

**MINISTRY OF ATTORNEY GENERAL
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PURPOSE: For INFORMATION for David Eby, QC
Attorney General

ISSUE: Wholesale Operations

SUMMARY:

- LDB Wholesale Operations presented at the Alliance of Beverage Licensees (ABLE) liquor industry conference on October 23.
- As part of the presentation, staff went over some of the technical challenges that were experienced with the recent upgrade of its enterprise resource planning (ERP) system (see cliff #438549), which have mostly been resolved. They also encouraged customers to order products early over the busy Christmas months.
- One of the presentation slides encouraged customers not to wait until December 10 to order spec products (those products that aren't regularly stocked in the LDB's distribution centre, but are stocked in agent warehouses so sometimes take a little longer).
- Shortly following the conference, rumours began on social media that LDB would not be shipping spec products after December 10. (It is difficult to determine where the rumours began, as some of the social media pages are private).
- These rumours were unfounded. LDB Wholesale Operations posted a notice on its website to correct the misinformation.
<https://wholesale.bcldb.com/news/misinformation-about-holiday-shipping>
- LDB Wholesale Operations also contacted the various stakeholder associations to correct the rumour, who offered to help by circulating the post with their members and on social media.
- One of the LDB's large supplier groups has since contacted the LDB and apologized for the behaviour of one of their employees who perpetuated the rumour, recognizing that it spread quite rapidly.
- Additionally, a number of other attendees at the ABLE conference have reached out to LDB Wholesale Operations staff to inform them they did not perceive the message to be that spec products would not be delivered over the holiday period.
- Though the matter had been resolved, a reporter with the Vancouver Courier had been contacted by an industry member. She published a story about the situation, the ERP upgrade and a number of industry complaints (outlined below).

BACKGROUND:

The key issues raised in the article include:

Availability and order speed for spec products:

- The LDB's average time to deliver stocked products for an order is 2-7 days, depending on our customer's pre-set delivery date and the day the customer ordered the product. Customers can place orders any time and day of the week, but they will only be released to the DC for picking product to coincide with that customer's set delivery date/time.
- For non-stocked products (spec), since these are coming from agent warehouses, the average delivery time is typically 7-14 days. If non-stocked products are not available or out-of-stock at an agent warehouse, it will take longer to get the product delivered, and the LDB communicates this to its customers.
- It is important to note that part of the role of agents is to manage and forecast their expected sales demands; if an agent has done poor forecasting or is experiencing their own product shortages, then they may not have ordered enough product into the province and therefore it will not be available to the wholesale customer.
- While LDB has experienced recent issues with longer delivery times on spec products due to the system upgrade, the vast majority of delays in spec product are due to out-of-stock products at agent warehouses.
- Prior to the upgrade, which now shows real-time inventory visibility at agent and LDB warehouses, customers assumed the LDB was out of stock. However, with real-time inventory visibility this can now show when the agents are out-of-stock.
- s.21

- Many smaller hospitality customers do not have the cash flow to hold more inventory than what they absolutely need, and as such, they only order these products when they are close to running out or have already run out.

LDB as the only distribution channel for import wine:

- Agents representing import wines, as well as some retailers, often argue for an agreement whereby agents/distributors can directly deliver their products to wholesale customers.
- This is a major change that would dismantle the LDB's current distribution model, since the LDB is the sole importer and distributor for all imported wine, spirits and refreshment beverages.
- Third-party warehouses, as agents of the LDB, may only direct deliver imported beer, kegged beer, and kegged cider to BC customers. However, it is important to note the product is essentially still owned by the LDB.
- Agents are responsible for importing the product into the province. This model is intended to limit liability to the Province.

- The LDB authorizes the product to come into the province (eventually taking title to that product and initiating the ability to track it).
- Although the product could be technically stored at the LDB warehouse right away, it is often stored at agent warehouses (as a first touch point) until there is demand for that product. It then moves from the agent warehouses to the LDB's distribution centre (as a second touch point), then on to the wholesale customer.
- Once the product is moved from agent warehouses, it must go through the LDB warehouse. The LDB delivers all imported spirits, wines, and refreshment beverages – there is no mechanism in place that would allow third-party warehouses to directly deliver imported wine/spirits.

- s.13

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System upgrade issues:

- The LDB upgraded its ERP system in late September. The upgrade streamlined business systems and processes, and included changes such as allowing wholesale customers to have real-time inventory visibility – something industry had been asking for to support their ordering – and improvements to the online store (WebStore) for wholesale customers. This enhancement provides better transparency to customers about product availability.
- As with many large-scale technical updates, the LDB encountered a few unexpected scenarios.
- Initially, there was a technical delay in the ability to process orders. In addition, some payments to vendors were slightly delayed and were processed through estimated advances. These issues have now been resolved.
- The LDB is working hard to catch up on a small number of customer specific issues pertaining to the web store, ordering, reporting and returns but, for the most part, it is back to business as normal.

Other businesses (like barber shops) adding to capacity pressures:

- Barber shops and other businesses (like art galleries, spas, etc.) that can now get licensed to sell liquor under the Liquor Control and Licensing Branch (LCLB)'s policy change in October 2016 are treated as hospitality customers; this means that they are purchasing products through a BC Liquor Store.
- To date, there have been approximately five of these "non-traditional" licences issued. LDB has not noticed any impacts to its distribution system as a result of this change.

- The LDB's current Vancouver Distribution Centre is facing capacity pressures due to its limited size, but relocation to its new site in Delta in 2018 – paired with a new Warehouse Management System (WMS) – will increase capacity and improve service levels.

OTHER MINISTRIES IMPACTED/CONSULTED:

- N/A

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Appendix:

Glass half empty for Vancouver restaurants and stores importing wine

Vancouver Courier

Tuesday, October 31, 2017

By Martha Perkins

Wine woes blamed on LDB's new computer system, distribution practices

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**MINISTRY OF ATTORNEY GENERAL
LIQUOR DISTRIBUTION BRANCH
BRIEFING NOTE**

PURPOSE: For INFORMATION for David Eby, QC
Attorney General

ISSUE: Anti-money laundering practices in the liquor industry

SUMMARY:

- In November 2016, the LDB finalized written policies to formalize the reporting of large cash transactions and suspicious transactions in BC Liquor Stores and provide for proactive reporting to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), if deemed appropriate.
- BC Liquor Stores, like most other retailers, are not considered "Reporting Entities" under the Acts that operate under FINTRAC.

BACKGROUND:

BC Liquor Stores:

- The **Large Cash Transactions** policy outlines that, for transactions where all or part of the tender is cash in excess of \$10,000:
 - Cash that is part of a Large Cash Transaction must be counted twice: first, in front of the customer and then, immediately upon completion of the sale s.15
 - s.15
 - s.15
 - Before the end of their shift, employees must create a Security Incident Report (SIR) for each Large Cash Transaction that they processed during that shift.
 - If a customer asks for their purchases to be divided into multiple transactions but the total cash received for the transactions exceeds \$10,000 Canadian (or equivalent), the group of transactions is collectively a Large Cash Transaction and this policy still applies.
 - All Large Cash Transactions will be reviewed by the Corporate Loss Prevention department and may be investigated further, depending on the circumstances.
- The Suspicious Transactions Policy outlines that, when there are reasonable grounds to suspect a transaction is related to a criminal offence:
 - Customers will be asked to provide government-issued identification for all Suspicious Transactions that involve a credit or debit card, to verify the identity of the cardholder.

- Whenever an employee feels there has been a Suspicious Transaction, they must advise the Manager on Duty (MOD) and request their presence at the register before processing the transaction.
- The MOD must review the circumstances of the transaction, including the reasons why the employee feels the transaction is suspicious, and if the MOD agrees that it is a Suspicious Transaction, they are authorized to refuse the sale at their sole discretion.
- Before the end of their shift, employees must create a Security Incident Report (SIR) for each Suspicious Transaction that they processed during that shift, whether or not the MOD refuses the sale.
- Once submitted, all SIRs are reviewed by Corporate Loss Prevention.
- If Corporate Loss Prevention considers it may be necessary to report a transaction to FINTRAC, they will escalate the issue to the LDB's Executive Management Committee for decision.
- The LDB's Corporate Loss Prevention department maintains good relationships within the law enforcement community and works closely with them to support investigations, where appropriate.

Training:

- All BC Liquor Store employees undergo training to learn how to identify potentially suspicious or criminal activity. For instance, all employees are required to review a new employee orientation manual that teaches them how to detect counterfeit bank notes by checking features such as the feel of the polymer notes, the bleed or fade of the colour or numbers and checking for holograms, watermarks and other security features.
- The manual also outlines the steps to take if an employee believes that a customer has attempted to use counterfeit currency, which include obtaining supervisor verification of a note if needed and, if the customer leaves without the note, notifying police of the suspected counterfeit and giving the note to police when they attend.
- There are also policies surrounding the return process, to help prevent fraud. For example, all refunds over \$2,500 must be approved and issued directly by Head Office. Store Managers are encouraged to routinely review refunds for any irregularities.

Nature of Transactions

- During fiscal 2016, there were 24 cash transactions over \$10,000 at BCLs. To put this number in context, over this same time period there were over 40 million counter customers served at BCLs.
- The 24 cash transactions totalled \$783,782, with 15 transactions taking place at the ^{s.15} location and 7 transactions at the ^{s.15} location.
- At least 5 of the 24 cash transactions took place on the same days as the annual Bordeaux and Premium Spirit releases. These exclusive product releases are

held once a year and cater to connoisseurs and collectors, during which BCLS often see customers making large/expensive purchases.

- According to BCLS staff, large cash transactions are typically made by regular customers who are known by staff and, in many instances, are customers with whom the staff have cultivated strong relationships. These customers also tend to be collectors who purchase specific products.
- Over time, BCLSs have seen a decrease of cash-only transactions as more customers choose to use credit and debit cards.

Private Retailers:

- The Liquor Control and Licensing Branch inspects the register for Licensee Retail Stores (LRS) as part of liquor inspectors' routine inspection function.
- The key function of this inspection is to confirm that all of the product was purchased legally from the LDB or authorized sources.
- There is currently no process for audits of large sales transactions in LRSs as the key aim is to ensure legal purchase.
- However, occasionally liquor inspectors may audit or request sales receipts if they have reason to believe that an LRS may have sold liquor to Special Event Permittee.
- LCLB has engaged with ABLE to confirm requirements for liquor registers to provide certainty to licensees respecting LCLB expectations of format and content.

NEXT STEPS:

- In advance of the upcoming BC Liquor Stores Spirit Release on November 4, a reminder about the policies will be distributed to all BCLS employees.

OTHER MINISTRIES IMPACTED/CONSULTED:

- N/A

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**MINISTRY OF ATTORNEY GENERAL
GAMING POLICY & ENFORCEMENT BRANCH
BRIEFING NOTE**

PURPOSE: For INFORMATION for David Eby, QC
Attorney General

ISSUE:

The Ktunaxa indigenous community, which is the operator of the St Eugene Mission Resort (SEM) and the Casino of the Rockies, s.16,s.21
s.16,s.21

Sophie Pierre, OOC, OBC, Hereditary Chief of Ktunaxa generally speaks for the nation in these matters, and is set for a meeting with the Attorney General and Minister of Finance on 9NOV2017. s.16,s.21
s.16,s.21

SUMMARY:

s.16,s.17,s.21

In the intervening period since agreement was reached with Ktunaxa in respect of Host Financial Assistance (HFAA) and Destination Assistance Compensation (DAC) agreements, BCLC is planning to introduce a new Operational Services Agreement (OSA). s.16,s.17,s.21

s.16,s.17,s.21

s.16,s.21

HFAA assistance is required to support works in the public interest, is funded through the Gaming Policy and Enforcement Branch Vote and is a completely separate matter from the OSA issue.

Ktunaxa originally had two business partners in the SEM enterprise, the Rama in Ontario, and the Samson Cree in Alberta. Ktunaxa recently s.16,s.17,s.21
s.16,s.17,s.21

On a separate track, BCLC has engaged with all casino operators in furtherance of implementing new OSAs. The new OSA structure changes some operating commission rates, imposes a unified capital development commission, and improves BCLC's ability to ensure ongoing investment in gambling facilities. s.16,s.17,s.21
s.16,s.17,s.21

s.16,s.17,s.21

Generally, host local governments receive a payment equal to 10% of net win. In two cases capital development assistance is also provided, bringing the effective total of net win to 33%. s.16,s.17,s.21
s.16,s.17,s.21

s.16,s.17,s.21

BACKGROUND:

Ktunaxa

- The Ktunaxa Nation (Ktunaxa) is the host local government, and beneficial owner of Casino of the Rockies in Cranbrook. Ktunaxa speaks for five indigenous groups: Aqam, Akisqnuq, Yaqan Nukiy, Tobacco Plains, and Shuswap Indian Band.

s.16,s.17,s.21

- In June 2016 Ktunaxa engaged with the Gaming Policy and Enforcement Branch (GPEB) on a number of s.16,s.17,s.21
s.16,s.17,s.21
- Of the three issues, all are substantially complete;
s.16,s.21
- Ktunaxa have engaged with BCLC in respect of operations of the casino. BCLC is providing assistance to Ktunaxa in terms of advisory services on floor redesign, out of cycle refresh of some gaming equipment (primarily slot machines), and increased marketing services;
- Casino of the Rockies is one of a small number of gambling facilities in the province where the relevant First Nation is the host local government, in this case Ktunaxa is also the beneficial owner of the casino and resort;

- The resort itself is a former residential school, which Ktunaxa have developed into a casino and resort, and which is held out in the local community and throughout the province as a place for sharing in the traditions of the local First Nations (the Shuswap Indian Band share physical proximity);

DAC

- s.16,s.21
s.16,s.21 The usual practice was for HLG payments to accrue at a rate of 10% of net gaming income, and DAC at a rate of 23.34%, yielding a total take from net gaming income of 33.34%. s.16,s.21
s.16,s.21
- DAC were developed and signed in approximately 1999, generally for 10 years with a 10 year extension. Only 4 jurisdictions entered into DAC agreements, of these only two agreements are currently operative, Casino of the Rockies and Starlight Casino in the City of New Westminster

OTHER MINISTRIES IMPACTED/CONSULTED:

- GPEB is engaged with the Ministry of Indigenous Relations and Reconciliation (MIRR) in this matter. s.16,s.21
s.16,s.21

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Attachment(s)
n/a

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
POLICING AND SECURITY BRANCH
BRIEFING NOTE**

PURPOSE: For INFORMATION for the Honourable Mike Farnworth, Minister of Public Safety and Solicitor General; and the Honourable David Eby, Attorney General

ISSUE: Police enforcement related to out of province insured vehicles.

SUMMARY:

- Under s. 21(1)(d) of the *Motor Vehicle Act (MVA)*, a vehicle or trailer owner with out of province insurance who is a resident of BC is required to register and licence their vehicle in BC within 30 days of becoming a BC resident.
- Under the *MVA*, Police may issue a violation ticket (VT) to vehicle or trailer owners who are residents of BC and have not registered and licenced their vehicle in BC within 30 days.

BACKGROUND:

- A visitor in BC is exempt from the requirement of registering and licencing their vehicle in BC for a period of six months under s. 21(1)(e) of the *MVA*.
- Some individuals who reside in BC for a period of over six months are exempt from the requirements set in s. 21(1) of the *MVA*, for example, members of the armed forces and students.
- Section 21(7) of the *MVA* stipulates that a person who is in contravention of s. 21(1) commits an offence. This offence can be enforced by police issuing a violation ticket for failure to register an out of province vehicle and carries a fine of \$109.
- It is not a common practice for police to stop a vehicle with out of province plates solely to check for compliance with the requirement set in s. 21(1) of the *MVA* as traffic enforcement efforts in BC are largely targeted towards road safety priorities, including impaired driving, distracted driving, speeding and intersection offences.
- The offence of failure to register out of province vehicle is generally investigated through interaction with the driver who may be pulled over by a police officer for another offence or traffic violation, or through the investigation of a motor vehicle collision. For example, an officer may stop a vehicle with an out of province plate for speeding and through their interaction with the driver and further investigation roadside, may determine that the driver/owner is non-compliant with s. 21(1) of the *MVA* and issue a violation ticket.

s.13

- With regard to driver's licences, s. 25 of the *MVA* requires that a new resident to BC must apply for a BC driver's licence within 90 days of becoming a BC resident.
- Section 25(5) of the *MVA* creates an offence of possessing more than one valid driver's licence and carries a fine of \$109. Common law authority allows a peace officer to seize both licenses as 'best evidence' for prosecution; or all but the most recently issued driver's licence to prevent the continuation of the offence, depending on the circumstances of a particular investigation.
- Some individuals who reside in BC for a period of over 90 days are exempt from the requirements set in s. 25 of the *MVA*, for example, full time students or a person who has entered into an agreement to work in BC for a period of less than 12 months.
- Similar to s. 21(7) of the *MVA*, offences under s. 25(5) of the *MVA* are generally investigated through interaction with the driver who may be pulled over by a police officer for another offence or traffic violation; or through the investigation of a motor vehicle collision.

OTHER MINISTRIES IMPACTED/CONSULTED:

- Insurance Corporation of British Columbia

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BRIEFING NOTE

CLIFF # 430101

I. Prepared for: **Hon. David Eby**, Attorney General and Minister
Responsible for the Insurance Corporation of British
Columbia, **FOR INFORMATION**

II. Subject: Reasonable Accommodation for Religious Head Coverings
in British Columbia Driver's Licence Photos

III. Background:

- Sections 25(3)(d) and (e) of the *Motor Vehicle Act* require an applicant for a British Columbia Driver's Licence (BCDL) to submit to having his or her picture taken, and to identify himself or herself to ICBC's satisfaction. Applicants for British Columbia Identification Cards (BCID) and British Columbia Services Cards (BCSC) must also meet these requirements.
- One of the tools that ICBC uses to confirm identity is facial recognition technology (FRT), which uses biometrics to aid in reducing identity fraud and theft, and enhance security for cards issued. FRT is an internationally-recognized best practice for the issuance of driver's licences and identity cards.
- Head coverings or eyewear are generally not permitted in BCDL photos, as they can interfere with FRT, either by directly obscuring the face, or by casting shadows that interfere with FRT.
- ICBC began using FRT in October 2008 and the program is administered by ICBC's Driver Licensing Integrity & Oversight unit (DLIO). See Appendix 1 for DLIO organizational chart.
- DLIO's primary function is to investigate the card issuance process by identifying non-compliance and/or discrepancies in driver licensing transactions (through tools like FRT) and then make recommendations for their resolution. See Appendix 2 for DLIO's areas of governance and oversight responsibilities.

IV. Discussion:

- Consistent with its authority under s.25(3), ICBC has devised policy to deny head coverings and eyewear in BCDL, BCID and BCSC photos. This is for FRT reasons and also to safeguard the reputation and integrity of ICBC and cards issued if customers were photographed with colanders, ball caps, toques, etc.
- In a 2014 survey on religious head covering practices administered by the American Association of Motor Vehicle Administrators (AAMVA) on behalf of ICBC, all six Canadian respondents confirmed that as a rule, they do not allow applicants to wear a head covering for their photo unless it is for religious or medical reasons. See Appendix 3 for a summary of the AAMVA survey results.
- Notwithstanding, ICBC affirms its customers' right to reasonable accommodation regarding their religious expression or if a head covering is needed as a result of medical treatment.
- Human rights precedent has established that customers may wear head coverings that do not interfere with FRT, provided they are worn in conjunction with religious practice.

- In cases of unfamiliar or non-traditional head coverings, ICBC staff are permitted through human rights precedent to confirm religious practice. The process for Driver Licensing Office (DLO) staff is documented in ICBC's Licensing Operations Manual (see Appendix 4).
- The customer's photo is taken and a card production hold is added to their record, stopping the card from being produced and sent to the customer until the hold is removed. The customer is also asked the following questions:
 1. What is your religion or religious belief?
 2. What is the religious significance of your head covering?
 3. What religious obstacle or consequence will flow from a requirement that you be photographed without your religious head covering?
- These questions assist ICBC in understanding the religious significance of the head covering. These responses are forwarded to DLIO, along with the driver's licence application. DLIO staff will review the customer's religious practices, guided by the unit's written investigation procedures (see Appendix 5). If DLIO staff recognize the religious head covering, the hold is removed and the card is sent into production and then to the applicant.
- Nearly all that are referred to DLIO are quickly approved. Typically, those denied are where there is no clear religious association to the head covering. Many of these are sports fans claiming a religious following to their team or similar.
- For religious head coverings that are not recognized, DLIO staff conduct research to determine the validity of the customer's responses. The file is then reviewed at a weekly panel review for discussion to achieve consensus on a resolution and next steps. This panel is composed of all DLIO staff and is co-chaired by the Manager, DLIO and the Manager, Facial Recognition. This validation process is consistent with four other North American driver licensing authorities, as identified in the AAMVA survey.
- Decisions in these cases are jointly rendered by the Manager, Facial Recognition and the Director, Driver Licensing Customer Service.
- The volume of religious head coverings that are sent to DLIO for review is relatively low. Of the 1.6 million cards ICBC issued in 2016, DLIO reviewed 71 customer requests to wear a religious head covering in their photo.

V. Recommendations:

- ICBC recognizes that its approach to assessing the validity of religious headgear may be seen as subjective and may be open to criticism.
- ICBC is currently exploring the development a more robust religious and medical head covering accommodation process that better removes potential subjectivity from the process and balances program effectiveness with customer fairness.

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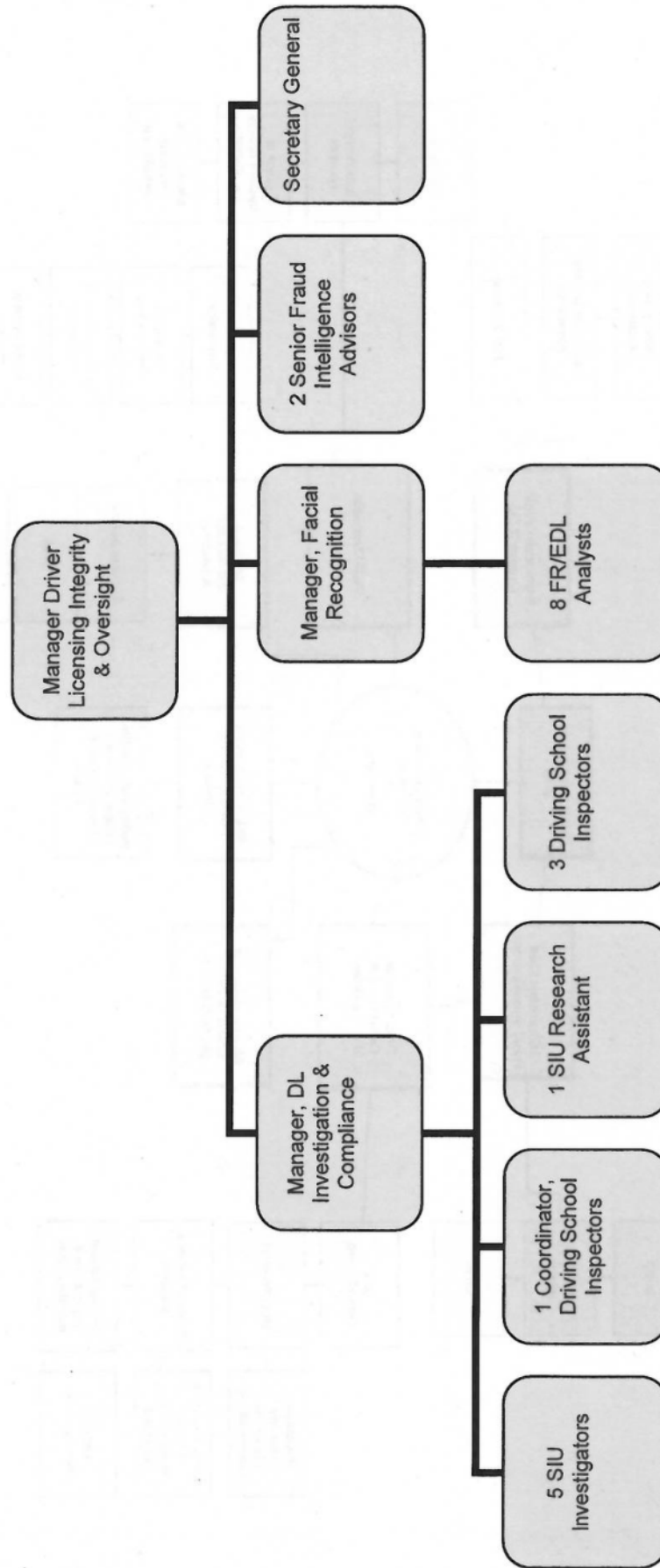
Date: November 16, 2017



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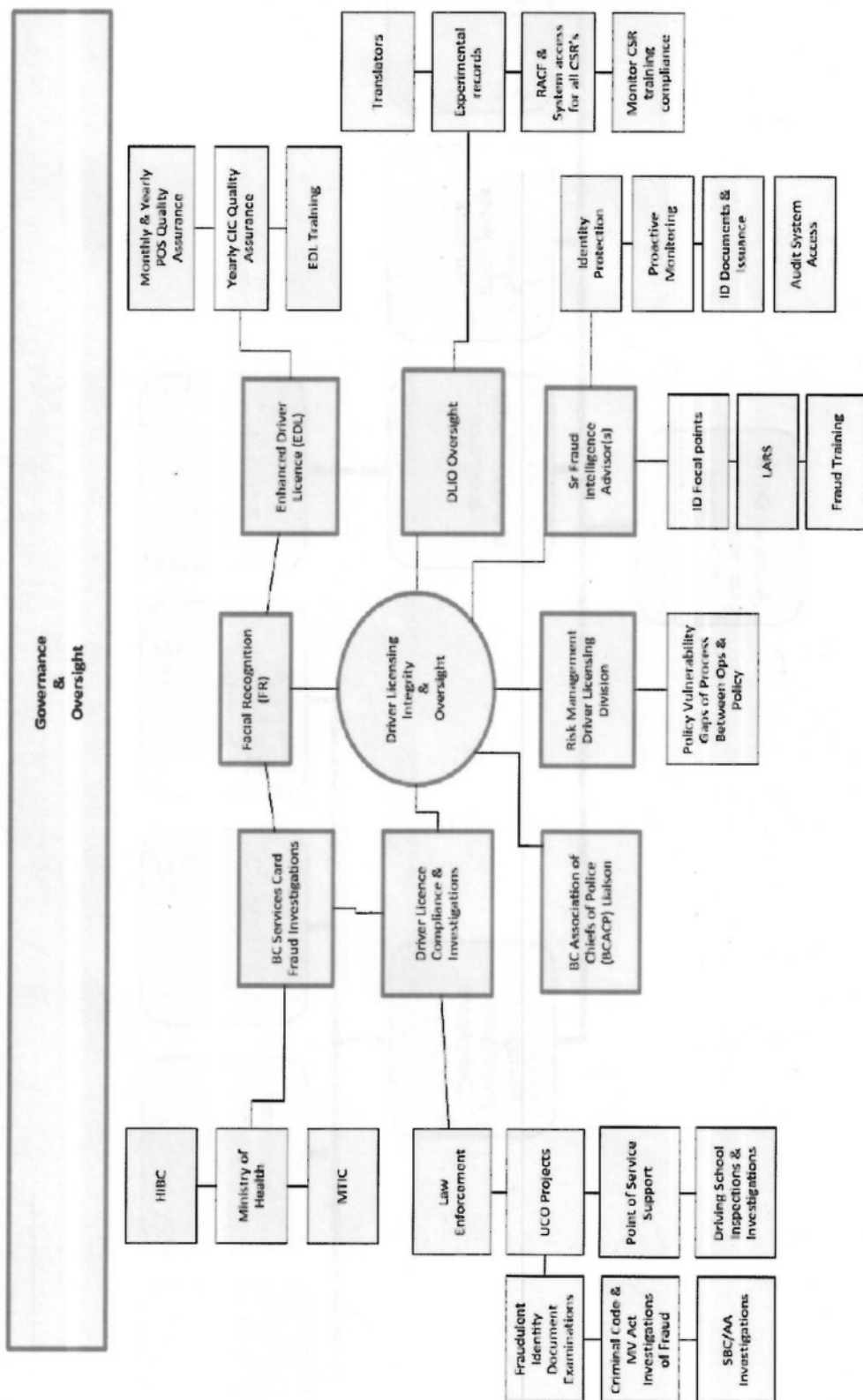
CLIFF # 430101

Appendix 1: Driver Licensing Integrity & Oversight Unit (DLIO) Organizational Chart¹



¹ DLIO staff are jointly funded and carry out functions related to both ICBC and Government programs (e.g., BC Services Card and Enhanced Driver's Licences).

Appendix 2: Driver Licensing Integrity & Oversight Unit Responsibilities





Appendix 3: American Association of Motor Vehicle Administrators (AAMVA) Survey on Pastafarian Religious Head Coverings (2014)

- 1. When taking a photo for a driver's licence, do you usually allow the applicant to keep a hat or other head covering on?**
 - 29 responses; 5 from other Canadian jurisdictions
 - No Canadian jurisdiction allows applicants to wear a head covering for their photo unless it is for religious reasons or some other very limited circumstances, e.g. a medical condition.
- 2. When taking a photo for a driver's licence, do you usually allow a person to keep a hat or other head covering on for religious reasons? If no, you have completed the survey and can arrow down to click on the submit button. If yes, please go to question 3.**
 - Only 14% "usually" allow head coverings to be worn in the applicant's photo
 - 93% do allow for religious reasons
 - 76% employ Facial recognition technology
- 3. Have you encountered customers who self-identified as adherents of Pastafarianism?**
 - No Canadian jurisdictions (6 including BC) have encountered customers who self-identified as adherents of Pastafarianism.
- 4. When taking a photo for a driver's licence, do you allow customers self-identifying as Pastafarian to be photographed wearing a colander on their head?**
 - 45% (12) have encountered customers who self-identify as Pastafarians
 - Of the 12, 2 would allow customer to wear a colander in their photo
 - Of the other respondents, another 3 would allow customer to wear a colander
 - Of these 5 jurisdictions, 4 have FR technology
- 5. How do you verify that the religious beliefs raised are genuine? Any different for Pastafarian or other less commonly recognized religions (e.g., Jediism)?**
 - 9 took customers word for it; some of these added that the head covering could not cover the face
 - 2 required some kind of proof, e.g. letter from religious leader
 - 1 stated that the religion MUST require the head covering to be worn at ALL times
 - 4 only recognized well documented acknowledged religions
 - 5 (including BC) conducted research and/or took it case by case
 - 3 relied on an external authority or source
 - Most of the respondents have a policy, administrative rule, statute or regulation supporting the verification process/practice.
 - Most of the respondents have a policy or some legal authority to allow the applicant to wear a head covering for other reasons, like medical.
 - 7 did not allow head covering for reasons other than religious
 - Some jurisdictions simply require that the face is not covered to allow for identification.

Appendix 4: ICBC Licensing Operations Manual

GL Part H – Capturing customer information

H1 Policy on digital photo images

Digital photo images taken at DLOs are key in helping us establish the identity of our customers. In addition to ICBC, public agencies such as law enforcement and airports, thousands of private businesses rely on the security features and integrity of the information that appears on our photo cards. Our photo cards have become the means by which our customers establish their identity.

ICBC's policy when capturing images is to balance complying with regulatory provisions and respecting individual rights. ICBC remains committed to providing a positive customer experience at all times.

All applicants must submit to having his or her picture taken as indicated under section 25(3) of the *Motor Vehicle Act*.

On October 23, 2008, Facial recognition was introduced that uses biometric technology to aid in reducing identity fraud and theft and enhance security for our photo cards. Before any photo card is issued, it will be compared against a database for any possible duplicates. Further precedent has been established in Canada that applicants may not wear articles of clothing or eye wear that interferes with Facial Recognition Technology (FRT).

Individual rights: ICBC affirms our customer's right to accommodation regarding their religious expression. Regardless of the above authority, Human Rights precedent has defined that applicants may wear head covering that does not interfere with FRT as long as it is worn in conjunction with religious practice, or is needed as a result of medical treatment. This precedent does not extend to protect the right to wear eyeglasses or to sustain facial expressions that might compromise FRT.

H3 Eyeglasses & religious head covering when taking photos

Eyeglasses

It is ICBC'S standard practice to take photographs without eyeglasses. Eyeglasses can interfere with FRT. To stay compliant with standards, ICBC asks every customer with eyeglasses to remove them (including prescription eyeglasses) when their photograph is being taken.

DLO staff may make exceptions to wearing eyeglasses for medical reasons, such as visual impairment or if the customer insists on wearing their eyeglasses for their photo (even if no medical reason). Ensure customers understand that the picture must be acceptable when it runs through our facial recognition process and that taking a photo with eyeglasses has a chance of not being accepted. If the photo is unacceptable they will not receive their card and they will be inconvenienced by a return trip to a DLO. If they acknowledge this risk, proceed and take their photo with eyeglasses. **Be aware that this might cause glare from the glasses. The eyes must be visible and facing forward.**

Submit a DLIO Investigation Referral Form under the **Image Capture Exception** selection & choose the option where the **customer insists on wearing eye glasses for the photo**.

Add an OPEN (hold) SharCC comment to all records to note that they were advised. DLIO will update the SharCC comment and remove holds once the review is completed.

Head covering

A customer may wear religious head coverings for their photo if the head coverings are worn regularly in public as part of their religious beliefs. (**Important:** see yellow box below). When taking a photo of someone wearing a head covering, ensure full facial features are visible for our FRT to accept the photo. If a woman is wearing a veil it should be removed to show her full facial features. It is preferable that female staff take the picture in this case.

You may also take a picture of a customer wearing a hat or head cover where they have little hair due to a medical treatment. Submit a DLIO Investigation Referral Form so that DLIO knows that the reason for the head covering was due to medical treatment. If hair loss/medication reason is not obvious, please note the medical reason the customer has given on the webform. (**Oct 2016**)

Unfamiliar or non-traditional religious head covering

You must accept a customer's assertion that their head covering is for religious purposes. If you are unfamiliar with the head covering please proceed with the following process so that we may gather more information that adds to our knowledge of religious practices. You may wish to ask a supervisor or manager first if they are familiar with a customer's religious head covering.

Inform the customer that you are unfamiliar with their head covering and that you need to ask them a few questions. The responses to the questions will be sent to our head office for review in order for the customer to receive their photo card in a timely manner.

Submit a DLIO Investigation Referral Form. When selecting "**Head Covering**" in the Request type you will be prompted to record the customer's answers to the following questions before heading to the image capture workstation to take the photograph. These are mandatory questions that **MUST** be asked and the customer's answers **MUST** be recorded.

1.	What is your religion or religious belief?
2.	What is the religious significance of your head covering?
3.	What religious obstacle or consequence will flow from a requirement that you be photographed without your religious head covering?

Add any further details you think are required.

Obtain the customer's photo and signature. Advise them that since we are unfamiliar with their head covering, our Licensing Integrity department will need to review their photo and answers to the above questions before they will allow the card to be released.

Ensure customers understand that the picture must be acceptable when it runs through our facial recognition process. If the photo is unacceptable they will not receive their card. If they acknowledge this, proceed and take their photo with their head covering.

Add an OPEN (hold) SharCC comment to the record for each applicable card type. DLIO will update the SharCC comment and remove holds once the review is completed.

Appendix 5: Driver Licensing Integrity & Oversight Unit Religious Head Covering Investigation Procedures

Head Covering – Updated Mar 2015

If the analyst comes across an unrecognizable religious or non-religious head covering in FR:

Basic steps:

Check the Fraud Prevention Web Form folder in the Outlook Public Folders to determine if there was a webform sent in from the CSR indicating what the head covering was for.

Likely reasons are:

Medical reasons or religious purposes. If the head covering is unrecognizable as something worn for religious purposes the client must be asked 3 questions to clarify the purpose of the head covering:

1. What is your religion or religious belief?
2. What is the religious significance of your head covering?
3. What religious obstacle or consequence will flow from a requirement that you be photographed without your religious head covering?

If there is a Webform stating medical reasons:

Add ODLIO to the record in XS and release the photo.

If there is not a Webform:

- **Review the image:**
 - If the head covering is recognizable as a traditional religious head covering and the image history in IRW confirms client usually wears the head covering: Release the photo.
 - If you cannot recognize the head covering as a traditional religious head covering: Place under investigation. Create an ITS file and use the verbiage: Head covering currently under review. Client has been sent letter. Do not release photo.

Send a letter to the client located Driver Services\Prov Driver Licensing\DLIRM\Correspondence\Approved Templates\Head Covering

When client responds and answers the questions: Review the answers provided to determine if the photo can be released.

- Google (or other search engine) the religion stated on the customer's response and check the images to determine if what the person is wearing is considered a part of the religion.
- If the head covering is still questionable, email findings to Krista Davis and Lee Olley who will review the image and information then notify you if the card can be released or not. Follow the steps in the Head Covering Web form section.

If client is reluctant to respond or doesn't answer the questions as asked: Bring to Roundtable to discuss.

**MINISTRY OF ATTORNEY GENERAL
LIQUOR CONTROL AND LICENSING BRANCH
BRIEFING NOTE**

PURPOSE: For INFORMATION for the Honourable David Eby

ISSUE:

Advertising restrictions for liquor delivery services and their enforcement

SUMMARY:

- s.13
- Non-industry advertisers like food and liquor delivery services may only advertise that they deliver beer, wine and spirits (liquor) without reference to liquor manufacturers, their brands or prices.
- s.13

BACKGROUND:

- Liquor delivery services do not require a liquor licence to deliver liquor.
 - The Liquor Control and Licensing Branch has jurisdiction to take enforcement action only against licensees contravening the Liquor Control and Licensing Act, Regulation or terms and conditions of their licence.
 - It is up to police and the Crown to decide whether enforcement action is taken against non-licensees for contravening the liquor Act, regulation, or policy.
 - Delivery services, defined as "businesses primarily engaged in the transportation of people or goods", are permitted to purchase liquor on behalf of a customer and deliver the liquor to the customer. Deliveries must be made on the same day the order is placed.
 - Section 170 of the regulation permits delivery services to advertise their ability to deliver beer, wine and spirits but prohibits the advertising of manufacturers, products and prices.
 - Restricting advance orders and the advertising of brands and prices prevents delivery services from operating like an online store rather than a delivery service.
 - The new Liquor Control and Licensing Act (2015) provides authority to regulate liquor delivery services. s.13
- s.13

- s.13

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s.13

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OTHER MINISTRIES IMPACTED/CONSULTED:

- N/A

Prepared by:

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250-952-4313

Approved by:

Michelle Carr
Assistant Deputy Minister
and General Manager
Liquor Control and Licensing Branch
250-952-5777

Attachment(s)

Appendix A

Appendix A:

Liquor Delivery Services Policy

4.0 Introduction

The *Liquor Control and Licensing Act* and Regulation permits a delivery service to purchase liquor on behalf of a customer and deliver the liquor to the customer. This policy explains what types of businesses are allowed to offer liquor delivery service and the rules related to delivery.

This policy does not apply to liquor delivery by a licensee retail store, wine store or manufacturer on-site store. Specific delivery policies for these stores are found in the Terms and Conditions Handbooks for licensee retail stores, wine stores and manufacturers.

4.1 Liquor Delivery Services

Policy Rationale

Liquor delivery services are allowed by the Act but are not licensed. This policy explains what types of businesses are included in the concept of liquor delivery services and the rules related to lawful delivery including record keeping requirements and preventing delivery to minors or intoxicated persons.

4.1.1 Types of business allowed to operate a liquor delivery service

A delivery service is defined in the Regulation as a business primarily engaged in the transportation of people or goods. The business may include liquor as one of the items it will transport. In addition, flower shops and gift-basket or hamper businesses may offer their customers the option to add liquor to their products for delivery in accordance with this policy.

No special licence or authorization is required from the Liquor Control and Licensing Branch to operate a delivery service; however, there are regulations and policies controlling the delivery of liquor that must be followed. In addition, delivery services should ensure they meet all local or First Nation government requirements that may be in effect where the business operates.

4.1.2 Delivery Service Requirements

The *Liquor Control and Licensing Act* and Regulation impose the following requirements on delivery services:

- Orders must be placed by a customer before the liquor is purchased by the delivery service; a delivery service must not keep a stock of liquor in anticipation of forthcoming orders.
- All liquor purchased by a delivery service must be purchased from any of the following licensed retailers:
 - BC Liquor Stores (government liquor stores);
 - Licensee retail stores (private liquor stores);
 - Wine stores;
 - Special wine stores;
 - Liquor primary establishments (such as a bar) with an off-premises sales endorsement; and
 - Liquor manufacturers with an onsite store endorsement.
- Deliveries must be made by and to people legally able to consume liquor (i.e. not under the age of 19 or intoxicated), and only at a place where liquor may be legally possessed or consumed.
- Only customers 19 years of age or older may place an order for liquor. When proof of age is required, customers must show two pieces of identification at the time of delivery. One of those pieces must be a government issued identification card such as a driver's licence with photo, name and birth date. The other piece must contain the person's name along with a signature and/or photo. A liquor delivery service may only advertise that it will deliver beer, wine and spirits (or use the word 'liquor'). It must not advertise any liquor manufacturers or their brands or prices of the liquor.
- The charge for the liquor must be the price paid by the delivery service for the liquor, plus a separate delivery charge. Customers must be informed of both

charges when they place an order and it must be itemized on the invoice given to the customer.

- Deliveries must occur between 9 a.m. and 11:30 p.m. on the same day the order was placed.
- Delivery transaction records must be kept for at least one year. These must include the name and address of the purchaser, the purchase date, the time and date of delivery and the price of the liquor and the delivery service charge.

Authority References

Liquor Control and Licensing Act, section 8; *Liquor Control and Licensing Regulations*, section 170 and 194; *Liquor Control and Licensing Branch Policy*.



BRIEFING NOTE

542883

- I. **Prepared for: The Hon. David Eby, Minister responsible for ICBC, for INFORMATION**
- II. **Subject: Distracted Driving Technology Pilot**
- III. **Background:**
 - On September 5, 2017, Minister Eby announced that ICBC would be piloting the most promising technology to address distracted driving.
 - Despite relatively high penalties, enforcement and public awareness campaigns, distracted driving continues to be the second leading factor in fatal crashes and the leading factor in police-reported injury crashes in BC.
 - While the effectiveness of existing technology is not yet clear, pilot projects will improve understanding of how certain technologies can help reduce distracted driving.
 - In April 2017, ICBC issued a Request for Information (RFI) on B.C. Bid, inviting companies with products in market to provide ICBC with information.
 - Based on the results of the RFI, ICBC is focussing on two types of technology: telematics-based apps and enforcement technology.

Telematics-based apps

- The most promising technology is an app on the user's phone combined with a telematics device that is plugged into the user's vehicle. It blocks the ability to use a hand-held phone while the vehicle is in gear and reports any attempt to override.
- This technology also enables the collection of other driving data, including kilometers travelled; average speed per trip; and incidences of speeding, incidences of rapid acceleration, hard braking, rapid lane changing; and, average trip duration.
- This data can also provide a better differentiation of risk between drivers than what can be obtained through crashes and tickets alone, and could potentially be used as a rating variable within ICBC's pricing scheme in the future. This may also have applications relevant to driver licensing programs.
- This technology is not widespread and before considering a larger scale pilot, it would be useful to gain a practical understanding of its usability including issues like excessive smartphone battery and data usage that could limit its public acceptance.
- The most common technology proposed in response to the RFI were apps without telematics. While more common, app-only solutions have some significant limitations. They can be overridden and their use cannot be monitored. Further, they may become less relevant as device manufacturers incorporate the same functionality into their operating systems, such as Apple's "Do Not Disturb While Driving" feature for all devices running iOS 11. Android manufacturers are expected to follow suit soon.

Technology to support distracted driving enforcement

- These range from high-powered scopes, already used by police, high-resolution cameras with zoom lenses, devices that can scan for recent device use, to automated enforcement solutions.

s.13,s.15

Action Plan

- ICBC is proceeding with phased pilots, the first phases of which can be announced and initiated in the near term (initiate in 2017, complete in 2018):

Telematics-Based Apps Pilot:

Phase 1: Usability and Feasibility

- Provide to a small number of volunteers (100-200) for three months.
 - Reach out to six potential vendors to seek free devices for trial
 - Identify a pool of volunteers and install devices
 - Gather feedback about their experience, its usability, and any concerns with using it outside of a study.
 - Review the types of reports/data available from participating vendors.
 - Apply learnings to develop of Phase 2
- Timeline – engage vendors and volunteers late 2017, pilot early 2018

s.13

Enforcement-Based Pilot:

Phase 1: Small scale trial

ICBC BRIEFING NOTE

- Catalogue existing enforcement technologies, determine which devices police wish to pilot and assess with police any privacy concerns
- Provide a small number of devices to small number of police for traffic units to trial and assess
- Gather police feedback
- Timeline: determine devices for trial and reach out to vendors in late 2017

s.13

Contact: Mark Milner
Road Safety Program Manager
(604) 982-4637

Date: November 8, 2017

**MINISTRY OF ATTORNEY GENERAL
LIQUOR DISTRIBUTION BRANCH AND
LIQUOR CONTROL AND LICENSING BRANCH
BRIEFING NOTE**

PURPOSE: For INFORMATION for David Eby, QC
Attorney General

ISSUE: Meeting with the BC Craft Brewers Guild on November 20, 2017

ATTENDEE(S):

- Ken Beattie, Executive Director of the BC Craft Brewers Guild
- Michelle Carr, ADM of LCLB
- R. Blain Lawson, ADM of LDB (by phone)

SUMMARY:

- The BC Craft Brewers Guild (the Guild) has requested a meeting with the Attorney General, to discuss a number of topics. These topics are based on the Guild's primary objectives for 2018.
- The Guild represents over 100 of the 140+ breweries that are currently operating in the province. They primarily represent the interests of craft brewers.

DISCUSSION:

- s.13

s.16

s.13

Contract Brewing

Minimum Production and Equipment Requirements (LCLB)

- Currently, only wineries have a minimum annual production requirement, a requirement to perform a minimum number of processes involved in the making of wine and an accompanying equipment requirement in order to retain a manufacturer licence. The purpose of introducing these requirements was to ensure that the holder of a winery manufacturer licence was actually manufacturing wine and to help ensure that a person could not obtain an onsite store endorsement and/or a lounge endorsement when they had no intention of manufacturing anything.

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Response:

- It's great the Guild is working with the LCLB.

- s.13

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Mark-up (LDB)

s.13

- The LDB met with the Guild in September 2017 to consult with them and hear their thoughts on this issue.
- Historically, contract manufacturing was only expressly permitted in relation to wineries.
 - As of January 23, 2017, the *Liquor Control and Licensing Act* regulations and policy were clarified to explicitly permit breweries and distilleries to engage in contract manufacturing as well.
- As a result of this change, the LDB notified breweries that, starting in 2017, they would have to report both their own production, as well as their contract production volumes¹.

s.13

¹ Breweries are asked to report their annual production to the LDB in order to determine which mark-up rate will apply the following year.

s.13

- BC manufacturers are permitted to sell their own products at their licenced manufacturing site through an onsite store, tasting room and lounge.
- To respond to a recommendation of the Liquor Policy Review the LCLB granted permission for a manufacturer to sell other liquor products to customers in their lounge with the stipulation that no more than 20% of sales could be represented by

s.13

s.13

Inducement policy (LCLB)

- The issue of inducements arises when a liquor manufacturer/retailer offers/demands a benefit such as cash payments, discounts, free equipment, etc. in exchange for the retailer favouring/encouraging the sale of the manufacturer's product. BC's inducement rules place prohibitions and restrictions on the commercial interactions between liquor suppliers, licensed establishments and retailers including restrictions on promoting specific manufacturers and their products in exchange for benefits provided by the supplier.
- In June 2016, the LCLB hosted a two-day trade practices (inducements) summit that was attended by virtually all the industry associations. There was agreement on a need to establish an effective and long-term commitment between industry and

government to ensure industry complies with trade practice rules that are effective, fair and flexible. Four areas of focus were identified: 1) regulations/policies, 2) enforcement, 3) industry led initiatives and 4) education/awareness/promotion of trade practices.^{s.13}

s.13

Marketing Programs at BC Liquor Stores (BCLS)

- BCLS currently promote BC craft beer in the following ways:³
 - Local beer program permits individual BC Liquor Stores to uniquely offer beer products from local microbreweries that are not carried in other BC Liquor Stores;
 - BC craft beer is often highlighted in BCLS' Savvy Shopper flyer;
 - BC craft brewers are provided with 3-4 in-store promotional opportunities per year;
 - BC craft beer generally has a lower gross margin than other products sold in BCLS;
 - There are a number of BC craft breweries with exclusive product listings with BCLS; and
 - BC craft beer has been included in BCLS' Taste magazine. BCLS is open to including more BC craft beer content in the future.

³ Note that these programs/initiatives apply to all BC craft beer, and may or may not include members of the Guild.

- BCLS is also reviewing the following types of initiatives:

- s.13,s.17

- s.13

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Response

- I understand that there are a number of ways in which BC Liquor Stores currently promote BC craft beer.
- As you learned at the recent Partners in Change Trade symposium, BC Liquor Stores continues to review its initiatives and is considering new ways to further promote BC craft beer in its stores.

s.13

s.13,s.16

BC Ale Trail (Ministry of Jobs, Trade and Technology)

- The BC Ale Trail is a marketing campaign that showcases British Columbia as a global destination for craft beer enthusiasts, aka beer tourists.
- Total funding provided by Destination BC (a tourism-focussed Crown corporation): \$201,000
- Total funding contributed by applicants: \$233,000
- Total project value: \$434,000

Community participants:

- Sunshine Coast, Comox Valley, Nanaimo, Port Moody, Victoria, Whistler, Delta/Surrey/New Westminster, Fraser Valley – Tourism Langley, Tourism Chilliwack, Tourism Abbotsford, Kelowna, Penticton, Vancouver's North Shore, Cowichan Valley, Parksville/Qualicum Beach and Vancouver

Key Facts:

- This project supports the program goals of generating tourism revenues in the province by marketing a unique product that encourages visitors to travel to different areas of BC.
- It facilitates partnership of public and private funds (individual breweries via the Guild), communities and Destination BC
- The Guild has worked closely with the Destination BC brand team and Destination BC was able to make use of their Super Natural BC assets, including proprietary font.
- Part of the goal of the program is to raise the equity of Super Natural BC.

- Specific marketing tactics include video and photography, content development, blog content, PR, social media, digital ad/media buy and print collateral.

Grow BC, Feed BC, Buy BC (Ministry of Agriculture)

- The B.C. government is taking a three pillared approach to support the province's agriculture, seafood, and food processing sectors and encourage the consumption of B.C. products. Grow BC will build sustainable production and help B.C. producers expand local food production. Feed BC will build the value of, and access to, B.C. food including increasing the use of B.C. foods in hospitals and other government facilities. An enhanced Buy BC marketing program will build consumer awareness and demand and help local producers market their products to grow their businesses.
- Of particular interest to BC breweries is the Buy BC component.

Buy BC

- The Ministry is in the process of developing enhanced Buy BC marketing programming and welcomes the opportunity to meet with the Guild to discuss how this new programming can support the delivery of initiatives outlined in the BC Craft Beer Market Development Strategy completed in 2017.
- The Guild is encouraged to contact Mat Patterson, Director of Market Development at 250-356-2945 or mat.patterson@gov.bc.ca.

OTHER MINISTRIES IMPACTED/CONSULTED:

- Ministry of Agriculture
- Destination BC (tourism-focused Crown corporation)

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**MINISTRY OF ATTORNEY GENERAL
CORPORATE MANAGEMENT SERVICES
BRIEFING NOTE**

PURPOSE: For INFORMATION for David Eby, QC, Attorney General

ISSUE: Automobile Retailers Association (ARA) Proposal to Reduce ICBC Costs

SUMMARY:

- The Automobile Retailers Association (ARA) submitted a proposal with initiatives that they indicate, if adopted, would reduce ICBC costs.
- This proposal is in response to the meeting between representatives from the ARA and Ministers Eby and Trevena in September 2017.
- ARA states that ICBC should focus on its core business of providing insurance coverage and allow the automotive industry to determine how vehicles are to be repaired and provides a number of specific proposals that reflect that position.

BACKGROUND:

- The ARA represents approximately 41 per cent of ICBC's material damage suppliers (collision repair, glass and towing services).
- From the ARA's perspective, the key benefits from implementing the proposal are for the industry to be paid fair rates and red tape to be reduced around compliance with motor vehicle repair standards.
- The ARA indicates that the industry is no longer willing to absorb traditional ICBC functions without compensation (i.e. collision repairers write the majority of estimates on behalf of ICBC now) and they request that the concerns around profitability and viability of the industry be addressed.
- The ARA also raises concerns about industry's ability to recruit and retain staff due to lack of wage competitiveness.
- Refer to Appendix A for a summary of the initiatives, proposed solutions and expected benefits to ARA and ICBC. The Appendix also includes ICBC's response; however, the ARA has not shared their proposal with ICBC. Therefore, ICBC's response at this time is based on limited information/review.
- The ARA proposal identifies areas of ICBC's operations that are currently also under review by PwC as part of the Operational Review. These include a review of the estimator staff levels, the Alternative Transportation Services Program, and driver licensing services.
 - The proposal should be considered within the context of the initiatives that are being reviewed by Cabinet and the Operational Review.
- A number of the initiatives, if implemented, will move administrative and oversight responsibility from ICBC to ARA. ARA states that by devolving these responsibilities from ICBC to the ARA with appropriate compensation, net cost savings to ICBC will result. However, the estimated benefit to ICBC, and cost impacts of higher supplier rates and costs for program administration, are not quantified in the proposal.
 - These initiatives include reducing ICBC estimator staff, implementing towing supplier accreditation, and implementing a certified AutoGlass program.

- The ARA requested a response to the proposal within 60 days and an interim increase in compensation within 90 days. The proposal is dated October 20, 2017.

OTHER MINISTRIES IMPACTED/CONSULTED: N/A

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Approved by:
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Corporate Management Services
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Attachment: ARA Submission – ICBC Cost Cutting Proposal

Appendix A

Proposed Initiative	Identified Issue	Proposed Solution	Expected Benefit (ICBC and ARA)	ICBC Response *
Reduce ICBC estimator staff	<p>Standards and requirements for repairs have changed as the materials and technology used to build cars have changed. Technological changes have also increased the cost of parts and materials substantially over recent years.</p> <p>ARA believes that ICBC estimators have not kept up with these changes and that the estimates do not always identify the correct materials and techniques required for the appropriate repairs.</p> <p>ARA estimates that ICBC employs 250 estimator staff while other private insurers operate with a much smaller workforce, instead relying on industry expertise.</p> <p>Collision repair staff often rewrites estimates.</p>	<p>Utilize the already available Certified Collision Repair Program to ensure facilities meet business, facility, equipment and training requirements.</p> <p>There would be independent audits conducted by a third party to validate that repairs comply with standards.</p> <p>The ICBC c.a.r Shop program will be replaced with the Certified Collision Repair Program through a tiered network of collision facilities.</p>	<p>This program will reduce the need for ICBC staff to produce estimates, as repairs will be completed to industry standards and it will be managed by industry staff.</p> <p>ARA indicated that if the industry is to remain viable, it needs to be compensated fairly. By paying fair rates and reducing red tape it will allow industry to reduce risk for ICBC and reduce cost by repairing vehicles efficiently and to industry standards.</p> <p>ARA estimates ICBC can reduce its costs by \$10.625M annually through a 50% reduction to estimator staff (125 staff @ \$85,000 each).</p>	<p>ICBC's largest material damage supplier spend is collision repairs, and ICBC must provide proper oversight of this spend. As a result, ICBC has been, and continues to be, focused on hiring more (rather than reduce) estimating services staff to ensure appropriate staffing for shop governance.</p> <p>ICBC is looking at all opportunities that help increase efficiencies, while reducing costs, and this includes reviewing its material damage programs; improving training and capacity for estimators; and strengthening governance of shops.</p> <p>ICBC recently successfully implemented a new estimating platform for its 500+ top tier suppliers. The new platform provides improved data and insights to support stronger governance of repair shops.</p> <p>As stated by the ARA (page 4): third-party providers would complete "random repair spot-checks to validate repairs for compliance with the OEM". As a result, ICBC would lose oversight of compliance (performance and spend).</p> <p>While the ARA provided estimated cost savings, there are no estimated costs identified for "independent third party audits" and compensation to industry for managing estimates.</p> <p>The ARA proposes ICBC's current supplier program be replaced with the ARA's Certified Collision Repair Program. The ARA does not represent all body shops in BC and the program is aimed at ARA members. This proposal may increase costs for suppliers – program costs are \$800/year for members and \$1450/year for non-members.</p> <p>ARA indicates one of the benefits is that repairs will</p>

Proposed Initiative	Identified Issue	Proposed Solution	Expected Benefit (ICBC and ARA)	ICBC Response *
				<p>completed be to industry standards. It's worth noting that ICBC's top tier collision repair suppliers provide guaranteed repairs.</p> <p>The ARA notes this initiative is focused on supplier rates. The rates ICBC pays suppliers have a direct impact on Basic and Optional insurance rates. In addition, ICBC pays some of the highest labour rates in North America. For body repairs, ICBC pays its Express Repair shop \$73.41 per hour for labour, plus an additional \$8.68 per hour for providing the customer with alternative transportation that meets their need while their vehicle is getting repaired. Whereas the BC average, including rates paid by private insurers, is \$70.54, the Canadian average is \$72.49 and the US average is \$51.09 per hour for body rate.</p> <p>s.13,s.17</p>
Review the Alternative Transportation Services Program	<p>ICBC compensates the industry to provide transportation services to customers while their cars are being repaired.</p> <p>Challenges identified by ARA include that the amount received from ICBC is less than the cost of providing the rental coverage, the program is complex to manage and implement, and it competes</p>	ARA together with industry should revisit the program to address issues around rates, procedures, vicarious liability and the impact on industry.	If the negative financial impacts to industry are reduced and the program is less complex to implement, it will increase adoption of the program that will expand customer satisfaction.	<p>In 2015, ICBC spent approximately \$26 million on the Alternative Transportation Services (ATS) program, and ICBC must provide proper oversight of this spend.</p> <p>ARA have stated benefits of the proposed solution include "reduced negative financial impact on industry" and "expanded customer satisfaction". Currently ICBC's top tier collision repair shops must offer ATS options to customers; and with today's program shops can (and do) charge the hourly rate even if a courtesy vehicle is not provided. (e.g. shop provides courtesy shuttle).</p> <p>The rates ICBC pays suppliers have a direct impact on</p>

Proposed Initiative	Identified Issue	Proposed Solution	Expected Benefit (ICBC and ARA)	ICBC Response *
	with ICBC's own Loss of Use coverage. These factors are limiting full adoption of the program.			<p>Basic and Optional insurance rates.</p> <p>ICBC is focused on continuing to look at all opportunities that help increase efficiencies, while reducing costs, and this includes its various material damage programs.</p> <p>As part of RAAP, ICBC is exploring making changes to the ATS program with a view to making the program more efficient and more directly related to paying for courtesy vehicles when used by a customer vs incorporating ATS into overall shop rates, regardless of whether a customer takes advantage of the program or not.</p>
Promote low cost funding for a Winter Tire Program	Some British Columbians are not using appropriate winter tires as the cost can be prohibitive for some people.	<p>Offer an incentive to British Columbians to purchase winter tires through a low-interest financing program. There is a similar product offered in Manitoba through the Manitoba Public Insurance winter tire program.</p> <p>ICBC can consider offering a discount on insurance to individuals that have the appropriate winter tires to reflect the reduced risk.</p>	The program would promote the purchase of approved winter tires by British Columbians and the use of appropriate winter tires will reduce the frequency and/or severity of accidents and therefore reduce claims costs.	<p>ICBC is focused on looking at all opportunities that help increase efficiencies, while reducing costs.</p> <p>The ARA did not quantify the estimated reduced claims costs. The ARA state "winter tires will reduce the frequency and/or severity of accidents", but acknowledge "to state any such results would be pure conjecture as there exist so many other potential variables that effect volumes and costs" (p.7).</p> <p>The proposed initiative also does not mention the estimated effort/costs involved in administering such a program.</p> <p>In 2015, the Ministry of Transportation revised regulations for winter tire requirements allowing all season tires with specified minimum tread depth requirements as suitable "snow tires". Other jurisdictions have made true "winter tires" mandatory whereas BC allows all-season tires to be used in mountain passes and highways that routinely have ice and snow conditions. s.13,s.17 s.13,s.17</p>

Proposed Initiative	Identified Issue	Proposed Solution	Expected Benefit (ICBC and ARA)	ICBC Response *
				s.13,s.17
Remove driver licensing services from ICBC	ICBC provides non-insurance services including the renewal of driver licenses, registration of motor vehicles, and issuing of license plates. Revenue collected for these services are not kept by ICBC as it is transferred to the province. The costs to deliver these services are incurred by ICBC.	Remove the responsibility to provide these services from ICBC.	ICBC operating costs can be reduced by no longer providing these services.	<p>ICBC provides non-insurance services (e.g. vehicle registration, and driver licensing) on behalf of government to help ensure related services are provided cost-efficiently (e.g. economies of scale) to British Columbians across the province.</p> <p>Vehicle registration and vehicle licensing are fully integrated into the insurance transaction, which is both efficient and helps ensure low uninsured motorist rates. Costs, however, to provide these services are borne fully by ICBC with all fees collected for these services directed to the province. s.13,s.17</p> <p>s.13,s.17</p> <p>The ARA mentions reduced operating costs, but does not indicate how these services will be provided and the estimated effort/costs involved in providing these services.</p>
Sell ICBC assets to reduce the deficit	ICBC is changing its business model by moving away from using traditional claim centres. Claims centres are therefore currently underutilized, resulting in unnecessary property cost.	<p>The underutilized claim centres can be sold.</p> <p>ICBC should look for ways to further centralize operations to reduce the need to own or lease non-corporate properties.</p>	<p>The sale of the claim centres can be used as a one-time down payment of ICBC's debt.</p> <p>If other ICBC functions are centralized, ICBC can save costs through a decreased need to own or lease properties.</p>	<p>ICBC is focused on continuing to look at all opportunities that help increase efficiencies, while reducing costs, and this includes looking at its various facilities.</p> <p>ICBC continues to look for opportunities related to its facilities. Most recently, ICBC has centralized some operations and ended its lease on some properties in an effort to increase efficiencies, while reducing operating costs. Example: ICBC relocated its claim services to the local ServiceBC offices in several communities, such as Nelson, Smithers and Salmon Arm.</p>
Reinstate Compulsory Trade Certification	In 1996 there were 11 compulsory trades in BC, three of them relating to the automotive industry. In 2002,	Reinstate the regulation requiring compulsory trade certification for the	The regulation will provide a level of consumer protection and safety for the	<p>It is unclear how this proposed initiative will increase efficiencies and reduce costs for ICBC.</p> <p>Regarding the identified issue:</p>

Proposed Initiative	Identified Issue	Proposed Solution	Expected Benefit (ICBC and ARA)	ICBC Response *
	<p>these compulsory trades were eliminated and BC became the only Canadian province with no compulsory trades. Therefore certification of workers in all trades is now entirely voluntary creating a "free-for-all and buyer-beware marketplace".</p> <p>ARA believes that the public are not aware that there is no requirement for vehicle repair staff to possess a degree or other qualification credentialing.</p> <p>ARA believes this non-regulated environment puts consumers at risk of using less reputable auto repairers. This also undermines automotive apprenticeship training programs at colleges.</p>	automotive industry.	<p>general public.</p> <p>Additionally, the support for apprenticeship programs will increase, high standards of professionalism will be promoted, quality of work will improve through safe repairs and services and the underground economy will be stifled.</p>	<ul style="list-style-type: none"> ICBC's current material damage programs require all top tier suppliers (collision repair and glass) to ensure all technicians have the necessary and required trade certifications as outlined by the Industry Training Authority of BC. ICBC's top tier collision repair suppliers represent approximately 97% of ICBC's collision repair spend. These suppliers are required to provide quality and guaranteed repairs.
Implement compulsory Vehicle Safety Inspections on resale of passenger vehicles and light duty trucks	<p>Currently there is no requirement for second hand vehicles to undergo safety inspections as part of the resale process.</p> <p>ICBC statistics from 2015 reported an average of 270,000 crashes per year. In 2007, 34,385 contributing factors were attributed to 18,286 reported injury or fatal collisions. Of the contributing factors, 79.2% involved human</p>	<p>ARA is recommending a compulsory inspection for vehicles 5 years or older that are being sold.</p> <p>ARA is also recommending that a fee is charged to the consumer.</p>	<p>ARA states this program will reduce claims frequency, severity and related bodily injury losses in a segment of vehicles by removing claims caused by improper care and maintenance of vehicles.</p> <p>This will also provide a revenue stream to government estimated</p>	<p>The ARA indicates the expected benefits of this proposed initiative includes an estimated revenue stream of \$6M to government, however it has not quantified the anticipated costs and effort for ICBC and CVSE for administering the program (e.g. staffing, decals, enforcement and notifications).</p> <p>The Ministry of Transportation and Infrastructure is the ministry responsible for vehicle standards and the vehicle inspection programs. Any proposal for changes to the inspection program requirements, or an evaluation of the need for changes to inspection frequency would fall to MOTI.</p>

Proposed Initiative	Identified Issue	Proposed Solution	Expected Benefit (ICBC and ARA)	ICBC Response *
	<p>action or condition, 19.1% environmental conditions and 1.7% vehicle conditions.</p> <p>Statistics from the Ministry of Transportation's Commercial Vehicle Safety Enforcement Branch (CVSE) demonstrates that a high percentage of vehicles involved in crashes with fatal or serious injuries do not meet the <i>Motor Vehicle Act Regulations</i> (MVA) requirements when a post-crash analysis was completed. In 2008, 34% of vehicles investigated post-crash by the CVSE did not meet the MVA requirements</p> <p>ARA therefore believes that the vehicle condition is much higher contributing factor than the estimated 1.7% in accidents involving injury or fatalities.</p>		at \$6M annually.	<p>In BC, there are mechanisms in place for law enforcement to direct vehicles that may have safety defects to pass a provincial inspection before the vehicles are allowed to operate on a highway. ICBC supports this program through ensuring vehicles that are directed to be inspected are not able to be licensed or insured until the directed inspection has been passed.</p> <p>Where there are mandatory or law enforcement directed inspections, these inspections are done by independent businesses approved by MOTI as "designated inspection facilities", many of which are ARA members.</p> <p>The ARA indicates the expected benefits of this proposed initiative includes reduced claims frequency, but these benefits are not quantified.</p> <p>The ARA's proposal also states (page 14): "It is important to note that Mandatory Vehicle Inspection is not a detailed inspection of the engine or transmission, and it is not a guarantee of the overall quality of the vehicle."</p>
Towing Supplier Accreditation	<p>ICBC has different types of supplier classifications for the towing industry based on the size and scale of the operations. This information is captured on a tow rotation list by ICBC and is used to assign towing based on the fleet size of the different operators.</p> <p>ICBC is currently not vetting tow operators or updating the</p>	ARA is recommending the transfer of supplier accreditation and oversight from ICBC to ARA.	<p>This will reduce ICBC administrative cost and will promote the fair and equitable treatment of towing suppliers.</p> <p>Additionally, ARA certification will provide value added benefits such as enhanced training, and</p>	<p>ICBC is in the process of making improvements to its governance of material damage suppliers, and this includes oversight of towers' requirements.</p> <p>The ARA is recommending the transfer of supplier accreditation and oversight from ICBC to ARA. Not all of ICBC's towing suppliers are ARA members. In addition, ICBC has an obligation to oversee its claim costs and continue to do everything it reasonably can to reduce those costs, while improving value and services.</p>

Proposed Initiative	Identified Issue	Proposed Solution	Expected Benefit (ICBC and ARA)	ICBC Response *
	rotation list. The impact is that work is not assigned to tow operators on a fair and equitable basis as outdated information is used.		health and safety.	
Salvage Auctions	<p>ICBC sells an average of 44,000 lots each year. The online sale of salvage generates approximately \$60M annually.</p> <p>Recently, ICBC considered different models including the sub-contracting of all or part of its auction sales.</p> <p>ICBC has also in recent years substantially revised the long standing buyer requirements and policies, citing they no longer feel it is their responsibility to manage the industry.</p>	<p>ARA is recommending that alternative models to provide online auctions are researched. A business case would be submitted to government.</p> <p>Alternative models may include the ARA assuming management of online salvage sales and/or entering into partnership agreements.</p> <p>ARA is also recommending that the storage of salvage lots at towing yards, and not at large salvage yards, is expanded.</p>	<p>Transferring management of salvage to a third party will reduce ICBC's administrative overhead.</p> <p>The decentralization of salvage yards will reduce towing costs for operators and reduce the need for ICBC to lease/own large salvage yards.</p> <p>ARA can ensure that a greater percentage of ICBC's salvage is returned to the industry by way of recycled parts.</p>	<p>ICBC is looking at all opportunities that help increase efficiencies, while reducing costs, and this includes its salvage operations.</p> <p>The ARA proposal includes a research of alternative models, and the development of a business case to government. This is part of the Operational Review. In addition, any research into ICBC's model should be led by ICBC.</p> <p>The ARA's proposed solution does not mention whether ICBC would see reduced revenue from its salvage operations and how third-party management of its salvage operations would be managed and financed.</p> <p>s.13,s.17</p>
Recycler Supplier Certification	Recycled parts suppliers wishing to sell recycled parts to ICBC must register with Allied Information Canada and sign that they, among other	ARA is proposing to implement and oversee a comprehensive quality control	The benefit to ICBC is that the use of recycled parts will reduce repair costs and time.	<p>ICBC has an obligation to maintain oversight of its own suppliers.</p> <p>ICBC's programs have supplier requirements. The ARA noted: "suppliers wishing to sell recycled parts to ICBC</p>

Proposed Initiative	Identified Issue	Proposed Solution	Expected Benefit (ICBC and ARA)	ICBC Response *
	<p>legal requirements, they will adhere to standards of performance.</p> <p>In recent years, ICBC stopped providing oversight over the quality control of recycled parts as well as over the relationship between recycled part suppliers and the repair facilities using the parts.</p> <p>The has led to the reduced utilization of recycled parts in the repair process which has a cost impact as recycled parts are more cost effective than new parts.</p>	<p>certification for recycled parts to ensure parts meet quality control and safety standards.</p>	<p>Allowing the ARA to oversee the standards and performance of recycled part suppliers will reduce ICBC's administrative overhead.</p>	<p>must register with Allied Information Canada and sign that they, among other legal requirements; they will adhere to standards of performance."</p> <p>In addition, ICBC is in the process of improving its governance of all material damage suppliers.</p>
Implement the Certified AutoGlass Program	<p>ARA states that ICBC has not kept up with the latest glass repair techniques and requirements.</p> <p>Currently auto glass services are provided through ICBC's Glass Express program through 500 service providers across the province.</p> <p>Only recently did ICBC commit to add personnel to the ICBC investigations unit to provide more oversight over the service providers,</p>	<p>ARA is proposing to utilize the already available Certified AutoGlass Services accreditation to replace ICBC's existing program. This program will ensure that facilities meet business, equipment and training requirements.</p>	<p>ARA stated that if the industry is to remain viable, it would have to be compensated fairly.</p> <p>Implementing the new program will reduce ICBC's administrative cost and will support a more capable and qualified industry.</p>	<p>ICBC must provide proper oversight of its glass suppliers, including its' spend for glass related services.</p> <p>The ARA proposes ICBC's current supplier program be replaced with the ARA's Certified AutoGlass Program. The ARA does not represent all glass shops in BC and the program is aimed at ARA's members.</p> <p>The ARA indicates that the proposed initiative "will reduce ICBC's administrative costs", but there are no details on how the proposed initiative would be funded and estimated benefits not quantified.</p> <p>ICBC has been, and continues to be, focused on hiring more staff to ensure appropriate staffing for shop governance.</p> <p>s.13,s.17</p>

Proposed Initiative	Identified Issue	Proposed Solution	Expected Benefit (ICBC and ARA)	ICBC Response *
				s.13,s.17

* The ARA has not shared their proposal with ICBC, as a result ICBC's response at this time is based on limited information/review.



AUTOMOTIVE RETAILERS ASSOCIATION
Driving Industry Excellence

ICBC Cost Cutting Proposals for Government Consideration

Date: **October 20, 2017**

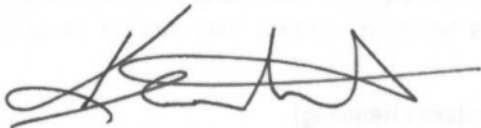
The Automotive Retailers Association (ARA) wishes to express its gratitude for being allowed to provide recommendations and proposals to help the new government deal with the current financial concerns around ICBC. It's important to state that the ARA in their submission supports the Insurance Corporation of British Columbia (ICBC) in the business of auto insurance. The automotive industry is in the midst of a shift in how vehicles are developed and even driven with current and anticipated technology such as accident avoidance systems and autonomous control leading this shift. To complete repairs and to tow today's modern vehicles requires highly specialized training and expertise. ICBC personnel do not have this expertise. It is our respectful opinion that ICBC needs to focus on its core business of providing insurance coverage and allow the automotive industry to determine how vehicles are to be repaired. The ARA would also like to state that government adoption of our recommendations will result in more effective industry self-management and self-determination. By paying fair rates and reducing the red tape of compliance it will allow the automotive industry to reduce risk for ICBC and reduce cost by repairing vehicles efficiently and more importantly to OEM and the highest aftermarket standards.

In relation to the ICBC manpower recommendation it must be emphasized that the collision industry is no longer willing to absorb traditional ICBC functions without compensation. Industry has been waiting patiently while the previous government had given assurances that they would resolve our concerns around profitability and viability. To explore and verify these concerns, a report was commissioned through funding with the Ministry of Labour. This resulted in an Automotive Sector Labour Market Information Report, completed by MNP on November 29, 2016. This report identified the barriers our sector has with respect to recruitment and retention, the most significant barrier being our ability to pay a competitive wage. Collision repair, glass repair, and towing & recovery employers interviewed by MNP reported that they were unable to raise wages in response to market conditions as the prices they charge are set by insurance companies and their profit margins are too low to allow them to raise wages and remain profitable. The report noted the average of automotive sector

employees to be roughly 55 and that our sector will be losing 42 percent of the current workforce within the next several years. Considering it takes several years for technicians in this industry to be properly trained and productive, our immediate future is very concerning. The automotive sector is about people, community and opportunities. Perhaps this is truer of our sector than any other. No one and nothing moves in this province unless our members are doing what they do and communities come to a stand still if there isn't someone to repair and maintain their vehicles. As it stands today, and if things don't change quickly, access to vehicle repair, maintenance and recovery in communities as well as hundreds or thousands of family supporting jobs are very much in danger throughout the province. We have gone years without remedy. We simply cannot continue this way for much longer.

Industry is providing the attached proposals to government in the hopes that it will open a dialogue through which we can collaborate on meaningful change. Through the ARA, industry would request a response to these proposals from government within 60 days and as a sign of good faith, an interim increase in compensation within 90 days. To our industry, this would be taken as a demonstration that government is taking their concerns seriously and recognizes the need for industry to receive a reasonable return on investment and to remain a viable industry.

Respectfully submitted,



Ken McCormack

President & CEO



Collision Industry Proposal

Date: October 6, 2017

Potential Cost Saving / Income Generating Recommendations

1. \$10.6 Million yearly - ICBC Manpower Reduction
2. \$ tbd - Alternative Transportation Service (ATS)
3. \$ tbd - Winter Tire Program
4. \$ tbd - Driver Services funding
5. \$ tbd - Crown Owned/Leased Facilities
6. \$ tbd - Mandatory Trade Certification
7. \$ 6 Million yearly - Vehicle Safety Inspections

Recommendation #1: Manpower Reduction

Background

Current ICBC estimator staffing is approximated at 250 staff at an average salary with benefits of \$85,000. Many of the staff (estimate is 40%) are nearing retirement potential. Other private insurers operate with a much smaller workforce, instead relying on industry expertise. Estimating staff traditionally complete a number of activities related to automobile claims handling. Duties may include all or a combination of;

- repair damage estimating (driveable and non-driveable claims handling),
- express authorizations (shop estimate approvals completed electronically),
- total loss handling (determination of repairability and/or settlement of loss value),
- inspection/audit of vehicles in a collision repair facility (travelling to repair facility), and
- authorization/approval of completed estimates submitted for payment (review)

Issue

Prior to 2008 vehicles were less complex and manufactured with mild strength steel which allowed for variances in the repair process. In most cases today you can longer use heat to re-shape distorted metal or cut and replace sections of a panel or frame structure through traditional welding processes. Today there are many factors that have inflated the cost of repairs;

- Vehicle composition has changed to provide superior passenger safety through use of more rigid materials such as high and ultra-high strength steels and aluminum
- A change in vehicle technology (Since 2012) that has dramatically increased the number of parts that make up a vehicle

- Parts costs have dramatically increased, head lights (HL) (the #1 part replaced on a vehicle) used to cost hundreds of dollars, we now have LED's at \$1,700 per HL and adaptive (self-steering) HL's at \$4,700 and just released Laser HL's at \$8,000 each. This is not just high end vehicles. i.e. Kia K900 HL = \$4,500 each
- Raw materials used to construct vehicles have increased 30%. The use of aluminum is expected to increase 110% in the next 10 years with each panel costing \$200-\$300 more compared with traditional materials (metal)
- Shift in vehicle designs. For the first time ever pickup trucks out number passenger vehicles. The cost to repair a pickup is greater than a passenger vehicle.

All these changes and shifts have resulted in the repair process and industry being governed by requirements for repairs to be completed to vehicle manufacturer standards. To not follow these recommended repairs means a shop is not able to ensure safe, quality repairs that would assure the vehicle would perform as originally designed in a subsequent accident. The ICBC estimators and the current ICBC c.a.r. Shop Accreditation program, ICBC's preferred repair network has fallen behind these industry trends. The estimates being produced by the ICBC estimators in many cases do not take into consideration the materials and techniques needed to be utilized and are simply being re-written by the collision industry shops. Frankly, the estimator involvement in the claims process causes delays, this involves awaiting original estimates, authorizations, and/or payment for work completed. Many facilities within the ICBC c.a.r. Shop Accreditation program no longer meet the requirements necessary to repair modern vehicles and/or have not conducted any upgrades to equipment and training.

Essentially collision repairers write the majority of estimates on behalf of ICBC now, in fact many rural claim centres no longer even have material damage estimators present.

Proposal

In order to maintain control on the cost of repairs requires a great deal of scrutiny based on the latest repair techniques and Original Equipment Manufacturer (OEM) requirements. It also means an industry that is measured to validate both their investment in technological upgrades and training but also their compliance with recommended repair techniques as determined by the OEM's. The ARA proposes utilization of its already implemented Certified Collision Repair (CCR) program. The CCR program is part of a national program through the Canadian Collision Industry Accreditation program (CCIAP) that ensures facilities qualify in areas of business standards, facility requirements, tool and equipment requirements and training requirements. A component that would be introduced would be independent audits conducted by a third-party, who is currently a national provider of repair assurances and is capable of providing to stakeholders audits that involve random repair spot-checks to validate repairs for compliance with the OEM.

The full intent of this proposal is to replace the ICBC c.a.r. Shop program with an up to date CCR program. It would introduce a tiered network of collision facilities throughout the province that demonstrates to consumers, insurers, OEM's, and suppliers that the facility has all the necessary infrastructure and training to repair modern vehicles accurately, safely and in a cost effective manner. The CCR program currently differentiates facilities on the program by use of Gold plus (OEM certified), Gold and Silver level identifiers. Most importantly for industry to remain viable it needs to be compensated fairly, this would allow industry to hire, equip, train and repair vehicles to a pre-accident crashworthy condition. By paying fair rates and reducing red tape will allow industry to reduce risk for ICBC and reduce cost by repairing vehicles efficiently and more importantly to OEM standards, Those

shops who do not attain these levels have not invested sufficiently to warrant increases in rates and could be classified as "Bronze" level. This program would be open to all participants and would be implemented and managed by industry for industry while providing the necessary transparency required by the government/ICBC.

Essentially collision repairers write the majority of estimates on behalf of ICBC now, in fact many rural claim centres no longer even have material damage estimators present. It would be prudent to pay industry a reasonable rate to take on all administrative responsibilities for handling claims less those that ICBC deem essential for their claims handling/management. This would allow ICBC to considerably reduce their estimating and approval workforce. More savings through estimator reductions could be attained by automating the estimate payment process that already receives approval through the estimating platform and it's levels of validation to one of immediate payment. This is similar in nature to how glass claims are currently handled; a claim is submitted and immediately placed in que for payment.

All these changes would allow industry to increase their efficiency which impacts the repair cycle time which offers additional benefits such as reduce rental vehicle costs.

Anticipated Benefits

In exchange for an anticipated annual savings of \$10,625,000 (50% or 125 reduction in ICBC estimator's @\$85,000/estimator) the government/ICBC would have a lower operating cost as well as a more capable and qualified industry. This would result in a more streamlined estimate/repair processes while offering assurance that repairs are scrutinized through spot-checks by an independent company hired by industry. It would reward those in industry who invest and maintain the highest industry standards resulting in the safest quality repairs. It would return the level of professionalism in BC to one of the highest standards in the Canada, if not North America. Enhancement to claims estimate, authorization and payment process would result in significantly less ICBC staff to manage what are already automated steps.

Recommendation #2: Alternative Transportation Service (ATS)

Background

The Alternative Transportation Service (ATS) was an agreement attained through negotiation with industry to provide compensation to offset industry expenses to maintain a vehicle fleet for use by ICBC customers involved in an accident while their vehicle was being repaired. This charge is less than the cost of providing rental coverage and is not subject to the time limitations of coverage for rental. It also has the added benefit of being applicable to customers without purchased loss of use coverage, a customer service win for all parties concerned. It was also an opportunity for ICBC to offset administrative cost as the program would be administered by industry. Specifically ATS is a mandatory service that is offered by a c.a.r. shop VALET Express Repair facility to a customer. It applies to all claims regardless of the cause of loss, it covers the period from the ATS responsibility date until vehicle repairs are complete, and satisfies the alternative transportation requirements of customers who have an authorized CL14. Alternative Transportation Service includes various forms of public or private transportation. Alternative transportation may include any of the following: providing a taxi to and from work and home, providing a shuttle to and from work and home, paying public transportation costs, providing any other form of transportation satisfactory to the customer, and providing an ATS courtesy vehicle.

Issue

The Alternative Transportation Service (ATS) competes with ICBC's own Loss of Use coverage. The procedures involved for the collision industry in utilizing ATS result in industry not supporting the program to its full potential. There are also issues related to vicarious liability (accidents in courtesy vehicles being charged to the shop rather than the customer driving the vehicle) that only exists in two provinces throughout Canada that further reduces industries desire to participate. In these cases some shops simply use rental coverage and opt not to provide courtesy vehicles. Rental coverage is only applicable to customers with purchased coverage or those not at fault for accidents. Without ATS it leaves customers with a negative service perception, both of the insurer and repair facilities. Industry has other concerns related to the ATS program around the risk and cost to shops including the impact on garage policies and the cost of vehicle maintenance. The policies around the time frames and chargeability of ATS rates are very top heavy and complicated.

Proposal

Industry together with the ARA need to revisit the program as a whole. Issues around rates, procedures and vicarious liability and the resulting impact to garage policies need to be addressed. Dependent on the implementation the changes could result in further cost savings/advantages for industry and ICBC.

Anticipated Benefits

Reduce complexity of the program and negative financial impacts to drive higher adoption of ATS by industry which expands customer satisfaction and potentially reduced loss of use costs.

Recommendation #3: Winter Tire Program

Background

Even if you're driving safely, winter roads can be slippery. The use of winter tires reduces the risk on the road by providing proven improved handling and braking conditions. Manitoba Public Insurance (MPI) introduced a program in 2014 that allows consumers to reduce their risk by offering low-interest financing towards the purchase of approved tires.

Issue

Many consumers fail to utilize winter tires due to the cost and lack of incentives to promote their use during the winter months. Drivers must obey winter tire and chain signs throughout the province from October 1 to March 31. By offering an incentive to purchase winter tires it further promotes the Road Safety campaign by our public insurance company while reduces the potential for accidents and the resultant costs of repairs and/or injury claims with very little cost to implement

Proposal

Utilize a product similar to the Manitoba Public Insurance (MPI) winter tire program that provides low-interest financing to eligible British Columbians at prime plus two per cent (MPI program), on up to \$2,000 per vehicle. This financing can be used for the purchase of qualifying winter tires (snowflake symbol as endorsed by Transport Canada) and associated costs from participating retailers. In addition our public insurer could further promote the utilization of this program by offering insurance discount offerings to recognize the benefit this offers a public insurer in the way of reduced claims potential. To be eligible an individual must purchase winter tires for a passenger vehicle or light truck registered in their name and have no financing restrictions or outstanding arrears on their BC insurance account. The financing should also provide for associated costs such as rims, mounting and balance, storage and/or switchover costs, etc. An additional consideration may be whether to offer additional insurance discounts to those drivers who participate in the program.

Anticipated Benefits

The initial benefit would be from public perception. Motorists would recognize their government and insurer doing something significant to make roads safer and promote reduced claims and their effect and control on premiums. In addition, the utilization of a financing plan would see a dramatic increase in the use of winter tires. This has the potential to translate into significant savings through reduced frequency of vehicle accidents and personal injury claims, this benefit is derived from the increased braking and handling characteristics found by the use of winter tires. In discussion with a representative at MPI limited data is available as the program is still technically in its early stages. Although implemented in 2014, MPI is only now in the process of developing the measures to answer questions around specific measurable outcomes. What is known is that there are approximately 80,000 loans in place currently. MPI are not yet able to determine how many vehicles this applies to as one owner may have multiple loans on multiple vehicles or the loan could potentially be for the replacement of previously installed winter tires within this program. It is not clear what evidence MPI can provide around the decreased frequency or the true impact on injury or vehicle claims costs, to state any such results would be pure conjecture as there exist so many other potential variables that effect volumes and costs. What is evident however is the significant support and value as measured from the participation in the program by the qualifying motorists in Manitoba.

Recommendation #4: Driver Services Funding

Background

The Corporation operates and administers plans of universal compulsory vehicle insurance (Basic) and optional vehicle insurance as set out under the Insurance (Vehicle) Act, and is also responsible for non-insurance services under the Insurance Corporation Act and the Motor Vehicle Act. Noninsurance services include driver licensing, vehicle registration and licensing, violation ticket administration and government fines collection.

Issue

The Corporation is responsible for collecting and remitting in full to the Province of B.C. all driver license fees as well as vehicle-related fees for acquiring and distributing licence plates and decals including permits and other fees and fines. These collections are not revenue to the Corporation. The costs associated with the licensing and compliance activities conducted on behalf of the Province of B.C. are borne by the Corporation.

Proposal

Remove the responsibility for driver services funding from ICBC.

Anticipated Benefits

Separation of the driver services from the corporation will result in a lower operating cost as the corporation will no longer experience the costs associated with the licensing and compliance activities conducted on behalf of the Province of B.C.

Recommendation #5: Crown Owned/Leased Facilities

Background

ICBC has a considerable portfolio in land and property ownership while it also pays out operating lease payments recognized as an expense at \$18.9 million yearly. ICBC has changed its model for how it services customers through the use of traditional claim centres, now opting to centralize operations and provide consumers with more option for how claims are initialized. This has resulted in a diminished use of traditional claim facilities which has resulted in empty or underutilized claim facilities.

Issue

ICBC is currently operating with a record deficit yet has the means to attain a one-time write down of that deficit through the disposal of assets through the sale of land and buildings.

Proposal

Offer for sale ICBC assets as a method to obtain a one-time pay down of corporate debt. Where possible look to further centralize operations to reduce or eliminate the need to lease non-corporate properties.

Anticipated Benefits

The sale of assets will help to reduce the current debt being experienced by ICBC. The centralization of functions and the use of only corporate owned facilities will better maximize the assets while positively impacting the bottom line by reducing cost dependencies for leased properties.

Recommendation #6: Compulsory Trade Certification

Background

Governments that have supported compulsory trade designations have done so largely on the basis of public interest, with public safety being the foremost of considerations.

In 1996 there were 11 compulsory trades in B.C., with three of them being automotive: Auto Collision Repair Technician, Auto Painter/Refinisher and Auto Service Technician. This was short-lived. In early 2002 the government of the day eliminated compulsory certification and B.C. became the only Canadian province with zero compulsory trades, meaning that certification of workers in all trades is entirely voluntary and not required in order to do the work of a qualified tradesperson. It is a free-for-all and a buyer-beware marketplace.

In a 2012 report, the B.C. Federation of Labour stated, "If trade certification is compulsory, there is a certainty that the people doing the work have the skills, abilities, qualifications and education to do the job properly. Compulsory certification of trades not only operates in the public interest in the areas of public safety, but also ensures that the work being done meets a standard of quality so that huge repairs are not required shortly after completion or start-up."

Advances in automotive technology have proliferated to the point where even the most basic vehicle models are equipped with highly sophisticated electronic systems and structural components designed to protect drivers and occupants as well as pedestrians and occupants of other vehicles. New technologies are being introduced at an unprecedented pace. As well, auto manufacturers are continually improving emission control systems and other onboard equipment.

Therefore, to be qualified to service and repair today's vehicles requires that technicians are properly trained and that original equipment manufacturer (OEM) procedures are followed. It also requires an investment in the proper tools and equipment.

Issue

In British Columbia, auto repair shops are not required to employ certified journeyperson technicians or apprentices. In other words, *anyone* is permitted to service and repair vehicles, regardless of qualification. It is not difficult to understand how this compromises public safety.

Compulsory trade designation, also referred to as mandatory certification, means that any and all work must be performed by a certified journeyperson or an indentured apprentice.

The ARA believes that most automotive consumers are unaware, and in fact would be very surprised to learn, that there is no requirement that the people to whom they trust their vehicle repairs possess some degree of qualification credentialing. It is generally assumed that such requirements are in place, especially since they actually were in place not long ago.

The Automotive Retailers Association (ARA) has determined that there is universal support within the industry for compulsory trade designation for automotive repair trades in British Columbia.

Today's non-regulated environment puts consumers at risk of falling prey to less reputable auto repairers and facilitates an underground economy. Legitimate automotive repair businesses that invest in technician training, certification, tools and equipment, and that also obtain the proper business licensing and remit taxes, have to compete with "back-yard" operators that do none of those things.

Automotive apprenticeship training programs at the colleges are undermined by the fact that there is no mandatory certification regulation in B.C. While the number of registered first-year apprentices attending school would appear to be healthy, it is troubling to see that these numbers drop off significantly in subsequent years. This is due, in part, to a lack of incentive for completing an apprenticeship and achieving journeyman credentials.

Proposal

Bring back regulation that will require compulsory trade certification for the automotive trades.

Anticipated Benefits

The regulation will provide an additional level of consumer protection and safety for the general public; it will ensure that work is being done by competent, well-trained apprentices and journeypersons.

The benefits of compulsory trade designation will increase support for apprenticeship programs, promotion of high standards of professionalism, safe repairs and services, improved quality of work, increased consumer protection and confidence in the automotive repair industry, while stifling the underground economy. The automotive repair industry supports the economic growth of B.C. and its competitive role in the global market.

Recommendation #7: Vehicle Safety Inspections

Background

According to Statistics Canada, there are approximately 3.2 million motor vehicles registered in the province of B.C. On average, there are roughly one million vehicle transfers per year. In B.C. (2011), there were 156,515 new vehicle sales and 485,452 sales of used vehicles. Based on 2015 statistics from ICBC, on a 5 year average there are 270,000 reported crashes yearly. Those crashes result in an average 55,000 casualties, included is an average of 258 fatal crashes with a resulting average 285 fatalities yearly.

In 2007, 34,385 "contributing factors" were attributed to 18,286 reported injury and fatal collisions. Of all contributing factors assigned to collisions during 2007, 79.2% involved human action or condition, 19.1% were related to environmental conditions, and 1.7% involved vehicle condition.

With respect to the percentage of contributing factors involving the mechanical condition of the vehicle results are consistent from the period 2002-2007.

There is ample available literature on the topic of mandatory inspections spanning over 40 years, and when included as a value-added road safety measure, the ARA maintains that the evidence strongly supports the implementation of a mandatory vehicle safety inspection program.

Today, six US states operate random vehicle inspections, twelve mandate yearly inspections, four mandate inspections every two years, and four states require that a vehicle be inspected upon re-sale or transfer of ownership. In Canada, mandatory vehicle inspections began in Nova Scotia in 1967 followed by programs in New Brunswick in 1968, and P.E.I. several years later. Manitoba and Newfoundland require that a vehicle be safety inspected upon sale or transfer of ownership. In Manitoba, prior to insuring the vehicle with Manitoba Public Insurance, the new owner must complete a safety inspection. B.C. operated a vehicle safety inspections program from 1977-1983, but it was replaced with a mandatory vehicle emissions program (Air Care in 1992).

The most recent and comprehensive study on the effectiveness of mandatory vehicle inspections was conducted by Cambridge Systematics, Inc. for the Pennsylvania Department of Transportation (2009). This widely cited study concludes that vehicle safety inspections are effective and do save lives when incorporated as part of an over-all road safety strategy.

Statistics from the Ministry of Transportation's Commercial Vehicle Safety Enforcement Branch (CVSE) demonstrate a high percentage of vehicles involved in crashes where there has been a fatality or serious injury that did not meet Motor Vehicle Act Regulations (MVAR) requirements after a post-crash analysis was conducted.

A post-crash analysis is a post-crash report in which CVSE Area Vehicle Inspectors are requested by police to conduct an inspection to ascertain the mechanical fitness of a vehicle. Sometimes they find defects not associated with the crash, in which case the vehicles meet MVAR standards. Sometimes they find pre-existing defects, in which case the vehicles did not meet MVAR standards.

The Area Vehicle Inspector states that the vehicle either met or did not meet the standards. However, there is no statement as to whether the mechanical condition of the vehicle was such that the defects caused the crash—this is left up to an accident analyst, should the police require one.

While it is not possible to conduct detailed investigations on every vehicle involved in a collision, one can conclude that vehicle condition, as a contributing factor in traffic accidents, is under-represented in the traffic accident database. Based on the available data, one can assume vehicle condition to be much higher than 1.7 percent for accidents involving injury or fatalities.

Issue

Of the provinces that have inspections, surprisingly British Columbia's is the least onerous and restrictive. In other provinces all vehicles must be inspected regardless of age.

Although statistics are generally incomplete on the relationship between collisions and mechanical defects in vehicles, there is greater scrutiny applied to investigations by law enforcement agencies and insurance companies when collisions involve serious injuries or fatalities. And although there are few conclusions drawn with respect to mechanical defects being the direct cause of accidents, in 2008 as many as 34% of vehicles investigated post-crash at the request of police by the Commercial Vehicle Safety Enforcement (CVSE) area inspectors did not meet MVA requirements and were found to have defects that could at least have been a contributing factor. This increased to 50% in 2012, albeit with fewer investigated cases.

While traditional safety-related components of vehicles such as tires, brakes, and headlights are easily inspected and routinely checked during regular maintenance services, new and highly sophisticated safety equipment is consistently being introduced to vehicles. And even the simplest of repairs, like tire repair or replacement, now involve complex components like the tire pressure monitoring systems found on most vehicles. The technician has to reset the system so that it can be relied upon to warn the driver when required again. This often involves reprogramming an onboard computer.

Many of these new components cannot be inspected visually and other traditional diagnostic methods do not apply. Defects are difficult to detect without the proper equipment and a thorough understanding of how these systems work.

New technologies, some presently still in the design stage but many being deployed in today's vehicles, will become even more critical for road safety. As motorists become more dependent on accident avoidance systems that include Vehicle-to-Vehicle communication (where wireless signals send information back and forth between cars about their location, speed, and direction), augmented reality dashboards (which show you if you're approaching a car too quickly), and automated braking systems that help stop cars, it will be critical that these systems are working properly. These safety components must be serviced and diagnosed by a qualified technician.

The ARA believes that a key challenge is to raise public awareness that driving unsafe vehicles has an impact on road safety.

Proposal

The ARA believes that implementing a mandatory vehicle safety inspection as part of a value added road safety strategy will elevate B.C. as a leader in road safety and will result in safer roads with fewer traffic fatalities and serious injuries. The ARA contends that any undertaking that can reduce accidents and their severity is worthwhile. The proposal looks to introduce a vehicle safety inspection – with exceptions – upon the sale or transfer of a used passenger vehicle or light duty truck.

Inspections will be required for all vehicles five years or older and will be conducted at a designated inspection facility. Inspections will be valid for a period of one year. The program would be an extension of the existing Vehicle Inspection Program and uses the Commercial Vehicle Safety Enforcement (CVSE) to administer the program.

The administration of this program would be based on a fee charged to the consumer for a vehicle inspection. Inspections would be carried out at designated inspection facilities, whose annual fees would also contribute to the program as well as an increase in fees charged for the approval decals. The

program has the potential to generate income in the range of \$6 million annually. ICBC's Vehicle Services would also have a necessary role around the vehicle registration and implementation of this type of a system.

The four key components of the proposed plan can be summarized as follows:

1. **Critical to Road Safety:** Improved vehicle design and enhanced safety features will greatly improve road safety; however, a lack of maintenance raises concerns about the effectiveness of safety features as the vehicles age. It is a fact that as a vehicle ages its regular maintenance becomes less frequent. By mandating that vehicles be inspected at the point of sale, there will be sufficient safety checks throughout its life as it moves through various sales outlets (from new car dealer, to used car dealer, to private sale) to ensure they remain safe.
2. **Important to the Environment:** With the phasing-out of the provincial Air Care Program for private light duty vehicles by 2014, the ARA believes that there is an opportunity to re-invigorate the program by including an emissions related component to the vehicle inspection program.
3. **Helping Ensure Safe Roads:** The only reliable way to ensure that crucial safety features in vehicles are working properly is to implement mandatory vehicle safety inspections. Incorporating a mandatory vehicle inspection program as part of B.C.'s road safety strategy will elevate the province's status as a world leader in road safety. The proposed mandatory vehicle inspection program would be similar in scope to that of Manitoba's and Newfoundland's (inspected prior to sale or transfer of ownership).
4. **Ensuring Fair Competition in the Vehicle Aftermarket Services Industry:** The ARA believes that public awareness is a contributing factor towards attitudes concerning vehicle safety and mandatory inspection programs. Our plan will help consumers purchase "healthy cars" that have been inspected and serviced by a qualified trade technician.

It is important to note that Mandatory Vehicle Inspection is not a detailed inspection of the engine or transmission, and it is not a guarantee of the overall quality of the vehicle. It is recommended to consumers that they have the vehicle inspected by a qualified mechanic before purchase.

Anticipated Benefits

Consumer confidence that any vehicle purchased will have undergone a safety inspection confirming the safety and functionality of all new technologies employed on the vehicle. This also provides a methodology of reducing claims frequency, severity and related bodily injury losses in a segment of vehicles (those transferred or sold greater than 5 years of age) by removing the potential for claims resulting from the improper care and/or maintenance of those vehicles on the road today.

It will provide a revenue stream to government through the CVSE and the automotive service industry while further supporting the need for compulsory certification within the automotive industry.

Scope/Next Steps

1. **Manpower Reduction:** Conduct meetings (ARA/ICBC/Gov) to determine the full scope and value of the recommendation. This includes analysing the work taken on by industry that is currently handled by ICBC and adopting the ARA's CCR program and industry rates based on the tier attained by a facility. Also determine the frequency of audits required by an independent agency to allow for development of a contract of services. The ARA would need to further expand its implementation of the CCR program which currently has 100 applicants (13 Certified) to ramp up for adoption of CCR shops as the preferred ICBC supplier. Develop a phased approach to allow for industry to ramp up necessary support staff while allowing ICBC to reduce headcount through attrition or other manner. ICBC to scope out more automation in its estimate approval and payment system to further streamline claims handling.
2. **Alternative Transportation Service (ATS):** Conduct meetings (ARA/ICBC/Gov) to determine updated handling procedures and resolve the vicarious liability through legislative process which will have positive effects on garage policy costs.
3. **Winter Tire Program:** Reach out to Manitoba Public Insurance (MPI) and conduct joint meetings with industry (ARA Mechanical Division) and ICBC to determine the best methodology to promote and implement a program similar but designed for British Columbia.
4. **Driver Services Funding:** Research the separation of driver services and its related cost from the corporation.
5. **Crown Owned/Leased Facilities:** Complete an inventory of underutilized ICBC assets or those where departments occupy leased facilities and centralize operations to maximize corporate owned assets. Determine which properties could be offered for sale to pay down losses.
6. **Compulsory Trade Certification:** Designate the auto repair trades as compulsory trades. Only qualified, certified journeypersons and apprentices are permitted to perform the work.
7. **Vehicle Safety Inspections:** The strategy calls for increased dialogue with British Columbians and underscores the need for collaboration and cooperation with stakeholder partners to reduce fatalities and serious injuries on Canada's roadways by implementing mandatory safety inspections.



AUTOMOTIVE RETAILERS ASSOCIATION
Driving Industry Excellence

ARA Towing Supplier Accreditation

Date: September 27th, 2017

Potential Cost Savings

This proposal will eliminate the need for supplier oversight and potentially save millions of dollars in reduced administrative overhead while providing for greater efficiencies in towing related costs.

Background

ICBC has created several different types of supplier classifications for the towing industry. Towers qualify for either classification based on the size and scale of their operation. Registration, validation, and oversight for suppliers are managed by ICBC's supplier and accreditation department. This department also administrates the non-captive tow rotation list which was developed in consultation with industry and assigns towing based upon an operations fleet size. The list is supposed to be updated on an annual basis in order to ensure that tows are being fairly assigned. ICBC commercial claims divisions also manages a heavy-duty supplier class which assigns recovery operations to towers that have implemented health and safety protocols and are qualified to perform the recovery.

The Issue

Due to the lack of concern and available resources towing operations are not being properly vetted and the tow rotation list is not being updated. Consequently, towing operations are being assigned work based upon outdated information.

Proposal

The ARA towing and recovery certification program will assume management and oversight for towing and recovery suppliers ensuring that suppliers fully meet all requirements.

Anticipated Benefits

1. Reduced administrative costs for ICBC as industry will assume all cost for supplier accreditation and oversight.
2. A properly managed accreditation program will have the support of industry and ensure fair and equitable treatment for all suppliers.

3. The ARA certification will provide value added benefits such as enhanced training and health and safety.

Scope / Next Steps

1. Develop a stakeholder engagement strategy through consultation with the ARA and ICBC.
2. Through consultation with industry, the ARA and ICBC develop a phased approach for transferring the responsibility for supplier accreditation and oversight to the ARA's towing and recovery certification.



AUTOMOTIVE RETAILERS ASSOCIATION
Driving Industry Excellence

ARA Salvage Auctions

Date: September 25th, 2017

Potential Cost Savings

This proposal could save ICBC millions of dollars through the sale of Crown land as well as reduce administrative overhead for the corporation.

Background

ICBC has been managing their salvage auctions since 1974. They operate six salvage yards across the province and store additional salvaged vehicles (lots) at various tow yards throughout the province. On average ICBC sells approximately 44,000 lots each year. Almost half of these are sold through their Queensborough location in New Westminster. Online sales of salvage generate roughly \$60,000,000 annually.

In recent years ICBC has considered alternative business models including sub-contracting all or part of its auction sales. ICBC has not stated whether they intend to completely divest themselves of all operations. However, they have in recent years, substantially revised their long standing buyer requirements and policies citing that they no longer feel it is their responsibility to manage the industry.

The Issue

ICBC is in current financial difficulties and the government must look for ways to reduce insurance premiums and claims costs. Two ways of helping to achieve this goal can be to sell off Crown assets and reduce administrative costs.

Proposal

To research alternative models for providing online auction services for ICBC and submitting a business case to government. Alternative models may include, but are not limited to the ARA assuming management of online salvage sales and/or entering into other partnership agreements.

Anticipated Benefits

1. The current system of storing salvage lots at towing yards can be expanded to the whole province thereby reducing the need for large salvage yards and freeing up Crown Land for

sale or other purposes. A network of salvage yards across the province would also greatly reduce towing costs for ICBC and industry.

2. Transferring management of its salvage to a third party would reduce ICBC's administrative overhead. Further, the ARA with its close connection with industry could provide much better oversight and regulatory oversight of salvage sales.
3. As industry leaders and through its certification programs salvage auctions managed through the ARA can ensure that a greater percentage of ICBC's salvage is returned to the corporation by way of recycled parts utilization thereby further increasing cost savings for the insured.

Scope / Next Steps

1. Conduct an initial feasibility assessment for the project with key stakeholders.
2. Conduct a preliminary market analysis that will include researching comparative models from other jurisdictions, contacting vendors and/or other potential partners, conducting property assessments, gathering requirements, and conducting preliminary stakeholder feedback sessions.
3. Procure funding for selecting a vendor to assist in the development of a business plan.



AUTOMOTIVE RETAILERS ASSOCIATION
Driving Industry Excellence

ARA Recycler Supplier Certification

Date: September 27th, 2017

Potential Cost Savings

This proposal will reduce administrative overhead for ICBC as well as offer millions of dollars in savings through a more efficient utilization of recycled parts in the repair process.

Background

The ICBC standards of performance for recycled parts suppliers were developed in consultation with the ARA and the automotive dismantling industry. The standards were designed to create efficiencies in the utilization of recycled parts, to establish quality control standards, and to help improve the communication between parts suppliers and repair facilities. Recycled parts suppliers wishing to sell parts to ICBC must register with a third party recycled parts locating system (Allied Information Canada) and sign that they will adhere to the standards of performance among other legal requirements. While ICBC does not directly purchase recycled parts (the repair facilities purchases parts) they still maintain control of the salvage and who can supply recycled parts.

The Issue

In recent years ICBC has eliminated managerial positions that were assigned responsibilities for the oversight of supplier relations and no longer wish to assume any oversight for the quality control of its recycled parts suppliers. This has had a negative effect on recycled parts supplier relations. It has also resulted in an erosion of recycled parts utilization in the repair process which has come at a cost to the corporation as the utilization of recycled parts offers considerable cost savings for the policy holder.

To remedy this, the ARA has developed a comprehensive quality control certification for recycled parts suppliers wishing to sell their product to ICBC for utilization in the repair process. The certification offers training and oversight that ensures recyclers who supply recycled parts to ICBC must meet all quality control and safety standards of performance.

Proposal

The ARA proposes that ICBC make certification a requirement for all recyclers who want to supply parts to the collision repair industry. The ARA recycler certification program would be entrusted with the oversight of quality control and supplier relations.

Anticipated Benefits

1. Establishing a better system of quality control oversight will improve relations between repair facilities and recycled parts suppliers and increase the uptake of recycled parts in the repair process.
2. Increasing the utilization of recycled parts will help reduce repair costs and repair time for the insured.
3. Allowing an industry led and funded program to oversee the standards of performance will reduce administrative overhead for the corporation.

Scope / Next Steps

1. Develop a stakeholder engagement strategy through consultation with ICBC and the ARA.
2. Through consultation with industry, the ARA and ICBC will develop a phased approach that will allow qualified recyclers sufficient time for certification.



Proposal for Government Consideration

Date: October 6, 2017

Potential Cost Saving / Income Generating Recommendations

1. \$ tbd - ICBC Manpower Reduction

Recommendation:

Manpower Reduction and using current technologies to manage vehicle repairs

Background

ICBC manages glass claims through the Provincial Glass Operation (PGO) unit and manages Glass express facility compliance through the Special Investigations Unit (SIU). Other private insurers operate with a much smaller workforce, instead relying on industry expertise. ICBC staff traditionally complete a number of activities related to automobile claims handling. Duties may include all or a combination of;

- Managing claims on a "case by case " basis for accuracy, parts and prices
- Managing exceptions (items that are related but require approval)
- Managing pricing for parts not found in ICBC database
- Inspection/audit of repair facilities (travelling to repair facility)
- Authorization/approval of completed claims submitted for payment (review)

Issue

Managing claims unnecessarily: ICBC relies on an in-house database (consisting of hundreds of vehicles and thousands of parts) to manage claims (parts and prices, labour times, additional related parts). This in house system requires manually updating the database 3 times per year. This manual process has consistently resulted in errors and omissions in the database, such as issues pulling up correct vehicle information to identify the correct parts. This requires ICBC to manage these issues/claims on a "one off basis", requiring extra personnel and resources to answer calls from shops that are simply trying to understand why the claim is going into review when they should not be. The result is increased costs to ICBC to personally review each submitted paper claims file. This also puts a burden on small business as this delays payment for services rendered (in many cases upwards of 45-60 days).

Oversight and governance: ICBC created the Glass Express program as a means to set standards of performance for auto glass service providers that are allowed to generate claims on their behalf and to transfer administrative responsibilities to industry. Initially, industry took on the increased administration

and standards because of the advantages of being able to generate claims directly versus sending a customer to an ICBC claim centre to file a claim. However, 17 years later that advantage has disappeared as the Glass Express service provider pool has grown to over 500 providers and the program itself no longer represents the rigour required of an auto glass professional. In addition, the integrity of the Glass Express service provider pool has been eroding, as some Glass Express providers are finding ways to circumvent the rules governing the program. Industry has identified the issues and has concerns about ICBC's inability to provide the oversight required to keep the Glass Express program legitimate and worthwhile to those who respect and adhere to the Glass Express standards. ICBC has only recently committed to adding personnel to their investigation unit, which means adding costs to ICBC. On top of this, ICBC no longer has the in house expertise to keep the standard current or properly assess ability.

Proposal

Maintaining control on the cost of repairs requires a great deal of scrutiny based on the latest repair techniques and Original Equipment Manufacturer (OEM) requirements. It also requires that industry is monitored and audited to validate and ensure both their investment in technological upgrades and training and their compliance with required repair techniques as determined by the OEM's. The ARA proposes utilization of its already implemented Certified AutoGlass Service (CAGS) program. The CAGS program is an auto glass industry accreditation program that ensures facilities qualify in areas of business standards, facility requirements, tool and equipment requirements and training requirements and a practical assessment to substantiate ability. Independent audits are conducted by a third-party, to ensure fair and unbiased assessments with the intention of adding random repair and program spot-checks to validate repairs for compliance with the OEM standards and compliance with CAGS.

The full intent of this proposal is to replace the ICBC program with an industry program that remains current regardless of manufacturer requirements, and that demonstrates to consumers, insurers, OEM's, and suppliers that the facility has all the necessary infrastructure, training and personnel to repair modern vehicles accurately, safely and in a cost effective manner. Most importantly, for industry to remain viable it needs to be compensated fairly. Accepting the CAGS will assist in reducing ICBC costs while at the same time, enabling industry to hire, equip, train and repair vehicles to pre-accident condition. Those shops who do not meet the Certified AutoGlass service program requirements and have not invested sufficiently to warrant increases in rates should not expect to be receive the same rates. This program would be open to all participants and would be implemented and managed by industry for industry while providing the necessary transparency required by the government and ICBC.

CAGS businesses already have the resources to generate proper and accurate claims on behalf of ICBC. It would be prudent to pay industry a reasonable rate to take on all administrative responsibilities for handling claims less those that ICBC deem essential for their claims handling/management. This would allow ICBC to considerably reduce their PGO and approval workforce with additional savings coming through a reduction of SIU staff. As industry already uses the NAGS data directly rather than a manual version like ICBC uses, this would greatly reduce the number of claims going into review because of invalid data (as is the case with the current ICBC system).

Anticipated Benefits

ICBC would have a lower operating cost as well as a more capable and qualified industry. This would result in a more streamlined repair process while offering assurance that auto glass repairs and repair facilities are scrutinized through spot-checks by an independent company third party. It would reward those in industry who invest and maintain the highest industry standards resulting in the safest quality

repairs. It would return the level of professionalism in BC to one of the highest standards in Canada, if not North America. Enhancements to claims management, authorization and payment processes would result in significantly less ICBC staff to manage what are already automated steps and only adds cost to the system.

Scope/Next Steps

1. **Manpower Reduction:** Conduct meetings (ARA/ICBC/Government) to determine the full scope and value of the recommendation. This includes analysing the work that could be taken on by industry but is currently handled by ICBC, and adopting the ARA's Certified AutoGlass Service (CAGS) program and industry rates based on the tier attained by a facility. Also determine the frequency of audits required by an independent agency to allow for development of a contract for services. The ARA would need to further expand its implementation of the CAGS program, which currently has 78 applicants (of which 71 are certified) to ramp up for adoption of CAGS shops as preferred ICBC suppliers. Develop a phased approach to allow for industry to ramp up necessary support staff while allowing ICBC to reduce headcount through attrition or other manner.



BRIEFING NOTE

CLIFF # 543258

- I. Prepared for:** The Honourable David Eby, Minister responsible for ICBC, for **INFORMATION**
- II. Subject:** ICBC Investment Portfolio
- III. Background:**

- ICBC's investment portfolio is governed by prudent person principles. This general prudent person standard is set out in section 492 of the *Insurance Companies Act* (Canada). This standard requires ICBC to make investments for its insurance business in the manner that "a reasonable and prudent person would apply in respect of a portfolio of investments to avoid undue risk of loss and to obtain a reasonable return".
- In accordance with these principles, ICBC has a Board approved investment policy – the *Statement of Investment Policy and Procedures* ("SIPP") – that sets out the risk and return profile for the ICBC investment portfolio. The risk and return characteristics of the portfolio are primarily determined by the strategic asset mix, which is established to reflect the Board's risk tolerance and align to ICBC's investment objectives to ensure sufficient assets to support current and future insurance obligations, and generate an investment return to keep rates low for customers. In addition to specifying the strategic asset mix, the SIPP also establishes performance benchmarks, and sets guidelines for how specific asset classes are managed.
- A review of ICBC's strategic asset mix is currently underway which may result in some changes to the investment portfolio's asset classes and diversification requirements. This review is undertaken every four years and will be completed by end of the fiscal year.
- ICBC's investment portfolio has a market value of approximately \$16 billion comprised of fixed income investments, equity investments and real estate investments. Fixed income investments include money market instruments, Canadian bonds, mortgages, and high yield bonds. Equity investments are comprised of Canadian and Global equities.

IV. Discussion:

Portfolio of Assets

- **Money Market Investments** (approx. 1% of investment assets)

Money market investments are managed internally and are held for cash management purposes. Money market investments are comprised primarily of treasury bills.

ICBC BRIEFING NOTE

- **Canadian Bonds** (approx. 60% of investment assets)

The bond portfolio is managed internally and is comprised of short term secured and unsecured floating and fixed rate obligations with an investment grade credit rating. There are guidelines followed for bonds in the portfolio as to quality ratings, diversification, liquidity, and duration.

- **Mortgages** (approx. 11% of investment assets)

The ICBC mortgage portfolio is managed internally and investments are through direct mortgage loans. These investments are held to generate a return over bonds. There are guidelines followed for mortgages as to quality, diversification and geographic location.

- **High Yield Bonds** (approx. 5% of investment assets)

ICBC's high yield bonds investments are managed by external managers. Guidelines are established between ICBC and its external managers as to quality, duration, eligible investments, diversification, liquidity and geographic location.

- **Canadian Equity** (approx. 10% of investment assets)

ICBC's Canadian equity investments are managed by external managers, s.17 Guidelines are established between ICBC and its external managers as to diversification, liquidity, and eligible investments.

- **Global Equity** (approx. 5% of current investment assets)

ICBC's global equity investments are managed by an external manager, s.17

- **Real Estate Portfolio** (approx. 8% of current investment assets)

The majority of ICBC's real estate portfolio is comprised of direct investments in approximately fifty properties. s.17

In addition, there are some real estate investments made through external managers. There are guidelines followed for real estate investments as to quality, diversification, geographic location, liquidity and use of debt.

ICBC BRIEFING NOTE

Investment Management

The management expense ratio or overall costs to manage the investment portfolio is approximately 8-9 basis points per annum (i.e. 0.08%-0.09% of the value of the portfolio). The costs are low as most of the portfolio (approximately 80%) is managed in-house.

ICBC evaluates its investment performance against a policy benchmark, which is a weighted average of benchmarks at the asset class level (see SIPP for associated details). ICBC's target is to meet or exceed the policy market benchmark return. Historically, ICBC has demonstrated the ability to consistently add value by having investment returns which exceed the benchmark returns.

Investment Performance

ICBC's investment portfolio returns for each year from 2007 follow:

Year ended	Investment Return		
	4-year (annualized)	4-year Policy Benchmark	Excess
December 31, 2007	6.03%	5.79%	0.24%
December 31, 2008	4.53%	4.00%	0.53%
December 31, 2009	5.09%	4.54%	0.55%
December 31, 2010	4.58%	3.98%	0.60%
December 31, 2011	4.27%	3.75%	0.52%
December 31, 2012	5.16%	4.95%	0.21%
December 31, 2013	5.00%	4.66%	0.34%
December 31, 2014	4.85%	4.64%	0.21%
December 31, 2015	5.26%	4.83%	0.43%
March 31, 2017	4.81%	4.50%	0.31%

Reserve Funds

The investment assets are comprised primarily of the unpaid claims, unearned premiums and equity accounts. These assets are invested with the objectives to ensure sufficient assets are available when and as required to meet current and future claims obligations and to generate an investment return.

Contact: Chris Tupper
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Business Area Contact: Alison Gould
Chief Investment Officer,
ICBC
(604) 982-4792

Date: November 21, 2017

**MINISTRY OF ATTORNEY GENERAL
LIQUOR CONTROL AND LICENSING BRANCH
BRIEFING NOTE**

PURPOSE: For INFORMATION for Honourable David Eby,
Attorney General

ISSUE:

Meeting with s.16,s.17 on November 30,
2017 regarding their special wine store licences (SWSL) for the sale of BC wine.

SUMMARY:

- Loblaw plans to provide an overview of their experience to date with their SWSL's.
- They are also likely to raise the possibility of selling craft beer in these stores, similar to what has recently occurred in Ontario.
- There may be questions as to whether Government plans to auction more SWSL's.

BACKGROUND:

- Loblaw won 10 of the 12 auctions held in 2016 for the right to apply for the SWSL. Their winning auction bids totalled \$13.74 million. The other 2 auctions were won by the Overwaitea Food Group who also has 14 VQA stores operating in their Save-on-Foods stores (and 2 in dormant status).
- Currently, 9 Loblaw stores are operational including 3 that opened this month. The stores are in Surrey, Langford, Westbank, Langley, Vernon, Richmond, Mission and 2 in Kelowna.
- It is a term and condition of the SWSL that they must purchase wines from BC wineries of all sizes so that smaller wineries have access to this retail channel.

s.13

- The issuance of SWSL's and the relocation of VQA stores to grocery stores have led to a WTO trade challenge by the USA as well as written complaints from several of our international trading partners.
- Ontario, through a bidding process, has issued a significant number of authorizations to grocery stores to sell beer, wine and cider. At least 20% of the beer containers on the shelves must come from "small breweries" which are defined as having annual worldwide production not exceeding 400,000 hectolitres. s.13

s.13

OTHER MINISTRIES IMPACTED/CONSULTED:

- None

Prepared by:

Barry Bieller
Senior Policy Analyst
LCLB
250 952-5755

Approved by:

Michelle Carr
ADM and General Manager
LCLB
250 952-5777

Attachment

Meeting Attendees

Chris Smith, Director Government Relations, Western Canada, Loblaw and Shoppers Drug Mart (based in Victoria)

David Harrington, VP National Liquor, Loblaw (based in Toronto)