

Annual Report



For the Fiscal Year Ending March 31, 2011

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INTERNAL TRADE
SECRETARIAT



SECRETARIAT DU
COMMERCE INTÉRIEUR

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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, 2010 to March 31, 2011.

2010/2011 Highlights

The Committee on Internal Trade (CIT) met twice during 2010/2011 to achieve further progress on its internal trade action plan.

At a special interim meeting by conference call in June 2010, Ministers:

- Directed officials to develop an action plan on business registration/reporting as well as on licensing; also to develop options for revisions to AIT Chapter Four on General Rules
- Directed officials to fully explore both monetary as well as non-monetary enforcement options for the Person-to-Government dispute process under Chapter Seventeen
- Directed officials to continue discussions on the basis of a workplan to achieve greater openness and transparency under Chapter Five on public procurement to be incorporated into the next AIT protocol of amendment
- Approved coverage of financial services occupations under Chapter Seven on Labour Mobility
- Endorsed a report from the Forum of Labour Market Ministers (FLMM) on implementation of the new AIT Chapter Seven

At its Annual Meeting in Saskatoon in December 2010, Ministers:

- Welcomed entry into force of a new Chapter Nine on Agricultural and Food Goods

- Approved the AIT Twelfth Protocol of Amendment to cover financial services occupations under Chapter Seven on Labour Mobility and to improve transparency in government procurement under Chapter Five
- Heard a presentation by the President and CEO of the Canada West Foundation
- Directed officials to continue their work on enforcement options to strengthen and improve the Person-to-Government Dispute Resolution Process
- Approved an action plan to simplify the corporate registration/reporting process to government and the burden stemming from business licences in two key sectors across Canada
- Heard a report on the New West Partnership Agreement (NWP) among British Columbia, Alberta and Saskatchewan

In June 2010, 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 2011.

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 2010/2011, progress under the Chapter included the following:

- A Twelfth Protocol of Amendment was presented to Ministers which makes improvements to encourage more electronic tendering in Articles 506 and 516, as well as Annexes 502.3 and 502.4. Other improvements included changes to Article 514 to bring the wording for the federal complaint procedure in line with the Provincial/Territorial procedures wording in Article 513, thus increasing consistency and transparency.
- 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 operationalized. Working groups examined, among other things, a proposal to make electronic tender notices the standard method of posting calls for tenders and the potential 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. Through the Exchange, governments are given the opportunity to publish a complete daily listing of tender notices of 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.
- Negotiations were held on a Thirteenth Protocol of Amendment with improvements to Article 506 to further encourage electronic tendering requirements.

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 2010/2011, progress under the Chapter included the following:

- The Working Group on Investment (WGI) collected the data required for reporting under the AIT Code of Conduct on Incentives.
- REGISTREX, the Corporate Registration and Reporting Gateway, continues to be maintained.

At the August 2010 meeting of the Council of Federation, Premiers directed ministers responsible for Internal Trade to reconcile extra-provincial corporate registration and reporting requirements by December 31, 2010. To tap into their expertise, Ministers engaged the Canadian Association of Corporate Law Administrators (CACLA) to undertake this initiative.

Labour Mobility (Chapter Seven)

The purpose of Chapter Seven is to eliminate or reduce measures adopted or maintained by the Parties that restrict or impair labour mobility in Canada and, in particular, to enable 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 FLMM is responsible for coordinating implementation of the labour mobility provisions of Chapter Seven of the AIT at the national level. A standing committee of federal-provincial/territorial officials, the Labour Mobility Coordinating Group (LMCG), was created to assist in carrying out this obligation of the Forum.

In 2010-2011 progress under the Chapter included the following:

- LMCG continued to build a common understanding of the implications and coverage of Chapter Seven. LMCG held three interpretation workshops in 2010-2011 as part of face to face meetings to work towards the resolution of interpretation issues. LMCG will work to incorporate consensus policy decisions into its guidelines and communications materials. Ongoing work remains to resolve new interpretation and non-consensus issues.
- Jurisdictions continued to work together on implementation of Chapter Seven. Each government used a range of approaches to support their respective occupational regulatory authorities and other stakeholders in meeting the obligations of the Chapter, including information sessions, bilateral meetings, and internet websites. LMCG officials 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; officials have participated in consortium meetings for agrologists, land surveyors, blasters and miners, foresters, massage therapists, paramedics, psychologists, security guards, nurse practitioners, counseling therapists and midwives. LMCG also provided presentations at the Canadian Apprenticeship Forum, the Canadian Nurses Association Convention, the Canadian Construction Association and the Canadian Network of National Associations of Regulators (CNNAR).
- HRSDC continued to support regulatory bodies through funding agreements and technical support, enabling them to develop tools and processes that will assist them in reaching agreement on nationally accepted standards or the creation of nationally applicable tools, such as national competency profiles. These projects aim to build common regulatory practices and reduce barriers to labour mobility. Professions with active agreements and projects with HRSDC include: Association of Canada Land Surveyors, Acupuncturists and Traditional Chinese Medicine, Audiologists and Speech-Language Pathologists, Canadian Council of Land Surveyors, Counsellors, Dental Technicians, Dieticians, Massage Therapists, Foresters, Geoscientists, Midwives, Paramedics, Psychologists, Social Workers and Teachers.

- In certain cases where significant differences in certification requirements exist among jurisdictions, exceptions to full labour mobility may be approved, provided the exception is justified by a legitimate objective, such as protection of public health, safety or public order. Exceptions are posted on the AIT Website (http://www.ait-aci.ca/index_en/labour.htm). There are currently 34 posted measures for 14 different occupations: Dental Hygienists, Denturists, Drinking Water Operators, Lawyers, Licensed Practical Nurses, Medical Radiation Technologists, Midwives, Nurse Practitioners, Paramedics, Podiatrists, Public Accountants, Safety Code Officers, Social Workers and Water Well Drillers.
- LMCG also worked to ensure the sustainability of Chapter Seven implementation via tools and procedures such as a database, a notification procedure and communications; the LMCG database will identify which occupations are regulated by which jurisdiction and will enable users to perform searches on various types of related information, including the statutes governing regulations, certification required, etc. A standard form has been created for the notification procedure whereby Parties advise each other of changes to standards or the development of new occupational standards to avoid the creation of new barriers to labour mobility. LMCG also collected information on existing procedures from each jurisdiction to compile a best practices recommendation report that governments can use to establish processes within their respective jurisdictions. In collaboration with the FLMM Secretariat, LMCG has developed its own website, with both public and private secure interfaces, which is expected to go online in the coming months. A public website will create more easily accessible labour mobility information for workers and regulators. A private secure interface for LMCG members will enable more efficient business management by allowing for on-line collaboration and the archiving of information in a central, accessible repository.
- LMCG continued 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 worked with the FLMM Foreign Qualifications Recognition Working Group to identify possible areas of collaboration.
- LMCG developed a framework for its annual evaluation of the effectiveness of Chapter Seven. LMCG is also in the process of addressing the concept of unintended adverse consequences.
- Following the COF directive to achieve full labour mobility for financial services occupations in Canada by July 2011, jurisdictions have undertaken implementation work and analysis of this sector. Occupations that fall into this category have been identified; FLMM, ITRs and departments responsible for financial sector occupations are working

together to resolve labour mobility issues that have been identified which includes identifying and removing barriers in legislation or regulations

Consumer-Related Measures and Standards (Chapter Eight)

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

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

In 2010/2011, progress under the Chapter included the following:

- The CMC Alternative Consumer Credit Market Working Group was wound up by CMC, having completed the research and policy analysis that it had set out to do. However, CMC agreed to continue to exchange information on developments in the alternative consumer credit market, on an ongoing but informal basis. Respecting payday lending regulation, the federal government revised its designation of Manitoba for the purposes of the criminal interest rate provisions of the Criminal Code, and that designation came into force when the province brought its regulatory regime into force, in October 2010. In addition, a draft designation of Saskatchewan, for the purposes of the same Criminal Code provisions, was pre-published in Part 1 of the Canada Gazette, on December 18, 2010, for a 30-day period of public comment.
- The CMC Consumer/Credit Reporting Working Group submitted a draft list of provisions for proposed harmonization under Provincial/Territorial consumer reporting legislation to Deputy Ministers Responsible for Consumer Affairs, for their consideration.
- A CMC Enforcement Best Practices Working Group continued its ongoing examination of consumer law enforcement best practices and how those practices may help CMC members improve compliance. In previous years, the Working Group had identified and researched areas they considered to hold the greatest potential for promoting increased compliance with consumer laws. One of those areas was the issue of Administrative Monetary Penalties (AMPs). As a first step in implementing a program of further in-depth research, the Working Group engaged a contractor to study the use of AMPs among CMC members and provide a preliminary report on best practices by March 31, 2011.

- The CMC Consumer Awareness Working Group delivered on the objectives outlined in its 2010-2011 work plan, including launching, maintaining and marketing the interactive Canadian Consumer Handbook (Handbook); developing new CMC information products; developing a distribution strategy for the launch of the CMC “Build Your Buying Skills” information product; and supporting CMC working groups.
- The CMC Household Moving Sector Research Group completed a report on consumer complaints in the sector. The report was presented to Deputy Ministers Responsible for Consumer Affairs in June 2010, for their information.
- The final information report on the regulation of gift cards in Canada was approved by Deputy Ministers Responsible for Consumer Affairs in June 2010.

Agricultural and Food Goods (Chapter Nine)

The last of the Signatories to the AIT affixed their signature to the Eleventh Protocol of Amendment on November 8, 2010, making that the date of entry into force of the revised Chapter Nine. 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.

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.

During 2010/2011:

The Canadian Food Inspection Agency (CFIA) continued to consider and assess the development of an Icewine standard in Canadian regulation. This standard would enable Canada to respect its obligations under its international wine trade agreements. As issues relating to jurisdictional authority between the provinces and the federal government for the certification of Icewine products remain outstanding, the CFIA will continue to work towards resolution in 2011-2012 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 2010/2011, 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.

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. Since consensus of all the Parties is required to incorporate the Chapter into the AIT, the draft Chapter was rejected.

Several Parties continue negotiations on an energy agreement, outside of the AIT framework but consistent with 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 2010/2011.

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.

In 2010/2011, 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)

The Environmental Protection chapter 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 2010/2011. CCME continues to promote harmonization of approaches, thereby limiting real or perceived barriers to trade.

Institutional Provisions (Chapter Sixteen)

In 2010/2011, in providing administrative and operational support services related to various AIT initiatives, the Secretariat:

- organized two CIT Meetings and the ITSC Annual General Meeting and 2 in-person meetings of Internal Trade Representatives (ITRs) in Ottawa and 1 PNT in Quebec City
- organized a summary dispute panel on edible oils held in Toronto
- organized more than 40 conference calls for ITRs and AIT Committees/Working Groups on Procurement, Dispute Resolution, and Natural Resources Processing
- participated in 16 conference calls and attended 2 in-person meetings of the LMCG in Whitehorse and Quebec City

- responded to some 300 enquiries from AIT Parties and the general public on various matters related to internal trade and posted updated information on the AIT, MARCAN and REGISTREX websites; the general AIT website handled an average of 108,000 hits per month while MARCAN and REGISTREX handled an average of 52,000 and 10,000 hits per month respectively
- updated Roster of Panellists and List of Screeners
- posted ongoing updates to the revamped MARCAN website on public procurement as well as to the new website on labour mobility co-hosted with LMCG
- produced the 2009/2010 AIT Annual Report for online publication and published CIT press releases and media advisories
- posted online version of revised AIT consolidation (2010) and prepared hard copy for publication of 2011 edition
- prepared AIT Twelfth 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 now enforces all AIT panel rulings under the Government-to-Government dispute process 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 transitional provision provided a limited window of time within which “pre-existing” disputes could be referred to a Summary Panel.

During 2010/2011, the Dispute Resolution Working Group continued its work to strengthen and improve 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.

During 2010-2011, the trilateral agreement between British Columbia, Alberta and Saskatchewan (the New West Partnership Trade Agreement) came into force on July 1, 2010. This comprehensive agreement covers all aspects of trade, investment and labour mobility between and within the three provinces.

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 2010/2011, there was one dispute panel report. AIT trade dispute activity included:

- In September 2010, a Summary Panel found Ontario’s measures governing dairy blends to be inconsistent with the AIT. The Panel requested Ontario to bring itself into compliance by February 1, 2011. In December 2010, Ontario amended these measures so as to meet the recommendations of the Panel’s report.
- In November 2010, a private person requested Quebec to initiate on his behalf consultations with Ontario regarding a crane operator’s certification. In February 2011, a screener gave permission to commence proceedings against Ontario.
- In November 2010, Manitoba initiated proceedings against Ontario in relation to Ontario’s notice of a measure to achieve a legitimate objective under Chapter Seven for the occupation of public accountant. Manitoba, supported by British Columbia, Alberta and Saskatchewan, entered into consultations with Ontario.

- There are no updates with respect to follow-up on the 2004 Report of the Article 1704 Panel concerning a dispute by Alberta, Quebec, and British Columbia with Canada regarding the *Federal Bank Act, Cost of Borrowing (Banks) Regulation*.

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.

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 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.

Committee on Internal Trade (CIT)

(as of March 31, 2011)

Alberta

The Honourable Iris Evans
Minister of International and
Intergovernmental Relations

British Columbia

The Honourable Pat Bell
Minister of Minister of Jobs, Tourism and
Innovation

Canada

The Honourable Tony Clement
Minister of Industry

Manitoba

The Honourable Peter Bjornson
Minister of Entrepreneurship, Training
and Trade

New Brunswick

The Honourable Paul Robichaud
Minister of Business New Brunswick

Newfoundland and Labrador

The Honourable Susan Sullivan
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
(Chair)
Minister of Innovation and Advanced
Learning

Quebec

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

Saskatchewan

The Honourable Jeremy Harrison
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 (ITRs)

(as of March 31, 2011)

Alberta

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

British Columbia

Guy Gensey
Manager, Trade Initiatives, Economic
Competitiveness Division
Jobs, Tourism and Innovation

Canada

Roger Charland
Senior Director, Corporate and Insolvency
Law and 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

Nancy McInnis-Leek
Trade Advisor
Intergovernmental Affairs

Ontario

Richard Caine
Manager
Trade and International Policy
Economic Development and Trade

Prince Edward Island

Kal Whitnell (**Chair**)
Director – Trade & Economic Policy
Innovation and Advanced Learning

Quebec

Marie-Andrée Marquis
Advisor, Commercial Policy
Economic Development, Innovation and
Export Trade

Saskatchewan

Robert Donald
Executive Director, Trade Policy
Intergovernmental Affairs

Yukon

Lisa Badenhorst
Internal Trade Representative
Policy and Planning
Economic Development

Nunavut (Observer Status)

Bob Carson
Assistant Deputy Minister
Executive and Intergovernmental Affairs

INTERNAL TRADE SECRETARIAT CORPORATION

Financial Statements

For the year ended March 31, 2011

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Independent Auditor's Report

To the Board of Directors of Internal Trade Secretariat Corporation

We have audited the accompanying financial statements of Internal Trade Secretariat Corporation, which comprise the statement of financial position as at March 31, 2011, and the statement of operations and unrestricted net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

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

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Internal Trade Secretariat Corporation as at March 31, 2011 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
May 27, 2011

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INTERNAL TRADE SECRETARIAT CORPORATION
Statement of Financial Position

March 31	2011	2010
	\$	\$
Assets		
Current Assets		
Cash	347,796	58,858
Short-term investments	-	240,324
Accounts receivable	2,614	20,827
Prepaid expenses	4,019	3,356
	354,429	323,365
Capital assets (Note 3)	1	1
	354,430	323,366
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities (Note 2)	47,245	42,336
Federal Government surplus payable (Note 4)	-	31,669
	47,245	74,005
Net Assets		
Surplus funds - Federal Government (Note 4)	-	-
Surplus funds - Provinces and Territories (Note 5)	179,863	122,039
Reserve funds - Contingency (Note 6)	125,000	125,000
Unrestricted	2,322	2,322
	307,185	249,361
	354,430	323,366

Approved on behalf of the Corporation:

_____ Executive Director

INTERNAL TRADE SECRETARIAT CORPORATION
Statement of Operations and Unrestricted Net Assets

For the year ended March 31	2011	2010
	\$	\$
Revenue		
Contributions		
Federal Government (Note 4)	210,252	211,164
Provinces and Territories (Note 5)	208,709	210,843
Interest		
Federal Government (Note 4)	2,240	401
Provinces and Territories (Note 5)	3,783	722
	424,984	423,130
Expenses		
Personnel	256,089	251,510
Meetings and conferences	40,742	20,785
Rent (Note 8)	37,311	36,835
Office expenses	22,030	37,023
Communications	19,852	17,446
Translation	16,414	12,746
Travel	14,622	18,562
Professional services	7,707	19,010
Professional development	4,593	2,368
Goods and services tax, net	4,444	3,695
Computers and software	1,180	3,150
	424,984	423,130
Excess of revenue over expenses for the year	-	-
Unrestricted net assets, beginning of year	2,322	2,322
Unrestricted net assets, end of year	2,322	2,322

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

INTERNAL TRADE SECRETARIAT CORPORATION

Summary of Significant Accounting Policies

For the year ended March 31, 2011

Basis of Accounting	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.
Property and Equipment	Property and equipment are charged to expenditures in the year of purchase. Generally accepted accounting principles require that property and equipment be capitalized and amortized over their estimated useful life. The effect of this policy is described in note 3.
Revenue Recognition	The 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.
Surplus Funds	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.
Financial Instruments	<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>

INTERNAL TRADE SECRETARIAT CORPORATION

Summary of Significant Accounting Policies

For the year ended March 31, 2011

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 assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

New Accounting Pronouncements

In December 2010, the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs) as follows:

For non-government (private sector) NPOs, they have a choice of:

1. International Financial Reporting Standards ("IFRS") or
2. Accounting Standards for NPOs (which is essentially the Accounting Standards for Private Enterprises with the current 4400 series of NPO specific standards added with some minor changes)

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2011

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. Accounts Payable and Accrued Liabilities

	<u>2011</u>	<u>2010</u>
	\$	\$
Trade accounts payable	14,770	14,887
Vacation payable	21,748	18,428
Wages and source deductions payable	10,727	9,021
	<u>47,245</u>	<u>42,336</u>

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2011

3. Capital Assets

Capital assets are charged to expenditures in the year of purchase. During the year, there were no purchases of capital assets. 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, amortization expense would have been increased by \$1,743 (\$3,329 in 2010), contribution revenue would have been increased by \$1,743 (\$3,329 in 2010), and capital assets and surplus funds on the balance sheet would each have increased by \$3,649 (\$5,392 in 2010).

4. Surplus Funds - Federal Government

Based on a Funding Agreement (2010 - 2015) 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:

	2011	2010
	\$	\$
Surplus funds, beginning of year	-	-
Contributions for the year	262,500	242,833
	262,500	242,833
Required contributions		
50% of the eligible expenditures of \$424,985 (\$423,131 in 2010)	212,492	211,565
Deduct interest earned on advances from the Federal Government	(2,240)	(401)
Contributions recognized as revenue for the year	210,252	211,164
Less transferred to Province and Territories for contingency reserve (2010 - surplus recorded as accounts payable)	(52,248)	(31,669)
Surplus funds, end of year	-	-

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2011

5. 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:

	2011	2010
	\$	\$
Surplus funds, beginning of year	122,039	296,821
Contributions for the year	214,285	161,061
	336,324	457,882
Required contributions		
50% of the eligible expenditures of \$424,985 (\$423,131 in 2010)	212,492	211,565
Deduct interest earned on advances from the Provinces and Territories	(3,783)	(722)
Contributions recognized as revenue for the year	208,709	210,843
Add transferred from Federal Government for contingency reserve (2010 - transfer to contingency reserve)	52,248	(125,000)
Surplus funds, end of year	179,863	122,039

6. 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.

7. 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.

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2011

8. Commitments

The Corporation has an operating lease for its premises at \$3,601 per month including common area cost and realty taxes, under a lease expiring in January 2015.

9. Economic Dependence

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