

Annual Report 2006/2007



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INTERNAL TRADE
SECRETARIAT



SECRETARIAT DU
COMMERCE INTÉRIEUR

Suite 850, 444 St. Mary Ave.
Winnipeg MB R3C 3T1
Tel: (204) 987-8094
Fax: (204) 942-8460
Web-site: www.ait-aci.ca

444, avenue St. Mary, bureau 850
Winnipeg (Manitoba) R3C 3T1
Tél : (204) 987-8094
Téléç : (204) 942-8460
Site-Web : www.ait-aci.ca

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Committee on Internal Trade

(as of March 31, 2007)

Alberta

The Honourable Guy Boutilier
Minister of International,
Intergovernmental and Aboriginal
Relations

British Columbia

The Honourable Colin Hansen
Minister of Economic Development and
Minister responsible for the Asia-Pacific
Initiative and the Olympics

Canada

The Honourable Maxime Bernier
Minister of Industry

Manitoba

The Honourable Scott Smith
Minister of Competitiveness, Training and
Trade

New Brunswick

The Honourable Greg Byrne
Minister of Business New Brunswick

Newfoundland and Labrador

The Honourable Trevor Taylor (**Chair**)
Minister of Innovation, Trade and Rural
Development

Northwest Territories

The Honourable Brendan Bell
Minister of Industry, Tourism and
Investment

Nova Scotia

The Honourable Richard Hurlburt
Minister of Economic Development

Ontario

The Honourable Sandra Pupatello
Minister of Economic Development and
Trade

Prince Edward Island

The Honourable Michael Currie
Minister of Development and Technology

Quebec

The Honourable Benoît Pelletier
Minister responsible for Canadian
Intergovernmental Affairs, Francophones
within Canada, the Agreement on Internal
Trade, the Reform of Democratic
Institutions and Access to Information

Saskatchewan

The Honourable Harry Van Mulligen
Minister of Government Relations

Yukon

The Honourable Jim Kenyon
Minister of Economic Development

Nunavut (Observer Status)

The Honourable David Simailak
Department of Economic Development
and Transportation

Internal Trade Representatives

(as of March 31, 2007)

Alberta

Shawn Robbins
Director, Trade Policy
International, Intergovernmental and
Aboriginal Relations

British Columbia

Robert Musgrave
Manager, Trade Policy and Programs
Economic Development

Canada

Roman Staranczak
A/Director, Internal Trade and Outreach
Industry Canada

Manitoba

Alan Barber
Director, Policy, Planning and Coordination
Manitoba Competitiveness, Training and
Trade

New Brunswick

Andrew Hashey
Senior Policy Advisor, Trade Policy
Intergovernmental Affairs

Newfoundland and Labrador

Tom Fleming (**Chair**)
Manager, Trade Policy
Innovation, Trade and Rural Development

Northwest Territories

Terry Lancaster, Trade Officer
Investment and Economic Analysis
Industry, Tourism and Investment

Nova Scotia

Greg Bent
Director, Trade Policy
Intergovernmental Affairs

Ontario

Richard Caine
Manager, Trade and International Policy
Economic Development and Trade

Prince Edward Island

Robert Perrin
Trade Advisor
Development and Technology

Quebec

Daniel Albert
Coordinator
Internal Trade Group

Saskatchewan

Robert Donald
Director, Trade Policy
Government Relations

Yukon

Richard Provan
Senior Policy Advisor
Policy, Planning and Research
Economic Development

Nunavut (Observer Status)

Dushyenth Ganesan
Manager, Tourism, Export & Investment
Economic Development and
Transportation

2006/2007 Highlights

Year 2006–2007 saw an acceleration of the renewed momentum given to interprovincial trade in recent years following the adoption by the Committee on Internal Trade (CIT) of an internal trade work plan in late 2004. During 2006-2007, the CIT met twice to review and expedite progress.

At its Annual Meeting in Halifax in September 2006, the CIT launched an ambitious “action plan” to achieve major progress on initiatives to strengthen the AIT. At this meeting Ministers:

- Approved the Seventh AIT Protocol of Amendment to streamline/strengthen dispute resolution procedures as well as to clarify/improve certain provisions dealing with procurement;
- Directed officials to complete within a year a major review of the AIT dispute resolution mechanism and to propose revisions to the AIT to ensure a fair, efficient, effective, accountable and enforceable dispute process of an administrative nature;
- Urged Labour Market Ministers to achieve greater labour mobility by April 1, 2009 via full compliance by regulatory bodies with AIT provisions;
- Directed officials to continue work on the development of measures to ensure that governments take into account trade/mobility effects relating to new/revised regulations and standards;
- Directed officials to move quickly to finalize a draft AIT Energy Chapter; and
- Requested Agriculture Ministers to develop an action plan to complete a new AIT Agriculture chapter.

At a special interim meeting in Toronto in February 2007, the CIT met again to further review and advance progress under the new “action plan”. At this meeting, Ministers:

- Resolved (among eleven provinces/territories and the federal government) the outstanding issues on regional economic development measures and hydraulic rights issues, and agreed to refer options for the content of a draft Energy Chapter for the consideration of Energy Ministers;
- Requested the Forum of Labour Market Ministers (FLMM) to develop a detailed work plan with specific targets and timelines so as to meet the April 1, 2009 deadline for AIT compliance by regulatory bodies;
- Approved amendments to the Code of Conduct on Incentives to help distinguish the current requirement for all Parties to take into account the economic interests of other Parties in developing and applying their incentive measures; and
- Approved an AIT communications plan.

Overview of the Agreement

The Agreement on Internal Trade (AIT) is an intergovernmental accord on domestic trade signed by the federal, provincial and territorial governments in Canada in 1994, which came into effect in 1995. According to the founding principle, Article 100 of the AIT: *It is the objective of the Parties to reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services and investments within Canada and to establish an open, efficient and stable domestic market. All Parties recognize and agree that enhancing trade and mobility within Canada would contribute to the attainment of this goal.*

It is also recognized by all Parties to the AIT that a single market free of barriers to trade strengthens Canada's position in the competitive global economy.

The AIT focuses on reducing trade barriers within eleven sectoral areas. This report provides details of the activities undertaken within these sectors during the reporting period April 1, 2006 to March 31, 2007.

Progress under Sectoral Chapters¹

Chapters One to Four

The first four chapters of the AIT deal with: Operating Principles; General Definitions; Constitutional Authorities; and General Rules, setting out the objectives, extent of the obligations and general rules under which the AIT operates.

Procurement (Chapter Five)

Provisions under Chapter Five establish a framework to ensure equal access to public sector procurement for all Canadian suppliers in order to contribute to a reduction in purchasing costs and the development of a strong economy in a context of transparency and efficiency.

In 2006/2007, progress under the Chapter included the following:

- Completion of the review of AIT bid protest procedures relative to provincial and territorial procurements. Revised text has been proposed to clarify and refine the existing process, to enhance transparency and to introduce a mechanism for ensuring that the process does not become blocked.

¹ Complete chapter reports are available on the AIT website at: www.ait-aci.ca.

- Drafting of an Interpretive Note clarifying how the AIT procurement rules apply to public-private partnerships. The Interpretive Note is expected to receive final approval in the following year.
- Continuation of the review of the Procurement Chapter. The focus is on bringing greater consistency both to the interpretation of the provisions of the Chapter and to the manner by which these provisions are operationalized.
- Expansion of the Tender Notice Exchange, a mechanism whereby eight provinces exchange their tender notices (and, in many cases, the notices of their broader public sector) in order to provide each of them the opportunity to publish on their websites a complete daily listing of the tender notices of the participating governments for the convenience of their suppliers. Currently, the tender notices of all eight provinces are published by the Governments of Alberta (www.purchasingconnection.ca), Quebec (www.seao.ca) and Nova Scotia (www.gov.ns.ca/tenders), thus providing three sites through which suppliers can easily access the procurement opportunities of the eight provinces. Work is continuing with the objective of including the tender notices of the remaining governments.
- Continual updating of MARCAN (www.marcan.net), the website established by the Parties to the AIT and which provides Canadian businesses with information on the rules for public sector procurement and current procurement contacts as well as links to internet sites (including those of the Tender Notice Exchange) that may publish Canadian public sector tender notices.

Investment (Chapter Six)

The objective of Chapter Six is to ensure that Canadian businesses are able to make investment decisions based on market conditions without being constrained by restrictive government policies.

In 2006/2007, progress under the Chapter included the following:

- At the September 2006 CIT meeting Ministers agreed to review the Alberta-British Columbia *Trade, Investment and Labour Mobility Agreement* (TILMA) to determine elements that might be imported into the AIT. The Working Group on Investment (WGI) commenced a review of the text of the TILMA related to incentives under the AIT. Options continue to be developed for further consideration.
- The WGI presented a report to Ministers at the February 2007 CIT meeting which proposed a small change to Paragraph 8 of the Code of Conduct on Incentives to divide the current paragraph into two separate paragraphs. This change is intended to help distinguish the current requirement for all Parties to “take into account the economic interests of other Parties in developing and applying their

incentive measures.” Ministers agreed to the proposed change.

- The WGI continued to review and evaluate the data collected to date as part of the required reporting under the AIT Code of Conduct on Incentives. Options have been identified with a view to reducing the administrative burden associated with the reporting while maintaining or increasing transparency. The WGI review of reporting is ongoing.
- REGISTREX, the Corporate Registration and Reporting Gateway was updated.

Labour Mobility (Chapter Seven)

Chapter Seven is intended to eliminate or reduce obstacles to labour mobility, thereby enabling any worker qualified for an occupation in one part of Canada to have access to employment opportunities within that occupation in any other province or territory.

In 2006/2007, progress under the Chapter included the following:

- At the September 2006 meeting of CIT, Ministers agreed to establish a new deadline of April 1, 2009 for all existing regulated occupations to achieve compliance with the labour mobility provisions of the AIT. This date was chosen to coincide with the deadline in the British Columbia/Alberta Trade, Investment and Labour Mobility Agreement (TILMA) for its compliance obligations. The Ministers noted that this initiative could also draw upon the TILMA and the Ontario/Quebec Construction Agreements.
- At the February 2007 CIT meeting, the Forum of Labour Market Ministers (FLMM) formally acknowledged the new deadline and reported that they are identifying the steps required to comply with this time period, with an immediate focus on nine high priority occupations. While welcoming the actions taken by FLMM, the CIT requested that FLMM provide the CIT with a detailed work plan with specific targets and timelines outlining how they will meet the April 1, 2009 deadline.

In addition as part of its ongoing work, in 2006/2007 Labour Mobility Coordinating Group (LMCG) implemented the following action items:

- Work on a priority basis with regulatory bodies of high priority occupations: Nine occupations are listed in the high priority category. The high priority occupations were identified based on the 2004/2005 Report of Survey results. Each high priority occupation has significant labour mobility issues remaining. LMCG worked and met with occupational consortia of regulatory bodies to secure progress for each consortium. LMCG leads have met with consortia of Social Workers, Medical Laboratory Technologists, Licensed Practical Nurses, Registered Nurses, and worked with Teachers, Audiologists/Speech Language Pathologists and Pharmacists.

- Provide support to other occupational consortia of regulatory bodies: LMCG provided technical advice and assistance to occupational consortia not identified as high priority. LMCG worked with the consortium of Hearing Aid Practitioners, Real Estate Agents, Funeral Directors and Embalmers, Dental Techs, Podiatrists, Agrologists, Chiropractors, Massage Therapists, Geoscientists and Foresters. LMCG leads worked to develop, review and maintain or improve Mutual Recognition Agreements (MRAs). Also, LMCG leads encouraged consortia to include Québec's regulatory bodies in MRAs where Québec has been excluded because of differences in assessment methods and to cover foreign-trained workers who are already recognized in one jurisdiction. In 2006-2007, The Hearing Aid Practitioners, Dental Techs and Midwives signed a new or revised their MRA.
- Develop a Monitoring Framework: The goal of the monitoring framework is to monitor and to measure the degree to which the objectives of Chapter Seven have been achieved. It fulfills the FLMM's commitment to assess and report annually on the effectiveness of Chapter Seven as designated in Article 712(5)(a) of the AIT. The next phase of this initiative, which involves the hiring of the consultant and the development of the monitoring framework, will be part of the 2007-2009 work plan.
- Develop a Communications Plan: The goal of such a plan is to increase awareness of Chapter Seven obligations and activities among governments, regulatory bodies and other stakeholders. A draft broad communications plan has been developed including a Code of Conduct (a document describing governments' collective expectations regarding labour mobility and recognition of qualified workers), letters to high priority occupational consortia and options and costs on website consolidation of information required for compliance with the AIT Labour Mobility Chapter.

Consumer-Related Measures and Standards (Chapter Eight)

Chapter Eight calls upon the Parties to report on and cooperate in consumer protection measures. As part of that agreement, the Committee on Consumer Related Measures and Standards (CMC), composed of officials of each government, undertook negotiations to reach agreement on specific commitments made under the AIT. This work was substantially completed in 1998. The CMC is tasked with monitoring the implementation and administration of these agreements.

The CMC is also responsible for identifying any substantive measures for inclusion in future negotiations, acting as a forum for discussions between the Parties on consumer-related measures, and undertaking dispute resolution.

In 2006/2007, progress under the Chapter included the following:

- In 2005/2006 the CMC Identity Theft Working Group carried out a public consultation to explore a number of options to address identity theft and to make it easier for victims to recover from the experience. The findings of this consultation were presented at the April 2006 CMC meeting in Ottawa. Deputy Ministers responsible for consumer affairs subsequently directed CMC to engage in consumer outreach and education in regard to awareness of ID theft when opportunities arise, including the upcoming Fraud Awareness Month. Also with regard to ID theft, Deputies agreed that it would be valuable to pursue a legislated approach to the implementation of fraud alerts on consumers' credit files.
- A Credit Reporting Working Group was formally established and mandated to conduct public consultations on harmonizing technical elements of consumer reporting rules.
- The CMC Consumer Awareness Working Group posted two information modules entitled "Consumer Issues for Seniors" and "Consumer Issues for the Young" on the CMC website cmcweb.ca.
- The CMC Travel Services Working Group continued to monitor issues relating to consumer protection in this sector.
- The CMC Alternative Consumer Credit Market Working Group was directed to monitor the progress of Bill C-26: *An Act to amend the Criminal Code (criminal interest rate)*, which relates to its work on payday lending. They will also examine consumer issues in pawnbroking as well as alternatives for consumers to high cost credit, and will develop a strategy for engaging traditional financial institutions in providing greater access to services.

Agricultural and Food Goods (Chapter Nine)

The current scope and coverage of Chapter Nine is limited to technical barriers to internal trade, including five technical barriers with policy implications identified by the Federal-Provincial Agriculture Trade Policy Committee. These technical barriers are: coloured margarine restrictions and other margarine standards; standards for dairy blends and imitation dairy products; fluid milk standards and distribution; Ministerial Exemptions for bulk shipments of horticultural products; and absence of a Canada No. 1 small potato grade.

In September 2006, Ministers of the CIT agreed on an action plan which included the following directions with respect to the completion of Chapter Nine of the AIT:

"Ministers of Agriculture will report back by December 2006 to the Council of Federation and the Committee on Internal Trade with an action plan for the completion of an Agricultural and Food Goods Chapter that includes all technical measures, ensuring that any new agreement does not interfere with Canada's orderly marketing systems."

Since then, the AIT working group on Chapter Nine has been actively working towards the development of a revised chapter. However, to date, no consensus has been reached by jurisdictions on a general approach to finalize the text.

In terms of transparency, pursuant to Article 907 of the AIT, the Government of Quebec published notice on December 23, 2005, of Bill 137, *Loi sur les appellations réservées et les termes valorisants* [Act concerning reserved designations and promotional terms].

Alcoholic Beverages (Chapter Ten)

The purpose of the Alcoholic Beverages Chapter is to reduce or eliminate barriers to interprovincial trade in alcoholic beverages. However, internal barriers whose removal would have had international implications, due to national treatment requirements, were not addressed in the AIT process on the instruction of Ministers.

In 2006/2007, progress under the Chapter included the following:

- The regulatory/inspection aspects of the National Wine Standards (NWS) process are foremost in the Canadian wine sector's priorities. As the Canadian Food Inspection Agency (CFIA) proposes to recover from industry the costs of administering the standards, Agriculture and Agri-Food Canada (AAFC)/CFIA and the provinces are exploring ways to reduce costs associated with NWS regulations. In response to concerns about meeting their requirements for good manufacturing practices, AAFC/CFIA launched an internet forum in December 2005 that is open to all wineries across Canada to discuss and develop a relevant, cost-effective winery inspection program.
- The food hygiene/good manufacturing practices required by CFIA have been incorporated into its second draft of the Winery Inspection Manual, which is currently under review by industry.

Although substantive progress has been made on this complex initiative with the agreement last year by a national committee of stakeholders on the draft technical aspects of the standards, outstanding issues such as governance, the cost of implementation and enforcement remain unresolved. CFIA and AAFC are currently consulting with the industry and the provinces to address these matters.

Natural Resources Processing (Chapter Eleven)

Chapter Eleven prohibits the introduction of new barriers to the processing of forestry, fisheries and mineral resource products.

In its most recent review of the status of the Chapter's implementation, the Working Group on the Processing of Natural Resources agreed that the Chapter is meeting its objectives and that there are no outstanding implementation issues.

Energy (Chapter Twelve)

The objective of Chapter Twelve will be to provide market access provisions and non-discriminatory treatment of energy goods and energy services. In 2004, at the direction of CIT Ministers, a Working Group of internal trade and energy officials from each Party, chaired by Alberta, was established to undertake a workplan and commence negotiations for completion of an AIT Energy Chapter.

In 2006/2007, progress under the draft Chapter included the following:

- At the September 2006 CIT meeting, the remaining issue that had been referred to the CIT concerning regional economic development measures was resolved among eleven provinces and territories and the federal government, and these twelve jurisdictions agreed to proceed with completion of the Energy Chapter. Ministers also directed that the *Trade, Investment and Labour Mobility Agreement* (TILMA) be reviewed and analyzed in depth to determine elements which might be imported into the AIT.
- Since that time, Alberta has drafted an alternative Energy Chapter outline based on the TILMA model. Trade and Energy officials discussed this alternative model and concluded that further development and finalization of the Energy Chapter will require the oversight and approval of Energy Ministers.
- It was agreed at the February 2007 CIT meeting that the CIT would write to the Council of Energy Ministers (CEM) to formally re-engage this forum, to request their determination of the content of an Energy Chapter and to offer the assistance of the CIT.

Communications (Chapter Thirteen)

Chapter Thirteen ensures equal access to public telecommunications networks and the use of public telecommunications services. There were no new developments under the Chapter in 2006/2007.

Transportation (Chapter Fourteen)

The objective of Chapter Fourteen is to ensure harmonization of regulations applicable to commercial vehicles such as safety standards, weights and dimension rules, bills of lading, tax administration, and operating authority requirements.

In 2006/2007, progress under the Chapter included the following:

- In the fall of 2006, an open, national meeting was convened to identify and discuss regulatory impediments and harmonization priorities. Over 50 representatives attended from governments, the motor carrier industry, equipment manufacturers and shippers.
- In 2006, regulatory harmonization discussions also continued on regional bases within Canada, with initiatives underway in western, central and eastern Canada to address compatibility of both regulated limits and conditions for issuance of special permit authorities.
- The Secretariat for the Council of Deputy Ministers Responsible for Transportation and Highway Safety continues to maintain a resource center for vehicle weight and dimension related issues, which includes a website (www.comt.ca/english/programs/trucking/index.html) as a central source for access to research reports, reference material on policies and regulations, minutes of meetings and contact persons.
- NSC Standard 9: The revised CCMTA Commercial Vehicle Drivers Hours of Service Standard dated September 2002 has been superseded by the Federal Hours of Service Regulations published in the Canada Gazette Part II on November 16, 2005, as implemented on January 1, 2007.
- NSC Standard 13: Trip Inspection was revised in 2005 and implementation in the provinces and territories is underway.

Environmental Protection (Chapter Fifteen)

The objective of Chapter Fifteen is to ensure that the environmental protection measures of the Parties do not become non-tariff trade barriers. Obligations from the Chapter continue to be fulfilled by departments of the environment, as well as by the Canadian Council of Ministers of the Environment (CCME), the body responsible for implementing and administering this Chapter. There were no major issues concerning implementation, outstanding obligations or disputes to report in 2006/2007. CCME continues to promote harmonization of approaches, thereby limiting real and perceived barriers to trade.

Institutional Provisions (Chapter Sixteen)

The CIT along with the Secretariat are established under Chapter Sixteen provisions. During 2006/2007, the CIT held Meetings in Halifax and Toronto; as a result the Secretariat experienced an increased workload in providing administrative and operational support to meetings of Internal Trade Representatives (ITRs), as well as to committees and working groups dealing with various initiatives under the Internal Trade Workplan. The Secretariat organized face-to-face meetings of ITRs and the Procurement Committee in both Ottawa and Winnipeg, as well as more than 60 conference calls for ITRs, and AIT Working Groups on Procurement, Dispute Resolution, Investment, Energy, and Natural Resources. The Secretariat also

participated in more than 30 conference calls on labour mobility, consumer measures and regulatory reform issues under the AIT

Moreover, during the year a new form of governance was implemented by Parties whereby the Secretariat became incorporated federally as a not-for-profit body. The new Internal Trade Secretariat Corporation (ITSC) commenced operations on April 1, 2006. The Annual General Meeting of the ITSC was held in September 2006 by conference call as was a Board of Directors meeting in February 2007.

Dispute Resolution Procedures (Chapter Seventeen)

Chapter Seventeen features a formal dispute settlement mechanism to deal with complaints. It is accessible to governments and persons. Dispute resolution procedures under the Chapter provide for consultations between parties to the dispute, including seeking the assistance of the Committee of Ministers and, ultimately, the establishment of a dispute resolution panel.

Parties have been engaged in a full review of AIT dispute resolution mechanisms since August 2004. The purpose of the review is to address issues related to timing, fairness, certainty, consistency and implementation.

In 2006/2007, progress under the Chapter included a report by the Dispute Resolution Review Working Group tabled at the CIT 2006 meeting which resulted in CIT approval of the AIT Seventh Protocol of Amendment.

Recommendations approved by Ministers at the CIT 2006 meeting included the following:

- Amend the AIT so that formal consultation requirements of sectoral chapters (other than the Procurement Chapter) be incorporated into a general consultation mechanism in Chapter Seventeen;
- Amend the AIT to provide a mechanism whereby the panel that heard a dispute can be reconvened to determine compliance with its report;
- Amend the AIT to include a process whereby participants to the dispute can request clarification of panel findings and recommendations;
- Amend the AIT to provide that if a Party fails to name a panellist, a panellist will be chosen by lot by the Secretariat;
- Amend the AIT to allow a Panel to hear arguments, at a pre-hearing or hearing stage as appropriate, as to whether a dispute is within the scope of the AIT;
- Amend the AIT Rules of Interpretation to clarify that the burden of proof rests with the person or Party bringing a case against a Party;

- Amend the AIT Code of Conduct for Panellists to require panellists to sign a declaration to the effect that they have read the Code of Conduct and the Panel Rules of Procedure and understand both documents;

At the February 2007 CIT meeting Ministers considered four options to improve AIT dispute resolution enforcement. Ministers could not reach a consensus and agreed to report to COF on the differing views of Parties and seeking further direction on dispute enforcement including whether the AIT should contain a monetary award as a last resort enforcement option.

Among the Secretariat activities during 2006/2007 are:

- Updated Chapter Seventeen Operational Details (Government-to-Government Disputes and Person-to-Government Disputes);
- Updated General Dispute Resolution Manual;
- Updated Panellist Dispute Resolution Manual;
- Updated roster of panellists and list of screeners; and
- Publication of a revised Consolidation of AIT Dispute Panel Reports.

Final Provisions (Chapter Eighteen)

Chapter Eighteen recognizes that it is appropriate for governments to enter into bilateral or multilateral arrangements to enhance trade and mobility and provide a level of trade liberalization beyond what is required by the AIT.

To increase the visibility of such arrangements, an inventory was prepared of those trade-related arrangements that currently exist between the FPT governments. This inventory, which was published as “Trade Enhancement Arrangements” on the AIT website, provides the name of the arrangement, the Parties to the arrangement, the date of its entry into force and links to an electronic copy of the arrangement where available.

During 2006/2007, 4 such agreements were concluded:

- *New Brunswick-Quebec Cooperation Agreement* – entry into force April 18, 2006;
- *Agreement on Labour Mobility and Recognition of Qualifications, Skills and Work Experience in the Construction Industry (2006)* between the Governments of Ontario and Quebec - entry into force June 30, 2006;
- *Interim Agreement on Internal Trade in Agriculture and Food Goods* between the Governments of British Columbia, Alberta, Saskatchewan, Manitoba, Prince Edward Island and Yukon – entry into force July 1, 2006; and

- *Trade, Investment and Labour Mobility Agreement* between the Governments of Alberta and British Columbia – April 28, 2006 with entry into force April 1, 2007

Internal Trade Disputes

The AIT encourages the resolution of disputes through consultations between disputants, and makes provision for progressive steps in the dispute avoidance and resolution process.

Detailed information on disputes since the inception of the AIT can be found at www.ait-aci.ca. During 2006/2007, there were no disputes referred to panel.

In 2006/2007, AIT trade dispute activities included:

- On March 2, 2007 New Brunswick requested consultations with Ontario under Article 711. New Brunswick alleged that recent changes to registration requirements by the Ontario College of Nurses with respect to Licensed Practical Nurses have caused a barrier to a New Brunswick nurse who recently moved to Ontario.
- On June 20, 2006, Nova Scotia, on behalf of the Nova Scotia Fruit Growers Association, requested consultations with the Government of Canada under Article 906 of Chapter Nine on the subject of Ministerial Exemptions applicable to the bulk shipment of apples. Nova Scotia complained that the federal regulations constituted a barrier to interprovincial trade of apples in bulk containers. The genesis of the complaint was the inability of a Quebec packer to import apples from Nova Scotia.

Likewise, on July 20, 2006, the Quebec Association of Apple Packers notified the Government of Canada of its intention to file a similar complaint against Ministerial Exemptions; a Screener Report was obtained in February 2007.

- In 2006, l'Office des professions du Québec (OPQ) drafted a Bill to amend the *Professional code* and the *Chartered Accountants Act* in respect of public accountancy. On October 18, 2005, a Panel dealing with a dispute between the Certified General Accountants of New Brunswick (CGA-NB) and the Government of Quebec had recommended that Quebec ensure that the *Chartered Accountants Act* and Regulations and all other Quebec statutes that restrict access to the practice of public accounting by non-CA accountants recognized as qualified to practice public accounting by other Parties be made consistent with the AIT. The Bill aims, in particular, at implementing the Panel's recommendation and proposes to give access to public accounting to CGAs and CMAs by allowing them to hold a public accountancy permit. The minister responsible for the administration of legislation respecting the professions has presented this Bill (n° 64) at the National Assembly on December 14th, 2006.

- In March, 2007, Ontario and Newfoundland and Labrador indicated officially that a dispute regarding the College of Nurses of Ontario requirement that a Licensed Practical Nurse (LPN) from Newfoundland and Labrador write an examination as a condition of obtaining a license to work in Ontario had been resolved.
- On March 14, 2007, Manitoba indicated officially that it considers a dispute with Nova Scotia regarding a hair stylist licensed in Manitoba holding the Red Seal qualification for her occupation who was denied a license in Nova Scotia to be resolved.

Organizational Structure

Committee on Internal Trade

Under the AIT, a committee of ministers, the Committee on Internal Trade, is established with responsibility for the implementation of the AIT. The CIT meets annually to review progress under the AIT and its chairmanship is rotated each year among a roster of Parties. Decisions are taken by consensus.

Internal Trade Representatives

Internal Trade Representatives (ITRs) are senior trade officials appointed by each Party to the AIT who meet regularly as a committee or in working groups to direct the work of implementing the AIT.

Board of Directors

Under the articles of incorporation, ITRs are also appointed by each Party to the AIT to serve as a Board of Directors and to provide general guidance to the Executive Director in the administration and operation of the Internal Trade Secretariat Corporation.

Internal Trade Secretariat

The AIT established a Secretariat to act as a neutral and independent coordinating support body to committees and working groups under the AIT. The Secretariat is headed by an Executive Director who reports to the Board of Directors.

Agreement on Internal Trade Website

The following detailed information is available on the AIT website at www.ait-aci.ca.

Overview of the AIT
Consolidation of the AIT
Protocols of Amendment
News Releases
Initiatives under the AIT
Government Procurement
(www.marcan.net)

Screeners Reports
Panel Reports
Annual Reports
Progress Reports
Dispute Statistics
Corporate Registration
(www.registrex.ca)

INTERNAL TRADE SECRETARIAT CORPORATION

Financial Statements

For the year ended March 31, 2007

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BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone/Téléphone: (204) 956-7200
Fax/Télécopieur: (204) 926-7201
Toll Free/Sans frais: 1-800-268-3337
www.bdo.ca

Auditors' Report

To the Board of Directors of Internal Trade Secretariat Corporation

We have audited the statement of financial position of **Internal Trade Secretariat Corporation** as at March 31, 2007 and the statement of operations and net assets for the year then ended. These financial statements are the responsibility of the Secretariat's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As outlined in note 3 to the financial statement, the **Internal Trade Secretariat Corporation** does not capitalize and amortize its property and equipment. In this respect only, the financial statements are not in accordance with Canadian generally accepted accounting principles.

In our opinion, except for the effects of the failure to capitalize and amortize property and equipment as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Secretariat as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants
Winnipeg, Manitoba
April 19, 2007

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INTERNAL TRADE SECRETARIAT CORPORATION
Statement of Financial Position

March 31	2007	2006
	\$	\$
Assets		
Current Assets		
Cash	180,267	322,504
Short-term investments (Note 1)	382,804	-
GST receivable	3,135	5,986
Prepaid expenses	4,261	5,012
	570,467	333,502
Capital assets (Note 3)	1	1
	570,468	333,503

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued liabilities (Note 2)	29,759	27,198
Net Assets		
Reserve funds - Federal Government (Note 4)	131,061	79,430
Reserve funds - Provinces and Territories (Note 5)	407,367	224,610
Unrestricted	2,281	2,265
	540,709	306,305
	570,468	333,503

Approved on behalf of the Internal Trade Secretariat:

_____ Executive Director

INTERNAL TRADE SECRETARIAT CORPORATION
Statement of Operations and Net Assets

For the year ended March 31	2007	2006
	\$	\$
Revenue		
Contributions		
Federal Government (Note 4)	245,454	297,023
Provinces and Territories (Note 5)	241,803	298,410
Interest		
Federal Government bank account (Note 4)	6,557	2,990
Provinces and Territories bank account (Note 5)	10,207	1,603
Other income	16	2,265
	504,037	602,291
Expenses		
Communications	18,309	21,651
Facility costs (Note 7)	36,641	42,580
Goods and services tax, net	6,632	13,512
Meetings and conferences	16,387	36,328
Office expenses	31,275	37,730
Personnel		
Employees	281,378	188,919
Consultants	71,559	175,183
Professional services	8,086	11,511
Property and equipment		
Computers and software	-	6,483
Office equipment	-	1,448
Translation	21,910	44,910
Travel	11,844	19,771
	504,021	600,026
Excess of revenue over expenses for the year	16	2,265
Net assets, beginning of year	2,265	-
Net assets, end of year	2,281	2,265

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERNAL TRADE SECRETARIAT CORPORATION

Summary of Significant Accounting Policies

March 31, 2007

Status and Nature of Activities The Internal Trade Secretariat (the "Secretariat") is a non-taxable, incorporated association that was established on August 8, 1995, as required by the Agreement on Internal Trade. The objective of this Agreement is to reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services, and investments in Canada.

The Secretariat's role is to provide administrative and operational support to the Committee on Internal Trade and other working groups or committees set up to implement the Agreement on Internal Trade.

During the 2006 fiscal year an application was filed to incorporate a corporation under the name "The Internal Trade Secretariat Corporation" under the Canada Corporations Act. The Letters Patent was issued on November 15, 2005. The Secretariat began operating under the new incorporated entity effective April 1, 2006.

Basis of Accounting The financial statements are prepared in accordance with Canadian generally accounting principles, except as noted below, which require the Secretariat to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses, and disclosures of contingencies. Actual results could differ from these estimates.

Property and Equipment Property and equipment are charged to expenditures in the year of purchase. Generally accepted accounting principles require that property and equipment be capitalized and amortized over their estimated useful life. The effect of this policy is described in note 3.

Revenue Recognition The Secretariat follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions receivable are recognized if the amount can be reasonably estimated and ultimate collection is reasonably assured.

INTERNAL TRADE SECRETARIAT CORPORATION

Summary of Significant Accounting Policies

March 31, 2007

Contributions

The management board of the Secretariat resolved on November 21, 2005 to change the existing policy with regards to deferred contributions. Beginning fiscal 2005/2006, unused funds are no longer considered to be deferred contributions, but will now be considered an internally restricted reserve fund for future use within the organization.

Financial Instruments

Financial instruments consist of cash, accounts receivable and accounts payable. Unless otherwise stated, it is management's opinion that the Secretariat is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise stated, the book value of the Secretariat's financial assets and liabilities approximates their fair value.

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

March 31, 2007

1. Short-term Investments

Short-term investments are stated at the lower of cost and market value. Interest is paid monthly at the prevailing market rate.

	<u>2007</u>	<u>2006</u>
	\$	\$
RBC Premium Money Market Fund	<u>382,804</u>	<u>-</u>

2. Accounts Payable and Accrued Liabilities

	<u>2007</u>	<u>2006</u>
	\$	\$
Trade accounts payable	7,202	19,346
Vacation payable	12,345	7,852
Employee deductions payable	<u>10,212</u>	<u>-</u>
	<u>29,759</u>	<u>27,198</u>

3. Capital Assets

Capital assets are charged to expenditures in the year of purchase. During the year, there were no purchases (\$7,931 in 2006) of property and equipment that was expensed. Generally accepted accounting principles require that property and equipment be capitalized and amortized over their estimated useful life. The estimated useful life of the property and equipment components which include computers, software, furniture and office equipment is usually 5 years. If property and equipment had been capitalized and amortized over their estimated useful life of five years, the property and equipment expensed for the year would have been reduced by nil as there were no purchases (\$7,931 in 2006), amortization expense would have been increased by \$10,295 (\$12,112 in 2006), contribution revenue would have been increased by \$10,295 (\$4,181 in 2006), and capital assets and reserve funds on the balance sheet would each have increased by \$10,990 (\$21,285 in 2006).

INTERNAL TRADE SECRETARIAT CORPORATION
Notes to Financial Statements

March 31, 2007

4. Reserve Funds - Federal Government

Based on a Funding Agreement with the Federal Government, the Secretariat is to receive contributions to cover 50% of eligible expenditures incurred during the year from the Federal Government. The details of contributions from the Federal Government for the year are as follows:

	2007	2006
	\$	\$
Reserve funds, beginning of year	79,430	59,649
Contributions received during the year	297,085	316,804
	376,515	376,453
Required contributions		
50% of the eligible expenditures of \$504,021 (\$600,026 in 2006)	252,011	300,013
Deduct interest earned on advances from the Federal Government	(6,557)	(2,990)
	245,454	297,023
Contributions recognized as revenue for the year	245,454	297,023
Reserve funds, end of year	131,061	79,430

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

March 31, 2007

5. Reserve Funds - Provinces and Territories

Based on the Agreement on Internal Trade, the Secretariat is to receive contributions to cover 50% of eligible expenditures incurred during the year from the Provinces and Territories. The details of contributions from the Provinces and Territories for the year are as follows:

	2007	2006
	\$	\$
Reserve funds, beginning of year	224,610	143,108
Contributions received during the year	424,560	379,912
	649,170	523,020
Required contributions		
50% of the eligible expenditures of \$504,021 (\$600,026 in 2006)	252,010	300,013
Deduct interest earned on advances from the Provinces and Territories	(10,207)	(1,603)
Contributions recognized as revenue for the year	241,803	298,410
Reserve funds, end of year	407,367	224,610

6. Statement of Cash Flows

A separate statement of cash flows has not been provided since the sources and uses of cash from (to) operating, investing, and financing activities are readily apparent from the information included in the financial statements.

7. Commitments

The Secretariat has an operating lease for its premises at \$3,188 per month including common area cost and realty taxes, under a lease expiring in January 2011.

8. Economic Dependence

The operations of the Secretariat are dependent upon the continued funding from territorial, provincial and federal jurisdictions.