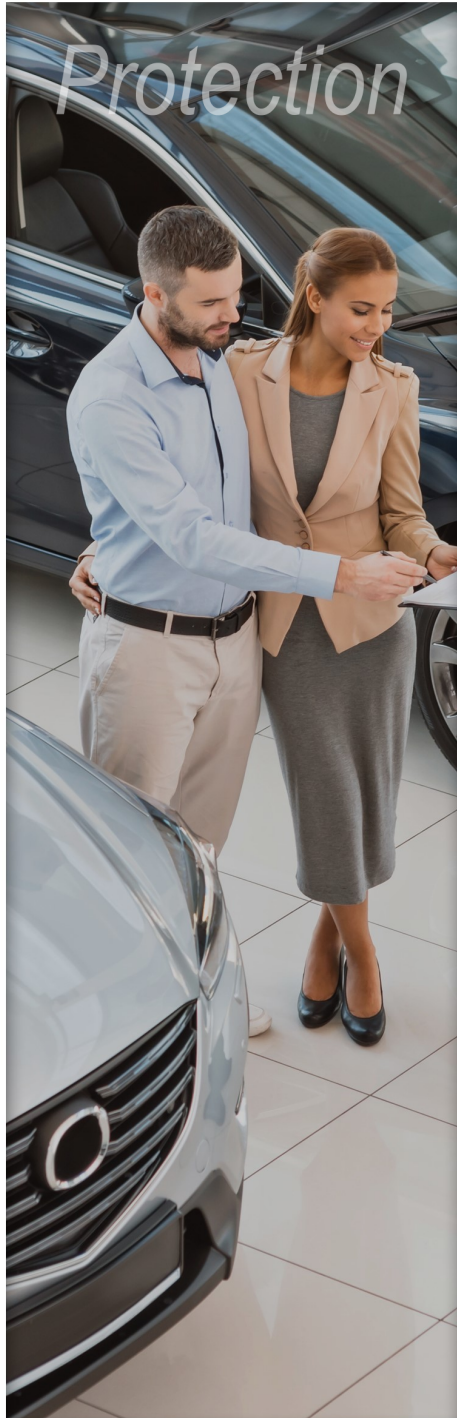


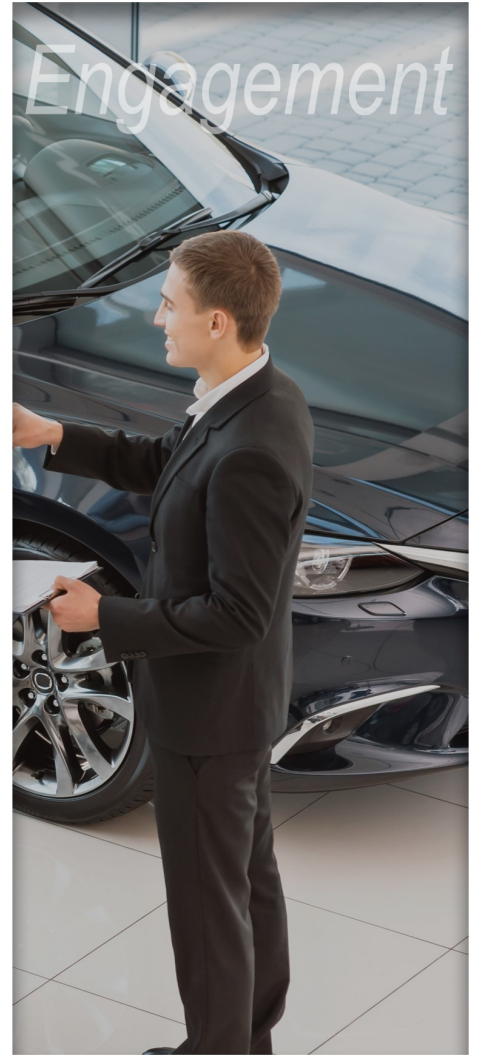
*Confidence*



*Protection*



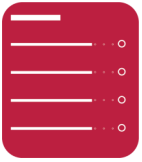
*Engagement*



Vehicle Sales Authority  
of British Columbia

# *Strategic Outlook & Annual Business Plan*

**2019/2020**



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### The Honourable Mike Farnworth, Minister of Public Safety and Solicitor General

Originally established as the Motor Dealer Council of BC, the VSA was formed in 2004 as a delegated administrative authority to regulate the retail sale of personal-use motor vehicles by administering and enforcing the *Motor Dealer Act* and portions of the *Business Practices and Consumer Protection Act*. As a not-for-profit organization, the VSA is governed by an eleven-member Board of Directors representing industry, government and the public. This mix of members has proven critical over the years to ensure a balanced and informed approach to guiding the direction of the VSA. As new leaders of this organization, we can attest to the value of diverse opinions and expertise around the board table.

On behalf of the Board of Directors and the team at the Vehicle Sales Authority of BC, we are pleased to present our Strategic Outlook and Business Plan for 2019-2020. With the degree of change within the organization this past year, we have retained the fundamentals of the current 3-year plan (2018-2021) and have advanced the approach to keep pace with our evolving mandate and the growing complexities of the motor dealer sales industry in this province. As a result, we are very proud of this new forward-looking strategic outlook and efficiency focused business plan.

*Throughout this document we have also taken note of the many accomplishments from the past 12 months, linking our recent activities with the new strategic focus areas that we are committed to for the next couple of years. Therefore, in the spirit of efficiency, we have embedded the **Annual Report** into this Strategic Outlook report.*

It seemed quite appropriate to incorporate Change as a theme throughout this document as change leadership has played a significant role in our day to day operations this past year.

Some of the key changes that we have navigated are as follows:

- Delivering Legislative authority amendments – while approved in March 2016, it was in the spring of 2018 that we operationalized our new authority with new license categories, increased administrative penalty and condition provisions and the transfer of administration of the MDCCF from government to the VSA
- Onboarding new Board and VSA leadership – 5 new board members, including a new board chair; a new CEO and two new senior leaders within the VSA
- Developing a more detailed assessment of risk issues and mitigation plans
- Executing an Office re-location to our newly purchased commercial strata unit
- Laying the groundwork for improved efficiency through digital transformation of work processes and improved access to services and information for consumers and licensees
- Re-assessing **what** we deliver to our stakeholders (regulatory philosophy & enforcement principles guidelines and framework), **how** work gets done (staff resourcing levels, CRM and other core technology platforms), **where** staff work (flex work policies)

Welcome to the VSA's Strategic Outlook and Business Plan for 2019 – 2020 and beyond! We are both excited to be part of this tremendous organization and its focus on consumer protection for residents of BC and the resulting positive impact on the automotive sales industry in this province.



Mark Bakken  
Board Chair



Loree Gray  
President & CEO



## VSA Purpose & Values

### Shifting to a Purpose statement

To ensure our Vision and Mission were on point and remained relevant, we checked in with our Board in early 2019 to test these statements that were created in the early days of the VSA. While elements of the statements still resonated, we agreed as a Board and Executive team to re-frame our thinking to a single, new Purpose statement. A statement that would capture the essence of **why** the Vehicle Sales Authority of BC exists, **how** we operate and **what** we are aspiring to. It was unanimous that the consumer protection legislative mandate be front and center as well as the interactive relationship that exists between the VSA and the industry.

**We are pleased to present the VSA's Purpose:**

***We build public confidence in the motor dealer industry in BC by engaging and educating industry and consumers, ensuring a safe and reliable motor vehicle buying experience.***

### Finding Employee Based Values

Like the VSA Vision and Mission statements, VSA Values were created many years ago by a former group of employees, managers and board members. This year of change presented the ideal opportunity to re-visit the organizational values with current VSA employees.

Organized in small teams, the VSA staff explored the current set of words representing the organizational values and challenged themselves to consider if these words adequately described the attitudes and beliefs they hold themselves accountable to everyday. After much discussion, debate and ranking, the teams landed on seven new words.

The VSA Engagement Committee then stepped up to bring the words to life. Asking questions like how we see Integrity in the workplace, what Integrity means to our teams and our stakeholders and, how can we say "Integrity" in a way that is relatable, memorable and meaningful.

The Engagement Committee developed these snappy phrases to give voice to the VSA Values:

- Respect each other
- Listen to all sides
- Do the right thing
- Be open, honest and fair
- Make it happen together

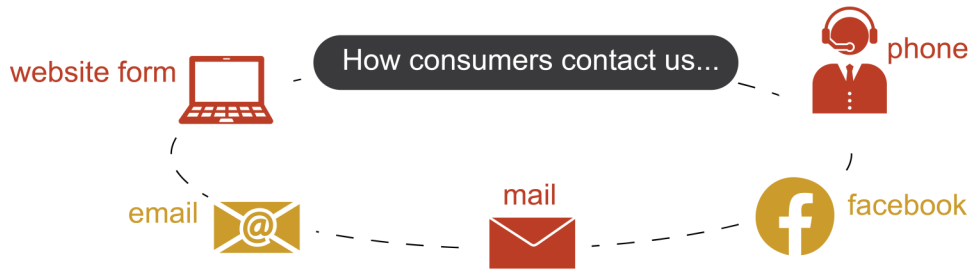
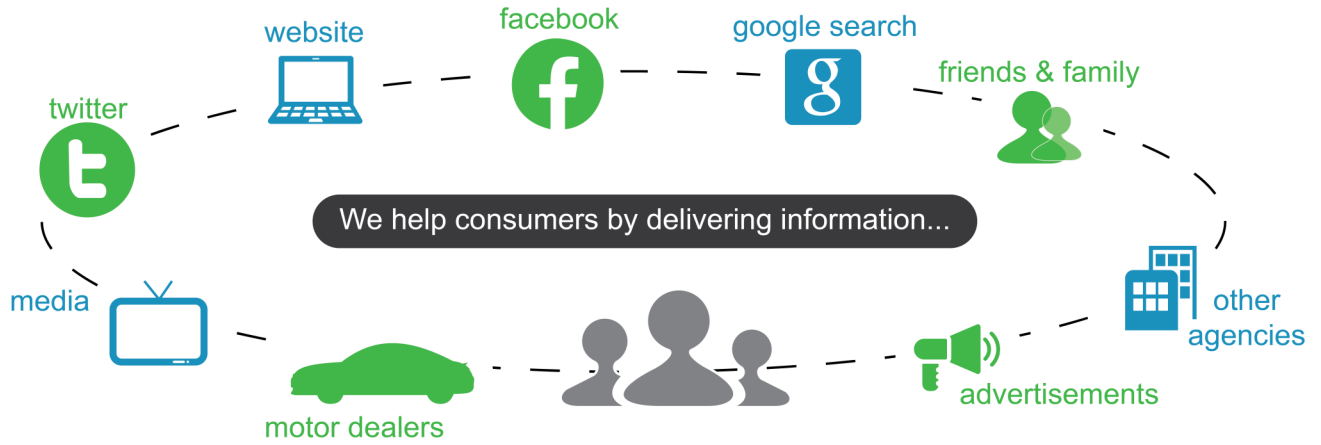


Our opportunity going forward is to embed these values into our day to day operations and activities as a way to motivate and engage employees, potential employees and stakeholders.

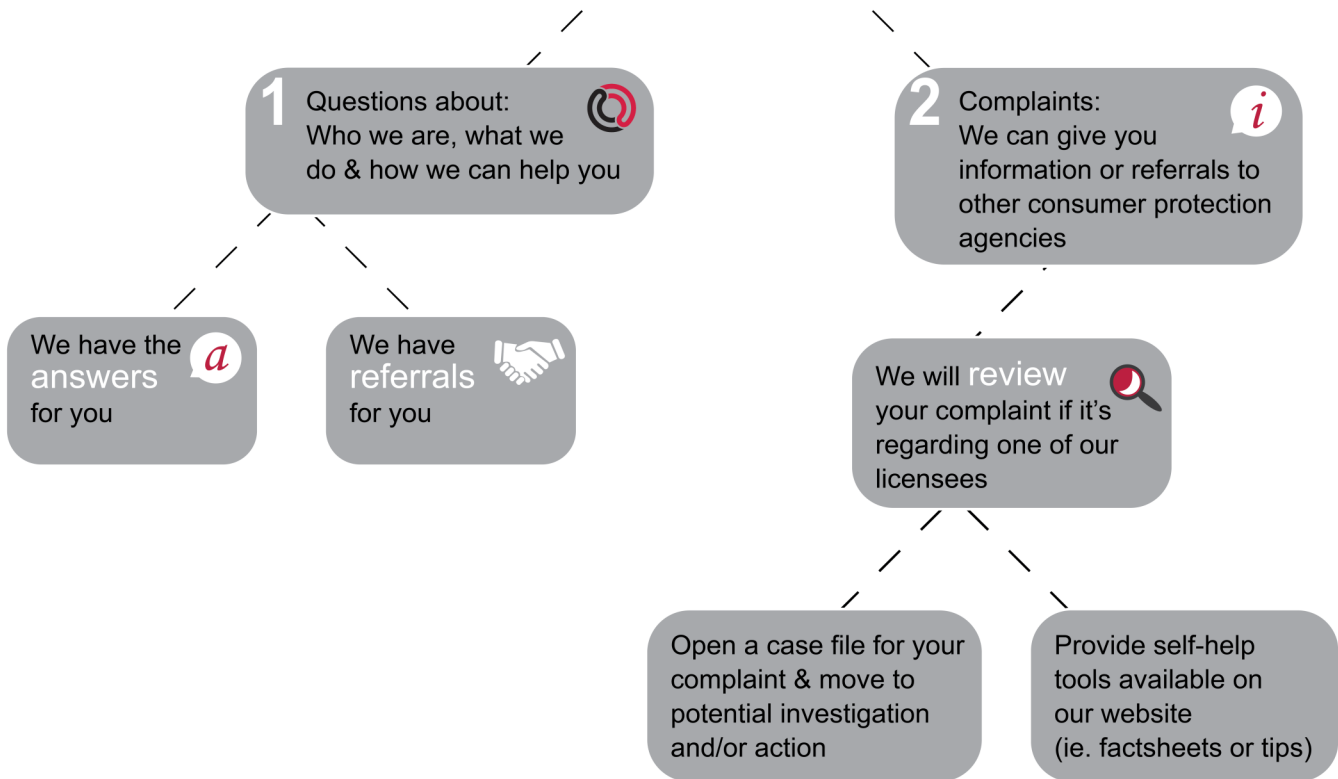




# How we help & protect consumers



## Reasons why consumers may contact us...



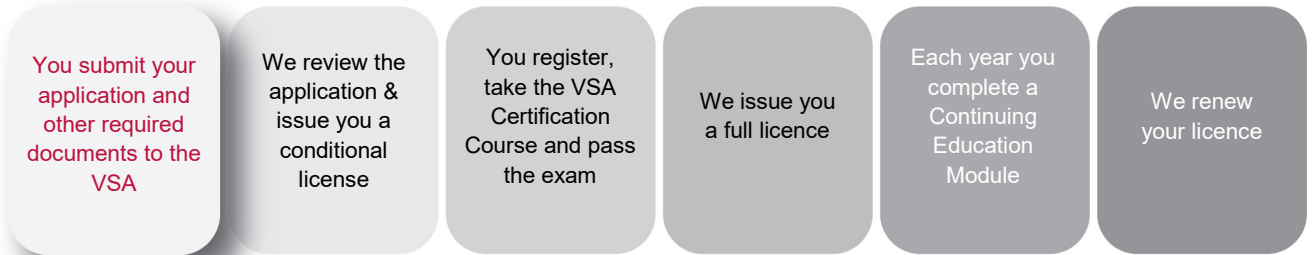


# Delivering on the VSA Mandate

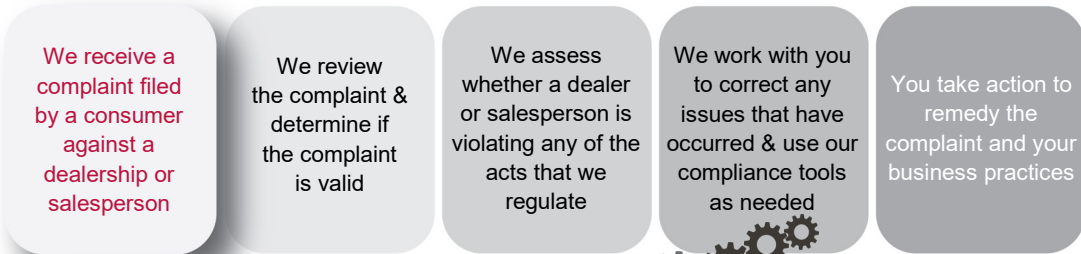


This graphic is a high level overview of how the VSA administers and enforces industry compliance with the *Motor Dealer Act* and the *Business Practices and Consumer Protection Act*.

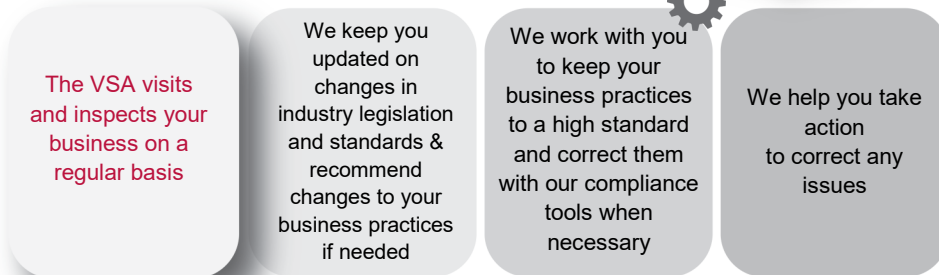
## Licensing



## Consumer Complaints



## Maintaining Industry Standards





## Our Strategic Plan

### Investing in the VSA

After three years of building capital to facilitate the purchase of the current office location of the VSA, the leadership took the opportunity to step back and examine the current strategic plan and determine the adjustments required to keep the plan relevant in an environment where digital disruption, regulatory concerns and an increase in consumer expectations influence how we operate. With the pace of change continuing to accelerate, the VSA is presented with new challenges and opportunities that we need understand, plan for and act on.

Through this review, we determined that the fundamentals of the 2018-2020 strategic plan are valid, however there was a need to put greater focus on digital transformation and investing in our employees – both critical to our ability to deliver our regulatory mandate. The current strategic objectives will be re-stated and refreshed as Regulatory Excellence and Consumer Awareness, and we will add Digital Transformation and People to the line up of strategic focus areas in this new plan. This shift for 2019-2020 will serve as a springboard for the team to build a 3-year strategic plan that will serve the VSA for the years 2020 to 2023.

As part of this focus on our people and operating infrastructure, we will be giving specific attention to the following items:

1. Evolving the VSA leadership structure
2. Developing leaders and staff
3. Delivering regulatory best practices
4. Enhancing relationships with industry
5. Replacing core operating systems
6. Building our digital transformation strategy

While executing this plan, the VSA will continue scanning our operating environment to determine the relevance of emerging trends we believe will impact the focus for this fiscal year, allowing us to pivot in one or more areas to address the changing needs of the environment in which we operate. Current factors we are monitoring include:

1. The role the VSA could potentially play in ensuring sound anti-money laundering practices exist within our regulatory framework
2. The impact of technology advancements and innovative vehicle ownership models on motor vehicle sales – including sales through online platforms and alternative distribution models
3. New entrants into the market with new and potentially disruptive business models
4. Evolving consumer expectations and increasing awareness regarding consumer rights and protections





## Our Strategic Plan

### Regulating in a complex environment

While the *Motor Dealer Act* and *Business Practices and Consumer Protection Act* form the basis of the regulatory framework enforced by the VSA, we are influenced by many other factors while executing our mandate. Provincial and federal legislation, as well as other government agencies and dispute resolution alternatives all factor into a complex eco-system that must be understood by our team, enabling the VSA team to fully execute on our mandate. This requires ever evolving knowledge management and support for our Consumer Services, Compliance and Licensing team members as they continue to meet the changing needs of consumers and industry.

As it relates to this strategic plan, both internal and external environments have been accounted for in our assessment of initiatives and activities.

#### Internal Environment

Our internal environment is influenced by several factors pertaining to our regulatory framework and our team members, including:

1. The ability of our team members to accept and respond to change. While our team is ready for change and willing to embrace it, the upcoming changes to our core operating systems will stretch the team to learn new technology, processes and transition tasks between teams
2. Our regulatory framework requires knowledge of many pieces of legislation, as well as other agencies with whom to partner on investigations or consumer complaint resolution. This complexity requires the VSA to ensure that skills and knowledge are developed among team members, and that the VSA remains a competitive employer to retain the knowledge and skills that have been developed.
3. Organizational commitment to invest in people and infrastructure

#### External Environment

Our external environment is most significantly influenced by:

1. Potential changes to VSA legislative mandate driven by priorities of the provincial government
2. Shifting economic and labour market influences, including a competitive labour market and the decline in automotive sales
3. Emerging and disruptive business models that push the boundaries of our regulatory mandate
4. Increasing legal complexity of our regulatory processes, stemming from the increased number of appeals and challenges that are made by licensees as a result of compliance action
5. Changing demographic in BC and the impact of new cultural norms and ideals from cultures where regulatory practices are limited or non-existent







### Strategic Focus Area—Consumer Awareness

To fulfill the consumer protection mandate of the VSA, we must reach and educate consumers before, during and after their vehicle purchase decision. In order to achieve this goal, we need to build a VSA brand that engages consumers even when they are not considering a vehicle purchase. This will ensure that we are proactively connecting with consumers, strengthening their awareness of their rights in the purchase journey. The challenge facing the VSA is how to build this brand awareness to fully protect consumers through the transaction and remain supportive of the industry.

In addition to building brand awareness, the VSA must connect purchasers with the right information during their purchase journey. With 60% of website traffic occurring on mobile devices and over 50% of website visits abandoned due to long loading times, we also need to consider how users are accessing the information they need to aid in their purchase decision. Simple information delivered via a mobile friendly digital experience, supported by engaging social media will enable the VSA to reach consumers when it matters.

Finally, the strength of the brand is backed by excellent customer service and dispute resolution. Consumers who have access to programs and information that aids them in easily resolving disputes will become advocates for the services and information that the VSA provides.

#### **A Look back**

In 2018/2019, the VSA saw an 18% increase in the number of consumer inquiries and a 26% increase in the number of formal complaints vs the previous year. This increase in volume was coupled with an increase in complexity of the case files, demonstrated by the average time to create a case file metric which grew from 1.5 hours to 3.75 hours, an increase of 150%. In the same time period, we saw customer satisfaction drop by 3%.

Unique pageviews of the consumer-focused pages on our website have grown in certain segments, including Consumer FAQs, Vehicle Buying Guide and What are My Rights pages – these sections on the site have seen traffic growth of approximately 125% vs. 2017/2018. Even with this growth in traffic, public awareness of the VSA remains flat at 1% compared to three years prior.

In 2018/2019, we continued delivering the Planning 10 car buying program with local schools. The program centres around the 4 Ninjas animated movie that was created in 2017 and highlighted at the 2019 auto show. At the end of the 2018/2019 school year, the provincial government revamped the Grade 10/11 curriculum, eliminating Planning 10 from the course schedule. The VSA will be looking to replace this important community outreach with something new in the future.





## Our Strategic Plan



In 2018/2019, the VSA continued building public awareness through print ads and limited television ads, as well as participation in consumer protection media spots. In addition, the team updated and refreshed consumer fact sheet content on the website and increased the volume of information available on the site.

### **A Focus on the Future**

In 2019/2020, Consumer Awareness will be strengthened through an investment to reimagine the website experience of the VSA, specifically focused on providing consumers with an experience that is tailored to their needs. Part of this work will require the VSA to better understand who our customers are and how we can reach them. In addition, we will focus on ensuring content is readily accessible and easily understood by consumers.

To support the online experience, we will place specific focus on social media and community outreach. We will work with industry and various schools to build a new, scalable high school outreach program, educating the consumers of tomorrow on their rights and responsibilities when buying a car. In addition, we will seek out new community partners to help build awareness.

2019/2020 will see the VSA improve the consumer complaint experience, building a streamlined and easier approach for consumers. In addition, there will be a focus on building the foundation for an alternate dispute resolution process – through staff skills development and creation of the dispute resolution model.

### **Specific Tactics**

1. Reimagine the VSA web experience to provide consumers with access to the information they seek (New VSA website)
2. Consumer communication strategy and plan (Consumer Awareness Strategy)
3. Develop an alternate dispute resolution model (Alternate Dispute Resolution Model)



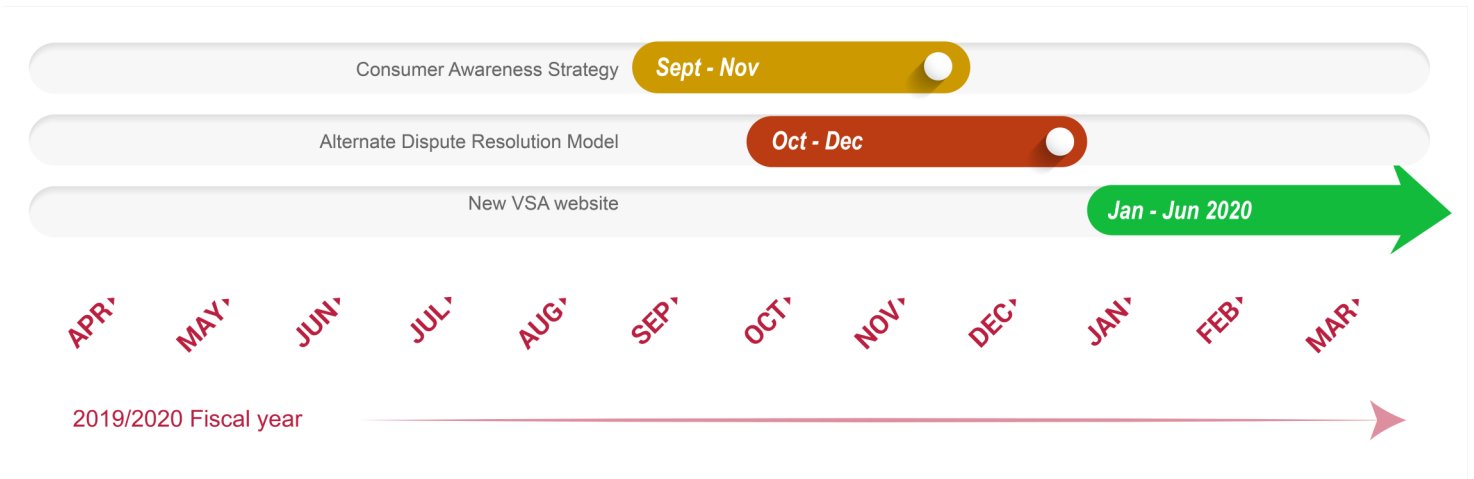


## Our Strategic Plan

### Performance Metrics:

- Public Confidence Report—Question: “Did you contact the VSA prior to buying/leasing your most recent vehicle?” (Baseline 22%)
- Web Analytics Metric – length of time on *consumer*-focused pages

### Consumer Awareness Timeline





## Our Strategic Plan

### Strategic Focus Area—Regulatory Excellence

The VSA is committed to deliver and sustain a high level of public value in achieving “regulatory excellence”. Regulatory excellence is about not being content to simply regulate “as usual”.

Regulatory excellence is about:

- Becoming a regulator that continually improves our work,
- Building strong relationships with industry and other partners, and
- Leading the next era in regulating in the motor vehicle sales industry.

In order to achieve regulatory excellence, we must:

- Be open and transparent
- Better explain how decisions are made and the reasons for our decisions
- Improve our relationships with industry stakeholders and British Columbians
- Ensure that industry have the skills and tools to carry out their responsibilities
- Clarify our internal processes and priorities, including employee roles and responsibilities
- Ensure that our employees have the skills and tools necessary to carry out their responsibilities.

In short, the VSA needs to have three key attributes – utmost integrity, stellar competence, and inclusive engagement with industry and consumers. By embodying these attributes, the VSA can ensure that it is a strong, fair, transparent, and inclusive regulator that delivers measurable outcomes for British Columbia.

#### **A Look Back**

A key focus of 2018/2019 was the continued implementation of the 2016 changes to the Motor Dealer Act, which came into effect in 2018. On April 1, 2018 a new requirement for the licensing of wholesalers and broker-agents was implemented. This required the VSA to incorporate the expanded mandate into current processes, forms, inspection activities and investigations.

Another Motor Dealer Act amendment that came into effect in early 2019 was the enforceable Industry Code of Conduct. While the Code of Conduct was not formally rolled out until April 2019, the preparation work was completed in early 2019. This included creating training materials, developing communications and implementing the technology components required to support the rollout. The Code of Conduct was rolled out as the first continuing education module in what will now be a new annual mandatory professional development requirement for all licensees. This will ensure that as new trends and regulatory changes occur, we are poised to engage our industry stakeholders to ensure their knowledge remains current.





## Our Strategic Plan

2018/2019 also saw a continued increase in licensing application volumes, dealership consolidations and an increased number of curbers applying for wholesaler licenses. The investigation process for all types of licenses is becoming more complex, requiring additional follow-up and due diligence by the licensing team. Like other areas of the organization, the team is challenged by the growing volume and therefore the decision was made to hire one additional licensing officer to support the growing volume.

Compliance activity in 2018/2019 centred on the increasing volume of consumer complaints and the investigation required to resolve them. This continued increase has resulted in compliance team members focusing more on consumer-initiated investigations and less on providing proactive guidance and support to dealers. The modified inspection and liaison visit program continues to be well received by the industry and encourages dealers to see the Compliance staff as a resource in problem solving. Moving forward, we see this proactive, partnership approach being crucial to implementing our regulatory excellence goals.

### **A Focus on the Future**

The focus for regulatory excellence in 2019/2020 is to build the foundation for a more *proactive and partnering* based approach with both industry and consumers to prevent and resolve issues that arise. This is comprised of two elements – operationalising our regulatory philosophy and framework, as well as strengthening the skills of our team members.

Our regulatory philosophy framework helps educate industry stakeholders on our regulatory approach and guides our team to provide consistent and easily understood application of compliance action. A comprehensive program of education and awareness for VSA staff and industry stakeholders is required to execute on this program. In addition to implementing the framework, the VSA will continue expanding our risk-based inspection program so that we can better manage trends and risk with licensees.

Significant investments in the compliance and licensee team member skills development will be made in the coming year. Training on topics in administrative law, enforcement approaches and others will help the team to grow their knowledge to better serve our licensee base. In addition, we will work with the compliance team to identify and monitor the indicators of public and consumer harm for early detection and intervention, thereby enhancing consumer protection.

### **Specific Tactics**

1. Expand our risk-based inspection program (Risk-Based Inspection Program)
2. Establish a Professional Standards framework (Professional Standards framework)
3. Enhance the skills of the compliance team members
4. Implement Regulatory Philosophy framework
5. VSA dealer visit program
6. Industry Communications





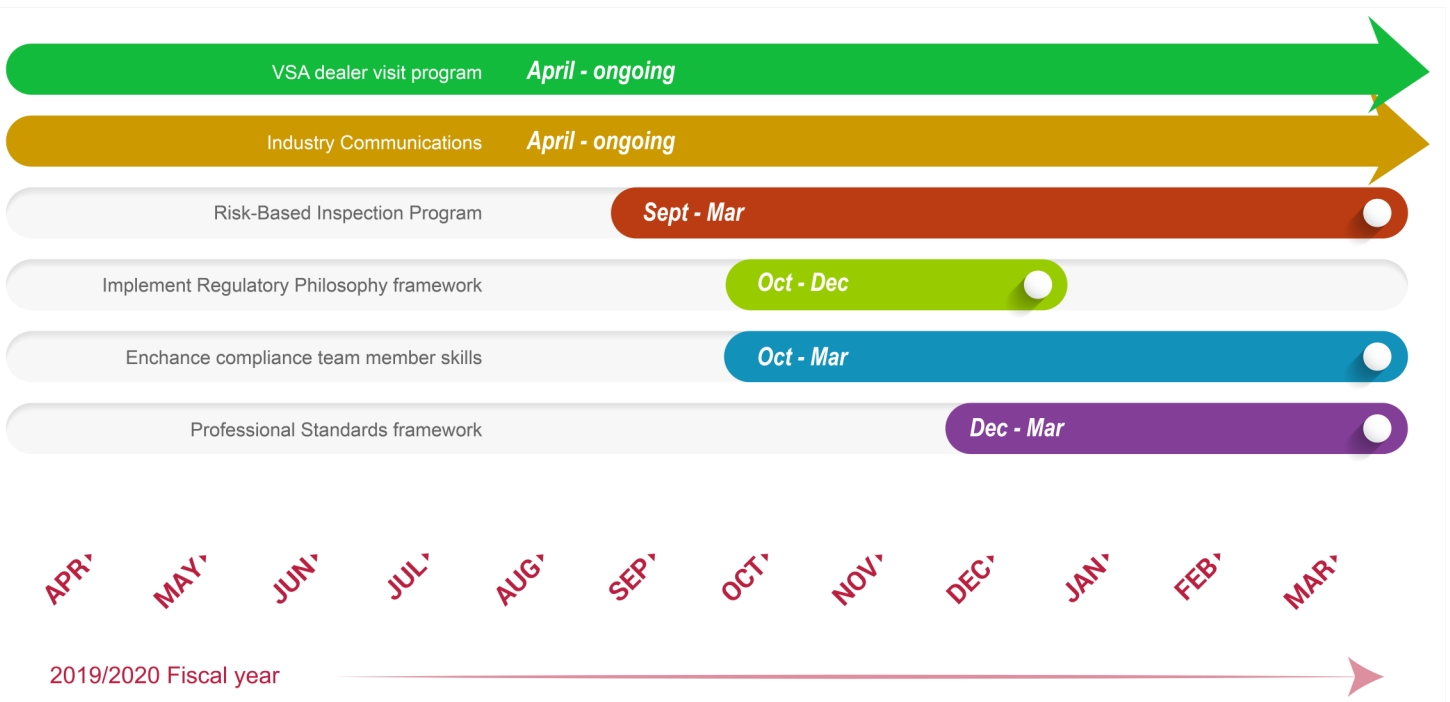


# Our Strategic Plan

## Performance Metrics:

- Satisfaction with most recent VSA interaction (Customer service survey—Top 3 Box result)
- Informal visit by VSA employee (Customer service survey—Top 3 Box result)
- Standard Formal Investigation Process Implemented
- Number of Failed Inspections
- Number of Dealer Initiated Enquiries
- Number of Substantiated consumer complaints

## Regulatory Excellence Timeline





### Strategic Focus Area—People

As a public service organization serving diverse groups ranging from licensees to consumers to government; people are our most important asset. Supporting our own people to achieve the VSA's strategic objectives, priorities and to deliver on its legislative mandate, is a critical focus for the organization.

Creating the environment for employees to engage and participate in the direction of the VSA involves proactive communication from a team of leaders who are interested in and committed to employees' professional development and personal well being. Overlay this with ensuring alignment between VSA goals and objectives and individual employee goals and objectives, and you have a culture where individuals can thrive.

Since its inception, the VSA has been viewed by its employees as a good place to work. However, the level of focus on people functions like leadership structure, resourcing levels, training and development of tools to enable productivity has not changed significantly since the early years. Over the past year, we have placed a greater emphasis on investing in our people and we are committed to this approach going forward. This will enable the teams to continue delivering on our mandate effectively and efficiently within the very dynamic and ever-evolving regulatory environment in which we serve.

#### A Look Back

Early in the year, we made decisions to strengthen our leadership structure by adding additional expertise in the areas of administrative and regulatory law, compliance and technology. This helped to accomplish a greater degree of separation between the Registrar and the day to day operations, as well as provide additional support for the teams. By adding technology and operations expertise to our senior leadership team, we have positioned ourselves well for the future.

We also began the task of assessing VSA resourcing levels and asking the tough questions about whether we have the right number of employees in the various roles in the organization and further, are we providing the best training and development possible to ensure engagement and performance. Part of the overall resourcing assessment resulted in identifying the need for dedicated HR leadership and support for our people. With this new leadership, we will have renewed attention on a host of initiatives to enhance support for employees.

Employee Engagement was a focus last year for leadership starting with the re-launch of a more proactive and activities-based Employee Engagement Committee. We also created a Flexible Work Committee to gain insight about employee preferences for flexible work options. VSA now has an enhanced line up of options to facilitate employees who need to juggle work with personal responsibilities. We finished the year by conducting an Employee Engagement Survey using an external expert to conduct the survey and produce reporting.





## Our Strategic Plan



The objectives of the survey included determining the attitudes, satisfaction and commitment levels of employees and identifying opportunities for improvement by the VSA.

### **A Focus on the Future**

The priorities for our 2019/2020 People Focus include both strategic and tactical elements. The VSA has recently created new Employee Values which need to be embedded into our day to day activities in order to truly create positive cultural impact. We have employees and leaders planning various ways to make this happen.

VSA Leadership has started on the journey to create a coaching culture by participating in coaching workshops designed to shift our traditional problem-solving management style towards an empowering and engaging leadership style with employees. Next year we will take further steps to ensure feedback, one on one development sessions and performance management are regular activities that leaders and employees engage in together.

Building on our foundational work last year, our ambitious goal is to modernize the People programs at the VSA, ensuring our recruitment, training, performance assessment and employee relations programs attract and retain VSA talent. In addition, the VSA had engaged an external compensation expert to review and assess our current compensation philosophy and design as well as conduct a competitive survey on salaries. This work will allow the VSA to make critical decisions about how we are positioned today in the market and what changes we may consider making to ensure we are attracting and retaining the talented resources required to deliver on our legislative mandate.

### **Specific Tactics**

1. Implement a new employee *performance management approach to include both a goal setting and values approach* to performance management (New Employee Performance Management Approach)
2. Modernize and refresh our HR policies to ensure they align with our corporate goals, objectives, culture and values (HR Policy Review)
3. Implement a new team member onboarding and orientation program to ensure we get team members off to a positive start (New Onboarding Program)
4. Complete a detailed review and assessment of benefits programs including group RSP plans to ensure we are current and relevant and able to attract and retain great talent (Benefits Assessment)
5. Work with partners to develop a *new compensation philosophy and design* that addresses current employee needs and acts as a mechanism to attract new potential employees (New Compensation Philosophy)





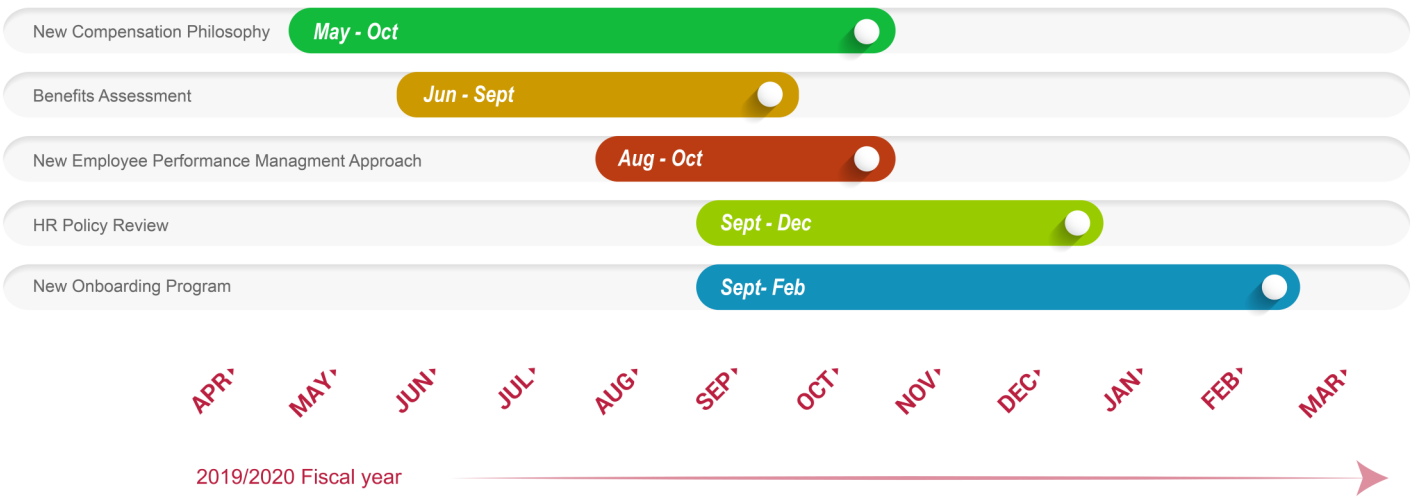
# Our Strategic Plan



## Performance Metrics:

- Employee Engagement question: “Considering everything, how satisfied are you with your job?”
- Employee Engagement question: “What is your overall satisfaction with the VSA?”

## People Timeline





## Our Strategic Plan

### Strategic Focus Area—Digital Transformation

As technology evolves, the way we do business is also evolving. In the past 15 years, radical advances in the processing power of hardware, coupled with the advent of app “eco-systems” has led consumers to rethink how they interact with the businesses that serve them. New capabilities such as Artificial Intelligence, Robotic Process Automation and connected devices can all be employed to elevate decision making, drive efficiency and create value for consumers and industry.

Digital transformation is not simply about technology, it is about people and processes as much as it is about the hardware and software they use. Improvements in process and technology will enable the VSA to meet the advancing needs of industry and consumers, while attracting new talent that will help the organization continue to evolve. Employees are no longer willing to “push paper” and are instead looking for opportunities to work with modern technology and create simple processes that will help keep their skills sharp and make them more marketable. Therefore, in addition to the technology components, our digital strategy will incorporate process improvement as a key pillar of transformation to empower team members to create radical simplicity in our processes.

#### A Look Back

In 2012 the VSA launched the Driver platform for staff to enable dealer and salesperson licensing management, as well as consumer complaint and compliance action case file management. In the time since that launch, the volume of complaints, compliance activities and consumer complaints has doubled, while staffing levels at the VSA have remained the same. Managing the increase in volume has been accomplished through minor tweaks to the process flows within Driver, but no major upgrades to our automation have occurred throughout the life of the product.

With the growth in volume, our system has expanded beyond it’s manageable limits. System latency issues along with intermittent crashing of the system are a daily reality for the VSA team. Most recently, the delivery of the code of conduct course to the industry was slowed due to system limitations, including the inability to issue more than a few hundred course registrations at a time.

A key component to understanding the health of the organization is also understanding more about the types of complaints we receive, compliance action we take and phone calls we receive – just to name a few. Our inability to leverage the data that we have within Driver, as well as other key sources of data such as our phones system and accounting software, into meaningful insights limits our ability to be responsive to consumer and industry trends, and to structure our business accordingly.







## Our Strategic Plan

### A Focus on the Future

In 2019/2020, the VSA will make the first significant investment in technology since 2012, replacing the core operating system and ensuring that the applications employed by the VSA are fit for use. Concurrent to this significant undertaking, the technology portfolio at the VSA will undergo a core review to ensure that security, infrastructure and operating procedures are in place to support the needs of the VSA as technology advancements continue. Finally, we will build a digital transformation strategy that will include further process automation, a new business intelligence platform and a reimagined online experience currently serving industry and consumers.

### Specific Tactics

1. Deliver the new core operating system – Driver 2.0 (Driver 2.0)
2. Remove redundancies in the new Driver platform by moving learning and accounting functionality to fit for purpose systems (Application Redundancy)
3. Implement a new reporting services platform in conjunction with Driver 2.0 to deliver better business reporting and operational metrics (Business Intelligence Platform)
4. Create a focus on process simplicity for staff members. This includes training staff on process improvement methodologies, as well as the delivery of key process improvements that will improve the efficiency of the overall operations (Radical Process Simplicity)
5. Build internal information sharing platform (intranet) to enable better collaboration and information sharing within the VSA (VSA Intranet)
6. Conduct a review of the technology in use by the VSA to ensure security, policies and procedures and required IT governance are sufficient for the VSA (Core Technology Review)



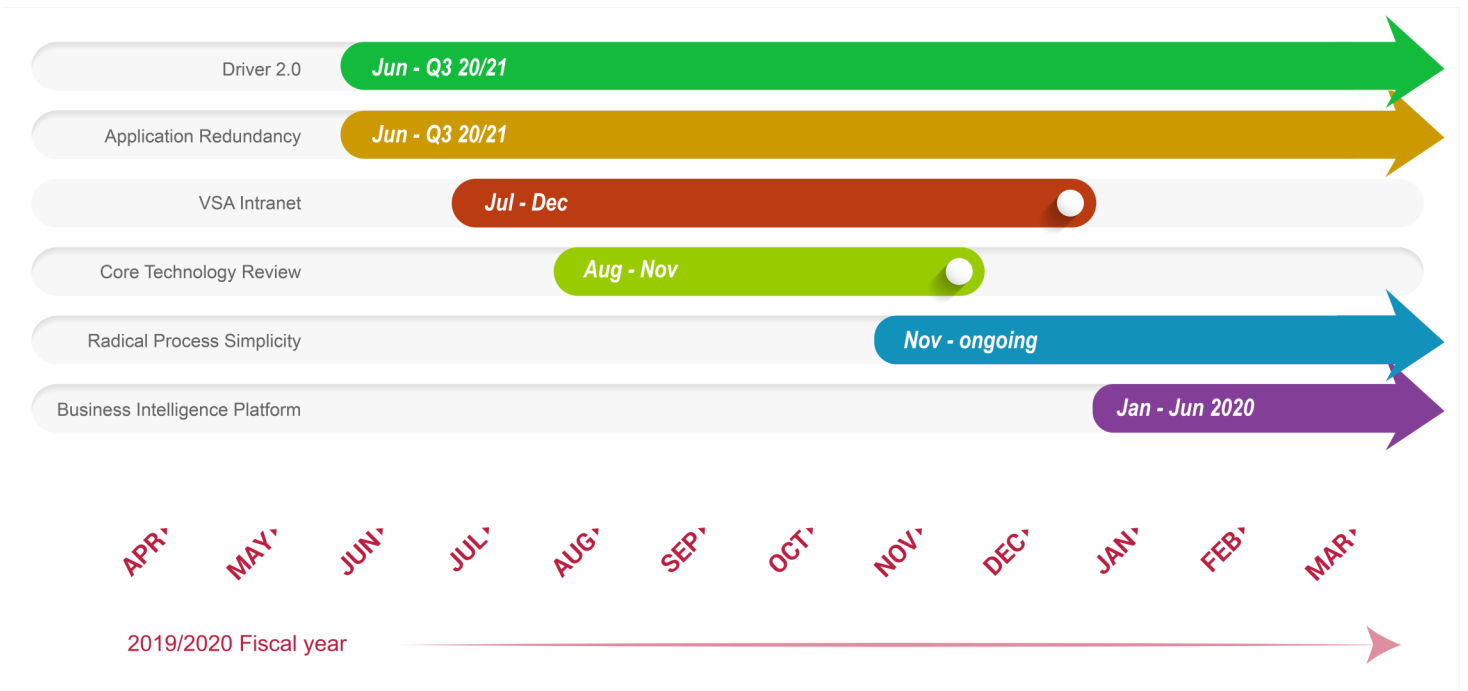


# Our Strategic Plan

## Performance Metrics:

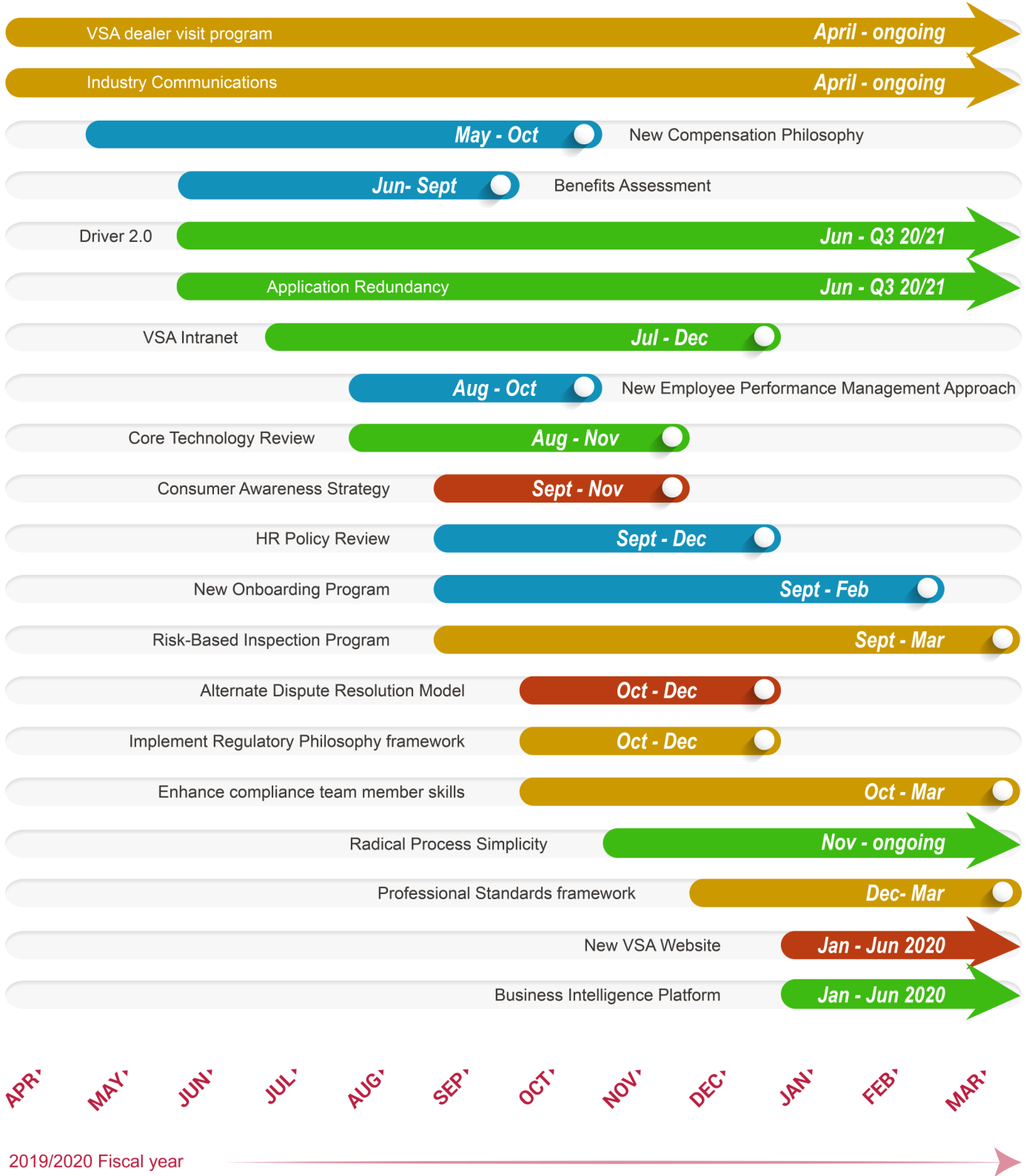
- Operating Efficiency – New financial metric
- Employee Engagement Indicator – “I have all the tools, support & resources I require to do my job correctly” (currently 69%)
- Identify and implement 3-5 continuous improvement initiatives with at least 10% efficiency gain

## Digital Transformation Timeline





# Changing Scenery • VSA Road Map



**LEGEND**

- Regulatory Excellence
- People
- Digital Transformation
- Consumer Awareness

## Message from the Chair—Mr. William Kwok

This year was marked by a continued drop in claims against the fund and changes to our board composition – saying goodbye to two of our members, and welcoming two new faces.

Ms. Darlene Hyde departed as Chair of the MDCCF after nine years of service, including five as Vice-Chair and three as Chair. Ms. Hyde was replaced by Mr. Todd Follett on April 1, 2018. Mr. Follett is a former Senior BC Crown prosecutor and discipline counsel at the Law Society of BC.

Ms. Wendy Baker, QC, Vice Chair, was appointed to the Supreme Court of BC after serving 4 years on the compensation fund board. She was replaced by Ms. Mary Childs on September 14, 2018. Ms. Childs is associate counsel at Miller Thomson LLP and a member of the Civil Resolution Tribunal.

I want to extend a sincere thank you to Darlene and Wendy for their years of service on the MDCCF, as well as welcome Todd and Mary to the board.

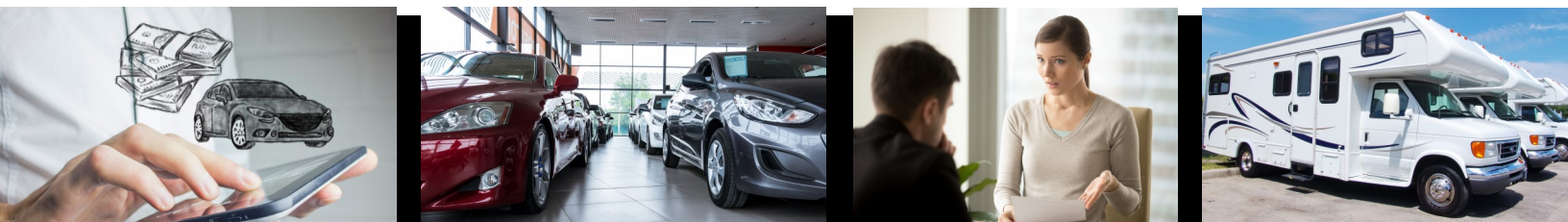
On the claims front, the number of claims continue to drop as a result of the VSA proactive processes, salesperson education, better consumer education and knowledge and lower business failures. The Motor Dealer Consumer Compensation Fund adjudicated 7 claims in fiscal 2019 and approved 2 or 28.5% of the claims for payment. The total of those payments was \$40,000.

This year the Registrar again waived the annual compensation fund payment after assessing the market risk and the potential exposures to the compensation fund. At fiscal year-end 2019, the Compensation Fund balance is \$1,197,963.

Finally, we continue to evolve our governance practices for the MDCCF, a key focus for the coming year is to complete development of our Code of Conduct. The target date for completion is February 2020.

Sincerely,

William Kwok



The Motor Dealer Customer Compensation Fund reimburses consumers for eligible financial losses. The loss must occur in a transaction with a licensed motor dealer, particularly in circumstances where the dealer has since gone out of business. Eligible claims are adjudicated by the Motor Dealer Customer Compensation Fund Board, an independent administrative tribunal.

As of March 31, 2018, the Fund balance was \$1,197,963 million. Based on the Registrar's assessment of current reserves and immediate risks, the annual \$300 contribution to the Fund by existing dealers was waived for fiscal year 2018-19. Newly licensed dealers paid into the fund as required.

Nine claims were received during the current fiscal year. The board adjudicated four current year claims and three prior year claims. Two claims were approved, resulting in \$40,000 being paid to consumers. Five claims were still in progress as of March 31.



## Financial Statement 2018/2019 and Forecast 2020/2021

	2018/2019 Actual (Audited)	2019/2020 Budget	2020/2021 Forecast
<b>Revenue</b>			
Dealer Licensing	\$2,385,557	\$2,355,602	\$2,355,602
Salesperson Licensing	1,539,314	1,503,870	1,503,870
<b>Total Licensing Revenue</b>	<b>\$3,924,871</b>	<b>\$3,859,472</b>	<b>\$3,859,472</b>
Administrative Fees, Recoveries & Interest	\$667,043	\$370,417	\$370,417
Course Fees	1,080,998	884,720	1,106,720
<b>Total Other Revenue</b>	<b>\$1,748,041</b>	<b>\$1,255,137</b>	<b>\$1,477,137</b>
<b>Total Revenue</b>	<b>\$5,672,912</b>	<b>\$5,114,609</b>	<b>\$5,336,609</b>
<b>Expenses</b>			
Salaries and Benefits	\$3,244,443	\$3,863,978	\$3,941,258
Operating Expenses	1,801,064	1,134,426	1,143,466
<b>Total Operating Expense</b>	<b>\$5,045,507</b>	<b>\$4,998,404</b>	<b>\$5,084,724</b>
<b>Operating Excess</b>	<b>\$627,405</b>	<b>\$116,205</b>	<b>\$251,885</b>
Capital Asset Fund	\$127,707	\$280,294	\$296,597
Net Consumer Awareness Fund	(141,523)	(17,216)	(100,332)
<b>Add/Less: Total Amortization &amp; Fund Activity</b>	<b>\$(13,816)</b>	<b>\$263,078</b>	<b>(196,265)</b>
<b>Total Excess (Deficiency)</b>	<b>\$641,221</b>	<b>\$(146,873)</b>	<b>\$55,620</b>







## VSA Risk Assessment

### VSA Purpose:

*We build public confidence in the motor dealer industry in BC by engaging and educating industry and consumers, ensuring a safe and reliable motor vehicle buying experience.*

With a Purpose loaded with consumer protection and industry relations mandates and a responsibility to government for the administration and enforcement of key pieces of legislation, the management of our risk at the VSA is a critical component of our operations.

In late 2018, VSA leadership challenged themselves and the Board of Directors to undertake a new and more robust methodology to assess and monitor risk. This new Risk Assessment Strategy would address several objectives:

1. To enable effective decision making on strategic and operational levels
2. To create a risk management tool for ongoing use
3. To develop a process to meet risk governance requirements of identifying, monitoring & mitigating risks to the organization
4. To create a framework of accountability for Board/VSA leadership

Today we utilize a Risk Register to facilitate an annual workshop with VSA Leadership and Board of Directors. Updating and understanding the risk issues, the source of risk, the impact and likelihood of the risk issue as well as the residual impact with current controls in place and future mitigation actions planned for are the key outcomes of the workshop.

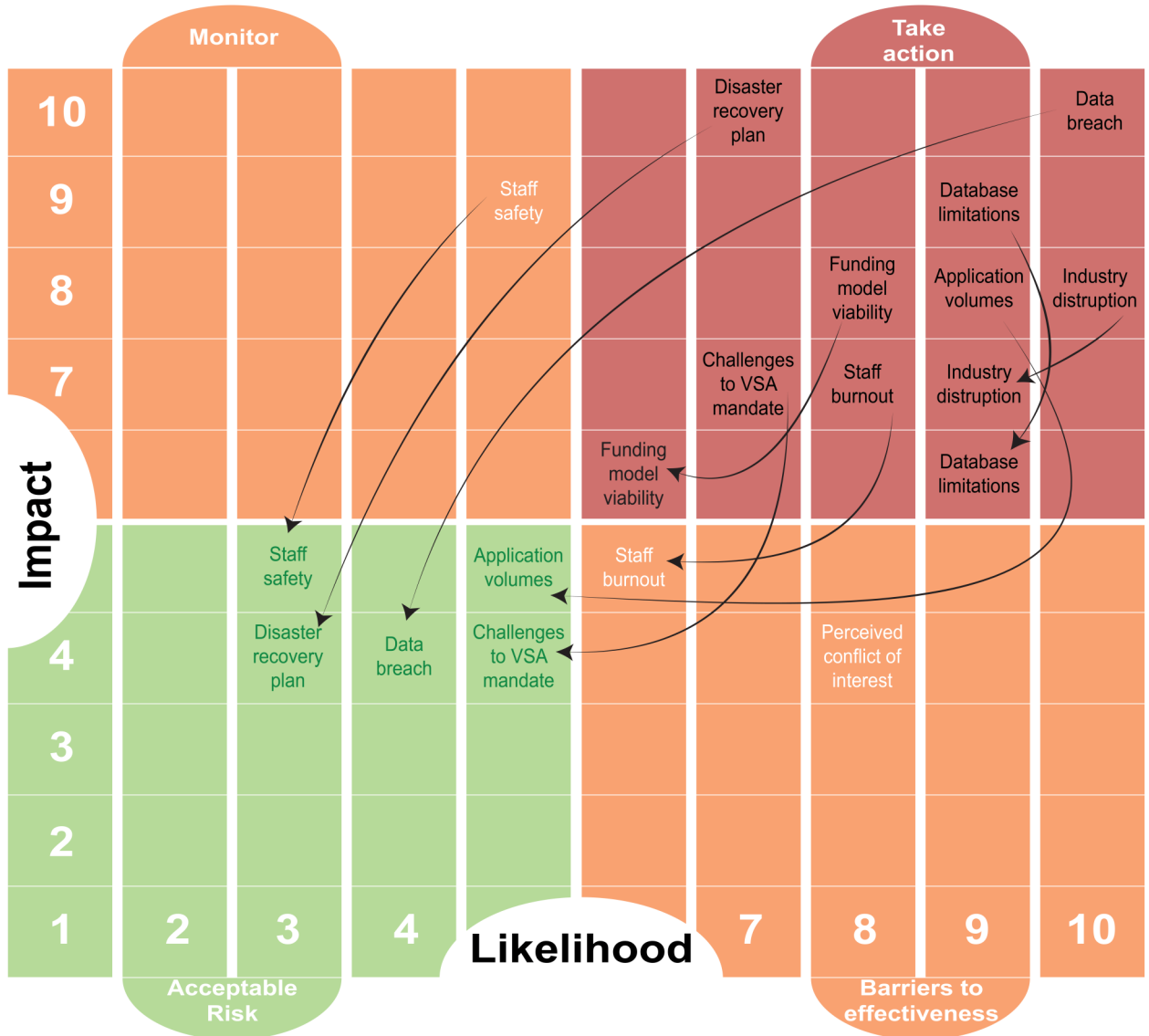
Included in this report is a visual representation of the current VSA risk issues and the positive impact that our mitigation efforts have on the likelihood and impact of these risks. Risks are first plotted according to their likelihood and impact without any mitigating actions or controls in place. We then assess where the risk issue shifts to in the matrix once controls and mitigation actions are in place, connecting the risks with an arrow to demonstrate the resulting shift in the risk. Based on the location of the original risk issue, we assign one of the following four actions:





# VSA Risk Issues

Risk Quadrant	Approach
Take Action	Highest Urgency. The VSA must have controls and future action plans in place to manage these risks.
Monitor	High Likelihood/ Low Impact. The VSA will monitor these risks and look for changes in impact or likelihood. Actions and Controls are encouraged to manage risk, but not mandatory.
Barriers to Effectiveness	High likelihood/ low impact - require attention but are not urgent.
Acceptable Risk	Least urgent, often residual risks (likelihood and impact remaining after are controls and mitigation actions). Requires monitoring for any changes in impact/ likelihood.





## VSA Risk Assessment

### Example #1 Staff Safety

**Explanation of Risk :** Challenging interactions and consumer behaviors

**Likelihood of Occurrence** - 5 (middle of the scale) | **Impact** – 9 (high)

#### Mitigating Controls and Planned Actions:

1. Control: Objection handling training
2. Control: Physical security protocols
3. Control: HR Policies and Communications support
4. Action Plan: Enhance the training
5. Action Plan: Implement an Employee Assistance Program to our employee benefits line-up.
6. Action Plan: Leadership training

**Outcome:** We don't receive inappropriate attention from stakeholders often, but when we do, it is very difficult for VSA staff. If our controls and actions plans are in place, this will help to manage the risk of staff feeling unsafe at work resulting in the residual risk landing in the *Acceptable Risk* quadrant.

### Example #2 Perceived Conflict of Interest

**Explanation of Risk:** Industry/consumer perception of conflict of interest within VSA organizational & governance structure.

**Likelihood of Occurrence:** 8 | **Impact:** 4

#### Mitigating Controls and Planned Actions:

1. Control: Dealer visits
2. Control: Industry communications

**Outcome:** Despite many current controls and planned mitigation efforts, the risk issue remains in the same location on the matrix. This risk is a frequent occurrence and our employees are trained to manage through the consumer or industry feedback that we receive.





## Contact Information



### Our Leaders

Loree Gray, President and CEO

Ian Christman, Registrar, Privacy Officer & Director of HR

Lorraine Lee, Director of Compliance & Consumer Services

Michelle Harrison, Director of Operations

Ellen Laoha, Director of Finance & Risk Management



### Our Board of Directors

Mark Baaken, Chair

James Nicholson, Vice-Chair

Nairn McKenna, Secretary

James Carter

Ward Fraser

Moray Keith

Kyong-Ae Kim

John MacDonald

Ken Robertson

Michael Stevulak

Bill Kwok, Treasurer (Non-director, MDCCF Chair)



Vehicle Sales Authority  
of British Columbia

[VehicleSalesAuthority.com](http://VehicleSalesAuthority.com)

280—8029 199<sup>th</sup> Street | Langley, BC V2Y 0E2

Phone: 604.574.5050 | Fax: 604.574.5883

