INTERNAL TRADE SECRETARIAT
ANNUAL REPORT

THE AGREEMENT ON INTERNAL TRADE

April, 1997
to
March, 1998

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INTERNAL TRADE SECRETARIAT
ANNUAL REPORT

October 8, 1999

Transmittal Letter to the Committee on Internal Trade

I am pleased to submit to you the Internal Trade Secretariat's Annual Report for the Agreement on Internal Trade for the period April 1, 1997 to March 31, 1998.

1997/98 saw substantial progress toward the conclusion of outstanding negotiations mandated in the AIT. Although there have been some delays in meeting the deadlines set out in the Agreement, the Parties continue to maintain their full engagement in completing these outstanding negotiations and remain fully committed to the implementation of the AIT.

However, a number of the purely administrative obligations (e.g. the naming of panellists and screeners and the submission of required reports) remain outstanding despite the fact that they are the sole responsibility of each Party and their completion requires no negotiations among the Parties.

You will note that this year's Annual Report includes an appendix giving the status of all the outstanding obligations under the Agreement.

As the implementation of the AIT progresses it becomes increasingly important to be able to determine the effect of the AIT over time. Therefore, an initiative was launched to develop a performance measurement system for the Agreement. All Parties are encouraged to undertake the reporting requirements under the AIT in a timely and accurate manner to ensure the availability of data for the compilation of the necessary performance indicators.

The Secretariat continues its efforts to raise awareness about the Agreement across the country through meetings with national and provincial business associations, labour associations, consumer groups as well as research institutes and other non-governmental organizations. This remains a critical task as public knowledge about the Agreement is still lacking.

The Secretariat's main role remains the provision of support to the Parties in the implementation of the Agreement. In the year ahead the Secretariat will also continue with the development of the performance measurement system and will seek to expand its efforts to raise awareness about the Agreement.

André Dimitrijevic
Executive Director
Internal Trade Secretariat

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1) Highlights of the Year in Review

1997/98 saw the Parties to the AIT continue to engage in negotiations mandated by the Agreement and necessary for its implementation and for concluding the outstanding obligations in the Agreement.

In addition, as the Parties gain more experience with the working of the Agreement they are better able to identify and recommend efforts for streamlining the AIT and for increasing its effectiveness and relevance.

In terms of the specific negotiations on outstanding issues, the highlights for this year were:

The conclusion of the negotiations of the procurement provisions that will apply to the MASH sector;

contracting with a service provider for the development and operation of a national electronic tendering system;

the continuation of negotiations to reduce the number of government entities excluded from the procurement rules;

the adoption of Annex 604 (4) which lists all existing measures maintained by each Party that include some form of residency requirement;

the adoption of Annex 606 which provides for the reconciliation of extra-provincial corporate registration and reporting requirements;

the extension of the scope and coverage of the Agriculture and Food Goods Chapter to include measures involving technical barriers to trade in agricultural products for the following:

- shipment of horticultural products in bulk containers;
- absence of a Canada No. 1 small potato grade;
- margarine colouring restrictions and other margarine standards;
- standards regarding dairy blends and imitation dairy products; and
- fluid milk standards and distribution;

the agreement by Ministers of Energy to the legal text of the Energy Chapter, with the Chapter to come into effect upon the satisfactory resolution of outstanding issues by the Committee on Internal Trade; and

the ratification of a Canada-wide accord on environmental harmonization which provides a framework for promoting cooperation between the Parties in environmental management.

To ensure the effective functioning and continued relevance of the AIT, the Parties engaged in the following activities during 1996/97:

Completing the regulatory review of the transportation chapter;

advancing work toward the completion of a National Transportation Safety Code;

completing a listing of non-conforming environmental measures maintained by any Party;

adopting, through Protocol of Amendment #2, a number of corrections and clarifications to the text of the Agreement; and,

initiating a study to establish a system of measuring the performance of the Agreement.

There is increasing anecdotal reference to complaints being resolved by informal consultations between Parties to the AIT. To date these remain unrecorded. Further, in 1997/98 15 disputes were formally initiated using the dispute settlement mechanisms provided for under the Agreement. Of these, 6 had been addressed by year end and 9 remain to be resolved.

The following sections of this report provide details about the above, and other, activities undertaken under the AIT during the period 1997/98.

2) Overview of the Agreement on Internal Trade

A) Contents of the Agreement

The Agreement on Internal Trade (AIT) is an agreement among the federal, provincial and territorial governments to reduce and eliminate barriers to the free movement of people, goods, services and investment within Canada.

The AIT provides:

- **general rules** which prevent governments from erecting new trade barriers and which require the reduction of existing barriers in areas covered under the Agreement;

- **specific obligations governing the conduct of governments in key economic sectors** such as government purchasing, investment and labour mobility;

- for the **streamlining and harmonization of regulations and standards** in areas such as transportation and consumer protection;

- a **formal dispute resolution mechanism** that is accessible to governments, as well as individuals and businesses, under certain conditions,; and

- **commitments to further liberalize trade** through continuing negotiations and specified work programs.

B) Guiding Principles

The AIT is grounded on six general rules established to prevent governments from erecting new trade barriers and to reduce existing barriers:

- **Non-Discrimination**
  Establishing equal treatment for Canadian persons, goods, services and investments.

- **Right of Entry and Exit**
  Prohibiting measures that restrict the movement of persons, goods, services or investments across provincial or territorial boundaries.

- **No Obstacles**
  Ensuring that federal/provincial/territorial government policies and practices do not create or sustain obstacles to trade.

- **Legitimate Objectives**
  Ensuring that federal/provincial/territorial non-trade objectives which may cause some deviation from the above guidelines have a minimal adverse impact on interprovincial trade.

- **Reconciliation**
  Providing the basis for eliminating trade barriers caused by differences in standards and regulations across Canada.

- **Transparency**
  Ensuring information is fully accessible to interested businesses, individuals and governments.

C) Sectoral Chapters

The AIT focuses on reducing trade barriers within eleven chapters:

- **Procurement**
  Eliminating local price preferences, biased technical specifications, unfair registration requirements and other discriminatory practices for non-resident suppliers in order to ensure equal access to procurement for all interested Canadian suppliers. The provisions for extending this chapter to the MASH sector including municipalities, municipal organisations, school boards, and publicly-funded academic, health and social services have recently been negotiated.

- **Investment**
  Preventing discriminatory treatment of Canadian business according to head-office location, limiting local residency requirements, prohibiting local content and purchasing conditions and standardizing corporate registration and reporting requirements in order to ensure Canadian firms are free to make business decisions based on market conditions.

- **Labour Mobility**
  Eliminating the current barriers of residency, certification and professional standards within individual provinces in order to enable qualified workers - such as accountants, lawyers, construction and tradespeople - to practice their occupation anywhere in Canada.

- **Consumer-Related Measures and Standards**
  Reconciling the varying consumer protection requirements of different provinces and territories which act as non-tariff barriers in order to allow Canadian firms to capitalize on economies of scale by servicing larger markets with the same products.

- **Agricultural and Food Products**
  Working to remove technical barriers between provinces, such as differing product and grade standards, and plant and animal health regulations. Reviewing supply

management systems for dairy, poultry and eggs as well as western grain transportation and agricultural safety net programs and addressing the internal market aspects of these programs.

- **Alcoholic Beverages**
  Prohibiting discriminatory practices by liquor control boards and retail outlets of the provinces and territories in areas such as product listing, pricing, distribution and merchandising.

- **Natural Resources Processing**
  Prohibiting the introduction of new barriers relating to the processing of forestry, fisheries and mineral resource products.

- **Energy**
  Harmonizing the treatment of all forms of energy. (The Chapter is still under negotiation).

- **Communications**
  Ensuring equal access to and use of public telecommunications networks and public telecommunications services.

- **Transportation**
  Harmonizing the regulations applicable to commercial vehicles such as safety standards, weights and dimension rules, bills of lading, tax administration, and operating authority requirements.

- **Environmental Protection**
  Ensuring that federal, provincial or territorial environmental protection measures do not become non-tariff trade barriers.

D) Dispute Resolution

One of the key concepts of the Agreement on Internal Trade is to maximize cooperation and minimize conflict. Therefore progressive stages of dispute resolution procedures have been put in place to address the differences that will arise among governments, as well as those between governments and individuals.

i) Sectoral dispute avoidance and resolution processes

With the exception of Chapters 8 and 13, each chapter has its own dispute settlement process. This can be initiated by an individual outlining the problem in writing to the Internal Trade Representative of the province or territory in which he or she resides or by a government (federal, provincial or territorial) initiating consultations where that government has concerns about the practices of another government. The governments involved will consult and try to find an acceptable solution. If this process is exhausted without success, the issue moves to the **formal dispute resolution process** under Chapter 17 of the Agreement.

ii) Formal dispute resolution procedures under Chapter 17

A government may initiate a **government-to-government** dispute resolution process.

For an individual or business, this procedure can be approached in two ways.

- An individual or business may request that their government pursue the **government-to-government** dispute resolution process. This process may lead to a request for the assistance of the Committee on Internal Trade and a dispute resolution panel of experts.

- If the government chooses not to step in, an individual or business may proceed under the **private party-to-government** dispute resolution process and request consultations. At this stage the complaint will be assessed by an independent screener who will determine the merit of the request. If a complaint has merit, a panel is formed.

Assuming the panel stage of the dispute process is reached, the panel will hear the dispute and will produce its report within 45 days from the end of the hearings. If the government complained against does not act to implement the panel's recommendation within 60 days, the report is made public. If the matter has not been resolved in a year, the government that made the complaint may take retaliatory action provided it is in the same sector as the measures found to be inconsistent with the Agreement and is of equivalent economic impact.

E) The Organizational Structure of the Internal Trade Agreement

i) The Committee on Internal Trade

The Agreement establishes a Committee of Ministers to oversee its implementation and operations. During the period covered by this report, the Committee was co-chaired by Manitoba and Canada. The Agreement calls for an annual meeting at the call of the chairs.

The Committee on Internal Trade normally meets as needed to deal with major issues and review progress with the Agreement. The Committee has met four times since the Agreement came into effect and the end of this reporting period (in November, 1995; March, 1996; June 1996; and February 1998). In addition, conference calls have been arranged, as necessary, to deal with complaints launched under the dispute resolution procedures of the Agreement.

ii) Internal Trade Representatives

Each government has appointed Internal Trade Representatives. This committee of officials is responsible for overseeing the operation of the Agreement and the work

program set out in the Agreement. Internal Trade Representatives meet as required, usually about six times a year. A list of Internal Trade Representatives is included in Section 4 of this report entitled **For More Information**.

iii) Other Committees Under the Agreement

Several Chapters of the Agreement create committees of officials to carry out specific responsibilities outlined in the Chapter, or assign responsibilities to existing committees of officials or to Ministerial level forums. For example, the Labour Mobility Chapter assigns overall responsibility for implementation of the Chapter to the Forum of Labour Market Ministers.

Appendix A lists the various committees with responsibilities related to the Agreement.

iv) The Internal Trade Secretariat

The Internal Trade Secretariat is responsible to the Committee on Internal Trade for activities related to the administration and operation of the Agreement. The Secretariat supports the Internal Trade Representatives and the various committees under the Agreement by coordinating the work program to implement and extend the Agreement and by managing the dispute resolution process. In addition, it provides information about the Agreement to the public.

Appendix B provides information on the staff of the Secretariat. Appendix E contains the audited Financial Statements for the Secretariat as of March 31, 1998.

3) Chapter by Chapter Progress

Chapters One to Four

Chapters 1 to 4 of the Agreement on Internal Trade deal with *Operating Principles*, *General Definitions*, *Constitutional Authorities* and *General Rules*.

When the Agreement came into effect, these chapters set out the objectives, extent of the obligations and general rules of the Agreement. Since that time the Agreement has operated and continues to operate under these principles . There are no outstanding obligations in these four chapters.

Procurement (Chapter Five)

When the Agreement came into effect, it:

- required that government procurement contracts, over specified values, be equally accessible to all suppliers across Canada and that any goods, services and suppliers of other provinces or territories receive treatment no less favourable than the best treatment of local goods, services and suppliers;
- required that calls for tenders be equally accessible to all Canadian suppliers, and that an electronic tendering system for contracts be developed;
- prohibited preferences for local content or materials;
- introduced bid protest procedures by which suppliers could pursue complaints relative to provincial and federal procurements;
- provided for the extension of coverage of the Agreement to municipalities, municipal organizations, school boards and publicly-funded academic, health and social service entities (MASH) by June 30, 1995; and
- required that excluded entities and services be listed.

Prior to this reporting period, the Parties had:

- advanced the negotiation of the procurement provisions that would apply to the MASH sector and drafted text for two options, either a stand-alone agreement outside of the AIT or an Annex to the AIT;
- continued negotiations to reduce exclusions of both government entities and

services; and

- contracted with a service provider for the development of a common electronic tendering system.

During this reporting period, the Parties have:

- concluded the negotiations of the procurement provisions for the MASH sector as an Annex to the AIT;
- continued the negotiations to reduce exclusions of both government entities and services;
- undertook negotiations to include government entities of a commercial or industrial nature; and
- completed the development and implementation of the common electronic tendering system and extended the participation of governments in that system.

In the year ahead the Parties intend to:

- approve and implement the Annex on the procurement provisions for the MASH sector;
- conclude the negotiations to reduce exclusions of both government entities and services;
- conclude the negotiations to include government entities of a commercial or industrial nature; and
- continue to extend the participation of governments in the common electronic tendering system.

Investment (Chapter Six)

When the Agreement came into effect, it:

- prohibited discriminatory treatment of Canadian investors and businesses based on residency, place of incorporation or head office location;
- prohibited local presence and residency requirements as a condition of carrying on business or making an investment other than where those requirements are necessary to meet a legitimate objective; and, required that any remaining requirements be listed in an annex by December 31, 1995 and examined by December 31, 1996 as to their appropriate retention, removal or replacement;

- required the preparation of a plan by July 15, 1995 to reconcile extra-provincial corporate registration and reporting requirements;

- prohibited imposition of local content, purchasing and sourcing requirements on investors or businesses from other Parties; and

- set restrictions on the use of incentives, including prohibiting the use of incentives to attract businesses from one Party to another ("job-poaching"); and, required the preparation of an annual report on incentives.

Prior to this reporting period, the Parties had:

- developed and refined a list of remaining local presence and residency requirements for inclusion in Annex 604.4 (Local Presence and Residency Requirements) and agreed to an ongoing review of the list in order to make recommendations to the Ministers as to their retention, removal or replacement;

- drafted an annex to the Agreement (Annex 606) aimed at reconciling extra-provincial corporate registration and reporting requirements; and initiated development of an electronic registration and reporting system that will facilitate implementation of the Annex; and

- prepared a draft of the 1995\96 Annual Report on Incentives.

During this reporting period, the Parties have:

- completed Annex 604.4, Annex 606 and the 1995\96 Annual Report on Incentives; and

- continued development of the electronic extra-provincial corporate registration and reporting system.

In the year ahead the Parties intend to:

- complete development and implementation of the electronic extra-provincial corporate registration and reporting system;

- clarify and improve the Code of Conduct on Incentives (Annex 608.3); and

- develop recommendations to the Committee on Internal Trade concerning the content and format of future Annual Reports on Incentives.

Labour Mobility (Chapter Seven)

When the Agreement came into effect, it:

- eliminated residency requirements as an employment condition or as a condition of eligibility for licensing, certification or registration;

- specified that rules governing licensing, certification or registration of workers from other Parties must relate principally to worker competence, that they be published and that they not result in unnecessary delays or burdensome costs for workers;

- required Parties to mutually recognize the occupational qualifications required of workers from any other Party and established a process to harmonize occupational standards; and

- made Parties responsible for seeking compliance with the obligations of the Chapter by other levels of government and by governmental and non-governmental bodies that have been delegated authority by law for matters covered by the Chapter, and for taking measures to ensure such compliance if it is not achieved voluntarily "within a reasonable period of time".

Prior to this reporting period, the Parties had:

- amended non-conforming measures such as licensing or residency requirements as a condition of employment;

- taken steps to initiate the process of seeking compliance with the Chapter, including:

    - undertaking a survey of approximately 450 regulatory bodies on their licensing and certification practices;

    - completed the first phase of a communication strategy designed to raise awareness of the Chapter;

    - sent letters and a guideline document on how to comply with the Chapter to over 400 regulatory bodies advising them of their obligations and asking them to begin steps to comply;

    - participated in numerous meetings with affected bodies to explain their obligations, advise them on issues and monitor their progress; and

    - supported the provision of funding for regulatory bodies through a Human Resources Development Canada program to assist them in their compliance efforts.

During this reporting period, the Parties have:

- continued support of regulatory bodies in their efforts to comply with the Chapter, including development of a prototype mutual recognition agreement;

- established a Task Team on Labour Mobility Information to develop a strategy for collecting and disseminating labour market information to help workers who are considering moving to another jurisdiction; and

- continued to facilitate the resolution of complaints from workers under the Chapter, including the development of detailed procedures for consultations at the multilateral level.

In the year ahead the Parties intend to:

- develop and implement a strategy to secure compliance with the Chapter by occupational regulatory bodies, including giving greater definition to the "reasonable period of time" allowed for compliance by these bodies and the "measures to ensure compliance" that must be taken by Parties at the expiration of this period;

- continue the work of the Task Team on Labour Mobility Information including the development of a Web site to provide information on the licensing requirements of regulatory bodies; and

- consider amendments to Article 711 or other measures to formally allow a Party to act on complaints by former residents of its territory.

Consumer-Related Measures and Standards (Chapter Eight)

When the Agreement came into effect, it:

- prohibited the use of residency requirements as a condition for licensing, registration or certification as a supplier;

- required that discriminatory licensing, registration and certification fees applied to suppliers from another Party be eliminated by July 1, 1996;

- established a schedule for harmonizing specific consumer-related measures:

    - direct selling contracts by July 1, 1995; to be adopted by July 1, 1996;
    - upholstered and stuffed article measures by January 1,1996; and
    - cost of credit disclosure legislation by January 1, 1996; to be adopted by January 1, 1997;

- required a report to Consumer Ministers by July 1, 1997 on possible additional agreements on consumer-related measures and standards, such as:
  - reciprocal investigative powers;
  - enforcement of revocation rights;
  - financial compensation for consumers; and
  - enforcement of judgements.

Prior to this reporting period, the Parties had:

- eliminated all differential fees applied to suppliers from other Parties;
- reached agreement on standard contract content for direct sales across Canada and began the process of amending legislation to implement the agreement;
- resolved outstanding issues with respect to differences and duplication of regulations of upholstered and stuffed articles;

- the preparation of a consumer help book, and
- a review of the issue of the volatility of gasoline prices; and

C complete negotiation of an agreement on cooperative enforcement.

Agricultural and Food Goods (Chapter Nine)

When the Agreement came into effect, it:

C applied the general rules governing non-discrimination, no restrictions on entry and exit and no obstacles to trade to measures that constitute technical barriers to trade in agricultural and food goods;

C committed the Parties to reducing or eliminating measures that constitute obstacles to internal trade in agricultural and food goods;

C prohibited further restrictions on internal trade, other than sanitary and phytosanitary measures;

C committed Parties to consider internal trade impacts when amending or adopting sanitary or phytosanitary measures;

C established a consultation process for the Parties; and

C established procedures for ensuring transparency when measures are adopted or amended.

Prior to this reporting period, the Parties had:

- engaged in discussions on reducing or eliminating technical barriers to trade; and
- identified and discussed technical barriers to trade with policy implications.

During this reporting period, the Parties have:

- engaged in stakeholder consultations on broadening the scope and coverage of the Chapter; and
- brought under the coverage of the Chapter the following technical barriers to trade that have policy implications:
  - shipment of horticultural products in bulk containers,
  - absence of a Canada No. 1 Small potato grade,

- margarine colouring restrictions and other margarine standards, and
- fluid milk standards and distribution.

In the year ahead the Parties intend to:

- review the scope and coverage of the Chapter to broaden coverage and further liberalize internal trade in agricultural and food goods; and
- continue to reduce or eliminate technical barriers to trade and technical barriers to trade with policy implications.

Alcoholic Beverages (Chapter Ten)

When the Agreement came into effect, it:

- prohibited, with certain exceptions, discriminatory treatment by a Party in the listing, pricing, access and distribution of alcoholic beverages from other Parties;
- prohibited obstacles to trade through administrative procedures, labelling and packaging requirements, oenological measures and advertising regulations;
- limited fees and charges to the cost of the necessary service;
- committed Parties to reconciling standards-related measures;
- established a consultation process for the Parties; and
- established procedures for ensuring transparency when measures are adopted or amended.

Prior to this reporting period, the Parties had:

- reviewed and reconciled the definition of “wine and wine products” with the Canadian Wine Standards;
- reviewed Ontario’s Canadian grape content requirements which Ontario has committed to removing by 1999; and
- held ongoing discussions on removing remaining reservations in the Chapter.

During this reporting period, the Parties have:

- reviewed Nova Scotia’s practice (since eliminated) on differential floor pricing for beer and beer products; and

- reviewed the reservation of the right for New Brunswick and Quebec to apply differential costs of service to beer and beer products from other Parties and facilitated initial discussions between Ontario, Quebec and New Brunswick on removing this reservation.

In the year ahead the Parties intend to:

- develop a plan for removing the five non-conforming measures listed in the Chapter.

Natural Resources Processing (Chapter Eleven)

When the Agreement came into effect, it:

- prohibited new discriminatory measures related to the production and sale of processed forestry, fisheries and mineral products and prohibited the creation of new barriers to trade in these areas; and

- committed governments to reconciling regulations and standards that have an impact on the trade in the processing of natural resources.

Prior to this reporting period, the Parties had:

- refrained from introducing new barriers to trade in the processing of natural resources.

During this reporting period, the Parties have:

- not introduced any new barriers to trade in the processing of natural resources.

In the year ahead the Parties intend to:

- undertake a review of the Chapter to assess whether it has met its objectives.

Energy (Chapter Twelve)

When the Agreement came into effect, it:

- committed the Parties to negotiate an Energy Chapter in accordance with Article 1810 (Future Negotiations).

Prior to this reporting period, the Parties had:

- engaged in negotiations on a draft Chapter.

During this reporting period, the Parties have:

- completed negotiations on a draft Chapter, with one issue still outstanding.

In the year ahead the Parties intend to:

- complete and adopt the Energy Chapter.

Communications (Chapter Thirteen)

When the Agreement came into effect, it:

- prohibited government-established or designated monopolies providing communication services or telecommunication facilities from using their monopoly position to engage in anticompetitive conduct in other markets; and

- established a consultation process for the Parties.

In the year ahead the Parties intend to:

- reduce the differences between the policies and measures of the Province of Saskatchewan and the policies and measures of the Federal Government.

Transportation (Chapter Fourteen)

When the Agreement came into effect, it:

- prohibited, with certain exceptions, discriminatory treatment by a Party toward carriers or trade in transportation services from other Parties;

- prohibited obstacles to trade in transportation services and restrictions on the movement of transportation services across provincial boundaries;

- committed Parties to reconciling regulatory and standards-related measures;

- committed Parties to phasing out measures that do not conform to the Agreement; and

- established a consultation process for the Parties.

Prior to this reporting period, the Parties had:

- revised standard motor carrier safety rules;
- initiated a regulatory review;
- liberalized trade in urban bus procurement;
- deleted the obligation to extend the Chapter to local governments;
- eliminated extraprovincial truck carrier operating authorities in some Parties, and identified statutory and regulatory changes necessary to eliminate the operating authorities in other Parties;
- initiated a consultation process with stakeholders to pursue greater national compatibility of weight and dimension standards; and
- developed an implementation plan on the future regulation of the intercity bus industry.

During this reporting period, the Parties have:

- continued work on more compatible standards on vehicle weights and dimensions;
- advanced work on completing the National Safety Code;
- completed the regulatory review; and
- reviewed exempt measures listed in Annex 1410.1.

In the year ahead the Parties intend to:

- eliminate extraprovincial truck carrier operating authorities in jurisdictions where they remain; and
- complete the National Safety Code Standard 14 - Compliance Review Safety Rating.

Environmental Protection (Chapter Fifteen)

When the Agreement came into effect, it:

- committed Parties to taking environmental considerations into account when dealing with trade matters;

- prohibited the waiving or derogation of environmental measures as an encouragement for the establishment, acquisition, expansion, retention or ongoing business of an enterprise within the territory of a Party;

- confirmed the right of Parties to establish their own levels of environmental protection;

- committed the Parties to harmonizing environmental measures;

- committed Parties to phasing out measures that do not conform to the Agreement; and

- established a consultation process for the Parties.

Prior to this reporting period, the Parties had:

- established a list of other governmental and non-governmental bodies covered by the Chapter.

During this reporting period, the Parties have:

- finalized a list of non-conforming measures; and

- ratified a Canada-wide Accord on Environmental Harmonization.

In the year ahead the Parties intend to:

- harmonize environmental measures that may affect interprovincial mobility and trade.

Institutional Provisions (Chapter Sixteen)

When the Agreement came into effect, it:

- required the creation of the Committee on Internal Trade, the Working Group on Adjustment and the Secretariat, specifying frequency of meetings, funding and other relevant requirements.

Prior to this reporting period, the Parties had:

- established the Internal Trade Secretariat, funded by all Parties, and appointed a

Secretary;

- established the Committee on Internal Trade which met three times;

C prepared the Annual Report for 1995-96; and

C established a Working Group on Adjustment comprised of Internal Trade Representatives.

During this reporting period, the Parties have:

C prepared the Annual Report for 1996-97;

C held a meeting of the Committee on Internal Trade in February 1998; and

- held 5 meetings of the Internal Trade Representatives.

In the year ahead the Parties intend to:

C hold the annual meeting of the Committee on Internal Trade; and

C prepare the 1997-98 Annual Report.

Dispute Resolution Procedures (Chapter Seventeen)

When the Agreement came into effect, it:

C established a four-stage procedure for Parties to pursue complaints against other Parties if the complaining Party is of the opinion that the other Party has adopted or is maintaining a measure that does not conform to the Agreement;

C provided a mechanism by which a person of a Party may pursue a complaint against another Party by appealing to his home Party to initiate dispute resolution proceedings on the person's behalf; and

C provided direct access for a person of a Party to dispute resolution proceedings in the event that the home Party does not initiate dispute resolution proceedings on that person's behalf.

Prior to this reporting period, the Parties had:

C initiated the compilation of a Roster of Panellists to be used for selecting members of a dispute resolution panel;

- approved panel Rules of Procedure;
- initiated the appointment of independent citizens to act as screeners in the event a person of a Party wishes to initiate dispute resolution procedures directly; and
- developed operational guidelines for Panels; and
- established a Code of Conduct for panellists.

During this reporting period, the Parties have:

- dealt with 15 complaints that were identified or formally initiated. Of these, 6 were resolved in some manner and 9 were yet to be resolved at the end of the reporting period. All of the complaints that were resolved were handled within the dispute resolution process of the applicable Chapter. The majority of complaints were under Chapter 5, Procurement (11 complaints). One dispute was raised to the Agreement-wide level of the Chapter 17 dispute resolution procedures. Further information on the status of disputes as of March 31, 1998 is included in Appendix C.

Average Length of Time to Disposition of Disputes

Chapter	Average Length of Time to Disposition in Months	Number of Disputes (for which Initiation and Disposition months are both known)	Number of Disputes Pending	Total Number of Disputes
5	3.3	6	6	12
9	-	-	1	1
10	-	-	1	1
15	-	-	1	1
Total	3.3	6	9	15

In the year ahead the Parties intend to:

- finalize the Roster of Panellists; and
- complete the appointment of screeners from every Party.

Final Provisions (Chapter Eighteen)

When the Agreement came into effect, it:

- recognised the need for economic development programs but specified these measures were not to impair unduly the intent of the Agreement and not be more trade restrictive than necessary to achieve specific objectives;

- set out exempt areas such as aboriginal peoples, culture, national security, taxation and the financial sector;

- defined the relationship of the Agreement to international agreements; and

- specified future negotiations, including the Energy Chapter and a review of the coverage of the Agreement.

Prior to this reporting period, the Parties had:

- requested that each Party prepare a written annual report on its programs relating to regional economic development.

During this reporting period, the Parties have:

- agreed to review the process of annual reporting on programs relating to regional economic development to increase the usefulness of the reports.

In the year ahead the Parties intend to:

- review the effectiveness of existing mechanisms for provincial consultation and participation in various international agreements; and

- review the scope and coverage of the Agreement with recommendations for new measures or new chapters.

4) For More Information...

A) Contact the Internal Trade Secretariat[2]

The Internal Trade Secretariat,
Suite 850, 125 Garry Street,
Winnipeg, Manitoba R3C 3P2

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B) Contact an Internal Trade Representative[3]

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[2] As of July 1999

[3] ditto

	Charlottetown PE C1A 1R6	
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Chapter Eight: Consumer Related Measures and Standards

Federal-Provincial-Territorial Ministers Responsible for Consumer Affairs

- Committee on Consumer Related Measures and Standards (Consumer Measures Committee)

Chapter Nine: Agricultural and Food Goods

Ministers of Agriculture

- Federal-Provincial Agri-Food Inspection Committee
- Federal-Provincial Agricultural Trade Policy Committee

Chapter Ten: Alcoholic Beverages

Alcoholic Beverages Working Group

Chapter Eleven: Natural Resources Processing

Working Group on Processing of Natural Resources

Chapter Twelve: Energy

Council of Energy Ministers

- Energy Sector Negotiating Table

Chapter Thirteen: Communications

Committee on Communications-Related Measures

Chapter Fourteen: Transportation

Council of Ministers Responsible for Transportation and Highway Safety

- Canadian Council of Motor Transport Administrators

Chapter Fifteen: Environmental Protection

Canadian Council of Ministers of the Environment

Appendix B

INTERNAL TRADE SECRETARIAT[4]

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The Internal Trade Secretariat provides administrative and operational support to the Committee of Ministers responsible for the Agreement on Internal Trade. The Agreement aims to reduce and eliminate barriers to the free movement of persons, goods, services and investments within Canada and to establish an open, stable domestic market.

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[4] as of July 1999

Appendix C

DISPUTE/COMPLAINT TRACKING - SUMMARY TABLES AS OF MARCH 31, 1998

NUMBER AND STATUS OF COMPLAINTS IN 1997/1998

File Number	Originating Month/Year	Chapter	File Name	Complainant	Defendant	Last Stage	Disposition	Disposition Month/Year	Type of Complaint[5]
97/98 - 5 - TRA IND	Sep. 97	5	Armoured Vehicles	Trac Industries	Canada	CITT	Not subject to the AIT	Nov-97	P-OG
97/98 - 5 - DMR CON	Jun . 97	5	Firearms Registration	DMR Consulting	Canada	CITT	Denied	Sep-97	P-OG
97/98 - 5 - HOV MAN	Apr-97	5	Army Tents	Hovey Manufacturing	Canada	CITT	Denied	Jul-97	P-OG
97/98 - 5 - OCE INC	Sep-97	5	Snow Crab Software	Océanide Inc.	Canada	CITT	Not subject to the AIT	Nov-97	P-OG
97/98 - 5 - NOT ENV	Oct. 97	5	Ammo Disposal	NOTRA Environmental	Canada	CITT	Denied	Dec-97	P-OG
97/98 - 5 - WAN CAN	Dec-97	5	National Revenue	Wang Canada	Canada	CITT	Upheld	Mar-98	P-OG
97/98 - 5 - SOC ODE	Jan-98	5	Guatemala consulting	Societe de cooperation	Canada	CITT	Pending	Pending	P-OG
97/98 - 5 - IBM CAN	Dec-97	5	Data warehouse services	IBM Canada	Canada	CITT	Pending	Pending	P-OG
97/98 - 5 - TAC TEC	Jan-98	5	Missile Defence Simulation	Tactical Technologies	Canada	CITT	Pending	Pending	P-OG
97/98 - 5 - FRO COR	Dec-97	5	Goose Bay Services	Frontec Corporation	Canada	CITT	Pending	Pending	P-OG
97/98 - 5 - FLO IND	Feb-98	5	DND videoprobes	Flolite Industries	Canada	CITT	Pending	Pending	P-OG
87/98 - 5 - BEL CAN	Mar-98	5	Govt. Telecom Services	Bell Canada	Canada	CITT	Pending	Pending	P-OG

[5] Legend: P-OG person to own government G-G(P) government to government requested by private party G-G government to government

[redacted]

	Upheld	**Denied**	**Not subject to the AIT**	**Withdrawn by complainant**

Appendix D

OUTSTANDING OBLIGATIONS
as of March 31, 1998

Introduction

The Internal Trade Secretariat keeps track of progress in implementing the Agreement on Internal Trade. As part of this monitoring task, two charts are prepared. The first chart tracks those obligations that are the responsibility of individual Parties and identifies which Parties have discharged their obligations. The second chart reports on actions taken within the reporting period with respect to all obligations outstanding as of April 1, 1997, including those obligations which are the responsibility of other ministerial councils.

Chart 1

OBLIGATIONS TO BE COMPLETED BY INDIVIDUAL PARTIES

Article	Commitment	Completed	Missing	NA
508.4A	Column II report (1996-97) (*Due Dec. 5, 1997*)	YT NT NF CAN	PE BC	NS SK ON AB NB MB QC
511.1	502.1A procurement (1996-97) (*Due Dec. 5, 1997*)	YT NT NF QC SK NB AB	NS PE CAN ON MB BC	
511.3	506 & 508 exceptions (1996-97) (*Due Dec. 5 1997*)	YT NT NF QC SK NB AB	NS PE CAN ON BC MB	
511.5	Procurement procedures	NF NB SK YT	NS PE CAN ON MB BC QC NT AB	
513.7	Procurement panellists	NF PE NS NT NB QC YT	ON MB AB SK BC	CAN
608.3	Report on incentives (1996-97) (*Due May 15, 1998*)	YT MB ON NS	NT PE QC NF SK AB BC CAN NB	
1705.1	Roster of panellists	NF QC AB ON MB NS YT CAN NT	BC PE NB SK	
1713.1	Screeners ** will appoint a screener for each case*	NS ON BC* QC MB AB NT NF YT CAN	PE NB SK	
1801.3	Report on regional economic development (1996-97) (*Due Dec. 5, 1997*)	YT NF	NS QC NT MB AB PE BC NB SK ON CAN	

Chart 2

DISPOSITION OF OUTSTANDING OBLIGATIONS DURING 1997/98

Article	Obligation	Due Date	Responsibility	Status
Chap. 5	**Procurement**			
502.4	C Conclude work to extend coverage of the Procurement Chapter to the MASH sector	June 30/95	Procurement Negotiating Table	CIT approved; awaiting sign-on
508.4	C Annual report of non-conforming procurement policies (1996-97)	Dec. 5/97	6 Parties	YT, NT, NF, CAN reported; PE, BC missing
511.1	C Annual report on procurement by 502.1A entities (1996-97)	Dec. 5/97	Each Party	AB, NB, NF, NT, SK, CAN, YT and QC reported; BC, MB, NS, ON and PE missing
511.3 508.1 506.11 506.12	C Annual report on procurement above threshold value and excluded procurement (1996-97)	Dec. 5/97	Each Party	AB, NB, NF, NT, SK, CAN, YT and QC reported; BC, MB, NS, ON and PE missing
511.5	C Provision of procurement procedures	Annually	Each Party	NF,NB, SK and YT reported; NS, PE, QC, ON, MB, AB, BC, NT and CAN missing
511.6	C Newspaper advertisement on procedures for procurement	Annually	Secretariat	Required only when changes occur
513.7	C Advise Secretariat of procurement panellists	July 1/95	Each Party (except Canada)	NF, PE, NS, NB, QC, YT, NT reported; ON, MB, AB, SK, BC missing
516.1	C Review chapter	July 1/96	PNT	No action pending completion of obligations
516.2	C Conduct subsequent reviews and present to CIT	Mar. /97	CIT PNT	No action pending completion of obligations

Article	Obligation	Due Date	Responsibility	Status
516.4	C Review, harmonize/ reconcile 513 & 514 bid protest procedures	July 1/98	PNT	No action to date
516.5	C Review and finalize list of excluded services under Annex 502.1B	July 1/95	PNT	Negotiations ongoing
517.2	C Conclude negotiations to move government entities off of Annex 502.2A to 502.1A or 502.1B	July 1/96	PNT	CIT directed PNT to finish by July 1/98
Chap. 6	**Investment**			
604.4	C List all local presence and residency requirements	Dec. 31/95	Working Group on Investment	Approved by CIT
604.5	C Make recommendations re local presence and residency requirements	Dec. 31/96	WGI	Approved by CIT
606	C Develop implementation plan for reconciling extra-provincial corporate reporting and registration requirements	July 15/95	WGI	Approved by CIT
615(b)	C Annual report on incentives (1996-97)	May 15/98	WGI	MB, NS, ON, YT reported
615(d)	C Interpretive note on prohibited incentives		WGI	General review of Annex ongoing
Chap. 7	**Labour Mobility**			
703	C Seek compliance by delegated bodies	Reason-able time	Forum of Labour Market Ministers	Action being taken to accelerate compliance
708	C Mutually recognize qualifications, reconcile standards	Process starts by July 1/96	FLMM	Process continuing
Chap. 8	**Consumer-Related Measures and Standards**			
807.1	C Adopt reconciled/ harmonized measures C Direct selling - adopt	July 1/96	Committee on Consumer-Related Measures	• Completed

Article	Obligation	Due Date	Responsibility	Status
		31, 1997)		1999
1011.b	C B.C. and Quebec to negotiate equivalent access for wine and wine products	July 1/96 (extended to March 31, 1997)	B.C. Quebec	Discussions pending
Chap. 11	**Natural Resources Processing**			
1102.3	C Notification of measures to which the Agreement does not apply	No date	Each Party Secretariat	2 Parties yet to notify
1104.2	C Undertake a review of achievement of objectives, identify and resolve implementation issues, make necessary revisions to chapter	July 1/98	Working Group on Processing of Natural Resources	Complete review planned for June 98
Chap. 12	**Energy**			
1810.3	C Complete and adopt chapter	July 1/95	Energy Sector Table	Draft chapter completed except regional economic development
Chap. 13	**Communications**			
1303	C Establish a Committee on Communications-Related Measures	No date	All Parties	No action (no issues)
Chap. 14	**Transportation**			
1404.3	C Extend coverage of chapter to municipal governments	July 1/96	Council of Ministers Responsible for Transportation & Highway Safety	Obligation deleted
1408.1	C Reconcile regulations and standards-related measures • weights and dimensions • operating authorities • National Safety Code • Bill of Lading • tax/registration harmon.	Jan. 1/96	CCMTA	• work ongoing • underway -MVTA Part III causing some delays • 4 standards to go • international work stopped • done • underway

Article	Obligation	Due Date	Responsibility	Status
	• regulatory review • agents for service			• Chapter 6 issue
1410.2	C Remove or liberalize listed measures	July 1/97	Council of Ministers Responsible for Transportation & Highway Safety	Bus economic recommendations accepted with reservations by Ministers
1411	C Phase out non-conforming measures	Various	Each Party	Complete, except for logging & bulk haul in BC and Quebec
Chap. 15	**Environmental Protection**			
1508	C Harmonize environmental measures	Ongoing	Canadian Council of Ministers of the Environment	Accord and 3 sub-agreements signed; negotiations ongoing
Chap. 16	**Institutional Provisions**			
1601.6	C Annual report on functioning of AIT	No date	CIT Secretariat	95/96 complete; 96/97 underway
1602.1	C Establish a Working Group on Adjustment	Apr.1/96	All Parties	To be ITRs; complete
1602.2	C Report on effects of the Agreement	Apr.1/96	All Parties	Study pending
Chap. 17	**Dispute Resolution**			
1705.1	C Advise Secretariat of Roster of Panellists	July 1/95	Each Party	NF, QC, AB, ON, MB, NS, YT, NT CAN reported; BC, PE, NB, SK missing
1713.1	C Advise Secretariat of screeners required by 1713	July 1/95	Each Party	BC, NF, QC, AB, ON, MB, NS, YT, NT CAN reported; PE, NB, SK missing
Chap. 18	**Final Provisions**			
1801.3	C Advise Secretariat of Regional Development Programs	reasonable period after July 1/95	Each Party	AB, BC, MB, SK missing
1801.3	C Parties to report annually on regional economic development programs	Dec. 5/97	Each Party	YT and NF reported

Article	Obligation	Due Date	Responsibility	Status
	(1996-97)			
1809.4	C Review effectiveness of international consultation	July 1/96	All Parties	No review in place
1810.4	C Annual review of scope and coverage of Agreement	No date	CIT/(ITRs) Secretariat	No review in place

Appendix E

FINANCIAL STATEMENTS