



Alberta Motor Vehicle Industry Council

2015 Strategic Plan



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1. INTRODUCTION

The Alberta Motor Vehicle Industry Council (AMVIC) was created 15 years ago to regulate the automotive industry in Alberta and ensure a fair marketplace for consumers and businesses. Since then has worked continuously to raise its profile among consumers and industry. Today, AMVIC is providing more support to consumers, creating a level playing field for businesses, and continuing to define its regulatory role. AMVIC is holding motor vehicle businesses and salespeople accountable through education, compliance and increased enforcement action on those not in compliance with the *Fair Trading Act*.

AMVIC is committed to excellence and recognizes there are opportunities to grow, modernize and change its processes. The members of the AMVIC management team share a vision to build a cost-effective, efficient and responsive regulatory organization. Alberta has more than four million residents and continues to grow quickly – adding the equivalent to a city the size of Red Deer each year. With growth comes a more diverse population – more consumers with increased expectations of their automotive regulator.

In 2014, AMVIC moved its services online, offering businesses and salespeople the opportunity to self-manage their licensing and registration processes. This is expected to make the licencing and registration processes more convenient, accurate and reduce processing times. The new website will also provide convenient access to online courses for salespeople and others. This will eliminate the need for conditional, i.e., temporary salesperson registrations and enable timely training on the *Fair Trading Act* for salespeople – prior to working on the sales floor. A separate portal has also been developed where consumers can log on to file a complaint and later, view the details or progress of their concern.

Recently, AMVIC formalized the role of industry standards officers. The expectation is that this will enhance compliance and foster a fair marketplace in Alberta through strengthening AMVIC's understanding of members' needs, enhancing the focus on business practices and enabling more comprehensive inspections. The AMVIC board had previously identified the need for more comprehensive inspections.

In June 2013, the structure of the board changed significantly when it grew from 11 directors to 13. The breakdown is six directors appointed from the public, which is an increase from two, and seven directors appointed from industry, which is a decrease from nine. The membership of the AMVIC Society also changed from seven members to nine members with the public representation increasing from two members to four. This change in oversight offers AMVIC the opportunity to revisit the priorities and strategic direction for the organization. The AMVIC Board and Society unanimously supported the change to the Board and Society composition.

AMVIC strives to create a fair marketplace for automotive business and looks forward to a bright future where consumers and industry have increased confidence in Alberta's automotive marketplace.

2. GUIDING STATEMENTS

Delegated Activities

The *Fair Trading Act* delineates the role for AMVIC and the responsibilities formally assigned to its Executive Director (the “Director” identified in the Act and Regulations). With respect to the automotive business the Director’s powers duties and functions under the Act include:

1. The licensing (businesses) and registration (salespeople) administration under the *Fair Trading Act* and the *Automotive Business Regulation*.
2. Investigations, claims and enforcement arising from complaints under the *Fair Trading Act*, the *Automotive Business Regulation*, the *Cost of Credit Disclosure Regulation* and the *Internet Sales Contract Regulation*.
3. Establishment and administration of the compensation fund.
4. Establishment of educational programs for consumers and industry members in relation to automotive businesses.

Mission

AMVIC’s mission is to protect the public interest and promote trust and confidence in the motor vehicle industry through heightened awareness and the fostering of a positive exchange of information among industry stakeholders.

Mandate

The mandate of the organization is to provide consumer protection in Alberta’s motor vehicle industry through mandatory licensing for motor vehicle businesses and salespeople as required by the *Fair Trading Act* of Alberta and to provide a fair marketplace for automotive consumers and businesses.

Principles

The following principles provide the framework for all policies and procedures developed at AMVIC and help the organization successfully deliver its delegated activities and mandate:

- Protect Alberta consumers from unfair business practices and work towards building trust and confidence in the motor vehicle industry.
- Self-manage an effective mandatory motor vehicle industry licensing program.
- Foster open and clear communication in the motor vehicle industry and support an honest exchange of information among industry, government and consumers.
- Assist the motor vehicle industry to build best business practices upon the framework of the *Fair Trading Act* through education, compliance and enforcement of legislation.
- Provide an alternative to litigation through alternative dispute resolution of consumer complaints.

Role of the AMVIC Board

The AMVIC Board provides oversight and direction for the Director and for AMVIC staff. They are responsible for:

- Strategic planning, determining priorities and setting policy guidelines.
- Ensuring financial and operational viability by exercising fiscal oversight.
- Ensuring that operational and financial controls are functioning properly.
- Communicating AMVIC's benefits to consumers, businesses, government and other stakeholders.

The current Delegation Agreement identifies four categories of delegated activities. This strategic plan is organized and aligned with those four categories and adds governance as a fifth and separate strategic responsibility. The Delegation Agreement is expected to be reviewed in 2015 and at this time governance or other organization functions may be considered for inclusion in an updated delegation.

3. STRATEGIC PLAN PRIORITIES

The AMVIC Board participated in a planning session in the fall of 2014. During which, trends and issues affecting Alberta's automotive industry were discussed, priorities were established and a strategic direction was developed and is supported by actionable plans. Thoughtful discussions were held throughout the session. Through those conversations three themes surfaced as organizational priorities:

1. *Operating Proactively*

The Board is committed to continuing to clarify and confirm the mandate and scope of AMVIC and how the organization is able to both positively contribute to the industry and to work to protect and support Alberta consumers. The Board strongly prefers to be proactive in its work by identifying and taking action to address trends and issues that may affect the organization, industry and citizens. It was felt that being proactive would contribute to an automotive industry that understands the rules and regulations, mitigates risk for the industry and consumers and supports the development and maintenance of improved relationships with key stakeholders.

The following strategic actions will assist in fulfilling the Board's dedication to and focus on *Operating Proactively*:

- Addressing Curbing (pg. 10).
- Defining the Scope of Licensing & Registration (pg. 7).
- Working with Municipalities (pg. 7).
- Understanding Legislation (pg. 10).

2. *Compliance Oriented*

The Board expressed a preference for policies and actions that encourage industry compliance with AMVIC regulations, as opposed to those that take a more punitive approach to those contravening the rules. This approach requires that the industry be thoroughly educated on the expectations under the *Fair Trading Act* and on the consequences for meeting those expectations. It requires that AMVIC demonstrate the benefits realized when all stakeholders play by the same rule book. The Board is committed to focusing its time and energy on implementing compliance oriented tactics to create an environment where all understand and comply with the provincial regulations.

The following strategic plan actions are considered to relate directly to fulfilling the Board's desire to be *Compliance Oriented*:

- Compliance-First Approach (pg. 9).
- Monitoring the Success of Compliance Officers. (pg. 10).
- Clarifying Mandate & Scope (pg. 15)

3. *Educate Stakeholders*

To improve AMVIC's effectiveness, the Board recognized the important role for training and education of all stakeholders of Alberta's automotive industry. The industry needs to be educated so that they understand and are able to comply with the regulations that govern the marketplace that they operate in thus ensuring that it is fair and competitive. Alberta consumers benefit from understanding their rights and responsibilities when interacting with the automotive industry, and from understanding the role AMVIC plays. AMVIC staff must also be up-to-date with their knowledge of the industry and of important trends, and the skill needed to be effective in their role. It is expected the Board will continue to focus on developing programs and implementing approaches stakeholder education that improve the understanding of AMVIC, its mandate, and the associated roles and responsibilities of stakeholders and consumers.

The following strategic actions are considered to relate directly to fulfilling the Board's focus on *Educate Stakeholders*:

- Reviewing Fees – Demonstrating the value of services for fees and the benefits to consumers when choosing an AMVIC dealer (pg. 8).
- Investing in Continuing Education (pg. 8).
- Developing Consumer Awareness (pg. 13).
- Involving Industry (pg. 13).

4. LICENSING & REGISTRATION

Current State

All automotive businesses in Alberta must be licensed and all salespeople must be registered by AMVIC. Currently, AMVIC licenses approximately 7,000 businesses and registers 10,000 salespeople. In the past year, a new website has launched that enables businesses and salespeople to manage their licensing and registration activities online offering quick and convenient service. Considerable growth is being experienced in both new businesses and in the number of salespeople.

Trends & Issues

Still, there are many Albertans that do not know or understand their responsibility under the *Fair Trading Act* or the role that AMVIC plays. It may be that Alberta consumers do not see a need for AMVIC until they identify a problem that they are unable to resolve independently. AMVIC also has limited resources for communications and training given the size and geographic reach of the industry.

A number of strategic trends and issues that relate to licensing and registration have been identified, they include:

- Gaps in servicing some Alberta markets.
- Review licensing requirements to ensure all automotive businesses that should be licensed are licenced. This will enhance consumer protection and level the playing field in the industry.
- Licensing requirements, fees and policies that are not well understood within the automotive industry.
- A licensing and registration fee structure that requires review to ensure a sustainable funding model while delivering value to stakeholders.

Key Strategies

Define Licensing & Registration Scope

Clarify scope of licensing requirements

- Review the activities/businesses currently being licensed and identify gaps.
- Clearly document and communicate this on the website through Question & Answer documents and/or interactive tools.
- Continue engaging government agencies with complementary scope and delivery channels.
- Review the fit between existing policy and legislation and trends in the industry (e.g. mobile mechanics).
- Consider stronger branding – for example, the AMA is a strong brand for the Alberta Motor Vehicle Association or the “BBB” – should AMVIC be the Motor Vehicle Industry “Better Business Bureau”?

Work with Municipalities

Fill a gap in delivery by working with municipalities

- Develop communications / brochure for municipalities.
- Enhance relationships with Alberta Urban Municipalities Association (AUMA), Alberta Association of Municipal Districts and Counties (AAMDC), and the Better Business Bureau (BBB); consider how to best leverage the relationships including the potential to involve municipal representatives in an Advisory Committee.

Determine if AMVIC should decentralize investigation or inspection staff outside of Edmonton and Calgary.
Review Fees
<i>Evaluate the basis for fee assessment</i> - Study the current fee assessment process and evaluate if any changes should be considered. - Will want to understand the demographics of licensees, specifically their size, the number of employees, etc.
<i>Review the renewal process</i> - Evaluate the current fee structure, determine if it remains appropriate. - Establish and enforce incentives to pay on time/early and a system of consequences for those that are late.
<i>Demonstrate value of services for fees and benefit to consumer when choosing an AMVIC dealer</i> - Show listing of AMVIC registered dealers on the website, including logos and links to their sites. - Offer training. - Brand. - Educate customer and make information available about the benefits of dealing with an AMVIC business, especially as it relates to protecting their rights as consumers.
Invest in Continuing Education
<i>Update training documents and implement user-friendly approach to continuing education</i> - Develop new training curriculum and delivery mechanism that is supportive of those industry stakeholders required to complete the training. - Refresh training programs to ensure they are current, relevant and addresses issues of the day. - Require periodic upgrade training for existing members to ensure they are informed of changes and are familiar with expectations. - Require salespeople who leave the industry for a period of time to retake the necessary <i>Fair Trading Act</i> training.

5. COMPLIANCE & ENFORCEMENT

Current State

Relationships with some industry stakeholders and members have been stressed, contributing to an adversarial and untrusting environment. Over the past few years changes in management and a re-focusing of the organization to achieve compliance within the industry have helped to improve relationships with industry. It is agreed that opportunities remain to improve relationships with all stakeholders to further to goal of regulatory compliance and creating a fair marketplace. AMVIC is known to conduct thorough investigations that can lead to meaningful consequences for regulatory violations.

In addition to continuing with thorough investigations, consideration should be given to enhancing the compliance inspection approach in order to gain better compliance from industry members and improve the marketplace for consumers. A new focus on compliance will help foster and promote a positive and constructive relationships with industry.

Trends & Issues

Strategic issues and trends related to compliance and enforcement have also been identified, these include:

- Relationships with some industry stakeholders can make constructive dialogue and issue resolution challenging.
- Implementing alternate dispute resolutions reduces the need for investigations and provides industry the opportunity to resolve a situation to customer satisfaction-- in some cases even when they are not entirely at fault but are improving goodwill. Since 2001 AMVIC facilitated consumer-industry negotiations have returned over \$24 million to Alberta consumers.
- Differing definitions of what “appropriate” enforcement ought to involve, specifically in consideration of the guidelines for, severity of and frequency of punishment.
- “Curbing” is seen as a threat to a fair marketplace where licensed consumers buying from curbers are assuming significant risk and dealers operate with a disadvantage.
- The outdated Mechanical Fitness Assessment form is misunderstood by consumers and industry and thus in need of being reviewed and redeveloped.

Key Strategies

Compliance-First Approach

The Board prefers to take a compliance-first approach when dealing with AMVIC licensees and registrants. It is believed a compliance-first approach will improve working relationships with stakeholders and gain their commitment to achieving a fair marketplace.

- Develop training program for all licensees, including owners, managers, staff that educates stakeholders about the importance and need for compliance.
 - o Clarify roles and obligations.
 - o Understand the *Fair Trading Act*, Regulations, and AMVIC policies.
 - o Provide a New Business Information Checklist (decision-tree) to help new owners determine what they need to comply with and what their interaction with AMVIC may/not be.
 - o Provide certificates indicating successful completion of training.

Enforcement-Second Approach

The Board has identified the need to develop parameters, guidelines and an approach related to infractions against AMVIC and enforcement of the Fair Trading Act.

- Define the role of the Executive Director and define his/her role in enforcement activities.
- Consider the potential to introduce a Registrar role to be responsible for enforcement activities; evaluate legislation from other jurisdictions to determine what is possible in Alberta.
- Establish a process/ decision-tree to identify when enforcement is appropriate, this may involve a threshold, i.e., number of infractions, frequency of similar issues, etc. for enforcement:
 - o Consider the use of a peer panel to review industry infractions and complaints.
 - o Explore the option of an “Advisory Council”.
- Develop a decision-tree that prioritizes infraction types and describes appropriate punishment; develop and implement supporting policy.

Monitor Success of Compliance Officer
<i>The Compliance Officer role is formally introduced to AMVIC, the Board identified the need to monitor its implementation and success.</i> • Leverage this role to improve relationships with industry and members. • Establish performance metrics to evaluate success of the Compliance Officer. • Conduct occasional review to assess success of the role. • Balance enforcement and compliance activities and invest required resources as needed.
Understand Legislation
<i>The Board has identified a need to clarify legislation and obligations as it relates to compliance and enforcement.</i> • Conduct review of current legislation to clarify and understand AMVIC obligations. • Gain a better understanding of the direction and flow of funds received from administrative penalties. • Review the <i>Fair Trade Agreement</i>, consult with Service Alberta and propose recommendations to clarify and incorporate changes to improve automotive issues in Alberta. • Review the <i>Automotive Business Regulations</i>, consult with Service Alberta and propose recommendations to enhance them in support of the industry's unique needs. • Review the need for legislation that is specific to the automotive industry and related consumer protection consult with Service Alberta and propose recommendations.
Address Curbing
<i>"Curbing" is recognized as a significant industry challenge and the Board must establish an approach to deal with these illegal activities and agents.</i> • Investigate the potential for technological solutions to identify and take action against curbers. Specifically, look at the OMVIC model. • Implement administrative penalties as an enforcement tool. • Leverage media as a deterrent and other stakeholders. • Evaluate partnering with Auctions under a Memorandum of Understanding (MOU) to share information regarding curbers as seller and buyers at auctions.

6. COMPENSATION FUND ADMINISTRATION

Current State

Through the implementation of a \$6.25 levy on each motor vehicle sold in Alberta, the compensation fund has reached \$4 million dollars. Very few claims have been made against it. Now the \$4 million target is achieved, numerous questions will remain about how to treat the \$6.25 levy, how to sustain the fund and elaborate eligibility for draws against the fund.

Trends & Issues

The Board intends to address the following trends and issues related to the compensation fund:

- Now that the compensation fund has been in place for three years, compensation fund eligibility and reimbursement parameters and guidelines may need to be reviewed and redefined.
- The \$6.25 levy is a point of contention for dealers.

- A stable and sustainable funding source for the compensation fund needs to be identified and described, including minimum compensation fund value and responsibility to contribute.
- A policy to guide how the compensation fund would be replenished in the event of a high number of claims in one year. Consider an automatic trigger that allows it to be replenished when the compensation fund all below a certain threshold.
- The public is becoming aware of the compensation fund and its purpose however more efforts need to be made through consumer and industry stakeholder education.
- Legislative or bylaw changes may be required to implement changes to the compensation fund.
- Consider empowering AMVIC to develop additional alternate dispute resolution (ADR) strategies to obtain restitution for consumers and that punish violators when appropriate, while considering AMVIC's investment in undertakings and supporting the compliance goals of the organization.

Key Strategies

Draw Eligibility & Reimbursement

Review compensation fund eligibility criteria and update if deemed appropriate.

- Assess existing criteria against possible alternatives.
- Understand the history of what types of cases have been paid out and what hasn't.
- Understand conditions that will increase the demands on the fund, e.g., the influence of economic cycles.

Funding Sources

Establish sustainable funding plan and set minimum fund value.

- Set a minimum fund value and develop a plan to sustain it.
- Determine who should contribute.
- Determine which portion of the \$6.25 should be dedicated to the compensation fund versus general operations.
- Evaluate options about how to deal with the \$6.25 levy once original goal to build compensation fund is achieved; select and implement.
- Establish parameters or criterion to identify when supplementary funding is required.
- Evaluate the role, if any that ought to be played by the consumer. Propose recommendations for legislative changes if required.
- Consider building a discretionary component into decisions about compensation (recognizing that it would not be simple or easy to control).
- Evaluate the structure (by-laws and Board policy) to determine what is possible.
- Consider requiring licensees to post a bond, evidence of insurance or some other security to protect against high risk.
- Implement a process to periodically review the funding plan.

Communicate Compensation Fund Information.

- Communicate with consumers, licensed-businesses and other industry partners details about the compensation fund, its value, how to access it, etc.
- Manage compensation fund cautiously with staged growth until better information about future uptake is available.

Alternate Dispute Resolution
- Identify any legislation changes that may be required to support approaches to arbitration, mediation and dispute resolution. - Establish approach to dispute resolution – if a breach of the rules has occurred, it is enforced

7. STAKEHOLDER EDUCATION

Current State

From developing training modules for salespeople to be delivered online to launching a social media presence, AMVIC has undertaken efforts to update and improve accessibility of information for stakeholders in recent years. Consumers have a general awareness of AMVIC but it is agreed that additional education is required for the public to understand their rights, responsibilities and liabilities.

Trends & Issues

A number of strategic trends and issues relating to stakeholder education have been identified for action by the Board, these include:

- Establish an open and productive relationship with the Minister of Service Alberta and understand his preferred direction for AMVIC and the automotive industry. Regular meetings should be held with the Minister and the Board chair.
- Raising public awareness about AMVIC's role and mandate and consumer rights remains a challenge.
- Consumers are confused about the costs of borrowing and mandatory fees. Legislative changes may be required to implement a standardized Bill of Sale or some other mechanism to clearly disclose that information.
- The timing and requirements for training of salespeople and other industry members may be better defined and leveraged.

Key Strategies
Engage Government
<i>The Board identified the need to establish a relationship with the new minister of Service Alberta and obtain input about changes and/or preferences.</i> - Meeting with Minister to discuss and understand AMVIC's direction and identify preferences he may have for the organization. - Keep the Ministry apprised of organizational initiatives, progress and success through appropriate and timely reporting of activities. - Engage the Ministry to support efforts to educate the public about AMVIC and its role through a public awareness campaign. - Document and substantiate proposed legislation changes to strengthen and clarify AMVIC's role and mandate in regulating the automotive industry in Alberta.

Develop Consumer Awareness
<i>Evaluate and implement a number of initiatives to educate consumers about AMVIC and consumer rights.</i> • Explore options and costs to develop and deliver an advertising campaign targeting education about automotive consumer rights and responsibilities. • Identify language composition of the province; translate and make available the AMVIC brochure to diverse groups. • Make the <i>Fair Trading Act</i> course available to members of the public. • Enhance online presence and effectively use/place the AMVIC brand. Consider amending the AMVIC logo to include www.amvic.org.
<i>Work to establish partnerships to expand the organization's network and communication channels.</i> • Engage Service Alberta to identify education opportunities, specifically including information about AMVIC in the driver training manuals and including an AMVIC brochure/insert with driver registration renewals. • Target youth demographic by partnering with high schools and post-secondary institutions, specifically develop and deliver brief modules for Career and Life Management (CALM) classes in high school, and Blue Seal Training and Apprenticeship programs at NAIT and SAIT. • Develop partnerships with Alberta Motor Association (AMA) and Jobs, Skills, Training and Labour Ministry, Immigration branch.
<i>Require Costs of Borrowing Transparency.</i> • Develop initiative to clearly and concisely show the costs of borrowing and fee disclosure. • Work with industry to implement a standardized approach to disclose costs associated with purchasing a motor vehicle.
Involve Industry
<i>Involve and educate wide range of industry participants to understand rights, responsibilities and requirements.</i> • Require refresher training for agents that return to the industry after a prolonged absence. • Develop initiative to train and educate non-sales industry members, include working with owners to gain support for the initiative and develop free of charge module training for non-sales industry members. • Educate new businesses about AMVIC by developing an online <i>Fair Trading Act</i> course and requiring a "pass" to obtain license to operate.

8. GOVERNANCE

Current State

AMVIC has a Delegation Agreement with the Minister of Service Alberta that empowers the organization to enforce and administer the requirements of the *Fair Trading Act* for Alberta's automotive industry. AMVIC is responsible to uphold the *Fair Trading Act*; the *Automotive Business Regulation*; the *Cost of Credit Disclosure Regulation*, and the *Internet Sales Contract Regulation*. AMVIC is incorporated and organized under Alberta's *Societies Act* as a regulatory board for the purpose of exercising the delegated powers, duties and functions. As such, AMVIC is required to have members (a Society) and a Board of Directors.

The AMVIC Society consists of nine members, four that are public and the rest that represent automotive industry associations active in Alberta – the Motor Dealers Association of Alberta, the Recreational Vehicle Dealers Association of Alberta, Auctioneers Association of Alberta, the Alberta Automotive Recyclers & Dismantlers Association and the Canadian Independent Automotive Association. The Society has final authority over the bylaws and industry at large AMVIC board appointments.

The Board of Directors is responsible for setting organizational priorities, ensuring financial and operational viability, providing direction to and oversight for administration and communicating benefits to all stakeholders. The 13 member Board of Directors is made up of seven industry and six public representatives. AMVIC's Executive Director reports directly to the Board of Directors.

The *Automotive Business Regulation* is enacted under the *Fair Trading Act*. This legislation establishes the requirements for licensing and registration, delineates codes of conduct, describes requirements about the compensation fund, defines requirements related to consignment sales, and provides information and authorities related to offences. Through the Delegated Agreement, the Minister responsible for the Act has assigned these responsibilities to AMVIC.

Identified Trends & Issues

A number of governance related strategic issues and trends have been identified and include:

- The role and scope of the Society is unclear. It would be beneficial to clarify and differentiate the roles and responsibilities of the Board and the Society. The Board would also like to better understand the process to make appointments to the Society
- The Board would like to validate if its composition with respect to skills and representation is balanced.
- The structure of the Board itself, specifically with respect to representation on committees, may need to be evaluated.
- The juxtaposition of having the Executive Director being tasked as the relationship builder with industry while also being responsible for investigations and enforcement. The contrasting roles may create unnecessary stress and challenges in various relationships.
- Legislative changes may be required to clarify and confirm the role of AMVIC, including its scope and mandate.
- AMVIC does not appear to have a sustainable funding model
- There are numerous questions regarding the \$6.25 levy that remain outstanding.

- AMVIC has developed the infrastructure to grow and the organization is poised to respond to various stakeholder demands and changes in the operating environment, i.e. auctions and to cover a vehicle to the end of its life cycle once it has been scrapped and crushed.

Key Strategies
Clarify Mandate & Scope
• Clarify the organizational mandate. - o Define the scope of the organization, where AMVIC starts and stops, specifically with respect to auctions, curbers, sub-prime, Mechanical Fitness assessment, etc. - o Clarify the roles of other organizations like Service Alberta, auctions, and Alberta Transportation to identify areas of overlap and where gaps exist. - o Role related to complaints handling versus compliance and education. • Define and document what compliance looks like – share this information with stakeholders. • Work with stakeholders to fill identified gaps via use of Memorandums of Understanding (MOUs) • Get stakeholder buy-in, support and participation. • Identify and document any legislative or regulatory changes that may be required.
Board Skills & Make Up
<i>Representation – Board composition.</i> • Confirm any gaps in representation – who else should be at the board table? • Determine what appropriate representation is and how to achieve it. • Identify and document any legislative or regulatory changes that may be required.
<i>Skill Gap Assessment & Appointment Process.</i> • Assess skills of current board members to understand available resources, develop skills matrix. • Identify skills that might benefit the board, take future oriented view. • Clarify expectations about Board involvement in new member selection: - o Work with Minister. - o Determine if legislative changes are required.
<i>Structure & Relationship with Society.</i> Lack clarity and understanding about the role and representation of AMVIC Society: • Assess the relationship. • Determine what, if any changes may be required.
Funding Model
Identified the need to develop a sustainable and permanent funding model that is aligned with the mandate of the organization. <i>Operational Funding:</i> • Evaluate the role, if any that ought to be played by the consumer. • Evaluate ways to mitigate against financial impacts resulting from possible economic downturns.

APPENDIX A: BENCHMARKING SUMMARY

Benchmarking interviews with two Canadian motor vehicle industry regulators in Ontario and in British Columbia were conducted to understand their perspective on trends that will likely impact the industry in the near to long term. Their insights were solicited about leading practices that have been implemented to address challenges within the industry. The findings of those interviews are summarized below.

Cannot Overstate the Importance of Having a Good Relationship with Industry Stakeholders

Establishing and maintaining positive and productive relationships with industry stakeholders is critical to achieving understanding about and compliance with legislation and regulations that govern the jurisdiction. Jurisdictions have struggled to obtain support and compliance from industry members that do not trust the authority has their interests, in addition to consumer interests, in mind. Without the support and buy-in from industry, relationships with the authority were tense and adversarial. As motor vehicle regulators seek to maintain a fair market place for consumers and industry, it has become a leading practice to more actively involve and educate industry to establish trust and work together toward that common goal.

In re-establishing and building improved relationships with members of industry, the authority is better positioned to achieve its goals. The nature of the relationship between industry and the authority can vary, some view industry as partners, others as customers of the authority whose needs must also be met. In either case, open, honest, transparent and two-way communication is at the centre of the relationship. A genuine desire to engage industry and understand their situations and challenges creates trust that all stakeholders are working towards the same objective and everyone is being treated fairly. When issues arise, industry stakeholders have confidence that their regulatory authority will assist them in resolving their issues.

Working together to achieve a common goal in an environment of trust and mutual respect is critical to getting buy-in from industry to sustain a fair market place where industry can thrive and consumers are protected.

Education is the First Line of Defense

Sales staff are required to participate in a training program to educate them about their responsibilities when conducting business in the automotive industry. Training establishes a common language and understanding of roles and responsibilities; stakeholders are therefore able to contribute more constructively and work well together toward that common stated goal. Industry is afforded the opportunity to educate and engage with the regulator so they may discuss their challenges and collaborate to find solutions that meet the needs of all parties.

Educating dealers and staff is considered to be a tool to promote and support compliance with regulatory requirements. It becomes reasonable and expected to hold people accountable for their actions after they have the knowledge they need to do their jobs. In cases where punishment is required for an infraction, the offer of refresher training is sometimes considered as a gentler, friendlier approach for first time offenders.

Advertising campaigns and the creative use of technology serve to educate the general public about the local automotive regulator and to develop an understanding of consumer rights, responsibilities and limitations when purchasing motor vehicles in a jurisdiction. Educating the public is seen as a critical weapon to ridding the industry of unfair practices and players.

Curbing Has No Simple Solution

There is widespread agreement that “curbing” or “curb-siding” is problematic in all jurisdictions and no simple solution has been identified. “Curbers” are unregistered motor vehicle sales businesses that operate outside the regulatory authority. They do not respect or adhere to the regulatory framework often selling unfit vehicles to unsuspecting consumers at a lesser cost than regulated dealerships or businesses. When a problem arises with a vehicle purchased from a curber, consumers are not protected by their provincial regulator and have no recourse to obtain compensation for their loss. As they cheat and operate outside the regulatory environment, curbers create issues for legitimate dealers that want to conduct business in a fair marketplace. Unfortunately, curbers are ubiquitous, requiring regulators to invest large effort to address their removal in the industry.

A number of approaches to dealing with curbers have been implemented with varying degrees of success, for example:

- Educate the consumer about the dangers of purchasing vehicles from curbers to reduce the demand and ultimately put them out of business.
- Invest large effort to chase, catch and prosecute curbers – this was largely considered an ineffective approach due to the very large curbing population and insufficient resources to address the problem.
- Investigate and charge dealers that supply curbers with vehicles to sell.
- Develop technology to create a web-crawler program that identifies curbers by analysing information found online.
- Leverage automated dialing systems to contact curbers identified by the web-crawler to advise they’ve been identified as a curber and to register with the regulator.
- Develop a smartphone application that plots on a map the location of identified curbers.
- Work with local city by-law authorities to draw their attention to curbing companies that may not have business licenses or may be violating other city by-laws.
- Engage Canada Revenue Agency to have them chase curbers for GST or other tax related violations.
- Regulator may file court orders to by-pass the court system and reduce the bottleneck created by large volumes of curbers.

Enforcement is Strictly an Operational Activity

In cases where a Registrar is a separate position in the regulator’s organizational chart, that role is solely responsible to manage investigations, including any enforcement activities. The Board is strictly prohibited from participating in or influencing enforcement activities, this is seen as a protective mechanism for members to remain impartial.

The enforcement approach is typically determined on a case-by-case basis with various levels of enforcement options available, these may include:

- Offer for re-training for first time offenders or minor offences,

- Regulator may require a review be conducted of the offending dealer's internal policies and procedures, may also require updates to reflect improved business practices,
- Fines of varying degrees,
- Suspend or revoke licenses to operate/sell,

A regulator's preferred enforcement approach reflects their relationship with industry and their approach to conducting business. In jurisdictions where the regulator has developed a partnership where industry is considered a customer, enforcement activities for less serious infractions will typically involve more education and support for the business, i.e., review of policies and procedures. Conversely, where the relationship is more authoritarian or strained, fines become more frequent.

Technology Will Play a Large Role in the Motor Vehicle Industry

Technology, specifically the use of the internet, is and will continue to be a strong influencer in the motor vehicle industry. Consumers, dealers, industry stakeholders and those playing outside the regulatory rules are creatively leveraging the internet to achieve their goals.

Consumers are savvy and conduct in-depth competitive research before setting foot inside a dealership. They come armed with information, have high expectations and rely on information available online when negotiating a sale. Information posted online may conflict with the true price of a vehicle for sale when quoted by a dealership contributing to market confusion.

Increased online sales activity and manufacturer direct purchasing is affecting the ability of bricks and mortar dealerships to connect with consumers. Online sales are especially dangerous as phantom dealers may have no intention of fulfilling the purchase obligations once funds are received; conversely, consumers would have no recourse in the event of a dispute. Online sales become additionally problematic when sellers are outside a jurisdiction's borders where the local regulator has no authority.

Large motor vehicle companies are challenged to advertise accurately and in accordance with local legislation and regulation. While it is easier for a regulator to work with and communicate messages consistently with one large company instead of numerous smaller ones, poor practices in a large company can affect larger numbers of dealers in a jurisdiction.

Regulators Unclear of their Role in Negative Equity, Sub-Prime and Long Term Loans

Automotive industry regulators have to date not taken decisive action to address negative equity, sub-prime and long term loan concerns affecting consumers. Legislation and regulations in all jurisdictions remain unclear as to the required role for automotive industry regulators. In cases where misrepresentation has taken place, a regulator has clear jurisdiction to address the problem. It is thought that the financial sector has a role to play in solving this issue.

Specific Legislation Governs Compensation Fund

The approach to building, sustaining and managing the compensation fund varies by jurisdiction and is often driven by local legislation.

Legislation in British Columbia provides structure about the compensation fund. New dealers are charged \$300 per year for the first three (3) years of operation. This charge is able to be waived or reinstated at the discretion of the Registrar, when doing so the Registrar will typically apply the decision to the entire industry. In cases where there compensation fund would need to be supplemented, the Registrar can require dealers to contribute two times the annual fee (\$600) within 21 days of the order; this would provide a quick boost of \$850,000 to the compensation fund within three (3) weeks. This exception has never been used in British Columbia.

Ontario's compensation fund is specifically regulated and the local regulator (OMVIC) is contracted to operate the fund. New dealers pay a one-time \$300 fee, this is their only required contribution. Should the fund value fall below \$3 million, the Board of Trust is able to impose a levy on registered dealers to boost the fund. The levy amount and payment requirements would be at the Board of Trust's discretion.

APPENDIX B: STAKEHOLDER INTERVIEW SUMMARY

MNP conducted twenty (20) interviews with members of the board and other interested government and industry stakeholders. The objective of the interviews was to obtain insights about strategic issues and solicit recommendations for moving AMVIC forward in meeting the needs of Albertans.

Introductory statements made in advance of the Key Strategies in the body of this strategic plan reflect common themes from the comments received during interviews with industry stakeholders. The following is a summary of additional key findings.

AMVIC is a Revitalized Organization with a Good Reputation

The introduction of a new Executive Director in 2012 brought about significant changes for AMVIC including an entirely refreshed management team. The new management team has worked diligently to build strong relationships with the Board and gain strong support from the previous Service Alberta Minister and Deputy.

Highlighted accomplishments by AMVIC's new management includes:

- Strong financial position with a compensation fund that is well funded and invested.
- Launched a new website aimed to streamline and improve service delivery including an online registration portal for dealers and salespeople, and the ability to deliver convenient and updated online courses to industry participants.
- Introduced Consumer Services to ensure consumer complaints are handled promptly and in a thorough fashion.
- Increased communications and developed social media presence to raise community awareness about AMVIC and its mandate.
- Conducted thorough investigations with strong processes.
- Implemented numerous internal improvement projects that position the organization to continue to grow.
- Increased administrative reviews to ensure compliance in the industry and more attention is spent on new business and salesperson applications.
- Updated and presented to the board a number of board policies that had been identified in past Service Alberta audits.

Overall, interview participants provided positive reports about the progress of the organization in recent years and its future is thought to be heading in the right direction. Many interviewees credited the new Executive Director and the supporting management team for the many improvements made.

The Opportunity to Improve

There are inherent challenges with industry boards, rules may not be applied evenly and in some cases exceptions that create disparity may be granted. In 2012, the Board set a goal for AMVIC to become more regulatory and strict with the rules and regulations where all are treated equitably. Administration and the Executive Director have taken steps to apply rules fairly and consistently for all members of the automotive

industry, much of which has been recognized as positive changes that were needed to help create a fair marketplace.

In a few cases, it was reported that the tone taken with some industry stakeholders may be harsh and unconstructive, especially when conducting investigations. It was expressed that management may benefit from learning more about industry perspective to have a more even handed approach when conducting investigations.

Sustainable operational funding presents a challenge for management and the Board. There is significant discussion about the \$6.25 levy that was implemented initially to set up the compensation fund. With the fund being topped up by 2020, funds from the levy are directed towards operational activities and questions about the need to continue to collect the levy remain unanswered. AMVIC does not have a sustainable funding plan in place, this must be resolved to ensure the stability of the organization. Also as with any organization, the cost of operating will continue to increase over time and additional revenue will be required.