

# Annual Report 2009/2010



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INTERNAL TRADE  
SECRETARIAT



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COMMERCE INTÉRIEUR

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## ***Committee on Internal Trade***

(as of March 31, 2010)

### **Alberta**

The Honourable Iris Evans  
Minister of International and  
Intergovernmental Relations

### **British Columbia**

The Honourable Iain Black  
Minister of Small Business, Technology  
and Economic Development

### **Canada**

The Honourable Tony Clement  
Minister of Industry

### **Manitoba**

The Honourable Peter Bjornson  
Minister of Entrepreneurship, Training  
and Trade

### **New Brunswick**

The Honourable Victor Boudreau  
Minister of Business New Brunswick

### **Newfoundland and Labrador**

The Honourable Shawn Skinner  
Minister of Innovation, Trade and Rural  
Development

### **Northwest Territories**

The Honourable Robert R. McLeod  
Minister of Industry, Tourism and  
Investment

### **Nova Scotia**

The Honourable Percy Paris  
Minister of Economic and Rural  
Development

### **Ontario**

The Honourable Sandra Pupatello  
Minister of Economic Development and  
Trade

### **Prince Edward Island**

The Honourable Allan V. Campbell  
Minister of Innovation and Advanced  
Learning

### **Quebec**

The Honourable Clement Gignac  
Minister of Economic Development,  
Innovation and Export Trade

### **Saskatchewan**

The Honourable Ken Cheveldayoff (**Chair**)  
Minister Responsible for Trade

### **Yukon**

The Honourable Jim Kenyon  
Minister of Economic Development

### **Nunavut (Observer Status)**

The Honourable Peter Taptuna  
Minister of Economic Development and  
Transportation

## ***Internal Trade Representatives***

(as of March 31, 2010)

### **Alberta**

Shawn Robbins  
Executive Director, Trade Policy –  
Domestic  
International and Intergovernmental  
Relations

### **British Columbia**

Guy Gensey  
Manager, Trade Initiatives, Economic  
Competitiveness Division  
Small Business, Technology and  
Economic Development

### **Canada**

Phillip Morrison  
Senior Policy Analyst, Internal Trade  
Industry Canada

### **Manitoba**

Alan Barber  
Director, Policy, Planning  
and Coordination  
Entrepreneurship, Training and Trade

### **New Brunswick**

Andrew Hashey  
Senior Policy Advisor, Trade Policy  
Intergovernmental Affairs

### **Newfoundland and Labrador**

Richard Squires  
Manager, Trade Policy  
Innovation, Trade and Rural Development

### **Northwest Territories**

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

### **Nova Scotia**

Greg Bent  
Director, Trade Policy  
Intergovernmental Affairs

### **Ontario**

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

### **Prince Edward Island**

Kal Whitnell  
Director – Trade & Economic Policy  
Innovation and Advanced Learning

### **Quebec**

Luc Walsh  
Advisor, Commercial Policy  
Economic Development, Innovation and  
Export Trade

### **Saskatchewan**

Robert Donald (**Chair**)  
Executive Director, Trade Policy  
Intergovernmental Affairs

### **Yukon**

Richard Provan  
Senior Policy Advisor  
Policy and Planning  
Economic Development

### **Nunavut (Observer Status)**

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

## 2009/2010 Highlights

At a special interim meeting by conference call in July 2009, the Committee on Internal Trade (CIT):

- Approved a work plan on business regulations and standards and
- Directed officials to undertake a review of the Person-to-Government dispute process under Chapter Seventeen

At the Annual Meeting in Whitehorse in October 2009, CIT Ministers:

- Approved the AIT Eleventh Protocol of Amendment to implement revisions to Chapter Nine on Agricultural and Food Goods and agreed to release this text to the public
- Directed officials to resolve outstanding issues so as to achieve a final text on an AIT Chapter on Energy
- Welcomed entry into force of a new Chapter Seventeen on Dispute Resolution affecting Government-to-Government Disputes as well as a new Chapter Seven on Labour Mobility and
- Heard a presentation by the Canadian Federation of Independent Business (CFIB) on the impact of government regulations on small business
- Received several status reports, including on work underway to reconcile extra-provincial corporate registration and reporting requirements as well as licensing requirements; on Nunavut's proposed accession to the AIT; on a new initiative on procurement as directed by the Council of the Federation (COF); on implementation of the Trade, Investment and Labour Mobility Agreement (Alberta/British Columbia), and on entry into force of a new trade and cooperation agreement (Ontario/Quebec)

In June 2009, the Annual General Meeting of the Internal Trade Secretariat Corporation was held via conference call. A meeting of the ITSC Board of Directors took place in February 2010.

## Overview of the Agreement

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

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

The AIT focuses on reducing trade barriers within eleven sectoral areas. This report provides details of the activities undertaken within these sectors during the reporting period April 1, 2009 to March 31, 2010.

## ***Progress under Sectoral Chapters***

### **Chapters One to Four**

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

### **Procurement (Chapter Five)**

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

In 2009/2010, progress under the Chapter included the following:

- A new working group composed of Internal Trade Representatives (ITRs) and Procurement Negotiating Table (PNT) officials was struck to examine the COF directive to ensure that the AIT Procurement Chapter supports open and transparent procurement practices within Canada. Ontario and British Columbia co-chaired the new Working Group as it met four times during the course of year.
- A working group was formed to rework the design of MARCAN ([www.marcan.net](http://www.marcan.net)), the website established by the Parties to the AIT and which provides Canadian businesses with information on the rules for public sector procurement and current procurement contacts as well as links to internet sites (including those of the Tender Notice Exchange) that may publish Canadian public sector tender notices. The working group met several times with a goal of launching the redesigned site in the late spring of 2010.
- Parties continue to refine the reporting template and associated guidelines. The current reporting guidelines are posted on MARCAN along side the procurement data to aid in the interpretation of the data.

- Continuation of the review of the Procurement Chapter. The intent is to bring greater consistency both to the interpretation of the provisions of the Chapter and to the manner by which these provisions are put into operation. Working groups examined, among other things, a proposal to make electronic tender notices the standard method of posting calls for tenders, as well as the treatment of regional entities under AIT. Working groups continue to examine these issues and additional reviews will be initiated as the current reviews wind up.
- Expansion of the Tender Notice Exchange continues with the inclusion of Manitoba and Ontario, bringing the total to 10 provinces that participate in the Exchange. Through the Exchange, governments are given the opportunity to publish a complete daily listing of tender notices from all participating governments on their own tendering sites. This benefits participating governments by increasing the exposure of their tender notices across Canada. Additionally, the Exchange is a convenience for suppliers in that procurement opportunities across Canada are advertised on their Party's tendering site.
- Parties continued to discuss revising Article 506(7), regarding pre-qualification lists, and continue to work on revised text.

### **Investment (Chapter Six)**

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

In 2009/2010, progress under the Chapter included the following:

- The Working Group on Investment (WGI) continued to collect the data required for reporting under the AIT Code of Conduct on Incentives.
- REGISTREX, the Corporate Registration and Reporting Gateway continues to be maintained.
- A review of the Alberta-British Columbia Trade, Investment and Labour Mobility Agreement (TILMA) to determine elements that might be imported into the AIT is currently in abeyance.

### **Labour Mobility (Chapter Seven)**

Amendments to Chapter Seven (Labour Mobility) of the AIT were ratified by all Parties as of August 11, 2009, bringing revised labour mobility provisions into effect. The revised Chapter



enables any worker certified for an occupation by a regulatory authority of one Party to be recognized as qualified for that occupation by all other Parties.

The Forum of Labour Market Ministers (FLMM) is responsible for coordinating implementation of Chapter Seven at the national level. A standing committee of federal/provincial/territorial officials, the Labour Mobility Coordinating Group (LMCG), assists the Forum in carrying out this obligation.

FLMM Senior Officials approved a 2009-2010 work plan including the following work:

- Support implementation of the new Chapter for all occupations and coordinate efforts with other stakeholder groups: LMCG representatives met with consortia of regulatory authorities to increase understanding of the new labour mobility provisions and to assess issues, develop solutions, and support reconciliation of occupational standards. LMCG continues to engage with other stakeholders such as intergovernmental ministerial committees and sector groups to support chapter implementation and ensure coordination with other files. For example, LMCG has engaged the Canadian Council of Directors of Apprenticeship to determine the effects of chapter implementation on skilled trades and individuals with the Interprovincial Red Seal certification.
- Develop and implement a process for maintaining and posting a list of measures to achieve a legitimate objective (exceptions to labour mobility) on a public website; however, individual Parties have adopted varying processes for gaining approval of exceptions. Posting of measures began on November 30, 2009, on the AIT website. They often concern scope of practice issues, such as for lawyers. For example, there are significant foundational differences between the two legal systems in Canada, with Quebec using civil law and most of Canada using common law, leading all Parties to file measures to achieve a legitimate objective. The list of exceptions will continue to evolve as jurisdictions identify occupations where they feel that maintaining measures to achieve a legitimate objective is warranted, or as the measures become obsolete.
- LMCG developed a communications strategy and a set of common communication products to inform workers, regulatory authorities and other stakeholders about the amendments to Chapter Seven. These products include a common PowerPoint presentation, Frequently Asked Questions, the Guidelines for Meeting the Obligations of the Labour Mobility Chapter, and a backgrounder document that summarizes the changes made to the Chapter. In addition, labour mobility information was made available to the public on the AIT website in September 2009.
- LMCG is in the process of developing an evaluation framework and a long-term evaluation strategy to meet the obligations on reporting under the Chapter.

At the August 2009 COF Meeting, Premiers asked Ministers responsible for Internal Trade to complete a review of financial sector occupations and make recommendations relating to their inclusion in the AIT. A Financial Sector Occupations Working Group, led by Nova Scotia, was convened with F/P/T Internal Trade Representatives, LMCG coordinators, and financial services representatives. Recommendations will be forthcoming.

## **Consumer-Related Measures and Standards (Chapter Eight)**

Chapter Eight calls upon the Parties to report on and cooperate in the enforcement of consumer protection measures. As part of that agreement, the Committee on Consumer Related Measures and Standards (CMC), composed of federal/provincial/territorial officials, undertook negotiations to reach agreement on specific commitments made under the AIT. The CMC is tasked with monitoring the implementation of these agreements.

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

In 2009/2010, progress under the Chapter included the following:

- The CMC Alternative Consumer Credit Market Working Group continued to carry out exchanges of information among jurisdictions to support the development of provincial payday lending laws. Ontario, British Columbia and Alberta were designated by the federal government for the purposes of the criminal interest rate provisions of the Criminal Code and brought their respective payday lending regulatory regimes into force. The Working Group carried out research respecting various international examples of the provision of low-cost credit to vulnerable consumers.
- The CMC Consumer/Credit Reporting Working Group is currently at an advanced stage of negotiations on items that may be included on a harmonized list of regulating provisions. Once the working group has reached a final agreement on this list, it will be presented to the full CMC for consideration.
- A CMC Enforcement Best Practices Research Group was formed with the objective of examining consumer law enforcement best practices and how those practices may help CMC members improve compliance rates. This Group has completed a survey of CMC consumer protection enforcement agencies' compliance mechanisms and identified three areas for further research believed to have the most potential to promote greater compliance with consumer laws: best practices in inspection and enforcement; use of administrative monetary penalties (AMPs) in consumer law; and use of memoranda of understanding and other formal and informal inter and intra-agency enforcement agreements. The Group conducted further in-house research in these three areas and a

consultant was engaged to investigate international best practices. A report to CMC in February 2010 summarized the key research findings and proposed further work to assist members in meeting their compliance objectives.

- The CMC Consumer Awareness Working Group delivered on all the objectives outlined in its 2009-2010 workplan, including developing an interactive application for the Canadian Consumer Handbook; developing a new Build Your Buying Skills information series to help consumers make informed purchasing decisions; re-distributing and evaluating the Be Informed About... Literacy Series; and undertaking an environmental assessment to uncover gaps in consumer information.
- The CMC Household Moving Sector Working Group is engaging external stakeholders in their identification of consumer complaints in this sector, and assessment of how/whether consumer complaints are actively resolved under current provisions.
- A CMC Gift Cards Research Group was established to draft an information report to Ministers on the status of provincial regulatory initiatives, with an analysis of variations among them.

### **Agricultural and Food Goods (Chapter Nine)**

The final text of a revised Chapter Nine as incorporated into the AIT Eleventh Protocol of Amendment was approved by federal, provincial and territorial Trade Ministers at the CIT meeting held in Whitehorse in October 2009. The revised chapter extends the scope and coverage of the AIT to all technical measures adopted or maintained by a Party relating to internal trade in agricultural and food goods. At the same time the revised chapter allows Parties to adopt or maintain measures relating to supply management systems regulated by federal and provincial governments, and provincially regulated marketing boards, that are not technical measures.

As of March 31, 2010, ten jurisdictions (British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, the Northwest Territories and the Federal Government) had signed the Eleventh Protocol of Amendment.

### **Alcoholic Beverages (Chapter Ten)**

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

In 2009/2010:

- The Canadian Food Inspection Agency (CFIA) continued to lead a process with industry stakeholders to develop an Icewine standard in Canadian legislation in order for Canada to respect its obligations under its international wine trade agreements. Most of the technical aspects of a new Icewine regulation have been agreed upon. However, there remain some outstanding issues relating to jurisdictional authority between the provinces and the federal government for the certification of Icewine products. CFIA will work with industry to address these matters in 2010-2011 via a federal-provincial working group.

### **Natural Resources Processing (Chapter Eleven)**

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

In 2009-2010, the Working Group on Natural Resources met to review the status of the Chapter's implementation and concluded that the Chapter is meeting its objectives with no outstanding issues identified.

### **Energy (Chapter Twelve)**

The conclusion of an Energy Chapter for the AIT has been an outstanding obligation since the AIT came into effect in 1995 and has been a key element in the COF plan to improve internal trade since 2004.

Within the 2009/2010 fiscal year, the COF directed in August 2009 that Parties conclude an Energy Chapter under the AIT with interested jurisdictions signing on, at the fall 2009 meeting of the Committee on Internal Trade (CIT).

Concerted negotiations took place over the course of the year. A draft Energy Chapter was concluded and presented to the CIT at its October 2009 meeting. All Parties except one supported the formal inclusion of the draft Chapter into the AIT. Consensus of all the Parties is required to incorporate the Chapter into the AIT.

However, interested Parties are seeking to develop a separate energy agreement outside of the AIT framework pursuant to Article 1800 based on the draft text that had been presented to the CIT.

## Communications (Chapter Thirteen)

Chapter Thirteen ensures equal access to public telecommunications networks and the use of public telecommunications services. There were no new developments under the Chapter in 2009/2010.

## Transportation (Chapter Fourteen)

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

All items identified in the transportation chapter of the AIT have either been addressed or are subject to ongoing discussion. In particular, the reconciliation obligations set out under Article 1408(1) of the AIT include the following specific issues: motor vehicle weights and dimensions; motor carrier safety rules; bills of lading; fuel and sales tax and vehicle registration administrative harmonization; a Memorandum of Understanding on Regulatory Review; and, agents for service. Only those issues with ongoing work are highlighted below.

At the 2009 COF meeting, Premiers asked Ministers of Transportation to develop an action plan to reconcile transportation regulations by December 2009, including timelines and proposed amendments.

In 2009/2010, progress under the Chapter included the following:

- Efforts are ongoing to expand and refine standards to establish and maintain uniform rules governing the size and weight of commercial motor vehicles with amendments to the 1988 Memorandum of Understanding endorsed in 1991, 1994, 1997, 2004, 2008 and, more recently, in 2009.
- All jurisdictions have adopted the National Safety Code for Motor Carriers and efforts are continuing to refine these standards.
- The Parties affirm their commitments to the guiding principles of regulatory policy and the criteria and process for regulatory review embodied in the "Memorandum of Understanding to Review Regulations Affecting Transportation", and work is continuing with a view to bringing the process envisaged by that Memorandum of Understanding into operation.

## **Environmental Protection (Chapter Fifteen)**

Chapter Fifteen ensures that federal, provincial or territorial environmental protection measures do not become non-tariff trade barriers. Obligations from the Chapter continue to be fulfilled by departments of the environment, as well as by the Canadian Council of Ministers of the Environment (CCME), the body responsible for administering this chapter. There were no major issues concerning implementation, outstanding obligations, or disputes to report in 2009/2010. CCME continues to promote harmonization of approaches, thereby limiting real or perceived barriers to trade.

## **Institutional Provisions (Chapter Sixteen)**

In 2009/2010, the Secretariat provided services related to various AIT initiatives. This included:

- organization of two CIT Meetings and the ITSC Annual General Meeting and several in-person meetings of Internal Trade Representatives (ITRs) and the Energy Working Group in Ottawa and Toronto as well as of the PNT in Saint Andrews, New Brunswick.
- organization of more than 30 conference calls for ITRs and AIT Committees/Working Groups on Procurement, Dispute Resolution, Energy and Natural Resources.
- participation in 20 conference calls and attendance at 3 in-person meetings of the Labour Mobility Coordinating Group (LMCG) in PEI, Winnipeg and Ottawa and a video conference held by the Consumer Measures Committee under the AIT.
- responded to more than 400 enquiries from AIT Parties and the general public on various matters related to internal trade and posted updated information on the AIT, REGISTREX and MARCAN websites; the general AIT website handles an average of 55,000 hits per month.
- revamped the MARCAN website on public procurement and developed and hosted a new website on labour mobility in cooperation with LMCG.
- produced the 2008/2009 AIT Annual Report for online publication and published CIT press releases and media advisories as well as the revised AIT consolidation (2009 Edition) in hard copy and online version and assisted in the preparation of the AIT Eleventh Protocol of Amendment.

## **Dispute Resolution Procedures (Chapter Seventeen)**

Chapter Seventeen features a quasi-judicial dispute settlement mechanism to deal with complaints which is accessible to both governments and persons. Parties have been engaged

in a full review of AIT dispute resolution procedures, the purpose of which has been to address issues related to timing, fairness, certainty, consistency and enforcement relating to the Government-to-Government dispute process.

Under the AIT Tenth Protocol of Amendment which came into effect in October 2009, the revised Chapter Seventeen will enforce all AIT panel rulings by means of a more robust compliance process, provision of an appeals process as well as imposition of monetary penalties and suspension of dispute resolution privileges. A new transitional provision provides a limited window of time within which “pre-existing disputes” may be referred to a Summary Panel for final resolution.

During 2009/2010, the Dispute Resolution Working Group launched its review of the Person-to-Government dispute resolution process.

### **Final Provisions (Chapter Eighteen)**

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

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

The bilateral agreement between British Columbia and Alberta (TILMA) came into full force in April 2009 while a trilateral agreement between British Columbia, Alberta and Saskatchewan (the Western Economic Partnership) was signed on September 2009. A revised Agreement on the Opening of Public Procurement for New Brunswick and Quebec entered into final effect in June 2009 replacing the earlier version of 1993. Ontario and Quebec announced their bilateral accord which entered force on October 1, 2009.

### ***Internal Trade Disputes***

The Agreement encourages a conciliatory, cooperative and harmonious approach to resolution of disputes in the first instance via consultations by Parties; there is provision for progressive steps in the dispute avoidance and resolution process so as to arrive at a mutually satisfactory resolution of any matter under the AIT.

During 2009/2010, there were no dispute panel reports; AIT trade dispute activity included:

- The CMC Cost of Credit Disclosure Working Group continued its efforts to reach conclusion of a dispute that arose in 2004 concerning the federal Cost of Borrowing (Banks) Regulations.
- In September 2009, a private party requested Ontario to initiate on its behalf consultations with Alberta and New Brunswick regarding provision of real estate continuing education. In October 2009, a screener denied the company permission to commence proceedings against Alberta and New Brunswick.
- In late March 2010, Alberta filed a request for a Summary Panel to determine if the measures that were the subject of the 2004 dispute between Alberta/British Columbia and Ontario regarding Ontario's measures governing dairy analogs and dairy blends remain inconsistent with the AIT.

For information on disputes regarding procurement by the Federal Government, please visit the website of the Canadian International Trade Tribunal at [www.citt-tcce.gc.ca](http://www.citt-tcce.gc.ca).

## ***Organizational Structure***

### **Committee on Internal Trade**

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

### **Internal Trade Representatives**

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

### **Board of Directors**

Under the articles of incorporation, ITRs are also appointed by each Party to the AIT to serve as a Board of Directors and to provide general guidance to the Executive Director in the administration and operation of the Internal Trade Secretariat Corporation, a federally-established not-for-profit organization set up in 2006.



## **Internal Trade Secretariat**

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

## **Agreement on Internal Trade Website**

For more detailed information, please visit the AIT website at [www.ait-aci.ca](http://www.ait-aci.ca).

## **INTERNAL TRADE SECRETARIAT CORPORATION**

### **Financial Statements**

**For the year ended March 31, 2010**

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## Auditors' Report

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### To the Board of Directors of Internal Trade Secretariat Corporation

We have audited the statement of financial position of **Internal Trade Secretariat Corporation** as at March 31, 2010 and the statement of operations and net assets for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As outlined in note 4 to the financial statement, the **Internal Trade Secretariat Corporation** does not capitalize and amortize its property and equipment. In this respect only, the financial statements are not in accordance with Canadian generally accepted accounting principles.

In our opinion, except for the effects of the failure to capitalize and amortize property and equipment as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the **Internal Trade Secretariat Corporation** as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO Canada LLP*

Chartered Accountants

Winnipeg, Manitoba  
April 13, 2010

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**INTERNAL TRADE SECRETARIAT CORPORATION**  
**Statement of Financial Position**

March 31	2010	2009
	\$	\$
<b>Assets</b>		
<b>Current Assets</b>		
Cash	58,858	24,643
Short-term investments (Note 2)	240,324	329,201
Accounts receivable	20,827	1,792
Prepaid expenses	3,356	4,816
	323,365	360,452
<b>Capital assets</b> (Note 4)	1	1
	323,366	360,453
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 3)	42,336	39,464
Federal Government surplus payable (Note 5)	31,669	21,846
	74,005	61,310
<b>Net Assets</b>		
Surplus funds - Federal Government (Note 5)	-	-
Surplus funds - Provinces and Territories (Note 6)	122,039	296,821
Reserve funds - Contingency (Note 7)	125,000	-
Unrestricted	2,322	2,322
	249,361	299,143
	323,366	360,453

Approved on behalf of the Corporation:

\_\_\_\_\_ Executive Director

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**INTERNAL TRADE SECRETARIAT CORPORATION**  
**Statement of Operations and Net Assets**

<b>For the year ended March 31</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Contributions		
Federal Government (Note 5)	<b>211,164</b>	233,250
Provinces and Territories (Note 6)	<b>210,843</b>	229,996
Interest		
Federal Government (Note 5)	<b>401</b>	4,490
Provinces and Territories (Note 6)	<b>722</b>	7,744
Other income	<b>-</b>	<b>3</b>
	<b>423,130</b>	<b>475,483</b>
<b>Expenses</b>		
Personnel	<b>251,510</b>	284,664
Rent (Note 9)	<b>36,835</b>	36,687
Office expenses	<b>37,023</b>	34,876
Meetings and conferences	<b>20,785</b>	32,487
Translation	<b>12,746</b>	21,530
Professional services	<b>19,010</b>	18,800
Communications	<b>17,446</b>	17,484
Travel	<b>18,562</b>	14,129
Computers and software	<b>3,150</b>	10,477
Goods and services tax, net	<b>3,695</b>	4,346
Professional development	<b>2,368</b>	-
	<b>423,130</b>	<b>475,480</b>
<b>Excess of revenue over expenses for the year</b>	<b>-</b>	<b>3</b>
<b>Net assets, beginning of year</b>	<b>2,322</b>	<b>2,319</b>
<b>Net assets, end of year</b>	<b>2,322</b>	<b>2,322</b>

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

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# INTERNAL TRADE SECRETARIAT CORPORATION

## Summary of Significant Accounting Policies

**For the year ended March 31, 2010**

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<b>Basis of Accounting</b>	The financial statements are prepared in accordance with Canadian generally accounting principles, except as noted below, which require the Corporation 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.
<b>Property and Equipment</b>	Property and equipment are charged to expenditures in the year of purchase. Generally accepted accounting principles require that property and equipment be capitalized and amortized over their estimated useful life. The effect of this policy is described in note 4.
<b>Revenue Recognition</b>	The Corporation 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.
<b>Surplus Funds</b>	The management board of the Corporation resolved on November 21, 2005 to change the existing policy with regards to deferred contributions. Beginning fiscal 2005/2006, unused funds are no longer considered to be deferred contributions, but will now be considered an internally restricted surplus fund for future use within the organization.
<b>Financial Instruments</b>	<p>The Corporation utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.</p> <p>The fair values of cash and short-term investments, accounts receivable and accounts payable approximate their carrying value because of their short-term maturity of these instruments.</p> <p>The Corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Corporation's accounting policy for each category is as follows:</p>

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# INTERNAL TRADE SECRETARIAT CORPORATION

## Summary of Significant Accounting Policies

**For the year ended March 31, 2010**

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### **Financial Instruments** (continued)

*Held-for-trading* - This category is comprised of certain investments in equity and debt instruments, stand-alone derivatives, other than those designated as hedging items, and embedded derivatives requiring separation. They are carried in the balance sheet at the fair value with changes in fair value recognized in the income statement. Transactions costs related to instruments classified as held-for-trading are expensed as incurred. Fair values are determined directly by reference to published price quotations in an active market.

*Loans and Receivables* - These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment.

*Other Financial Liabilities* - Other financial liabilities include all financial liabilities other than those classified as loans and receivable and comprises trade accounts payable. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method.

### **Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

### **New Accounting Pronouncement**

The Accounting Standards Board (AcSB) is currently developing new accounting standards for not-for-profit organizations (NPOs). Until such a time that the AcSB makes a final decision, all NPOs will continue to follow accounting standards currently in effect.

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# INTERNAL TRADE SECRETARIAT CORPORATION

## Notes to Financial Statements

**For the year ended March 31, 2010**

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### 1. Status and Nature of Activities

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

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

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

The Corporation considers its capital to comprise its internally restricted net assets. There have been no changes to what the Corporation considers to be its capital since the previous period.

The Corporation manages its capital in order to ensure that it maintains sufficient resources to satisfy its objective of providing administrative and operational support on Internal Trade . The Corporation also manages its capital to ensure that it has sufficient resources to satisfy its obligations such as its general and administrative expenses, major repairs and the purchase of required fixed assets.

### 2. Short-term Investments

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

	2010	2009
	\$	\$
RBC Premium Money Market Fund	<b>240,324</b>	329,201

### 3. Accounts Payable and Accrued Liabilities

	2010	2009
	\$	\$
Trade accounts payable	<b>14,887</b>	15,409
Vacation payable	<b>18,428</b>	16,208
Wages and source deductions payable	<b>9,021</b>	7,847
	<b>42,336</b>	39,464



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## INTERNAL TRADE SECRETARIAT CORPORATION

### Notes to Financial Statements

**For the year ended March 31, 2010**

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#### 4. Capital Assets

Capital assets are charged to expenditures in the year of purchase. During the year, there were no purchases of capital assets. (\$7,090 in 2009) that were expensed. Generally accepted accounting principles require that property and equipment be capitalized and amortized over their estimated useful life. The estimated useful life of the property and equipment components which include computers, furniture and office equipment is usually 5 years. If property and equipment had been capitalized and amortized over their estimated useful life of five years, the property and equipment expensed for the year would have been reduced by \$NIL (\$7,090 in 2009), amortization expense would have been increased by \$3,329 (\$4,998 in 2009), contribution revenue would have been increased by \$3,329 (\$4,998 in 2009), and capital assets and surplus funds on the balance sheet would each have increased by \$5,392 (\$8,721 in 2009).

#### 5. Surplus Funds - Federal Government

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

	2010	2009
	\$	\$
Surplus funds, beginning of year	-	84,880
Contributions for the year	<b>242,833</b>	170,216
	<b>242,833</b>	255,096
Required contributions		
50% of the eligible expenditures of \$423,131 (\$475,479 in 2009)	211,565	237,740
Deduct interest earned on advances from the Federal Government	(401)	(4,490)
Contributions recognized as revenue for the year	<b>211,164</b>	233,250
Less amounts requested to be repaid by the Federal Government (recorded as accounts payable)	<b>(31,669)</b>	(21,846)
Surplus funds, end of year	-	-

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## INTERNAL TRADE SECRETARIAT CORPORATION

### Notes to Financial Statements

**For the year ended March 31, 2010**

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#### 6. Surplus Funds - Provinces and Territories

Based on the Agreement on Internal Trade, the Corporation 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:

	2010	2009
	\$	\$
Surplus funds, beginning of year	296,821	352,271
Contributions for the year	161,061	174,546
	457,882	526,817
Required contributions		
50% of the eligible expenditures of \$423,131 (\$475,479 in 2009)	211,565	237,740
Deduct interest earned on advances from the Provinces and Territories	(722)	(7,744)
Contributions recognized as revenue for the year	210,843	229,996
Less transferred to contingency reserve	(125,000)	-
Surplus funds, end of year	122,039	296,821

#### 7. Reserve Funds - Contingency

The contingency reserve fund, as established by board resolution February 29, 2008, is to be maintained at \$125,000 to cover any costs contingencies relating to extra ministerial and/or officials' meeting, more than one dispute panel, non-payment or delay in member contributions being received, and any special projects.

#### 8. Statement of Cash Flows

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

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# INTERNAL TRADE SECRETARIAT CORPORATION

## Notes to Financial Statements

**For the year ended March 31, 2010**

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### **9. Commitments**

The Corporation has an operating lease for its premises at \$3,206 per month including common area cost and realty taxes, under a lease expiring in January 2011.

### **10. Economic Dependence**

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