless, with no interruption of business and resulted in the loss of only one staff member.

Considerable progress has been made in the utilization of Information Technology resources. Among the most notable conveniences is the online processing of salesperson licence applications and renewals. The facility for salespeople to renew their licences online has been in effect since 2005, but dealer renewals are more complicated.

The VSA's "Learning Portal" also continues to evolve, utilized for course registrations, classroom materials, information exchanges and, for the first time during 2008-2009, "webinars". The VSA technology and services to all stakeholders have progressively expanded despite acute frustration with our service provider, a national firm based in Toronto. Changing providers in any networked organization is a major task and we have suffered since 2004 with unacceptable levels of service and unreasonable costs. New servers have been purchased and we are now researching alternative service providers.

Communications

Teamwork among industry partners with respect to a number of important issues continues to improve, owing in large measure to the work of the industry representatives on the VSA Board of Directors and the Dealer Associations/VSA Working Committee established during 2008.

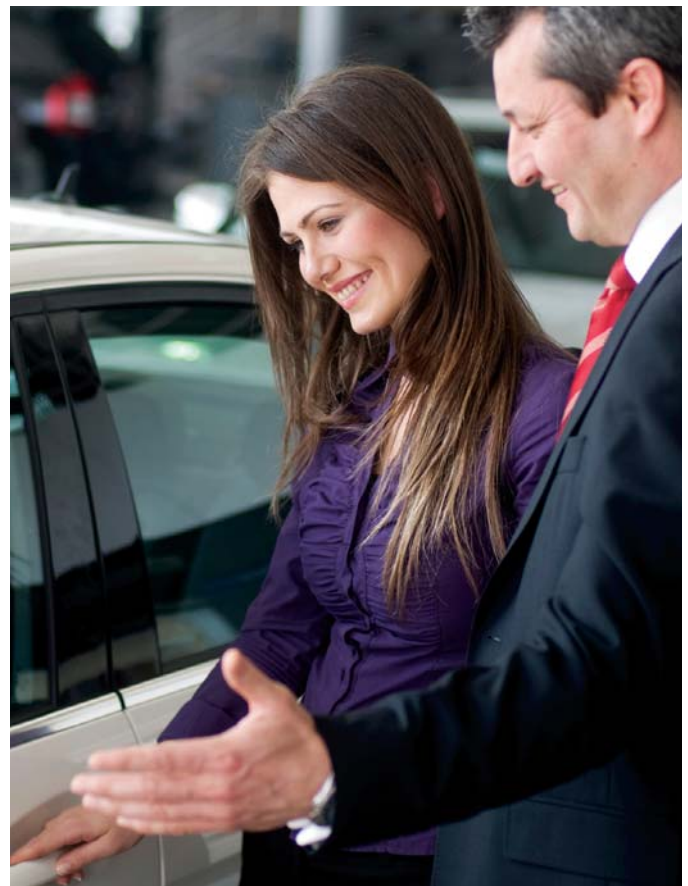
Despite this, and our strategic communication efforts, we still find that just a small percentage of the industry is informed about current issues and priorities. Similarly, the Ipsos-Reid consumer survey demonstrated that few people were even aware that a regulator existed.

It was determined in the fall of 2008 that the VSA had to explore better ways of utilizing limited resources to reach the critical target audiences. With consumers, Ipsos-Reid demonstrated that the vast majority of vehicle buyers do not need any help and that the VSA would be well advised to identify and concentrate upon those that obviously do. A review was initiated with a goal of achieving a new communications plan by the fall of 2009.

While this long range planning has gone on, we remained as prolific as possible wherever and whenever an opportunity arose.

Highlights of the year include:

- The annual report remains the best document to introduce new people to the history and work of the organization, including all attendees at workshops and salesperson courses.
- A new brochure that outlines the reorganization of the Motor Dealer Customer Compensation Fund and modernized procedures for processing consumer claims.
- A networking project with other organizations such as BCAA, IBABC and the BCCPA to see how we might assist each other's efforts on behalf of consumers.
- A rack card that is both a quiz and a check list of appropriate things everyone should do when purchasing a vehicle. With the co-operation of ICBC, it will be distributed to all 930 Autoplan agents in the province. An interactive online version, developed as a game, is being prepared for the VSA website.
- Numerous industry Bulletins advising about issues, the law and opportunities.
- News releases on serious matters, all designed to inform and alert the public, as well as many media appearances by VSA personnel.
- The final phase of general consumer awareness advertising, encouraging buyers to deal only with licensed dealers and salespeople, and urging careful research, such as obtaining vehicle history reports and mechanical inspections. Funded in large measure through a donation from the Canadian vehicle history search firm CarProof, media recognized the public service nature of the ads and gave 3-4 times more space and time than what we paid for.



- Regular articles in the publications of industry partners.
- The development and production of a new video to warn consumers about the dangers of dealing with unlicensed dealers ("curbers"). This is scheduled for release in fall 2009.
- Continued expansion and improvement of the VSA website.

The effectiveness of the website is demonstrated by the consistent growth in the number of visitors.

Total Website Activity

	2005/06	2006/07	2007/08	2008/09
Total visitors	99,846	162,659	205,417	235,093
Pages viewed	384,931	550,193	928,292	1,018,581

Top 7 PDF downloads 2009

All Bulletins	32,713
All public news releases:	13,429
Salesperson & course Info	13,118
Dealer Directives	12,025
Strategic Business Plans	5,201
Employment Authorization Form	2,545
Consumer Guide/brochure	1,811

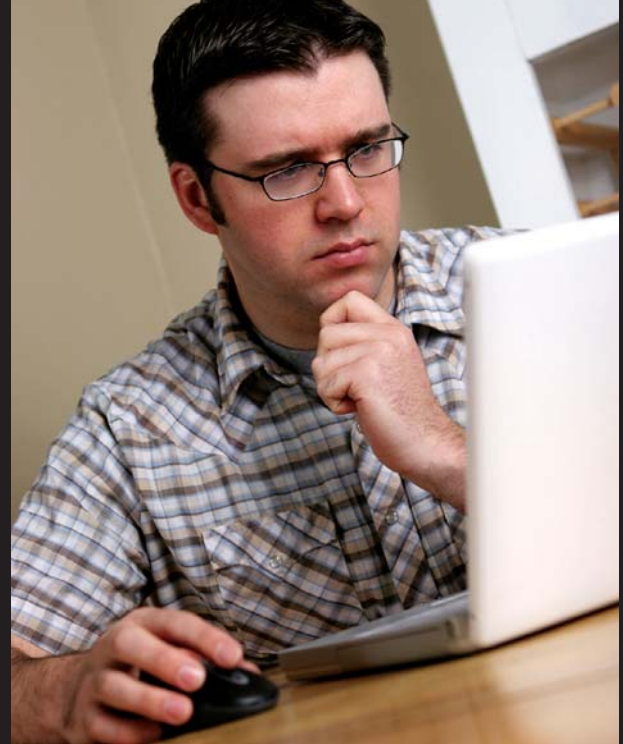
Most Visited Areas (page views)

General	54,635
Consumer Info (includes Buying Tips)	41,958
Industry Info	
Dealer & regulatory issues	15,838
Salesperson & Certification Course	47,165

The Learning Division

The VSA's Learning Division is responsible for professional development and salesperson certification courses. All programs focus on industry and consumer law, with an emphasis on industry best practices.

- The Level I introductory Salesperson Certification Course is a requirement of licensing.
- The Level II course is designed to update experienced salespeople on changes to the law since they completed the introductory course and to highlight industry best practices.
- Now that a major update to industry advertising guidelines has been completed, the Learning Division will provide a new round of advertising workshops province-wide. Dealers, business office staff, salespeople, advertising agents and media representatives will discuss the law and best practices.



The development of the "webinar" version of the Salesperson Certification Course for the convenience of candidates who would otherwise have to pay travel costs, was a highlight of the year. The response has been encouraging, as noted in the following testimonials:

"I just wanted to say thanks. I come from the banking industry, and there they use similar training techniques, so I thought that this was going to be the same: boring, not interactive, and a ton of pressure, but in fact I found it completely different. The thing that I liked the most was it was interactive."

Geddes Wells, Terrace

"...by adding the team structure and lots of interactive aspects to the course, it kept participants involved. Without the chat, polls, and direct question answering it would have been easy to lose focus...."

Gordon Nuttal, Kamloops

"...with the homework assignments and reading, was able to work at my own time. I found the video clips very interesting and enjoyed the several case study examples as that gave some connectivity to various circumstances and the laws pertaining to the circumstance...."

Brent Quenel, Parksville

"I was a bit apprehensive at first due to my lack of computer skills...the first webinar put my mind at ease... all in all it was an enjoyable experience...and I'm sure that your program will be the model for all other provinces in no time."

Doug Mountford, Invermere

The roots of the introductory licensing course are found in a voluntary program developed by the industry in co-operation with Douglas College and other educators. By 2004, when the new Authority began, more than 4,000 salespeople had completed the industry-sponsored program. Once the course and licensing of salespeople became mandatory, there was a need to regularly revise the course with changes in law, disciplinary decisions and industry practices. To facilitate this, professional development was brought "in-house" in 2007.

This has resulted in the much more comprehensive and effective introductory licensing course. An important advance during the past year has been the development of a "web-based option" to increase access for salespeople who work outside the major urban centres of the province. Pilot projects refined the online format, a combination of facilitated, fully-interactive instruction over the Internet and a self-study website for independent study.

A major thrust of the VSA Learning Division has been the development of the Level II program for experienced salespeople. This is designed to not only update industry veterans but to explore the application of the legislation using realistic case studies. VSA representatives (including either the Registrar or Deputy Registrar) and attendees discuss important industry issues, each learning from the other.

During 2008-2009, 1,168 new salespeople completed the Level I introductory Salesperson Certification Course. The Level II program, principally pilot sessions integral to course development, involved 160 experienced professionals. The staff capacity created by the drop-off in Level I registration due to the industry downturn, was devoted to the development of the new "facilitated webinar series" option.

Services to Consumers

In order to better fulfil the VSA mandate to serve consumers, restructuring has integrated several previously scattered services. These include consumer awareness, consumer complaints, dispute resolution and claims to the Motor Dealer Customer Compensation Fund.

Since 2004, initiatives to improve consumer awareness include brochures, website information, news releases, media appearances, presentations at public events, radio and newspaper public service advertising and networking with other organizations. The VSA initiatives have been financed from limited "consumer awareness" resources: Administrative Assessments (penalties assessed as a result of compliance activity) and a donation from the vehicle history search firm CarProof, based on a small share of each retail search conducted in B.C.

Industry statistics

Total vehicle sales	508,062
Gross retail value	\$9,400,000,000
New car and light trucks sold by new car dealers	164,315
Used vehicles sold by new car dealers	138,000
Used vehicles sold by independent dealers	115,514
Private sales	140,017
Motorcycle sales (new and used)	9,985
Recreation Vehicle sales (new and used)	11,965
<i>* Source: Malatest Program Evaluation and Research - 2007 statistics</i>	
Licensed dealers	1,585
Licensed salespeople	7,000
VSA estimated economic impact (including all dealer automotive services)	\$15,000,000,000

During 2008-2009, a profound change was made in the handling of consumer complaints. The VSA recorded 3,069 consumer enquiries in this 12-month period and after initial review, 527 files were opened. By implementing additional training and procedural changes, consumer services officers were able to resolve and close roughly 25 percent of these complaints. At least one-half of these are satisfied within two weeks and 70 percent are resolved in 30 days. The conciliation of these complaints, primarily deposit disputes, has freed compliance officers, enabling them to focus on more serious investigations and complainant communication.

Other procedural improvements include a new standardized complaint form that is shared with the dealer involved. In many cases the parties are able to manage the process themselves, once the issues are clearly stated. The VSA Dispute Resolution Program offers both parties a means to reach agreement and, during 2008-2009, an experiment with formal third-party mediation proved successful.

The nature of consumer complaints has not changed much over the years, with roughly one-third of them involving alleged deceptive practices and one-quarter being deposit disputes. Allegations of the non-declaration of prior damage and unsafe vehicles continue to be significant source of complaints. Over 70 percent of the complaints have their origin in the Lower Mainland, and province-wide 55 percent involve a franchise or new car dealer. Just over 40 percent of consumer complaints involve an independent or used car dealer, with the remaining few involving a motorcycle or RV dealer or a leasing company.

Motor Dealer Customer Compensation Fund

The Fund was established in 1995 at the request of industry, predating the formation of the VSA by almost 10 years. It compensates individuals who have purchased a motor vehicle from a licensed dealer and who have incurred an eligible financial loss.

Eligible losses are those that comply with applicable legislation, are documented and related to the purchase, lease or consignment sale of a motor vehicle or an extended warranty or service plan purchased through a licensed B.C. motor dealer.

The Board of Directors of this Fund, appointed by the VSA Board of Directors, operates independently. Administration, claims management and support services are provided by the VSA. In an effort to expedite the development of better systems, the Registrar of Motor Dealers temporarily filled a vacancy as Chair of the Fund Board. Once the task of redefining roles and procedures was complete, the Registrar resigned this position. He was replaced by a new Chair, effective April 1, 2009.

In keeping with the original design of the Fund as the avenue of last resort, primarily available to consumers in the event of the bankruptcy or the sudden business cessation of a licensed dealer, the VSA made procedural changes to claims management. The goal is the intake and internal distribution of claims prior to presenting them to the Board for adjudication. Central to this is "transparency" as the parties are regularly informed of

progress. As a result, the majority of the claims adjudicated by the Board involve motor dealers who are no longer in business. Complaints against active dealers lead first to dispute resolution, including conciliation and mediation. Some cases require an investigation by VSA compliance officers and, where evidence warrants, hearings before the Registrar of Motor Dealers under the Motor Dealer Act and/or the Business Practices and Consumer Protection Act. One result of this more systematic process has been a dramatic reduction in claims concerning deposits - just two during the past year, from 14 the year before.

Two major cases during the past year (Southwest RV and JDM as outlined earlier in this report), depleted the Fund to a critical level. Legislation puts the burden of ending the Fund squarely upon the shoulders of licensed dealers. Prior to 1995, each dealer was required to post a \$15,000 bond. The bond was found to be inadequate because customers needed a court order to collect and the amount was insufficient in situations where there were multiple claims. Until the Fund can be rebuilt to an acceptable total, it will not be possible to continue to waive the annual levy to dealers. Licence renewals subsequent to April 1, 2009, have had a Compensation Fund levy in the amount of \$300, an annual sum paid by dealers for many years, but suspended in more recent history because the Fund reserves were considered to be adequate.

In 2008-2009, the Motor Dealer Customer Compensation Fund Board held four meetings during which the Board members adjudicated 68 claims: 49 were approved for a total \$397,480.44 (of which \$2,910.90 was repaid to the Fund by the motor dealers involved), and 19 were denied.

The claims adjudicated by the Board can be categorized by type:

Consignment	42
Misrepresentations	13
Lien	3
Warranty	3
Dishonest conduct	2
Deposit claims	2
Odometer rollbacks	1
Unsafe vehicles	1
Stolen vehicle	1

As of March 31, 2009 the Fund is estimated at \$422,940.86. Since its inception in 1995, \$2,385,375.15 has been paid to consumers out of the Fund:

1995-2008

Number of claims adjudicated	897
Number of claims approved	512
Number of claims denied	385



The Board has supported a recommendation by the Motor Dealer Customer Compensation Fund Regulation Review Committee to increase the maximum allowable per claim to \$50,000 from the current ceiling of \$20,000. This is among an omnibus package of requests now in the hands of government; legislation that would modernize and improve governance of the motor dealer industry and services to the public.

Motor Dealer Customer Compensation Fund Board of Directors:

Motor Vehicle Sales Industry

- Rick Bentley (2004-2010) – auto dealer
- Gary Peden (2007-2010) – recreation vehicle dealer

Public-at-large

- Ken Smith, Interim Chair (2007- 2009)
Registrar of Motor Dealers and President, VSA
- Doug Potentier (2004-2009) Vice-Chair,
former CEO, Greater Victoria Chamber of Commerce,
former deputy police chief
- Kyong-ae Kim (2006-2012) – lawyer

Licensing and Compliance

Licensing and compliance departments were restructured last year, with each reporting to the Director of Licensing and Deputy Registrar. Efficiencies continue to be realized. Compliance is best achieved with proper vetting of new applicants at the licensing stage, and a review of current licensees at the time of renewal.

Licensing officers tap into the skill, experience and expertise of compliance officers during these two stages. Compliance officers learn a licensee's history from licensing officers in order to better understand those they inspect and investigate. Both these functions are integrated into the Learning Division curriculum, ensuring consistency of messaging, and to gain feedback from course participants and instructors.

In addition to relations with Canadian regulators, the VSA is also an active member of the United States headquartered National Association of Motor Vehicle Boards and Commissions. These liaisons are vital information-sharing resources in both tracking problems and vehicles, and in the evolution of policy.

Due to an increase in complaints about unsafe motor vehicles, the VSA has asked the ARA to provide a list of members in good standing who are licensed and designated inspection facilities and willing to conduct independent tests to determine the mechanical, safety or structural integrity of a motor vehicle. A report is generated and can be used during a VSA investigation and possibly a hearing before the Registrar.

During the year, multi-agency co-operation began in an unprecedented effort to curtail the activities of illegal unlicensed dealers, known in the industry as "curbers", and to prosecute

when appropriate. Among the VSA's partners in these efforts have been the ICBC's Special Investigations Unit, police forces, bylaw enforcement officers and the Canada Revenue Agency. We continue to pursue the assistance of the Provincial Sales Tax Investigation Unit. Hopefully, similar resources will be available with the introduction of the Harmonized Sales Tax in July, 2010.

"Curbers" unfairly compete with licensed dealers and too often falsely represent themselves and what they sell, to the detriment of the general public. Many of these individuals are "known to the police" and/or have previous criminal convictions. The VSA estimates that in the Lower Mainland, this group of sellers may represent as much as half the vehicles currently being advertised privately in the newspapers and trade magazines. In the absence of modernized legislation, there is no effective means of enforcement against curbers. Working in conjunction with ICBC, the VSA has identified 144 individuals who each have sold 100 or more motor vehicles in the last three years, 27 of whom sold 400 or more vehicles.

Other highlights of the year

- The VSA is working with ICBC to amend the Transfer/Tax form (APV9T) that must accompany all ownership transfers: "unfit for use," focused on the "no details" category on the ICBC Vehicle History Report, as well as discussions concerning right-hand drive vehicles.
- New hires at dealerships working on the sales floor without being properly licensed remains a serious issue.
- In the latter part of 2008, e-mail reminders to salespeople about impending renewals attracted a healthy response and positive feedback.
- Following industry feedback, the Registrar increased the number of off-site sales allowed by each dealership in any given year to six from four. Many dealerships have appreciated this opportunity to increase their community exposure.





Dealer Licensing and Salesperson Statistics

(April 1, 2007 to March 31, 2008, unless otherwise noted)

	2009	2008
Dealer licences processed and issued	1,608	1,665
New dealer applications	106	140
Dealer renewals processed	1,502	1,525
New salesperson applications	1,190	1,725
Salesperson renewals processed	5,925	6,300
Salesperson licences currently issued *	6,720	7,181
Dealer licences currently issued *	1,561	1,609

NOTE * (summer 2009/2008 totals)

Inspection and Compliance Statistics, 2008

(note, calendar year)

993 dealership inspections were done, including 100 new dealers and 93 changes of address.

815 investigative files were opened and 742 were closed. For almost three months, investigative resources were tied up with Southwest RV files.

On average, the compliance officers collectively had 299 open investigative files per month.

The allegations in the investigation files consisted of one or more of the following infractions under the Motor Dealer Act, its regulations and/or the Business Practices and Consumer Protection Act: 76 curbers; 59 odometer rollbacks; 99 credit/financing issues; 233 motor vehicle safety issues and 419 non-declarations, 685 other complaints.

66 dealers and 33 salespeople were taken to hearings resulting in 32 Compliance Orders and 32 Administrative Assessments.

4 motor dealer licences were cancelled and 4 others suspended.

4 salesperson licenses were cancelled and 6 were suspended.

5 undertakings were voluntarily entered into by motor dealers instead of going to a hearing.

24 violation tickets under the Motor Dealer Act and/or its regulations were issued, 15 of them to "curbers."

321 verbal warnings were issued 68 specifically concerning advertising.

173 warning letters were issued, 82 specifically concerning advertising.

Recoveries for consumers totalled \$249,960 as a result of non-VSA hearing intervention.

VSA priorities for 2009/2010

Work with government to ensure that the long-awaited changes to legislation, as recommended by the VSA's Legislation Review Committee, are enacted.

Finalize and implement a standardized sales contract and a standardized mechanical inspection report for used vehicle buyers.

In view of the costly business failures, investigations and claims to the Compensation Fund during the past year, the largest of these involving consignment sales, the VSA is currently engaged in the formation of new policies to regulate this form of business.

Now that the VSA Advertising Guidelines have been thoroughly updated, a priority is to document enforcement protocols and procedures.

Continue to develop dispute resolution/mediation services. The newly-established mediation program will be operated under VSA direction and supported by independent contract mediators. Costs will be partially recovered from those engaged in the dispute. The Consumer Awareness Fund will provide additional program funding.

Develop effective and targeted consumer awareness programs for those who need help the most, including school programs, new drivers, new immigrants, single mothers and others who are poorly informed and vulnerable.

Continue to explore ways of achieving a consumer financial contribution toward the services being provided.

Create and implement an updated communications plan, continue to build better working relations with industry, and more effectively address public audiences.

Ensure that all 2,000 salespeople who completed the voluntary salesperson certification course prior to April 1, 2004, and who are still in the industry complete the new Level II course for experienced professionals. The program can then move on and make the Level II course mandatory for all who have not taken a course in five years.

Continue to develop interactive Internet resources and programs such as the facilitated "webinar" that has proved so successful in bringing the Level I Salesperson Certification Course to those in more remote areas of the province, saving time and the cost of travel, accommodation, meal expense and lost work hours.

There has been considerable dissatisfaction with the VSA's principal software provider. An active search is in progress to find a new vendor.

Continue to develop more effective "curber" (unlicensed dealer) enforcement, by working with sales tax inspectors, police and other agencies.



Perhaps the best benchmarks of the VSA's first five years would be the themes of the annual reports:

Year 1 - BUILDING CONFIDENCE - we put emphasis on the need to create an "informed confident consumer," a well-researched negotiator.

Year 2 - A PROFESSIONAL INDUSTRY - the focus was on best practices, education and efforts to enhance self-respect among all industry professionals, not just employees.

Year 3 - SYNERGY - this theme was generated as we created a new identity and a logo with interconnecting circles representing consumers on the one hand and industry on the other, with the VSA, government and other stakeholders in the middle.

Year 4 - LEARNING - the trigger for this title was the decision to take salesperson education in-house, to more easily facilitate further curriculum development and to learn from the industry's experienced professionals. We explained in this report that everything related to the VSA, including consumer awareness and compliance activity (enforcement) is part of learning.

Year 5 - RESILIENCE - a tribute to a remarkable industry that has survived calamitous change on several fronts during the past two years.

The VSA mandate within the province's largest retail sector - \$15 billion annually - is a challenge worthy of an army, yet it is little understood how small this Authority is. We have 34 full-time-equivalent staff, including all management positions and an annual budget of about \$4.8 million. It is a privilege for me to work with such dedicated people who achieve so much with so little.



From the outset, we have enjoyed the gift of an extraordinary Board of Directors, leaders from both inside and outside the motor vehicle sales industry. Rarely have I worked with such committed people who give so generously of their time and expertise, knowing how to provide support and determine policy, without attempting to micro-manage the business plan. Our stability for five years has largely been due to little change in the Board of Directors, but statutory term limits will give us an entirely new Board by April 1, 2010: five new people in place this year and six to follow a year from now. We are encouraged to date by the outstanding individuals who have just joined the Board - every organization can benefit from new ideas and energy. The true test of what we have all built together, and whether or not it is a solid foundation for the future, will become evident through this transition.



For those of us who have been there from the beginning in 2004, no matter how high the seas yet to be navigated, we are no less inspired by the talent and ability around us in the motor vehicle sales industry. We have yet to get everyone rowing the great boat in the same direction, but most of us now know where we are headed and what we need to get there.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Ken Smith".

Ken Smith,
President and Registrar

Auditors' Report

To the Members of Motor Dealer Council of British Columbia operating as Motor Vehicle Sales Authority of B.C:

We have audited the statement of financial position of the Motor Dealer Council of British Columbia operating as Motor Vehicle Sales Authority of B.C., a not-for-profit Society, as at March 31, 2009 and the statements of operations, changes in net assets and accumulated excess of revenues over expenses and cash flows for the year then ended. These financial statements are the responsibility of the Society'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 Society as at March 31, 2009 and the results of its operations and its cash flows for the then year ended in accordance with Canadian generally accepted accounting principles.



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, B.C.
June 5, 2009

Statement of Financial Position

	March 31, 2009	March 31, 2008
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,038,401	\$ 2,076,274
Receivables	46,926	34,985
Prepaid expenses and deposits	81,872	64,220
	2,167,199	2,175,479
PROPERTY AND EQUIPMENT (Note 3)	520,234	413,369
	\$ 2,687,433	\$ 2,588,848
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 158,856	\$ 213,540
Unearned revenue	1,475,195	1,464,235
	1,634,051	1,677,775
NET ASSETS		
INVESTED IN PROPERTY AND EQUIPMENT	520,234	413,369
RESERVED FOR FUTURE TRAINING COSTS	5,879	35,879
RESERVED FOR CONSUMER AWARENESS	259,187	241,611
ACCUMULATED EXCESS OF REVENUES OVER EXPENSES	268,082	220,214
	1,053,382	911,073
	\$ 2,687,433	\$ 2,588,848

COMMITMENTS (Note 6)

APPROVED ON BEHALF OF THE BOARD:



Director



Director

The accompanying notes are an integral part of these financial statements.

Statement of Operations

	Year ended March 31, 2009	Year ended March 31, 2008
REVENUES		
Licensing fees	\$ 3,550,046	\$ 3,927,067
Registrar's hearings	7,896	9,451
Administration fees, training and other	572,194	665,215
Sales compliance	–	46,000
Interest	59,157	74,744
	4,189,293	4,722,477
EXPENSES		
Advertising and promotion	88,313	92,800
Amortization	355,068	316,202
Automobile	118,202	102,386
Compensation fund expenses	597,442	114,919
Consulting	219,488	210,350
Governance	117,257	100,542
Office and general	403,259	348,976
Professional fees	104,277	123,460
Project development	52,150	878
Registrar's hearings	17,502	20,862
Rent and parking	221,206	204,267
Travel and meals	168,622	118,004
Wages and benefits	2,169,216	2,119,944
	4,632,002	3,873,590
Compensation fund recoveries	(597,442)	(114,919)
	4,034,560	3,758,671
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	\$ 154,733	\$ 963,806

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets and Accumulated Excess of Revenues Over Expenses

Year ended March 31, 2009

	Accumulated excess of revenues over expenses	Invested in property and equipment	Designated reserves	Net excess of liabilities over assets
BALANCE, March 31, 2007	\$ (735,021)	\$ 504,798	\$ 121,304	\$ (108,919)
INVESTMENT IN PROPERTY AND EQUIPMENT, net of amortization	91,429	(91,429)	–	–
USED FOR TRAINING COSTS	–	–	(35,000)	(35,000)
RESERVE FOR FUTURE CONSUMER AWARENESS	(100,000)	–	191,186	91,186
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	963,806	–	–	963,806
BALANCE, March 31, 2008	220,214	413,369	277,490	911,073
INVESTMENT IN PROPERTY AND EQUIPMENT, net of amortization	(106,865)	106,865	–	–
USED FOR TRAINING COSTS	–	–	(30,000)	(30,000)
USED FOR CONSUMER AWARENESS	–	–	(61,945)	(61,945)
RESERVE FOR CONSUMER AWARENESS	–	–	79,521	79,521
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	154,733	–	–	154,733
BALANCE, March 31, 2009	\$ 268,082	\$ 520,234	\$ 265,066	\$ 1,053,382

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

	Year ended March 31, 2009	Year ended March 31, 2008
OPERATING ACTIVITIES		
Excess of revenues over expenses for the year	\$ 154,733	\$ 963,806
Items not affecting cash:		
Amortization	355,068	316,202
	509,801	1,280,008
Changes in non-cash working capital:		
Receivables	(11,941)	9,386
Prepaid expenses	(17,652)	(24,431)
Accounts payable and accrued liabilities	(54,684)	(26,032)
Unearned revenue	10,960	(209,703)
NET CASH FLOWS FROM OPERATING ACTIVITIES	436,484	1,029,228
INVESTING ACTIVITIES		
Purchase of property and equipment	(461,933)	(227,300)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(461,933)	(227,300)
FINANCING ACTIVITIES		
Cash reserved (used) for training and development costs	(12,424)	56,186
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	(12,424)	56,186
NET (DECREASE) INCREASE IN CASH	(37,873)	858,114
CASH, beginning of year	2,076,274	1,218,160
CASH, end of year	\$ 2,038,401	\$ 2,076,274
Supplementary Cash Flow Information:		
Cash paid for interest	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

NOTE 1 – PURPOSE OF THE SOCIETY

The Motor Dealer Council of British Columbia (“the Society”) was incorporated under the Society Act of British Columbia on July 31, 2003 as a not-for-profit society. The Society was created to exercise the authorities delegated to it by the provincial government of British Columbia for the administration and enforcement of the Motor Dealer Act and related regulations.

On April 1, 2004 the Government of British Columbia granted to the Society the authority to administer and enforce the Motor Dealer Act. The President of the Society is the Registrar of Motor Dealers. On March 30, 2007, subject to amendment to the Motor Dealer Act, the Society has become known as the Motor Vehicle Sales Authority of B.C. (VSA), better reflecting both the public and industry service roles of the independent regulatory agency.

The Society’s mission statement is to promote excellence and foster public confidence by raising industry standards, providing education, ensuring compliance and leading innovation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared on the basis of Canadian generally accepted accounting principles for not-for-profit organizations.

To ensure observance of limitations and restrictions placed on the use of resources available to the Society such resources are classified for accounting and reporting purposes into funds according to activities or objectives specified.

Financial Instruments

The Canadian Institute of Chartered Accountants (CICA) has issued the following new accounting standards which are applicable to the Society: CICA Handbook Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation. These new standards replace accounting standard 3861 Financial Instruments – Disclosure and Presentation and are effective for annual and interim periods beginning on or after October 1, 2007. Presentation requirements have not changed. The new accounting standards are optional for most not-for-profit organizations and private enterprises. The Society has chosen to continue to apply the CICA Handbook Section 3861, Financial Instruments – Disclosure and recognition rather than adopting Sections 3862 and 3863.

Effective April 1, 2007, the Society adopted the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, and Section 3861, Financial Instruments – Disclosure and Presentation. The standards require that all financial instruments, which include financial assets and liabilities, be recorded initially at fair value. Subsequent measurement and the recognition of gains and losses are determined based on the classification of the respective financial asset or liability. Fair values are determined directly by reference to published price quotations in an active market. Under Section 3855, financial assets and liabilities are classified into one of five categories: held-for-trading financial assets, available-for-sale financial assets, held-to-maturity investments, loans and receivables, and other financial liabilities.

In accordance with these new standards, the Society’s financial assets and financial liabilities are classified and measured as follow

<u>Asset/Liability</u>	<u>Category</u>	<u>Measurement</u>
Cash	Held-for-trading	Fair market value
Receivables	Loans and receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost

In determining fair values, adjustments have not been made for transaction costs as they are not considered to be significant. The changes in the difference between the fair value and carrying value of investments at the beginning and end of each year are reflected in the statement of operations. Transaction costs are expensed when incurred.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Significant areas that require management estimates relate to the provisions for amortization of property and equipment, recoverable value of property and equipment, fair value measurements of financial instruments, impairment of long-lived assets and deferred revenues.

Revenue Recognition

Licensing Fees

The Society records annual licensing fees from dealerships and sales representatives rateably over the period of licensing, which varies from twelve to twenty-four months.

Training Course Fees

The Society records course fees in the period the service is provided.

Compensation Fund and Sales Compliance

Recoveries from the Compensation fund are not recorded as revenues as the costs incurred by the Society are fully reimbursed by a third party. Recoveries from the Sales Compliance Fund are recorded as revenue as there is no certainty of recovery. Such revenues are recognized upon receipt.

Registrar's Hearings

Revenues from registrar's hearings are recognized upon receipt.

Administration and Other Fees

Revenues from administration and other fees are recognized in the period the services are provided and collection is reasonably assured.

Non-Monetary Transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transaction lacks commercial substance. The commercial substance requirement is met when the future cash flows are expected to change significantly as a result of the transaction.

Property and Equipment

Property and equipment are recorded at cost. Amortization is provided over the estimated useful lives of the assets as follows:

Computer equipment	straight-line over 3 years
Computer software	straight-line over 2 years
Furniture and equipment	straight-line over 5 years
Leasehold improvements	straight-line over 5 years
Oasis software	straight-line over 3 years

The carrying value of all categories of property and equipment are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value determinations are based on estimates of undiscounted and discounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. Impairment charges are recorded in the reporting period in which determination of impairment is made by management.

Related Party Transactions

All monetary transactions occurring with related parties in the normal course of operations are measured at the exchange value which is determined by management to approximate fair value. Non-monetary transactions in the normal course of operations that have commercial substance and do not involve the exchange of property or product held for sale are also measured at the exchange value. The commercial substance requirement is met when the future cash flows associated with the transfer of property are expected to change significantly as a result of the transaction. All other related party transactions are valued at the carrying value.

Comparative Figures

Certain of the comparative figures have been restated to conform to the current year's presentation.

NOTE 3 – PROPERTY AND EQUIPMENT

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 189,397	\$ 166,411	\$ 22,986	\$ 171,464	\$ 150,458	\$ 21,006
Computer software	138,242	62,307	75,935	41,751	37,302	4,449
Furniture and equipment	185,930	142,299	43,631	179,813	102,680	77,133
Leasehold improvements	311,525	26,339	285,186	236,741	190,927	45,814
Oasis software	662,495	569,999	92,496	632,628	367,661	264,967
	<u>\$ 1,487,589</u>	<u>\$ 967,355</u>	<u>\$ 520,234</u>	<u>\$ 1,262,397</u>	<u>\$ 849,028</u>	<u>\$ 413,369</u>

The Society has developed a customized web based software program for the management of licensing, compliance, and the compensation fund within one system. The Society amortizes the software and substantive upgrades over an estimated useful life of 3 years.

NOTE 4 – FINANCIAL INSTRUMENTS

Fair Value

The fair value of the Society's current assets and current liabilities consisting of cash, receivables, and accounts payable are estimated to approximate their carrying values due to the immediate or short-term maturity.

Currency, Credit, and Interest Rate Risk

The Society is currently not exposed to significant foreign currency risk.

The Society has counterparty risk exposure for cash on deposit. Risk is mitigated by management policy to hold funds on deposit only with large established financial institutions.

The Society is subject to limited interest rate risk for fluctuations in interest rates on deposit funds.

NOTE 5 – RELATED PARTY TRANSACTIONS

During the year ended March 31, 2009, the Society incurred \$89,825 (2008 - \$76,952) in governance costs paid to directors for board fees and expenses.

During the year ended March 31, 2009, the Society incurred \$228,024 (2008 - \$220,754) to the President of the Society for wages and benefits.

These transactions were in the normal course of operations and were measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

NOTE 6 – COMMITMENTS

a) The Company has operating lease commitments for office premises (expires September 2018), and office equipment and vehicles (expires April 2010 through December 2011), requiring minimum annual payments in each of the five fiscal years as follows:

2010	\$	204,752
2011		160,708
2012		162,853
2013		154,245
2014		154,245
	\$	836,803

The Society has entered into a ten year lease on new office premises which commenced October 1, 2008. Lease commitments for these premises for the fiscal years ended March 31, 2013 through 2018 require minimum annual payments of \$154,245 increasing to \$177,500 by the fiscal year ended March 31, 2018.

b) The Society is a party to a management services employment agreement with the President of the Society. The agreement provides for payment of \$194,514 plus benefits annually until May 31, 2013. The remuneration is reviewed annually each year by the Board of Directors.

NOTE 7 – INCOME TAXES

The Society is exempt from income taxes under the provisions of the Income Tax Act (Canada) as a not-for-profit organization.

NOTE 8 - NEW ACCOUNTING PRONOUNCEMENTS

On April 1, 2008 the Society adopted, CICA Handbook Section 1506, "Accounting Changes". This Section prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. This Section is intended to enhance the relevance and reliability of an entity's financial statements and the comparability of those financial statements over time and with the financial statements of other entities. Adoption of this standard did not affect the Society's financial results.

The CICA amended Handbook Section 1400 "General Standards of Financial Statement Presentation" to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this amendment did not have an impact on the financial statements.

New Accounting Standards Not Yet Adopted

In 2006, the CICA ratified a strategic plan that will result in the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over a transitional period. The AcSB has developed and published a detailed implementation plan with a changeover date for fiscal years beginning on or after January 1, 2011. Currently the proposed standard does not apply to not for profit or private entities unless they constitute significant public interest enterprises.

Management Team



Ken Smith

President and Registrar

A lawyer, mediator, educator, a past-chief executive officer of a Crown Corporation and the developer of an internationally recognized program in leadership and organizational development, Ken Smith was appointed to direct the new Motor Dealer Council of B.C. (now the VSA), prior to the start of business on April 1, 2004.



Judy McRae

Manager of Corporate Services and Communications

Judy McRae became part of the team that created the new independent Authority, joining in February 2004 two months prior to the official start of business. She brought to the organization years of experience working in administration, marketing and communications in both the public and private sectors, providing executive support to the President/Registrar and Board of Directors. She was promoted to her current position during 2006.



Ian Christman

Director of Licensing and Deputy Registrar

Ian Christman is a lawyer with an extensive background in administrative and regulatory law, complex commercial litigation and class actions, constitutional law, products liability, employment law and legal research. He also has an extensive background in the automotive industry.



Hong Wong

Manager of Licensing

Following extensive professional experience as a food and beverage manager, administrator and motor vehicle sales representative, Hong Wong joined the VSA team in August of 2006 as the Senior Licensing Officer and immediately made his mark helping to eliminate extensive backlogs in the processing of licences and information requests, and implementing new standards of service efficiency. He was promoted to his current position in the latter part of 2007.



Diana Den Duyf

Director of Finance and Operations

Diana Den Duyf, who joined the organization in January 2004, assumed the formidable task of setting up the operational and financial requirements for the new Authority. She is a 20-year veteran of the newspaper industry, the last 10 of them as Regional Business Manager overseeing finance, human resources and business systems for three publications.



Denis Savidan

Manager of Compliance and Investigations

A Saskatchewan native and former RCMP officer with extensive experience in commercial/economic crime, fraud, stock market manipulation and bankruptcy, Denis Savidan also served eighteen years with the BC Lottery Corporation, rising to the position of Senior Manager, Lottery Investigation and Corporate Security. After a brief period of semi-retirement and consulting in the private sector, he joined the VSA as an Inspector/Investigator in 2005, assuming his current position in 2007.



Doug Longhurst

Director of Consumer Services and Professional Development

Joining the VSA in October 2006, Doug Longhurst began as Manager of Research and Special Projects. A principal assignment has been the development of the Learning Division and its programs, which, in addition to consumer services, are now under his management. He has had 30 years of planning and management experience in university, non-profit housing, family business and public service environments.



Anna Gershkovich

Manager of Consumer Services

A native of St. Petersburg, Russia, with a Masters Degree in linguistics, Anna Gershkovich worked as a translator/interpreter in both St. Petersburg and Richmond, Virginia. After relocating to Canada, she acquired certification as a paralegal and additional academic credentials from the Sauder School of Business at UBC. She joined the VSA in 2007 as the Administrator of the Motor Dealer Customer Compensation Fund, and subsequently Claims Manager. She was promoted to her current position in March 2009.

Board of Directors

As a not-for-profit organization, a Board of Directors made up of three "public-at-large" members, six representatives from the motor vehicle sales industry and two ministerial appointments, leads the VSA. The 11-member Board is selected through an extensive nomination process that involves consumer and industry associations, government and the general public. The Board is responsible for establishing strategic direction and overseeing the operations of the Authority while ensuring its financial and organizational viability. Founding members are noted with an asterisk.

Public at Large

Robert J. Stewart LL.D. (Hon.), Chair *
Vancouver

Founding chair of the Justice Institute of B.C., a former Vancouver police chief, former member of the National Parole Board and a distinguished leader in the development of public policy and community service. Bob Stewart is the current President of Variety, the Children's Charity, a passion he and his wife Barbara have shared for more than a generation.

Ken Bessason *Kelowna*

A strategic management consultant, following a 36-year career in the financial services industry, with a legacy of community service achievements in the arts, health and children's charities. He is a past Board member of the Coast Mental Health Foundation, the Stanley Theatre Renovation Project, the Whistler Health Foundation and a past-president of the Kelowna Chamber of Commerce.

John H. Râtel *Victoria*

Former Vice President Marketing and Public Affairs, and Director, Government Affairs for the British Columbia Automobile Association. Following his official retirement in 2002, he acted as a consultant to BCAA and helped establish the BCAA Traffic Safety Foundation.

Ministerial appointments

Shell Harvey* *Victoria*

A former Assistant Deputy Minister of Education and Advanced Education in B.C. with background as a faculty member of colleges in Manitoba and B.C. He has served on the Board of numerous organizations including: The Commonwealth of Learning, B.C. Centre for International Education, Centre for Applied Academics and the National SchoolNet Advisory Board.

George L. Morfitt, FCA, Vice-Chair* *Victoria*

A Chartered Accountant who became Auditor-General of British Columbia following a 20-year career as a Chief Financial Officer, he has held senior executive positions in a number of organizations, including: President, B.C. Institute of Chartered Accountants; Chair, Universities Council of B.C. and Chair, UBC Board of Governors.

Industry representatives

Henning Brasso *Vancouver*

(New Car Dealers Association of B.C.)

Among British Columbia's most notable business personalities for more than a generation, Henning Brasso and partners own Richmond Honda, the largest Honda dealer in Canada. He grew up in the car business, a grandson of Calgary's largest used car dealer during the 1950s, and went on to establish the largest and most prominent Nissan dealership in B.C., Brasso Datsun and subsequently, with partners, purchased the luxury car dealership MCL Motors. This interest was sold prior to the Richmond Honda acquisition in 1990.



BOARD OF DIRECTORS (2008-2009) - (seated, from left), Shell Harvey, Bob Stewart (Chair), George Morfitt (Vice-Chair) and Henning Brasso; (standing, from left), Neil Kalawsky (Secretary-Treasurer), Gord Valente, James Carter, John Râtel, Ken Bessason, Ken Smith (President), Anne Salomon and Edd Crooks

James Carter *Vancouver*

(New Car Dealers Association of B.C.)

The Vice President and CEO of the Carter Auto Group and a graduate of National Automotive Dealers Association "Dealers Academy" in the United States, his avocation is music. James Carter had earlier acquired a degree in music from the University of Victoria and sings in the Chor Leone Men's Chorus. He is also Chair of the North Shore Branch of St. John Ambulance.

Edd Crooks *Chilliwack*

(Automotive Retailers Association)

Childhood experience at his father's Ontario service station, including the sale of used cars, laid the foundation for a career as a mechanic, a college automotive teacher, an auto service and leasing manager and a past owner of a respected used car dealership. Edd Crooks is a former member the Board of Directors of the Independent Auto Dealers, within the Automotive Retailers Association.

Neil Kalawsky, Secretary-Treasurer* *Castlegar*
(New Car Dealers Association of B.C.)

A past winner of a Maclean's Magazine Dealer of Excellence Award, and the operator of two dealerships, he has served on many industry boards and agencies, including a term as National Chairman of the General Motors Communications Team. Neil Kalawsky is a member of the Board of Directors of the Canadian Auto Dealers Association.

Anne Salomon* *Langley*

(Recreation Vehicle Dealers Association of B.C.)

A past president of the Recreation Vehicle Dealers Association of B.C. (RVDA), and director of national associations in the RV industry, Anne Salomon is the former co-owner of the Candan Group of Companies. A member of the RVDA's Government Affairs Committee, she has played a leading role in discussions with both government and industry in efforts to better regulate the industry.

Gord Valente *West Vancouver*

(Automotive Retailers Association)

The proprietor of West Vancouver's Auto Depot Ltd., President of the Automotive Retailers Association and Chair of the ARA Licensed Motor Dealer Division, he brings to the VSA vast experience at both new and pre-owned vehicle dealerships. He has been active in numerous New Westminster community pursuits, including directorships of the Westminster Club, the New Westminster Salmonbellies Lacrosse Club and the St. John Ambulance Society.

New Directors effective April 1, 2009

Directors are appointed to three-year terms, but limited to a maximum of two consecutive terms. Appointments are staggered so that some change occurs each year. At the end of the year covered by this report, five directors completed their terms: Bessason, Brasso, Carter, Crooks and Râtel, the latter to become Chair of the independent Motor Dealer Customer Compensation Fund.

The new directors appointed effective April 1, 2009 are:

Public at Large

Michael Faulkner *White Rock, B.C.* – a senior administrator with over 35 years of public service in the fields of finance, secondary and post-secondary education.

Graeme Roberts *Victoria, B.C.* – a former Mayor of Nanaimo who has served in senior executive and Board of Directors positions for a succession of public and private sector entities, local, regional and national.

Industry

Manse Binkley, CA *Kelowna, B.C.* – a past president of the Manitoba Motor Dealers Association and Chairman of the New Car Dealers Association of British Columbia, and the proprietor of Harmony Honda and Harmony Acura.

Fahim Gadallah *Richmond, B.C.* – born in Cairo, Egypt, immigrated with his family to Canada as a child in 1967. A member of the Board of Directors of the Canadian Auto Dealers Association, a past-president of the Richmond Auto Mall Association and a former Board member of the New Car Dealers Association of B.C. he and his wife Barb own Dennison Chevrolet and Happy Honda.

Al Cameron *Parksville, B.C.* – a Director of the Independent Auto Dealer's Division of the Automotive Retailers Association. A Nova Scotia native with a family background in the auto industry who relocated to British Columbia in 1995. He and his wife Bea founded Bluenose Motor Co., in Parksville, in 2003.



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