

Digital Dealer Registration

After COVID delayed the Ontario government's Digital Dealer initiative in 2020, the Ontario Ministry of Government and Consumer Services has announced that, working with the Ministry of Transportation, they are now ready to proceed with a pilot digital registration project. This will start with a limited number of dealers. Digital Dealership Registration will move forward in phases.

The first phase will involve a small number of new vehicle dealerships and enable them to issue new vehicle registration documents, licence plate and plate validation stickers from the dealership, without requiring a trip to a Service Ontario office.

While the initial test project will only involve new vehicles, the plans are to expand the project to used vehicles and include used vehicle dealers in the near future. We've reproduced a letter received earlier this month below:

January 5, 2022

To: Ontario Motor Vehicle Industry Council (OMVIC)
Trillium Automobiles Dealers Association (TADA)
Used Car Dealers Association of Ontario (UCDA)

Subject: Digital Dealership Registration (DDR) Initiative Update

This letter is to provide an update on the status of the Digital Dealership Registration (DDR) initiative led by the Ministry of Government and Consumer Services (MGCS), in partnership with the Ministry of Transportation.

The government is committed to adopting digital practices and technologies to deliver simpler, faster, better services to the people and businesses in Ontario. DDR will enable vehicle dealers to complete vehicle registrations online and limit the need for dealers to visit ServiceOntario centres. This new online service will help improve margins and reduce time spent by Ontarians and Ontario businesses on vehicle related administration. MGCS is exploring several options for DDR to allow dealers to save time and enhance customer service.

MGCS is preparing to soft launch DDR (Release 1) in January 2022, with a limited number of dealerships. In this release, participating

dealerships will be able to complete a new passenger vehicle registration online, using a new license plate, license plate sticker and vehicle permit from stock that will be held on-site at the dealership. During the soft launch period, participating dealerships will have the opportunity to try out our new system. All existing dealer services offered in-person at ServiceOntario locations will continue to be available to ensure continuity of business operations for all dealerships.

The onboarding of dealerships to DDR Release 1 will be undertaken using a phased approach, allowing the ministry to test the system with a limited number of dealerships and gather feedback for improvement to inform subsequent releases. While participation in the first release will be limited, more dealerships will be invited to take part in this initiative as future releases and additional transaction types are introduced over time.

Future planned phases will include adding more dealerships over the coming months while also adding more transactions and functionality over time. The final system will offer dealers an inclusive vehicle registration process that is simpler, faster and better than the existing model.

MGCS is requesting your support to help modernize the dealer registration process, by:

- The Trillium Automobiles Dealers Association (TADA) identifying dealerships interested in Release 1 participation and supporting usability testing of the application prior to Release 1;
- The Ontario Motor Vehicle Industry Council (OMVIC) ensuring that dealerships who are participating in DDR are in regulatory compliance; and
- The Used Car Dealers Association of Ontario (UCDA) including input on used car dealerships interested in participating in subsequent releases as DDR is expanded to include used vehicle transactions.

In-person services will continue to be an important component in serving Ontarians in rural and urban communities who need and want in-person services, and we anticipate that ServiceOntario centres will continue to play an important role in fulfilling dealership registrations under DDR.

Engagement will continue as we approach the January 2022 limited Release 1 launch. Please share this update with your members. If you have any concerns, please don't hesitate to contact us at dealerships@ontario.ca.

Auditor General Issues Critical Report on OMVIC

As you may have heard or read, OMVIC did not fare well in a recent "value for money" audit by the Ontario Auditor General. OMVIC is not unique in being held to this level of scrutiny.

Over the years, the role of the Auditor General has morphed quite a bit from providing a kind of forensic audit of government agencies to playing in the same sandbox as politicians. Their bombshells are often lobbed into the lap of whichever party is lucky (or unlucky) enough to be in charge of the halls of power in Ontario in any given year.

This time it was OMVIC's turn, and they took it on the chin pretty good. The Auditor General seemed to find something wrong everywhere they looked - from how OMVIC processes applications, deals with consumers, and administers its resources, to staffing and the Compensation Fund.

If you want to read all the nasty details, OMVIC, to their credit, have been upfront about it and posted it on their website for all to see:

<https://tinyurl.com/2b5w9cxk>

Keep in mind these kind of reports can have one of two impacts after the initial upset, and dust, settles. The first is that much of the report is shelved with little action taken. The second is that it could lead to some pretty troubling legislation aimed at dealers.

If the latter scenario plays out, consider some of the more "interesting" recommendations, among 30 in total made in the report. Bear in mind that these are only recommendations:

- Require dealers to report to the Federal Government any cash transaction over \$10,000
- Require all newly registered dealers to post letters of credit payable to OMVIC, like a bond, for the duration of their licence and beyond
- Give OMVIC the power, like a court, to compel dealers to pay compensation to disgruntled consumers
- Require the Compensation Fund, that all dealers pay into, to pay compensation to consumers if they suffer a loss at the hands of a non-registered dealer (curbsider)
- A cooling-off period be implemented for the purchase or lease of a vehicle from a dealer

Needless to say, the authors of the report know a good deal about money and the resources required to operate an efficient organization, and a good deal less about the

motor vehicle industry and the consumers it serves.

As you might expect, there will be much talking, meeting and consulting in the months to come about all of this OMVIC, the government, and stakeholders will try to come to terms with the recommendations, but this sword cuts both ways.

We will, as always, strive to ensure that if change is coming, that it is positive not just for consumers, but also for our Members who contribute so much to the Ontario economy.

We think there are enough people of goodwill within the provincial government who know that motor vehicle dealers are not the real and present danger to consumer well-being that some seem to think they are. Those same people will benefit from knowing more about our industry before anyone tries to knock it down.

The UCDA has responded to the report and will be very much involved in any consultation with the government related to it.

Tracking Theft

Just in case you ever got the idea you are smarter than the bad guys, or at least hoped vehicle manufacturers might be, think again.

All it takes is a tracker you can buy from Apple to start the process!

As for the rest, here is what our friends with the York Regional Police tell us:

Since September 2021, officers have investigated at least five incidents where suspects have placed small tracking devices on high-end vehicles so they can later locate and steal them.

Brand name 'air tags' are placed in out-of-sight areas of the target vehicles when they are parked in public places like malls or parking lots. Thieves then track the targeted vehicles to the victim's residence, where they are stolen from the driveway.

Thieves typically use tools like screwdrivers to enter the vehicles through the driver or passenger door, while ensuring that they don't set off alarms.

Once inside, an electronic device, typically used by mechanics to reprogram the factory setting, is connected to the onboard diagnostics port below the dashboard and programs the vehicle to accept a key the thieves have brought with them. Once the new key is programmed, the vehicle will start and the thieves drive it away.

Over the past year, more than 2,000 vehicles have been

stolen across York region. The Auto/Cargo Theft Unit and uniform officers have remained active and aggressive in efforts to combat this issue including initiating several major projects which has led to more than 100 people arrested, significant charges laid and approximately 350 vehicles being recovered in the last year. Despite this success, thieves are constantly developing new methods to facilitate these thefts. The number of vehicle thefts continue to rise.

Vehicle owners, including dealers, are encouraged to consider the following safety tips to help prevent their vehicles from being stolen:

- If possible, park your vehicle in a locked garage. Most vehicles are stolen from a driveway or lot
- Use a steering wheel lock. It will also act as a visible deterrent
- Install a lock on the data port. This simple device can be purchased online and blocks access to the computer port where the thieves gain access to reprogram the vehicle's keys
- Consider purchasing a quality video surveillance system. Ensure cameras are properly placed and functioning for day and night time use. Familiarize yourself with the system so it can be reviewed and accessed easily
- Inspect your vehicle regularly and call police if you notice any suspicious potential tracking devices

Videos with tips and information can be found here: <https://tinyurl.com/2p8seeyh>

Buying Vehicles Privately

COVID-19 has affected virtually every aspect of our economy from the 'gig' to the showroom floor. Dealers have seen dramatically dwindling vehicle supplies; with the scarcity of computer chips affecting new vehicle supply, the tight used vehicle market shows signs of further tightening in the months ahead.

Of course, that means prices will increase, but the more immediate problem is the need to source inventory in the first place.

We are seeing more and more Members turning to the non-wholesale market to find decent used inventory. Many are buying vehicles from private sellers for the first time.

Common questions can arise:

1. When buying a car from a private (non-dealer) owner, do we have to pay tax to the seller?

The answer is no, unless the seller is an HST Registrant (like you, i.e. a business). Ordinary citizens do not collect tax and would have no one to remit the tax to even if they did!

2. What bill of sale do we use, wholesale or retail?

Use a wholesale bill of sale when buying privately. Also, make sure you have the selling individual complete a disclosure statement to cover the approximately 22 disclosures consumers are required to answer about their car.

Of course, the UCDA can supply forms as needed.

3. Can a dealer, buying a car from a private seller, recover the HST "trapped" in the price paid to the seller?

No, dealers have not been able to do that since 1996 when the NOTIONAL input tax credit was taken away. Why are we mentioning this? Because lately we have been hearing reports that some dealers are trying to claim the notional tax perhaps not realizing they can't.

Dealer Quiz

1. The Motor Vehicle Dealers Act defines a vehicle as any vehicle powered other than by:
 - a) electricity
 - b) solar
 - c) muscular
 - d) hydrogen
 - e) gas

2. Not all dealers pay into the Compensation Fund, which two classes of dealers are exempt:
 - a) general dealer
 - b) exporter
 - c) brokers
 - d) wholesaler
 - e) lease finance dealer

3. The Compensation Fund holds millions of dollars to compensate consumers, but if the Fund gets too low dealers have to pay into it again, how low is too low?
 - a) \$1,000,000
 - b) \$350,000
 - c) \$8,000,000
 - d) \$50,000,000
 - e) \$3,000,000

4. Each new applicant that is required to pay into the fund must pay \$500.

True or False?

5. Fiat Chrysler Automobiles participates in the CANADIAN MOTOR VEHICLE ARBITRATION PLAN.

True or False?

Happy New Year - Get Out Your Wallets

The new luxury car tax scheduled to come into effect January 1, 2022 has not yet been implemented. However, it is coming. The Federal Government and Provinces with an existing luxury tax (British Columbia and Quebec) are still negotiating how a new Federal tax would work in conjunction with those taxes.

IT WILL NOT APPLY TO USED VEHICLES.

The tax will apply to brand new luxury vehicles delivered or imported on or after January 1, 2022 or another date to be determined (the tax will not apply if the deal was signed prior to April 20, 2021, in any event).

Justin Trudeau and his team introduced this luxury tax on new vehicles valued at more than \$100,000, and boats worth over \$250,000.

The tax is calculated at the lesser of:

- 20 per cent of the value above threshold (\$100,000 for cars and personal aircraft; \$250,000 for boats) ; or
- 10 per cent of the full value of the luxury car, boat or personal aircraft.

The tax affects all new passenger vehicles including sports cars, coupes, sedans, station wagons, SUVs, passenger pick-up trucks, and passenger vans and minivans that seat less than 10 people and will be in addition to the H.S.T.

Motorcycles and certain off-road vehicles such as ATVs and snowmobiles, racing cars (used solely for on-track or off-road racing) and RVs are exempt from the luxury tax. Also exempt are off-road, construction and farm vehicles; certain commercial vehicles such as some trucks and cargo vans; and public sector vehicles such as buses, police cars, ambulances, and hearses.

My Accident Search

So you've pulled a Carfax™, or an Auto Check™, through the UCDA and it shows a claim. But, there is no dollar amount. Do you:

1. Ignore it?
2. Investigate it?
3. Declare only what you know based on the report?

Don't ignore it! Just because a claim does not reflect a dollar amount does not mean it might not have been a serious accident.

At first blush, it might seem tempting to say #3 gets you off the hook. You certainly can't be accused of lying or

misleading the buyer when you put your cards on the table and show them what your search returned for you.

The better answer is #2. Remember, accident search products are only as good as the data that is put into them, in this case, by insurance companies, police forces, collision reporting centers and body shops. Just because a search comes back "clean" or with a claim showing no dollar amount, does not mean the vehicle may not have a story to tell.

It may not be enough for a dealer to say: "I declared what was on the report", if it turns out a vehicle you sell a consumer has a serious accident history in its past.

The courts will say you are expected, as the "expert" seller that you are, to be in a better place to know or discover the truth, than the innocent consumer buying the vehicle. This is the value-added reason consumers buy from dealers after all.

So investigate. Often, the person who has the information is standing right in front of you, if the claim in question occurred while they owned it, or if they were told about it when they bought it. And don't be afraid to put the vehicle up on a hoist and have an expert tech give it a once over. Use a paint tester to help find what may have been done to the vehicle once you've thoroughly investigated what you've discovered.

You may find nothing, in which case the declaration is all you can do, but at least you can show the due diligence was done and no one can accuse you of doing less than you could have.

Answers

1. **The answer is c).** Muscular
2. **The answers are b) and d).** Exporters and Wholesale dealers are not required to pay into the Compensation Fund, because they do not do business with Ontario retail consumers.
3. **The answer is e).** If the Fund drops below \$3 million, the Board of Trustees of the Fund may declare a shortfall and issue a levy against dealers to top up the Fund to a pre-determined amount, for which each registered dealer would be responsible to pay its own proportion within 60 days of receiving notice to do so.
4. **The answer is False.** the amount is \$300.
5. **The answer is False.** FCA opted out of CAMVAP effective December 31, 2020.