

THE
AGREEMENT
ON
INTERNAL
TRADE

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AGREEMENT ON INTERNAL TRADE

2003-2004 ANNUAL REPORT

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1) Highlights of the Year in Review

In 2003/2004, the Parties to the Agreement on Internal Trade (AIT) continued their efforts to fully implement the Agreement by pursuing the negotiations mandated by the Agreement and completing the outstanding obligations in the Agreement. The highlights of their work are as follows.

A review of Chapter Five (Procurement) was launched in May 2003 and initiated an examination of eight priority areas including the issues of threshold levels, the current exclusions to the application of the procurement rules of the AIT, and how best to increase the access of suppliers to public procurement opportunities through a single point of access on the internet.

Work continued under Chapter Seven (Labour Mobility) to enhance labour mobility within Canada for members of the regulated occupations. This work included:

- a determination of which occupations have an unresolved issue with respect to foreign credentials recognition within the mutual recognition agreements (MRAs) established to date under Chapter Seven for each regulated occupation;
- a review of the Quebec approach to assessing worker competence relative to the approach used by other jurisdictions based on a common exam; and
- a major redevelopment of the Work Destinations Website which provides information to workers on licensing, certification and registration requirements for different occupations across Canada;

The Parties engaged in numerous activities in pursuit of the objectives of Chapter Eight (Consumer-Related Measures and Standards). Among these were:

- the development of the *Canadian Code of Practice for Consumer Protection in Electronic Commerce* which sets minimum standards for business practices in electronic commerce;
- the development of options for the protection of consumers in cross-border transactions and for improving consumer protection in the small, short-term loan marketplace;
- publication of the *"Reality Choices"* information booklets for consumers aged 18 to 30 years as well as *the Consumer Handbook 2004*;
- the initiation of development of the *Identity Theft Consumer Information Kit* which will help consumers reduce their risk of identity theft; and
- the start of work to address emerging consumer protection gaps in the air travel marketplace.

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This year saw the establishment under Chapter Ten (Alcoholic Beverages) of an industry-led National Wine Standards Committee to continue the work of developing wine standards and to make recommendations on respective enforcement policies and procedures.

As part of the work under Chapter Fourteen (Transportation) to bring about greater regulatory compatibility, Parties made preparations for the implementation of the Hours of Service Regulations and the Load Securement Regulations agreed to under the National Safety Code Standards. They also commenced a review of the Canadian Driver Licence Compact.

Under Chapter Seventeen (Dispute Resolution Procedures), there was further refinement of the Operational Details for the dispute procedures under the chapter. Also, a dispute concerning the disclosure of the cost of credit proceeded through the stages of the dispute process under the Chapter and ultimately went before a panel established to examine the matter.

In addition, the Council of the Federation approved in February 2004 an Internal Trade Workplan setting out fifteen initiatives to improve the Agreement on Internal Trade. The work undertaken by the provinces and territories to implement the workplan and the subsequent engagement of the federal government, the only Party to the AIT that is not a member of the Council of the Federation, will be outlined in next year's annual report.

In 2003/2004, 27 disputes were formally initiated using the dispute settlement mechanisms provided for under the Agreement. By year end, 25 of the disputes initiated in 2003/2004 had been addressed and 2 were pending. In total, 213 disputes have been filed between the time the AIT came into force in July 1995 and the end of this reporting period, of which 189 have been resolved, 10 have been withdrawn or are inactive, and 14 are pending.

The following sections of this report provide details of the above and other activities undertaken under the AIT during the period 2003/2004.

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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 (with the exception of Nunavut) to reduce and eliminate, to the extent possible, barriers to the free movement of people, goods, services and investment within Canada and to establish an open, efficient and stable domestic market. The Parties to the Agreement recognize and agree that enhancing trade and mobility within Canada would contribute to this goal.

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) 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. Provisions governing procurement by the MASH sector (including municipalities and municipal organisations, school boards, and publicly-funded academic, social and health services) were incorporated in 1999.
- **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

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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 interprovincial trade rules relating to 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.

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C) 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 may arise among governments, as well as those between governments and individuals.

i) Sectoral dispute avoidance and resolution processes

Every chapter except one 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 Seventeen of the Agreement.

ii) Formal Dispute Resolution Procedures under Chapter Seventeen

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 within 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.

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D) 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 Canada and New Brunswick. The Agreement calls for an annual meeting at the call of the chairs.

The Committee on Internal Trade (CIT) normally meets as needed to deal with major issues and review progress with the Agreement. The Committee has met seven times since the Agreement came into effect and the end of this reporting period (in November 1995; March 1996; June 1996; December 1996; February 1998; April 2000; and June 2002). In addition, conference calls have been arranged, as necessary, to deal with complaints launched under the dispute resolution procedures of the Agreement. A list of CIT ministers is included in this report as Appendix A.

ii) Management Board

The Parties to the Agreement have established a Management Board, comprising one member of each Party to the Agreement on Internal Trade, to direct the affairs of the Internal Trade Secretariat (see section v below). The Board is responsible to the Committee on Internal Trade and provides general guidance to the Executive Director of the Secretariat in the administration and operation of the Secretariat. During this reporting period, Management Board met seven times by conference call.

The Management Board members are the Internal Trade Representatives of each Party (see section iii below) and the Executive Director of the Internal Trade Secretariat.

iii) Internal Trade Representatives

Each government has appointed an Internal Trade Representative (ITR). ITRs meet as a committee to oversee 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 in person or by conference call. A list of Internal Trade Representatives is included in Section 4 of this report entitled "For More Information...".

iv) 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 B lists the various committees with responsibilities related to the Agreement.

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v) The Internal Trade Secretariat

The Agreement establishes an Internal Trade Secretariat which 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.

Section 4 of this report provides contact information for the Secretariat. Appendix E contains the audited Financial Statements for the Secretariat as of March 31, 2004.

E) Obligations under the Agreement

The Internal Trade Secretariat maintains a record of progress in implementing the Agreement on Internal Trade. In this regard, the Secretariat has prepared the two tables found in Appendix D. The first table outlines the fulfilment by each Party of the obligations that fall within its own responsibility. The second table identifies outstanding obligations that are the responsibility of the Parties to the Agreement as a whole and groups the obligations by chapter and category.

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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 accorded to 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
- listed excluded entities and called for negotiations to reduce the number of such excluded entities.

Prior to this reporting period, the Parties had:

- implemented on July 1, 1999 a new annex which sets out provisions governing procurement by the MASH sector (now in effect in all provinces and territories except Yukon);

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- examined options for facilitating the access of Canadian suppliers to MASH sector tenders including the feasibility of putting in place a “single window” to MASH sector procurements;
- established electronic tendering systems for providing open and transparent access to public sector tender notices;
- pursued negotiations to reduce the number of services excluded from the Agreement;
- pursued negotiations to reduce the number of government entities excluded from the Agreement in which they drafted text for an annex covering government entities of a commercial or industrial nature or those which have been granted exclusive rights by a Party and considered options for the treatment of government entities that might remain excluded once the new annex came into effect;
- agreed to suspend for three years the potential for retaliation against electrical utilities and recourse to the dispute resolution provisions of the Agreement relative to such entities;
- reviewed reporting requirements under the Chapter and adopted a reporting template in order to bring greater completeness and consistency to the reports provided by Parties;
- posted on the Secretariat website tables and charts illustrating government procurement reported by federal, provincial and territorial governments; and
- developed and updated MARCAN, a website developed to help Canadian companies identify internet sites that may publish procurement opportunities within the Canadian public sector.

During this reporting period, the Parties have:

- continued to provide their annual procurement reports (which provide the data on government procurement that are found in the relevant tables and charts on the Secretariat website);
- continued to update and expand the range of sites listed on the MARCAN website;
- continued to review how to facilitate access by suppliers to public sector tender opportunities through a single access point on the internet;
- under the auspices of the Council of the Federation, agreed to the text of Annex 502.4, a new annex (commonly called “the Crown Annex”) covering government entities of a commercial or industrial nature or which have been granted exclusive rights by a Party, and to the treatment to be accorded entities that would remain excluded from the Agreement once the new annex comes into effect; and

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- initiated the reviews mandated under Article 516 of Chapter Five, addressing a range of issues including the potential for lowering thresholds levels and reducing the number of exclusions.

In the year ahead the Parties intend to:

- since the federal government is the only Party to the Agreement that is not a member of the Council of the Federation, seek the concurrence of the federal government to the agreement reached by the other Parties (under the Council of the Federation) relative to the text of Annex 502.4 (the Crown Annex) and to the treatment to be accorded to entities that would remain excluded from the Agreement once the new annex comes into effect;
- completing efforts to enhance access to public sector procurement opportunities by means of one or more single points of access on the internet; and
- continue with the reviews of the Chapter, researching and evaluating options and, where warranted, defining recommendations for improvement.

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.

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Prior to this reporting period, the Parties had:

- completed 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;
- completed 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;
- completed the 1995\96 Annual Report on Incentives;
- finalized guidelines on the content and format of Annual Reports on Incentives and initiated completion of outstanding reports from previous years;
- completed development and implementation of the web site REGISTREX, a single window for links to the corporate registries of the federal, provincial and territorial governments; and
- completed negotiations on clarifications and improvements to the Code of Conduct on Incentives (Annex 608.3).

During this reporting period, the Parties have:

- completed the Annual Reports on Incentives for 1997-1998, 1998-1999, 1999-2000 and 2000-2001.

In the year ahead the Parties intend to:

- initiate a review of business subsidies that may unduly impact on the economic interests of other Parties and develop options for addressing them.

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;

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- 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 significant measures to seek compliance with the Chapter, including:
 - the preparation of detailed guidelines on compliance requirements which were mailed to over four hundred regulatory bodies,
 - participation in hundreds of meetings with affected bodies to explain their obligations,
 - support for the provision of funding to regulatory bodies through a Human Resources Development Canada program to assist them in their compliance efforts,
 - participation in over forty regulators’ national consortium meetings and preparing a document entitled *Guidelines for Regulatory Bodies to consider in developing a Mutual Recognition Agreement*,
 - the implementation of a detailed plan to support achievement of full compliance with the obligations of the Chapter by July 1, 2001 as agreed by all First Ministers (except Quebec) in February, 1999,
 - the identification of legislation governing regulatory bodies that will need to be changed and the development of a work plan for introducing amendments to ensure the July 1, 2001 deadline is met, and
 - completed a comprehensive report on the progress achieved in implementing the Chapter as of July 1, 2001.

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During this reporting period, the Parties have:

- continued to provide ongoing advice to regulatory bodies and their national consortiums to ensure that they achieve compliance with the Chapter, placing emphasis on the nine occupations identified as having major issues remaining as of July 1, 2001, a number of which achieved significant progress;
- reviewed the Quebec approach to assessing worker competence with the approach used by other jurisdictions based on a common exam and developed a tool kit that explains to regulators the Quebec assessment process;
- established criteria for determining which occupations have an unresolved issue with respect to foreign credential recognition within Mutual Recognition Agreements (MRAs) and assessed MRAs against the criteria to identify relevant occupations;
- formed a subcommittee to develop guidelines to support Articles 711(5) and 711(6) (i.e., when consulting Parties request the assistance of the Forum of Labour Market Ministers to resolve a dispute) and also established a subcommittee to develop a framework for the monitoring and assessment of the effectiveness of the Chapter; and
- initiated a major redevelopment of the Work Destinations Website which provides information to workers on licensing, certification and registration requirements for different occupations across Canada.

In the year ahead the Parties intend to:

- continue to work towards compliance by all occupations;
- continue to work towards the resolution of issues related to the exclusion of Quebec regulatory bodies from certain MRAs and the inadequate recognition of foreign-trained workers in other MRAs;
- complete work of the subcommittee to develop consultation process as required by Articles 711(5) and 711(6) and develop a framework for the monitoring and assessment of the effectiveness of the Chapter; and
- complete the redevelopment of the Work Destinations Website.

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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; and
- 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 judgments.

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 completed 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;
- agreed on standard cost of credit disclosure requirements, prepared a drafting template for harmonized cost of credit legislation and initiated the process of harmonizing legislation;
- completed a report on possible additional agreements on consumer-related measures and standards and prepared an agenda for future cooperation on consumer issues;
- completed negotiation of a dispute resolution process as required by the Chapter;

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- finalized negotiation of a Cooperative Enforcement Agreement;
- developed a common template for harmonized consumer protection legislation in electronic commerce covering contract formation, cancellation rights, credit card charge-backs and information provision;
- developed a Code of Practice for on-line merchants and a standard for consumer protection in electronic commerce;
- completed a consumer information product for on-line shoppers: *Shopping Safely On-Line*;
- agreed to a common list of prohibited practices by collection agencies;
- created a guide to identify and promote best practices for consumer complaint prevention, handling and resolution;
- published the third edition of *The Canadian Consumer Handbook*;
- examined options for extending charge-back rights proposed in the harmonized consumer protection legislation in electronic commerce; and
- initiated exploration of issues related to consumer debt, credit reporting, trade liberalization and media violence.

During this reporting period, the Parties have:

- developed the *Canadian Code of Practice for Consumer Protection in Electronic Commerce*, setting minimum standards for business practices regarding information provision, language, contract formation, privacy and security of personal and financial information, redress, unsolicited commercial email and communications with children;
- worked with the Uniform Law Conference of Canada (ULCC) to develop options for protection of consumers in cross-border transactions;
- endorsed the extension of chargeback rights to all forms of distance sales, where applicable and initiated consultations with industry and other stakeholders on the effective implementation of such rights;
- initiated development of options for improving consumer protection in the small, short-term loan marketplace;
- initiated work with relevant regulators and stakeholders to examine opportunities to address emerging consumer protection gaps in the air travel marketplace;

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- published the “*Reality Choices*” information booklets for consumers aged 18 to 30 years and *the Consumer Handbook 2004*; and
- initiated development of the *Identity Theft Consumer Information Kit* that will help consumers reduce their risk of identity theft, include consistent public education messages to increase consumer awareness, and help victims begin the process of clearing their name.

In the year ahead the Parties intend to:

- work with partners on options for industry adoption of the *Canadian Code of Practice for Consumer Protection in Electronic Commerce*;
- examine five issues of consumer concern related to the alternative consumer credit market including: options for a consumer protection framework; enhancement of consumer awareness; the costs incurred by payday lenders; the development of best business practices; and encouraging improved access to small loans via traditional lenders;
- continue monitoring what measures credit card companies are taking both to implement more direct cardholder commitments regarding charge-back regimes and ensure that member card issuers successfully meet the objective of consumer protection in distance sales through credit card charge-backs;
- publish the *Identity Theft Consumer Information Kit*, and
- continue to work on issues related to consumer protection in travel services particularly transparency in air price advertising and consumer protection in the event of end-supplier failure.

Agricultural and Food Goods (Chapter Nine)

When the Agreement came into effect, it:

- 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;
- committed the Parties to reducing or eliminating measures that constitute obstacles to internal trade in agricultural and food goods;
- prohibited further restrictions on internal trade, other than sanitary and phytosanitary measures;

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- committed Parties to consider internal trade impacts when amending or adopting sanitary or phytosanitary 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:

- engaged in discussions on reducing or eliminating technical barriers to trade;
- identified and discussed technical barriers to trade with policy implications;
- reviewed the scope and coverage of the Chapter to broaden coverage and further liberalize internal trade in agricultural and food goods;
- 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,
 - standards regarding dairy blends and imitation dairy products, and
 - fluid milk standards and distribution;
- identified a process for reviewing the scope and coverage of the Chapter; and
- undertook a national survey on regulatory measures in place for imitation dairy product marketing.

During this reporting period, the Parties have:

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

In the year ahead, the Parties intend to:

- commence the review of the scope and coverage of the Chapter.

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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 Ontario's Canadian grape content requirements which Ontario committed to remove by 1999;
- reviewed Nova Scotia's practice (since eliminated) on differential floor pricing for beer and beer products;
- 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;
- agreed to eliminate reservations on mark-up differentials for wine;
- agreed to eliminate Nova Scotia's differential floor pricing for beer and beer products;
- agreed that Ontario will open its borders to out-of-province wine; and
- reviewed and reconciled the definition of "wine and wine products" and started the development of a National Wine Standard.

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During this reporting period, the Parties have:

- established an industry-led National Wine Standards Committee to continue work on developing wine standards and make recommendations on respective enforcement policies and procedures.

In the year ahead, the Parties intend to:

- continue the development of the National Wine Standard; and
- continue to reduce or eliminate obstacles to trade of alcoholic beverages.

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 Parties 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:

- undertaken a review of the Chapter; and
- not introduced any new barriers to trade in the processing of natural resources.

In the year ahead the Parties intend to:

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

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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:

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

During this reporting period, the Parties have:

- taken preliminary steps toward completion of negotiations of an Energy Chapter.

In the year ahead the Parties intend to:

- develop terms of reference for a workplan for the negotiation process of an Energy Chapter, setting the stage for broader negotiations.

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 anti-competitive conduct in other markets; and
- established a consultation process for the Parties.

During this reporting period, the Parties have:

- removed Article 1305: Saskatchewan Provision from the Chapter by means of a protocol of amendment.

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;

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- 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;
- completed 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;
- implemented changes to national standards to bring about greater compatibility of standards on vehicle weights and dimensions and continued work to bring about greater regulatory compatibility;
- developed an implementation plan on the future regulation of the intercity bus industry;
- made progress in improving the uniformity of requirements for travel under special permit authorities;
- reviewed exempt measures listed in Annex 1410.1;
- approved the National Safety Code Standard 14 - Compliance Review Safety Rating;
- completed work on developing more uniform standards on weights and dimensions;
- approved National Safety Code standards for Compliance Review - Facility Audits;
and
- approved new regulations under the National Safety Code Standards on Hours of Service and Load Securement.

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During this reporting period, the Parties have:

- prepared for implementation of Hours of Service regulations;
- prepared for implementation of Load Securement regulations; and
- commenced a review of the Canadian Driver Licence Compact (CDLC).

In the year ahead the Parties intend to:

- implement Hours of Service regulations;
- implement Load Securement regulations; and
- continue with a review and full jurisdictional implementation of the CDLC.

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;
- finalized a list of non-conforming measures;

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- ratified a Canada-wide Accord on Environmental Harmonization; and
- published notifications of new or amended measures taken by member jurisdictions.

During this reporting period, the Parties have:

- continued to publish notifications of new or amended measures taken by member jurisdictions.

In the year ahead, the Parties intend to:

- continued to publish notifications of new or amended measures taken by member jurisdictions; and
- continue efforts 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, appointed an Executive Director of the Secretariat and established a Management Board with a representative of each Party to direct the affairs of the Secretariat;
- established the Committee on Internal Trade which met seven times;
- prepared the Annual Reports for 1995-96, 1996-97, 1997-98, 1998-99, 1999-2000, 2000-2001 and 2001-2002; and
- established a Working Group on Adjustment comprised of Internal Trade Representatives.

During this reporting period, the Parties have:

- held seven conference calls of the Management Board;

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- examined the funding, services and role of the Secretariat; and
- published the Annual Report for 2002-2003.

In the year ahead the Parties intend to:

- hold the annual meeting of the Committee on Internal Trade; and
- prepare the 2003-2004 Annual Report.

Dispute Resolution Procedures (Chapter Seventeen)

When the Agreement came into effect, it:

- 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;
- 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;
- 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:

- 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;
- developed operational guidelines for Panels;
- established a Code of Conduct for panellists; and
- received the approval of the Committee on Internal Trade for amendments to the procedures covering the operation of dispute panels and put into effect these amended procedures.

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During this reporting period, the Parties have:

- received 27 disputes that were formally initiated using the dispute settlement mechanisms provided for under the Agreement. Of these, 25 had been addressed by year end and 2 were pending. In total, 213 disputes have been filed between the time the AIT came into force in July 1995 and the end of this reporting period, of which 189 have been resolved, 10 have been withdrawn or are inactive, and 14 are pending;
- further revised the operational guidelines for Panels;
- completed more appointments of Screeners and of Panellists to the Roster of Panellists; and
- commenced a procedural fairness review.

In the year ahead the Parties intend to:

- finalize the Roster of Panellists;
- complete the appointment of screeners from every Party;
- complete a procedural fairness review; and
- undertake an in-depth dispute resolution mechanism review.

Final Provisions (Chapter Eighteen)

When the Agreement came into effect, it:

- recognized 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 those to complete an Energy Chapter, and a review of the coverage of the Agreement.

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Prior to this reporting period, the Parties had:

- requested that each Party prepare an annual report on its programs relating to regional economic development;
- agreed to review the process of annual reporting on programs relating to regional economic development to increase the usefulness of the reports, and developed draft guidelines for reporting; and
- completed a public consultation project to assist the Parties in identifying pragmatic and useful ways for improving internal trade by holding a national conference, edited the proceedings of the conference and prepared the report on the overall consultations project.

During this reporting period, the Parties have:

- continued negotiations concerning the draft guidelines for reporting of regional economic development programs.

In the year ahead the Parties intend to:

- finalize the guidelines for the reporting of regional economic development programs.

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4) For More Information...¹

A) Contact the Internal Trade Secretariat

The Internal Trade Secretariat,
125 Garry Street, Suite 850
Winnipeg MB R3C 3P2
Phone: (204) 987-8090
Facsimile: (204) 942-8460
Web site: www.intrasec.mb.ca

B) Contact an Internal Trade Representative

Canada (Co-chair)	Chris Charette Industry Canada 235 Queen Street Ottawa Ontario K1A 0H5	Tel: (613) 946-7318 Fax: (613) 954-8042 E-mail: charette.chris@ic.gc.ca
New Brunswick (Co-chair)	Harry Quinlan Business New Brunswick P.O. Box 6000 Fredericton NB E3B 5H1	Tel: (506) 444-5011 Fax: (506) 444-5299 E-mail: harry.quinlan@gnb.ca
Newfoundland & Labrador	Tom Fleming Industry, Trade & Rural Development P.O. Box 8700 St. John's NL A1B 4J6	Tel: (709) 729-5859 Fax: (709) 729-4869 E-mail: TFleming@gov.nl.ca
Nova Scotia	Greg Bent Intergovernmental Affairs P.O. Box 1617 Halifax NS B3J 2Y3	Tel: (902) 424-8669 Fax: (902) 424-0728 E-mail: G bent@gov.ns.ca
Prince Edward Island	Robert Perrin Prince Edward Island Development and Technology P.O. Box 1500 Montague PE C0A 1R0	Tel: (902) 838-0633 Fax: (902) 838-0610 E-mail: wrperrin@gov.pe.ca

¹ As of March 31, 2004

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Quebec (Vice-chair)	Daniel Albert Secrétariat aux Affaires intergouvernementales canadiennes (<i>Canadian Intergovernmental Affairs Secretariat</i>) 875, rue Grande Allée est 2 ^e étage, Bureau 2.511 Quebec QC G1R 4Y8	Tel: (418) 644-8404 Fax: (418) 646-5420 E-mail: daniel.albert@mce.gouv.qc.ca
Ontario	Richard Caine Economic Development and Trade 6th Floor., Hearst Bldg. 900 Bay Street Toronto ON M7A 2E1	Tel: (416) 325-6947 Fax: (416) 325-6949 E-mail: richard.caine@edt.gov.on.ca
Manitoba	Alan Barber Industry, Economic Development and Mines 910-259 Portage Ave. Winnipeg MB R3B 3P4	Tel.: (204) 945-8714 Fax: (204) 945-1354 E-mail: Abarber@gov.mb.ca
Saskatchewan	Robert Donald Government Relations 8th Floor 1919 Saskatchewan Drive Regina SK S4P 3V7	Tel: (306) 787-8910 Fax: (306) 787-8883 E-mail: rdonald@gr.gov.sk.ca
Alberta	Shawn Robbins International and Intergovernmental Relations 12th Floor, Commerce Place 10155 -102 St N.W. Edmonton AB T5J 4G8	Tel: (780) 422-1129 Fax: (780) 427-0699 E-mail: shawn.robbins@gov.ab.ca
British Columbia	Robert Musgrave Small Business and Economic Development P.O. Box 9313, Stn Prov Govt Victoria BC V8W 9N1	Tel: (250) 952-0711 Fax: (250) 952-0716 E-mail: robert.musgrave@gems7.gov.bc.ca

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Northwest
Territories

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Resources, Wildlife and
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Yukon

Meg Horn
Economic Development
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Appendix A

The Committee on Internal Trade ²

Lucienne Robillard (Co-chair)
Minister of Industry
Canada

Peter Mesheau (Co-chair)
Minister of Business New Brunswick
New Brunswick

Michel Audet (Vice-chair)
Ministre du Développement économique et
régional (*Minister of Regional and
Economic Development*)
Québec

Kathy Dunderdale
Minister of Industry, Trade & Rural
Development
Newfoundland & Labrador

Ernest Fage
Minister of Economic Development
Nova Scotia

Michael Currie
Minister of Development and Technology
Prince Edward Island

Joe Cordiano
Minister of Economic Development and
Trade
Ontario

MaryAnn Mihichuk
Minister of Intergovernmental Affairs
and Trade
Manitoba

Len Taylor
Minister of Government Relations
Saskatchewan

Halvar Jonson
Minister of International & Intergovernmental
Relations
Alberta

John Les
Minister of Small Business and Economic
Development
British Columbia

Brendan Bell
Minister of Resources, Wildlife & Economic
Development
Northwest Territories

Dennis Fentie
Premier and Minister of Economic
Development
Yukon

² As of March 31, 2004

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Appendix B

Committees and Working Groups with Responsibilities Related to the Agreement on Internal Trade

General

Committee on Internal Trade

- Internal Trade Representatives
- Working Group on Adjustment
- Management Board of the Internal Trade Secretariat

Chapter Five: Procurement

Procurement Negotiating Table

- Working Group on Electronic Tendering
- Chapter Five Review working groups

Chapter Six: Investment

Working Group on Investment

Chapter Seven: Labour Mobility

Forum of Labour Market Ministers

- Labour Mobility Coordinating Group
- Labour Market Information Working Group
- Canadian Council of Directors of Apprenticeship Task Team

Council of Ministers of Education for Canada

- Advisory Committee of Deputy Ministers of Education Working Group

Ministers of Health for Canada

- Advisory Committee of Health Human Resources
 - Working Group on Trade Agreements

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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/Territorial 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

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Appendix C

AIT Disputes – Summary Statistics (as of March 31, 2004)

Detailed information on any of the disputes indicated below can be found on the AIT website at www.intrasec.mb.ca.

Table A: Disputes by Chapter – Disposition at Last Stage

Chapter	Upheld	Denied	Not Subject to the AIT	Withdrawn or Inactive	Pending	Total
5 - federal	90	77	5	1	0	173
5 - provincial	1	1	1	0	2	5
6	0	0	0	1	0	1
7	6	2	2	5	3	18
8	0	0	0	0	1	1
9	2	1	0	0	4	7
10	0	0	0	3	0	3
11	0	0	0	0	4	4
14	0	0	0	0	0	0
15	1	0	0	0	0	1
Total	100	81	8	10	14	213

Table B: Disputes by Year – Disposition at Last Stage

Year of Initiation of Dispute	Upheld	Denied	Not Subject to AIT	Withdrawn or Inactive	Pending	Total
1995/1996	6	5	3	2	0	16
1996/1997	3	6	0	3	0	12
1997/1998	5	6	2	1	1	15
1998/1999	12	7	1	2	0	22
1999/2000	9	11	0	1	2	23
2000/2001	19	13	0	1	2	35
2001/2002	15	13	1	0	1	30
2002/2003	14	12	1	0	6	33
2003/2004	17	8	0	0	2	27
Total	100	81	8	10	14	213

Definition of Status

Upheld	Complaining Party wins its case, either by getting the defending Party to offer a remedy or by a formal judgement of a dispute panel or the Canadian International Trade Tribunal (CITT).
Denied	Complaining Party loses its case by a formal judgement of a screener, dispute panel or the CITT
Not subject to the AIT	The complaint does not fall within the scope of the AIT, decided by either the decision of a screener, dispute panel or the CITT, or by mutual consent of the Parties.
Withdrawn by complainant or inactive	The complaining Party withdraws the complaint for unspecified reasons (withdrawn), or no contact between the Parties occurs for more than one year and Parties declare the file no longer active (inactive).
Pending	The complaint is still active but does not fit one of the above four categories.

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Table C: Average Length of Time to Disposition

Year of Initiation of Dispute	Average Time to Disposition (Months)	Number of Disputes*	Disputes Pending, Inactive or Withdrawn	Total Number of Disputes
1995/1996	5.7	14	2	16
1996/1997	6.7	9	3	12
1997/1998	5.0	13	2	15
1998/1999	7.4	20	2	22
1999/2000	5.5	20	3	23
2000/2001	4.7	32	3	35
2001/2002	4.4	29	1	30
2002/2003	4.6	27	6	33
2003/2004	3.9	25	2	27
Total 1995 - 2004	5.1	189	24	213

* Disputes for which initiation and disposition months are known

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Appendix D

Fulfilment of Obligations ³

Table A: Status of Party-Specific Obligations

This table tracks the fulfilment of obligations that are the responsibility of individual Parties⁴ and presents an overview of the progress of completion of each Party's obligations as of January 31, 2005.

Obligations	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04
Alberta									
Annual Report on Procurement	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Incentives	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Regional Economic Development Programs	None ⁴	None	None	None	None	None	None	None	
Roster of procurement panellists	Completed								
Roster of Chapter Seventeen panellists	Completed								
Chapter Seventeen screener	Completed								
British Columbia									
Annual Report on Procurement	✓	✓	✓	✓	✓	✓	✓	✓	✓
Annual Report on non-conforming procurement measure(s)	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Incentives	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Regional Economic Development Programs	✓	✓	✓	✓	✓	✓	✓	✓	
Review of non-conforming procurement measure(s)	Completed								

³ The number of obligations varies by party for the following reasons. Some Parties have listed non-conforming measures and must provide an annual report as well as an evaluation of the measure. All Parties must provide an annual report outlining their regional economic development as well as an evaluation of the program(s).

⁴ Where "none" is indicated, the Party has advised the Secretariat that it has no programs to report that correspond to the definition of regional economic development found in the Article.

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Obligations	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04
Roster of procurement panellists	Completed								
Roster of Chapter Seventeen panellists	Completed								
Chapter Seventeen screener	Completed								
Five year Evaluation of Regional Economic Development Programs	Completed								
Canada									
Annual Report on Procurement	✓	✓	✓	✓	✓	✓	✓		
Annual Report on non-conforming procurement measure(s)	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Incentives	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Regional Economic Development Programs	✓	✓	✓	✓	✓	✓	✓	✓	
Review of non-conforming procurement measure(s)	Completed								
Roster of Chapter Seventeen panellists	Completed								
Chapter Seventeen screener	Completed								
Five year Evaluation of Regional Economic Development Programs	Completed								
Manitoba									
Annual Report on Procurement	✓	✓	✓	✓	✓	✓	✓	✓	✓
Annual Report on Incentives	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Regional Economic Development Programs	None	None	None	None	None	None	None	None	
Roster of procurement panellists	Completed								
Roster of Chapter Seventeen panellists	Completed								
Chapter Seventeen screener	Completed								
New Brunswick									
Annual Report on Procurement	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Incentives	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Regional Economic Development Programs	✓	✓	✓	✓	✓	✓	✓	✓	
Roster of procurement panellists	Completed								
Roster of Chapter Seventeen panellists	Completed								
Chapter Seventeen screener	Completed								
Five year Evaluation of Regional Economic Development Programs	Completed								

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Obligations	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04
Newfoundland and Labrador									
Annual Report on Procurement	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on non-conforming procurement measure(s)	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Annual Report on Incentives	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Regional Economic Development Programs	✓	✓	✓	✓	✓	✓	✓	✓	
Review of non-conforming procurement measure(s)	Completed – measure terminated 1997/1998								
Roster of procurement panellists	Completed								
Roster of Chapter Seventeen panellists	Completed								
Chapter Seventeen screener	Completed								
Five year Evaluation of Regional Economic Development Programs	Completed								
Northwest Territories									
Annual Report on Procurement		✓	✓						
Annual Report on non-conforming procurement measure(s)	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Incentives	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Regional Economic Development Programs	✓	✓	✓	✓	✓	✓	✓	✓	
Review of non-conforming procurement measure(s)	Completed								
Roster of procurement panellists	Completed								
Roster of Chapter Seventeen panellists	Not completed								
Chapter Seventeen screener	Completed								
Five year Evaluation of Regional Economic Development Programs	Completed								
Nova Scotia									
Annual Report on Procurement	✓		✓	✓	✓	✓	✓		
Annual Report on Incentives	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Regional Economic Development Programs	✓	✓	✓	None	None	None	None	None	
Roster of procurement panellists	Completed								
Roster of Chapter Seventeen panellists	Completed								
Chapter Seventeen screener	Completed								
Ontario									
Annual Report on Procurement	✓	✓	✓	✓	✓	✓			

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Obligations	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04
Annual Report on Incentives	✓	✓	✓	✓	✓	✓	✓	✓	✓
Annual Report on Regional Economic Development Programs	✓	✓	✓	✓	✓	✓	✓		
Roster of procurement panellists	Not completed								
Roster of Chapter Seventeen panellists	Not completed								
Chapter Seventeen screener	Completed								
Nomination of panellist in the Quebec/Ontario dispute	Not completed								
Five year Evaluation of Regional Economic Development Programs	Not completed								
Prince Edward Island									
Annual Report on Procurement	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on non-conforming procurement measure(s)	✓	✓	✓	✓					
Annual Report on Incentives	✓	✓	✓	✓	✓	✓	✓		
Annual Report on Regional Economic Development Programs	✓		✓	None	None	None	None	None	
Review of non-conforming procurement measure(s)	Not completed								
Roster of procurement panellists	Completed								
Roster of Chapter Seventeen panellists	Completed								
Chapter Seventeen screener	Completed								
Quebec									
Annual Report on Procurement	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Incentives	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Regional Economic Development Programs	✓	✓	✓	✓	✓	✓	✓	✓	
Roster of procurement panellists	Completed								
Roster of Chapter Seventeen panellists	Completed								
Chapter Seventeen screener	Completed								
Nomination of panellist in the Ontario/Quebec dispute	Not completed								
Nomination of panellist in the Alberta/Quebec dispute	Not completed								
Five year Evaluation of Regional Economic Development Programs	N/A - no program has more than 5 complete years of existence								
Saskatchewan									
Annual Report on Procurement	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Incentives	✓	✓	✓	✓	✓	✓			

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Obligations	95/96	96/97	97/98	98/99	99/00	00/01	01/02	02/03	03/04
Annual Report on Regional Economic Development Programs	None	None	None	None	None	None	None	None	
Roster of procurement panellists	Not completed								
Roster of Chapter Seventeen panellists	Not completed								
Chapter Seventeen screener	Not completed								
Yukon									
Annual Report on Procurement	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on non-conforming procurement measure(s)	✓	✓	✓	✓	✓				
Annual Report on Incentives	✓	✓	✓	✓	✓	✓	✓	✓	
Annual Report on Regional Economic Development Programs	✓	✓	✓						
Review of non-conforming procurement measure(s)	Completed								
Roster of procurement panellists	Completed								
Roster of Chapter Seventeen panellists	Not completed								
Chapter Seventeen screener	Completed								
Five year Evaluation of Regional Economic Development Programs	Not completed								

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Table B: Status of Obligations Not Pertaining to an Individual Party

This table reports on those obligations that are the responsibility of the Parties as a whole and that are outstanding as of January 31, 2005. For manageability, this table deals with obligations not yet completed, rather than the much longer list of completed obligations.

Article	Outstanding Obligations	Timing	Responsibility	Status
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PROCUREMENT (CHAPTER 5): All obligations have been met with the exception of the following:

Obligations to Negotiate

517.1	Negotiate to reduce number of government entities excluded from chapter.	July 1, 1996	Procurement Negotiating Table (PNT)	The Committee on Internal Trade has approved a new annex covering the procurement of crown corporations. This annex, Annex 502.3, takes effect Jan. 1, 2005 for provinces and territories, and April 1, 2005 for the federal government.
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Obligations to Review

516.1 516.2	Undertake initial review of the chapter, including threshold levels. Annually review chapter and present findings and recommendations to CIT.	Initial review by July 1, 1996. Thereafter, by March of each year.	PNT	Overall review of chapter is in progress.
516.4	Review opportunity to harmonize or reconcile bid protest procedures.	July 1, 1998	PNT	Overall review of chapter is in progress.
516.5	Review and finalize list of excluded services from chapter.	July 1, 1996	PNT	Overall review of chapter is in progress.

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Article	Outstanding Obligations	Timing	Responsibility	Status
Annex 502.4 P5	Establish Working Group. This Working Group to review work of Provinces re: harmonization of standard terms and conditions in tender documents and standardization of complaint processes by MASH entities.	Completion of review by July 1, 2000	PNT (Provinces) to establish Working Group to undertake review	Never initiated.
Annex 502.4 P6	Review application of Canadian content and regional economic development provisions.	July 1, 2001	PNT (Provinces)	Never initiated.
Annex 502.4 P7	Review operation of dispute resolution provisions.	Within 1 year of completed review of standardization of complaint processes under P5	PNT (Provinces)	Never initiated.
Recurring Obligations				
511.6	Prepare advertisement in a suitable newspaper format on procurement procedures for Parties to publish.	Annually	Secretariat	Advertisement is posted on MARCAN and updated regularly during the year.

INVESTMENT (CHAPTER SIX): All obligations have been met with the exception of the following:

Obligations to Review

Annex 606 (21)	Review operation, scope and coverage of Annex on Extra-Provincial Corporate Registration and Reporting Requirements.	Every two years	Working Group on Investment	Completed for 2002
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AGREEMENT ON INTERNAL TRADE 2003-2004 ANNUAL REPORT

Article	Outstanding Obligations	Timing	Responsibility	Status
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LABOUR MOBILITY (CHAPTER SEVEN): All obligations have been met with the exception of the following:

Obligations to Negotiate

703.1	Seek compliance of chapter by non-governmental bodies that exercise authority delegated by law, governmental bodies and forms of municipal governments.	Reasonable time	Parties	Ongoing. 47 of 51 regulated occupations have agreed or substantially agreed to conditions under which mobility will be facilitated
703.2	Parties to adopt and maintain measures to ensure compliance by non-governmental bodies that exercise authority delegated by law, governmental bodies and forms of municipal governments.	Reasonable time	Parties	Ongoing
703.4	Seek compliance of chapter by non-governmental bodies other than those that exercise authority delegated by law.	No date	Parties	Ongoing
708	Mutually recognize or reconcile qualifications or occupational standards.	Reasonable date	Parties	Ongoing

Recurring Obligations

712.1 (c)	Produce annual report on chapter to be submitted to CIT	Annually	Forum of Labour Market Ministers	2002/2003 missing 2003/2004 missing
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CONSUMER-RELATED MEASURES (CHAPTER EIGHT): All obligations have been fully met with the exception of the following:

Obligations to Negotiate

807.1 Annex 807.1	Reconcile consumer-related measures and adopt harmonized measures	Various dates all prior to January 1, 1997	Parties	Complete except for passage of legislation by some Parties to harmonize cost of credit disclosure
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AGREEMENT ON INTERNAL TRADE 2003-2004 ANNUAL REPORT

Article	Outstanding Obligations	Timing	Responsibility	Status
Recurring Obligations				
809.2 (e)	Produce an annual report on the chapter to be submitted to the CIT	Annually	Consumers Measures Committee	2002/2003 missing 2003/2004 missing

AGRICULTURAL AND FOOD GOODS (CHAPTER NINE): All obligations have been fully met with the exception of the following:

Obligations to Review

902.4	Review scope and coverage of chapter	September 1, 1997	Ministers of Agriculture	Review of scope and coverage has commenced
903.2	Review supply management for poultry, eggs and dairy and agricultural safety nets	No date		Ongoing

ALCOHOLIC BEVERAGES (CHAPTER TEN): All obligations have been fully met with the exception of the following:

Obligations to Negotiate

1007	Harmonize by developing National Wine Standards	No date	Parties	Ongoing
1011 (b)	British Columbia and Quebec to negotiate equivalent access for wine and wine products	March 31, 1997	British Columbia and Quebec	Never initiated

Recurring Obligations

1012	Produce an annual report to be submitted to the CIT	Annually	Parties	2001/2002 missing 2003/2003 missing 2003/2004 missing
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NATURAL RESOURCES PROCESSING (CHAPTER ELEVEN): All obligations have been fully met.

AGREEMENT ON INTERNAL TRADE

2003-2004 ANNUAL REPORT

Article	Outstanding Obligations	Timing	Responsibility	Status
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ENERGY (CHAPTER TWELVE): There are no obligations other than the following:

Obligations to Negotiate

1810.2	Complete and adopt a chapter on energy	July 1, 1995	Parties	Framework for negotiations for Energy Chapter underway
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COMMUNICATIONS (CHAPTER THIRTEEN): All obligations have been met.

TRANSPORTATION (CHAPTER FOURTEEN): All obligations have been fully met with the exception of the following:

Obligations to Negotiate

1408.1	Establish uniform national bill of lading.	July 1, 1995	Parties	Suspended; bills of lading considered relatively consistent
	Implement National Safety Code:	January 1, 1996	Parties	Approved; implementation underway
	- Hours of service			Approved
	- Weights and measurements			Approved
	- Facility audits			Implemented
	- Security of loads			Ongoing; changes proposed
	- Commercial vehicle maintenance			Ongoing; changes proposed
	- On-road inspections			Ongoing; changes proposed
	- Trip inspections			Ongoing; changes proposed
	Establish work plan for creation of a harmonized mechanism for the designation of agents for service of notices of proceedings	July 1, 1995	Council of Ministers Responsible for Transportation and Highway Safety	Suspended; issue deemed covered by Chapter 6
	Establish work plan for creation of a harmonized mechanism to collect fuel and sales taxes and vehicle registration fees	July 1, 1995	Council of Ministers	Ongoing; discussed as needed

AGREEMENT ON INTERNAL TRADE 2003-2004 ANNUAL REPORT

Article	Outstanding Obligations	Timing	Responsibility	Status
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1410.2	Endeavor to negotiate to liberalize or remove measures listed in Annex 1410.1 including bus industry economic regulation	Every two years	Council of Ministers	Ongoing
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Recurring Obligations

1415.1	Prepare an annual report on progress	Annually	Council of Ministers	2002/2003 missing 2003/2004 missing
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ENVIRONMENTAL PROTECTION (CHAPTER FIFTEEN): All obligations have been fully met with the exception of the following:

Obligation to Negotiate

1508	Harmonize environmental measures	No date	Parties	Continue to harmonize environmental measures that may directly affect interprovincial mobility and trade
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Recurring Obligations

1509.2	Prepare an annual report to be submitted to the CIT	Annually	Canadian Council of Ministers of the Environment	2003/2004 missing
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INSTITUTION PROVISIONS (CHAPTER SIXTEEN): All obligations have been met.

DISPUTE RESOLUTION PROCEDURES (CHAPTER SEVENTEEN): All obligations not pertaining to an individual Party have been met.

FINAL PROVISIONS (CHAPTER EIGHTEEN): All obligations have been met with the exception of the following:

Obligations to Review

1809.4	Review effectiveness of mechanisms for consultation and participation in international negotiations	July 1, 1996	Parties	Never initiated
1810.4	Review scope and coverage of Agreement	Annually	CIT	Ongoing

**AGREEMENT ON INTERNAL TRADE
2003-2004 ANNUAL REPORT**

**AGREEMENT ON INTERNAL TRADE
2003-2004 ANNUAL REPORT**

Appendix E

Financial Statements

Internal Trade Secretariat

March 31, 2004

AUDITORS' REPORT

To the Management Board of the
Internal Trade Secretariat

We have audited the balance sheet of the **Internal Trade Secretariat** as at March 31, 2004 and the statement of revenue and expenditures and net assets for the year then ended. These financial statements are the responsibility of Internal Trade Secretariat 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 Internal Trade Secretariat management, as well as evaluating the overall financial statement presentation.

As outlined in note 8 to the financial statements, the **Internal Trade Secretariat** 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 **Internal Trade Secretariat** as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
July 25, 2004.

Chartered Accountants

Internal Trade Secretariat

BALANCE SHEET

As at March 31

	2004	2003
	\$	\$
ASSETS		
Current		
Cash	153,208	122,213
Accounts receivable	77,705	30,129
Prepaid expenses	5,035	—
Total current assets	235,948	152,342
Property and equipment		
Computers, software, furniture, and office equipment <i>[notes 2 and 8]</i>	1	1
	235,949	152,343
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	46,322	26,543
Deferred contributions		
Federal Government <i>[note 3]</i>	55,714	65,681
Provinces and Territories <i>[note 4]</i>	133,913	60,119
Total current liabilities	235,949	152,343
Net assets	—	—
	235,949	152,343

See accompanying notes

On behalf of the Internal Trade Secretariat

Executive Director

Internal Trade Secretariat

STATEMENT OF REVENUE AND EXPENDITURES AND NET ASSETS

Year ended March 31

	2004	2003
	\$	\$
REVENUE		
Contributions		
Federal Government <i>[note 3]</i>	283,239	335,682
Provinces and Territories <i>[note 4]</i>	284,951	336,236
Interest		
Federal Government bank account <i>[note 3]</i>	2,905	1,620
Provinces and Territories bank account <i>[note 4]</i>	1,193	1,066
	572,288	674,604
EXPENDITURES		
Communications	12,239	7,113
Facility costs <i>[note 5]</i>	41,917	40,796
Goods and services tax [net]	10,659	10,913
Professional services	8,674	16,279
Meetings and conferences	41,415	32,206
Office expenses	42,869	36,249
Personnel	338,070	421,489
Property and equipment		
Computers and software	7,086	23,172
Office equipment	4,943	—
Training	3,207	3,520
Translation	46,159	51,551
Travel	15,050	31,316
	572,288	674,604
Excess of revenue over expenditures for the year	—	—
Net assets, beginning of year	—	—
Net assets, end of year	—	—

See accompanying notes

Internal Trade Secretariat

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

1. STATUS AND NATURE OF ACTIVITIES

The Internal Trade Secretariat [the "Secretariat"] is a non-taxable, unincorporated association which 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 within 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with Canadian generally accepted 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. During the year \$12,029 [2003 - \$23,172] of property and equipment were expensed. 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 8.

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

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Financial instruments

Financial instruments include 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.

3. CONTRIBUTIONS - 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.

The details of contributions from the Federal Government for the year are as follows:

	2004	2003
	\$	\$
Deferred contributions, beginning of year	65,681	55,681
Contributions received during the year	273,272	345,682
	338,953	401,363
Required contributions		
50% of the eligible expenditures of \$572,288 [2003 - \$674,604]	286,144	337,302
Deduct interest earned on advances from the Federal Government	(2,905)	(1,620)
	283,239	335,682
Deferred contributions, end of year	55,714	65,681

Internal Trade Secretariat

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

4. CONTRIBUTIONS - 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:

	2004 \$	2003 \$
Deferred contributions, beginning of year	60,119	101,921
Contributions received during the year	358,745	294,434
	418,864	396,355
Required contributions		
50% of the eligible expenditures of \$572,288 [2003 - \$674,604]	286,144	337,302
Deduct interest earned on advances from the Provinces and Territories	(1,193)	(1,066)
	284,951	336,236
Deferred contributions, end of year	133,913	60,119

5. COMMITMENTS

The Secretariat is committed to make minimum annual rental payments under a lease which expires January 31, 2006 as follows:

	\$
2005	18,396
2006	16,863

The organization is also responsible for their share of common area costs which currently totals approximately \$1,945 per month.

6. ECONOMIC DEPENDENCE

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

Internal Trade Secretariat

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

7. STATEMENT OF CASH FLOWS

A statement of cash flows has not been prepared as it provides no additional information.

8. PROPERTY AND EQUIPMENT

The Secretariat charges property and equipment additions to expenditures in the year of purchase. In this respect, the financial statements are not in accordance with Canadian generally accepted accounting principles which require that property and equipment be capitalized and amortized over their useful lives. 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 current year would have been reduced by \$12,029 [2003 - \$23,172], amortization expense would have been increased by \$13,523 [2003 - \$11,559], contribution revenue would have been increased by \$681 [2003 decreased by \$11,613], and property and equipment and deferred contributions on the balance sheet would each have been increased by \$29,874 [2003 - \$30,555].