

Annual Report



For the Fiscal Year Ending March 31, 2013

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INTERNAL TRADE
SECRETARIAT



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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, 2011 to March 31, 2012.

2012/2013 Highlights

The Committee on Internal Trade (CIT) met during 2012/2013 to achieve further progress on its internal trade action plan. At its Annual Meeting in June 2012, Ministers:

- Approved amendments to ensure a more effective Person-to-Government dispute settlement process. The amendments include the introduction of monetary penalties for non-compliance with panel reports, as currently applies for Government-to-Government disputes, as well as changes resulting from a review to ensure procedural fairness and consistency. Ministers also approved an interpretive note regarding the Chapter on Agricultural and Food Goods.
- Agreed to further work necessary to reconcile corporate registration and to continue to review business licensing issues.
- Agreed to explore the possibility and parameters of a new chapter for the AIT on technical barriers to trade, which could strengthen commitments to transparency of the regulatory process and the reconciliation of standards across Canada.
- Directed that work continue with regard to the development of options for addressing situations where foreign interests may receive more favourable treatment under an international agreement than domestic interests receive under the AIT.

Also, in September 2012, the Annual General Meeting of the Internal Trade Secretariat

Corporation (ITSC) was held via conference call. The annual meeting of the ITSC Board of Directors took place in February 2013.

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 2012/2013, progress under the Chapter included the following:

- Parties continue to refine the reporting requirements and associated guidelines. The current reporting guidelines are posted on MARCAN alongside 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 standardize the process to consider the coverage/exclusion of government and pseudo-government entities information notes on the MASH sector and examining the concept of the best price guarantee. Working groups continue to examine these issues and additional reviews will be initiated as the current reviews wind up.
- The 13th protocol of amendment has made electronic tender notices the standard method of posting calls for tenders. 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.

- Parties began discussion on the Public Private Partnership (PPP) Information Note and will re-examine the status of the note in the coming months.

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 2012/2013, 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 (COF), Premiers directed Committee on Internal Trade Ministers to reconcile extra-provincial corporate registration and reporting requirements. Ministers subsequently received a workplan from the Canadian Association of Corporate Law Administrators (CACLA) to undertake this initiative with further work on this issue dependent on available resources. At the June 2012 meeting of the Committee on Internal Trade, Ministers agreed to further work necessary to reconcile corporate registration and to continue to review business licensing issues.

Labour Mobility (Chapter Seven)

This section report presents an overview of activities under Chapter 7 (Labour Mobility) of the Agreement on Internal Trade (AIT). These activities, undertaken by governments, are guided by the Labour Mobility Coordinating Group (LMCG), under the auspices of the Forum of Labour Market Ministers (FLMM).

LMCG has made significant progress in 2012-2013 in implementing Chapter 7 on four key fronts:

- Continuing to review and come to an agreement on policy and interpretation issues;
- Identifying common protocols for the identification of exceptions to labour mobility;
- Working with the financial services sector occupations to ensure compliance with Chapter 7; and

- Exploring how Chapter 7 is applied to regulated skilled trades.

Additionally, several outreach activities took place, notably engaging regulatory stakeholders, collecting information to inform an evaluation and creating communication tools, such as the LMCG website.

Consistent interpretation and application of Chapter 7 across jurisdictions is foundational to promoting a flexible and mobile labour market in Canada, which is why the LMCG has focused on identifying and resolving interpretation issues. To date, the LMCG has reached consensus on how to address or monitor nearly 40 issues.

New policy and interpretation issues are expected to emerge periodically. As a result, work to clarify Chapter 7 interpretation and application remains an ongoing part of LMCG business, along with communicating relevant decisions and providing guidance to regulators and other stakeholders to help remove unnecessary barriers to labour mobility in regulated occupations across jurisdictions.

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 Agreement on Internal Trade. 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 2012/2013, progress under the Chapter included the following:

- As noted in last year's report, the CMC Alternative Consumer Credit Market Working Group had been 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.
- A draft harmonization agreement respecting Provincial/Territorial consumer reporting legislation remains under consideration by jurisdictions.
- 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; best practices in the use of Administrative Monetary Penalties; inter-jurisdictional communications and collaboration; and best inspection/investigation techniques and training. These areas of research are close to completion. A summary report outlining the key findings and recommendations will be submitted to the CMC in the fall of 2013.

- The CMC Consumer Awareness Working Group published two new sections in the Canadian Consumer Handbook, on group buying and timeshares, and updated and expanded sections on funerals. The Working Group also finished production of the new, comprehensive Shopping in Canada: A Consumer Guide for Newcomers. The Guide will be available later in the 2013 calendar year in French and English, as well as in Chinese and Punjabi.
- In January 2012, Deputy Ministers Responsible for Consumer Affairs established a new CMC research group to examine issues respecting unfair terms in consumer contracts. As of March 31, research had concluded for this project, though a final report had yet to be distributed to CMC.
- In January 2012, Deputy Ministers Responsible for Consumer Affairs also established a new CMC research group to examine consumer complaint classification systems. As of March 31, the complaints classification working group has concluded its mandated research and will report to CMC.

Agricultural and Food Goods (Chapter Nine)

The revised Chapter Nine extends the scope and coverage of non-discriminatory commitments of the agreement in a way that ensures that technical measures adopted by the Parties do not restrict interprovincial trade of agricultural and food goods more than necessary to achieve legitimate objectives. The revised Chapter also clarifies that its provisions are not aimed at affecting the core functions of supply management. At their last meeting in June 2012, Ministers of the Committee on Internal Trade approved the inclusion of an interpretive note to the revised Chapter, which further clarifies the provisions of paragraph 2 of Article 902 by providing an illustrative list of what could constitute measures relating to supply management systems.

Alcoholic Beverages (Chapter Ten)

The purpose of Chapter Ten is to reduce or eliminate barriers to interprovincial trade in alcoholic beverages.

In 2012/2013:

The *Importation of Intoxicating Liquors Act* (IILA), a federal statute governing the interprovincial transportation and international importation and release of intoxicating liquors, was amended on June 28, 2012 by the coming into force of Bill C-311, *An Act to Amend the Importation of Intoxicating Liquors Act* (interprovincial importation of wine for personal use). While the federal impediment has been removed, the amendment provides the authority to provinces to set limits on personal importations of wine. Further information on the amendment to the IILA can be found in the Canada Revenue Agency excise duty notice <http://www.cra-arc.gc.ca/E/pub/em/edn31/edn31-e.pdf>.

The Canadian Food Inspection Agency (CFIA) held a number of discussions with provincial wine associations and stakeholders in order to develop an icewine standard. The standard will be placed in a regulation under the *Canada Agricultural Products Act*. The consultation discussions also included amendments to the *Consumer Packaging and Labelling Regulations* (CPLR) to allow for Single Field of Vision labelling; and to address other minor changes to the *Food and Drug Regulations* and the CPLR.

The proposed amendments will help Canada harmonize its wine labelling rules with those of other countries and respect its obligations under its international wine trade agreements. The proposed amendment to include Single Field of Vision labelling would allow for mandatory labelling information such as common name, net quantity, country of origin and alcohol content by volume to be displayed anywhere on the container, excluding the bottom and top, as long as it is visible without having to turn the container. This will also ensure that Canadians can make informed decisions.

Natural Resources Processing (Chapter Eleven)

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

In 2012-2013, 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.

Subsequently, several Parties attempted to negotiate an energy agreement based on the draft text that had been presented to the CIT. However, negotiations have since been suspended.

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 2012/2013.

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 Chapter Fourteen have either been addressed or are subject to ongoing discussion. In particular, the reconciliation obligations set out under Article 1408(1) 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 2012/2013, 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, 2009 and, more recently, in 2011.
- 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 2012/2013. CCME continues to promote harmonization of approaches, thereby limiting real or perceived barriers to trade.

Institutional Provisions (Chapter Sixteen)

In 2012/2013, in providing administrative and operational support services related to various AIT initiatives, the Secretariat:

- Organized the CIT Annual Meeting conference call, chaired by The Northwest Territories, providing agendas, logistics, documentation, summary records and follow up action.
- Organized the Annual General Meeting of the ITSC, providing the agenda, documentation, minutes as well as follow up action.
- Assisted in drafting the Fourteenth Protocol of Amendment.
- Organized three face-to-face meetings of Internal Trade Representatives (ITRs) in Ottawa and Vancouver, and one meeting of the Procurement Negotiating Table (PNT) in Vancouver, providing agendas, logistics, documentation, summary records, and follow up action.
- Organized conference calls for ITRs, the PNT and the Working Group on Dispute Resolution, providing agendas, documentation, summary records, and follow up action.
- Attended a face-to-face meeting of the Labour Mobility Coordinating Group (LMCG) on Prince Edward Island, and participated in conference calls on labour mobility issues.
- Updated Panel Rosters and the List of Screeners.
- Regularly updated information on the AIT, MARCAN and REGISTREX websites.
- Published CIT press releases and media advisories.
- Prepared the Annual Report of the Internal Trade Agreement for 2011-2012 and posted it on the AIT website.

- Received an average of 63,000 hits per month on the general AIT website; 44,800 on MARCAN, and 5,600 on REGISTREX.

Dispute Resolution Procedures (Chapter Seventeen)

Chapter Seventeen features a quasi-judicial dispute settlement mechanism, to deal with complaints, that is accessible to both governments and persons. For the past several years, Parties have been engaged in a full review of AIT dispute resolution procedures to address issues related to timing, procedural fairness and consistency as well as enforcement relating to both the Government-to-Government and Person-to-Government dispute resolution process.

At the CIT Annual Meeting in June 2012, Ministers approved text of the Fourteenth Protocol of Amendment which improves the Person-to-Government dispute process, i.e. disputes brought by individuals, businesses and other organizations against a government. Amendments include monetary penalties for non-compliance with panel reports, as well as changes resulting from a review to ensure procedural fairness and consistency.

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.

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 are provisions 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.

Consultations continued during 2012/2013 on two matters;

- In September 2011, Alberta requested consultations with Ontario alleging that the domestic content requirements of Ontario's Feed-in-Tariff Program (FIT) Program are discriminatory to Alberta suppliers and investors. British Columbia and Saskatchewan also entered into consultations with Ontario.
- In January 2012, Saskatchewan and British Columbia requested consultations with Quebec regarding certain measures in the Quebec Food Products Act and Regulation Respecting Food, alleging restrictions on the manufacturer and sale of dairy analogues and blends in Quebec. Manitoba also entered into consultations with Quebec.

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 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 ITSC, 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. Constituted as the Internal Trade Secretariat Corporation in 2006, 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.

GOALS, ACTIVITIES AND PERFORMANCE TARGETS 2012/2013

Goals	Activities	Performance Targets	
<p>Goal 1: operational services: to provide efficient and effective support services to the Parties' ongoing implementation of the AIT</p>	<p>Provide full Secretariat support services to meetings/calls of CIT, ITRs and Board, as well as committees/working groups, including the preparation of agendas, logistics, documents and summary records</p> <p>As requested, research, identify, evaluate and report on emerging issues</p> <p>Prepare protocols of amendment and revise the Consolidation of the Agreement accordingly</p> <p>Participate in and support meetings/calls of other AIT sectoral working groups as requested, subject to budgetary and operational constraints</p> <p>Provide support to Parties on any initiatives related to improving internal trade</p>	<p>For CIT, ITRs and Board, as well as committees/working groups, documentation to be available simultaneously in both official languages</p> <p>For CIT:</p> <ul style="list-style-type: none"> • final documentation to be available 10 working days prior to a meeting/call; • draft summary records distributed to Chair within 2 working days; final summary records distributed in both languages to all Parties within 2/3 working days of approval and translation <p>For ITRs and Board:</p> <ul style="list-style-type: none"> • documentation by Secretariat available 4 working days prior to a meeting/call; • draft summary records distributed to Chair within 2 working days; final summary records distributed in both languages within 2/3 working days of approval and translation <p>For all other committees/working groups:</p> <ul style="list-style-type: none"> • documentation prepared by Secretariat available 3 working days prior to a meeting/call; • draft summary records distributed to Chairs within 2 working days; final summary records distributed within 2 working days of approval <p>Other support requests completed within agreed time frame</p>	<p>Mostly met</p> <p>Met</p> <p>Mostly met</p> <p>Met</p> <p>Mostly met</p> <p>Met</p>

<p>Goal 2: administrative services: to provide sound management of human and financial resources</p>	<p>Ensure sound administration of financial requirements under the AIT, including requests for contributions, financial reports and audits</p> <p>Ensure effective and efficient allocation of human resources within the Secretariat so as to be fully operational at all times in providing support to Parties</p>	<p>Commence draft annual operating plan and budget in November and complete by early January</p> <p>Provide quarterly financial reports to Board</p> <p>Complete annual audit by May 31 Consult legal counsel and auditor as necessary</p> <p>Review regularly administrative policies/procedures and revise as necessary</p>	<p>Mostly met</p> <p>Met</p> <p>Met</p> <p>Mostly met</p>
<p>Goal 3: dispute resolution: to administer the AIT dispute resolution mechanism so as to ensure it operates in a fair, transparent, efficient and effective manner</p>	<p>Monitor/record disputes under the AIT dispute resolution mechanism</p> <p>Maintain Roster of Panellists and List of Screeners</p> <p>Update Dispute Resolution Manual and Panellists Dispute Resolution Manual as necessary</p> <p>Provide administrative support to Parties/disputants in the consultations phase</p> <p>Provide support to Chapter 17 Panels as defined in the Dispute Resolution Procedures Manuals</p> <p>Provide support to the Parties in any initiatives undertaken to improve the dispute resolution process</p>	<p>Maintain/update statistical data on all disputes and complaints filed under the AIT, including corresponding summary data that identifies key issues and reflects the current stage of the dispute</p> <p>Notify Parties as terms near expiry</p> <p>Review Dispute Resolution Procedures - following each panel report (and any AIT amendments) and revise accordingly</p> <p>Support activities to be completed within time frames specified in the Dispute Resolution Procedures Manuals</p> <p>Provide administrative/operational support to the Dispute Resolution Working Group</p>	<p>Mostly met</p> <p>Mostly met</p> <p>Mostly met</p> <p>Mostly met</p> <p>Met</p>

<p>Goal 4: information services: to provide accurate and timely information management systems to Parties</p>	<p>Ensure timely preparation of chapter reviews and reports, as well as annual reports required by the AIT</p> <p>Undertake regular updates on the status of obligations by Party as well as updates of dispute tracking tables/charts</p>	<p>Request for sectoral/chapter annual reports early March with deadline of mid-May</p> <p>Translate all annual chapter reports and post on AIT web site as promptly as possible</p> <p>Complete draft AIT Annual Report by June with prompt posting on AIT website</p> <p>Call for submission of annual reports on incentives, regional economic development and procurement in April with deadline of September 30/December 31 respectively</p> <p>Post new Art. 1800 agreements as received</p> <p>Update lists of CIT, Deputy Ministers, ITRs, committees/working groups and other sectoral contact points as necessary</p>	<p>Mostly met</p> <p>Met</p> <p>Did not meet¹</p> <p>Met</p> <p>Met</p> <p>Met</p>
<p>Goal 5: communications services: to inform both internal and external stakeholders as well as the general public of the objectives and achievements of the AIT</p>	<p>Maintain liaison with, and provide information on the AIT to, national, provincial, municipal public organizations, as well as the private sector, NGOs and other groups</p> <p>Maintain documentation centre for materials related to the AIT; maintain the AIT, MARCAN and REGISTREX sites</p>	<p>Respond to all inquiries promptly</p> <p>Update web sites promptly upon receipt of new information filed with the Secretariat</p> <p>Ongoing revision of websites to render more user-friendly to all stakeholders</p>	<p>Mostly met</p> <p>Met</p> <p>Mostly met</p>

¹ Sectorial reports were late, the final report was submitted in December of 2013
Agreement on Internal Trade Annual Report 2012/2013

Committee on Internal Trade (CIT)

(as of March 31, 2013)

Alberta

The Honourable Cal Dallas
Minister of International and
Intergovernmental Relations

British Columbia

The Honourable Pat Bell
Minister of Jobs, Tourism and Skills
Training

Canada

The Honourable Christian Paradis (Chair)
Minister of Industry

Manitoba

The Honourable Peter Bjornson
Minister of Entrepreneurship, Training
and Trade

New Brunswick

The Honourable Paul Robichaud
Minister of Economic Development

Newfoundland and Labrador

The Honourable Keith Hutchings
Minister of Innovation, Business and
Rural Development

Northwest Territories

The Honourable David Ramsay
Minister of Industry, Tourism and
Investment

Nova Scotia

The Honourable Percy Paris
Minister of Economic and Rural
Development and Tourism

Ontario

The Honourable Eric Hoskins
Minister of Economic Development, Trade
and Employment

Prince Edward Island

The Honourable Allen F. Roach
Minister of Innovation and Advanced
Learning

Quebec

The Honourable Nicolas Marceau
Minister of Finance and the Economy

Saskatchewan

The Honourable Tim McMillan
Minister Responsible for Trade

Yukon

The Honourable Currie Dixon
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, 2013)

Alberta

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

British Columbia

Danielle Park
Manager, Internal Trade
Jobs, Tourism and Skills Training

Canada

Albert Cloutier (Chair)
Director, International and Trade Policy
Industry Canada

Manitoba

Tami Reynolds
Planning and Policy Analyst
Policy, Planning and Coordination
Manitoba Entrepreneurship, Training and
Trade

New Brunswick

Andrew Hashey
Senior Policy Advisor, Trade Policy
Intergovernmental Affairs

Newfoundland and Labrador

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

Northwest Territories

Alexandrea Malakoe
Trade Officer, Investment and Economic
Analysis
Industry, Tourism and Investment

Nova Scotia

J. Andrew MacDonald
Senior Trade Policy Analyst, Trade Policy
Division - Investment & Trade
Economic and Rural Development and
Tourism

Ontario

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

Prince Edward Island

Kal Whitnell
Director - Trade and Economic Policy
Innovation and Advanced Learning

Quebec

Marie-Andrée Marquis
Internal Trade Representative,
Commercial Policy
Finance and the Economy

Saskatchewan

Nadette Schermann
Senior Trade Analyst, Trade Policy
Executive Council - Intergovernmental
Affairs

Yukon

Lisa Badenhorst
Senior Policy Advisor, Policy & Planning
Economic Development

Nunavut (Observer Status)

William MacKay
Senior Advisor
Executive & Intergovernmental Affairs

INTERNAL TRADE SECRETARIAT CORPORATION

Financial Statements

For the years ended March 31, 2013 and 2012

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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, 2013, March 31, 2012 and April 1, 2011 and the statement of operations and unrestricted net assets for the years ended March 31, 2013 and March 31, 2012, 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 accounting standards for not-for-profit organizations, 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 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 accounting standards for not-for-profit organizations.

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, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 18, 2013

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INTERNAL TRADE SECRETARIAT CORPORATION

Statement of Financial Position

	March 31 2013	March 31 2012	April 1 2011
	\$	\$	\$
Assets			
Current Assets			
Cash	340,367	311,142	347,796
Accounts receivable	3,482	56,960	2,614
Prepaid expenses	3,484	1,952	4,019
	347,333	370,054	354,429
Capital assets (Note 4)	1	1	1
	347,334	370,055	354,430
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued liabilities (Note 3)	25,404	46,553	47,245
Federal Government surplus payable (Note 5)	36,103	32,772	-
	61,507	79,325	47,245
Net Assets			
Surplus Funds			
Federal Government (Note 5)	-	-	-
Provinces and Territories (Note 6)	158,505	178,408	179,863
Reserve funds - Contingency (Note 7)	125,000	110,000	125,000
Unrestricted	2,322	2,322	2,322
	285,827	290,730	307,185
	347,334	370,055	354,430

Approved on behalf of the Corporation:

_____ Director

INTERNAL TRADE SECRETARIAT CORPORATION
Statement of Operations and Unrestricted Net Assets

For the year ended March 31	2013	2012
	\$	\$
Revenue		
Contributions		
Federal Government (Note 5)	218,897	219,476
Provinces and Territories (Note 6)	217,705	217,576
Interest		
Federal Government (Note 5)	1,992	2,932
Provinces and Territories (Note 6)	3,184	4,832
	441,778	444,816
Expenses		
Personnel	281,490	270,699
Rent (Note 8)	43,200	42,371
Professional services	24,047	9,014
Office expenses	22,147	28,607
Meetings and conferences	21,947	34,134
Communications	18,749	11,571
Translation	16,212	13,194
Travel	8,344	20,334
Goods and services tax, net	3,482	4,146
Computers and software	1,997	7,645
Professional development	163	3,101
	441,778	444,816
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 notes are an integral part of these financial statements.

INTERNAL TRADE SECRETARIAT CORPORATION
Statement of Cash Flows

For the year ended March 31	2013	2012
	\$	\$
Cash Flows from Operating Activities		
Excess of revenue over expenses for the year	-	-
Changes in non-cash working capital balances		
Accounts receivable	53,478	(54,346)
Prepaid expenses	(1,532)	2,067
Accounts payable and accrued liabilities	(21,149)	(692)
Federal government surplus payable	3,331	32,772
Surplus funds - Provinces and Territories	(19,903)	(1,455)
Reserve funds - Contingency	15,000	(15,000)
	29,225	(36,654)
Increase (decrease) in cash and cash equivalents during the year	29,225	(36,654)
Cash and cash equivalents, beginning of year	311,142	347,796
Cash and cash equivalents, end of year	340,367	311,142

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of the Organization

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.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

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 4.

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 Corporation.

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

1. Nature of Organization and Summary of Significant Accounting Policies (continued)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs are the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Use of Estimates

The preparation of financial statements 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.

2. First-time Adoption

Effective April 1, 2012, the Corporation adopted the requirements of the new accounting framework, Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting. These are the Corporation's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and retrospective exceptions. The accounting policies set out in Note 1 - Summary of Significant Accounting Policies have been applied in preparing the financial statements for the year ended March 31, 2013, the comparative information presented in these financial statements for the year ended March 31, 2012 and the preparation of an opening ASNPO statement of financial position at the date of transition of April 1, 2011.

The Corporation issued financial statements for the year ended March 31, 2012 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO resulted in no adjustments to the previously reported assets, liabilities, net assets, excess of revenue over expenditures and cash flows of the Corporation.

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

3. Accounts Payable and Accrued Liabilities

	<u>2013</u>	2012
	\$	\$
Trade accounts payable	19,714	38,084
Vacation payable	3,011	3,999
Wages and source deductions payable	2,679	4,470
	<u>25,404</u>	<u>46,553</u>

4. Capital Assets

Capital assets are charged to expenditures in the year of purchase. During the year, there were no purchases (\$3,216 in 2012) 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, amortization expense would have been increased by \$2,061 (\$2,386 in 2012), contribution revenue would have been increased by \$2,061 (\$2,386 in 2012), and capital assets and surplus funds on the balance sheet would each have increased by \$4,122 (\$4,772 in 2012).

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

5. 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:

	2013	2012
	\$	\$
Surplus funds, beginning of year	-	-
Contributions for the year	262,500	262,500
	262,500	262,500
Required contributions		
50% of the eligible expenditures of \$441,777 (\$444,816 in 2012)	220,889	222,408
Deduct interest earned on advances from the Federal Government	(1,992)	(2,932)
Contributions recognized as revenue for the year	218,897	219,476
	43,603	43,024
Transferred to Province and Territories for contingency reserve	-	(10,252)
Transferred to contingency reserve	(7,500)	-
Amounts requested to be repaid by the Federal Government (recorded as accounts payable)	(36,103)	(32,772)
Surplus funds, end of year	-	-

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

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:

	2013	2012
	\$	\$
Surplus funds, beginning of year	178,408	179,863
Contributions for the year	205,302	205,869
	383,710	385,732
Required contributions		
50% of the eligible expenditures of \$441,777 (\$444,816 in 2012)	220,889	222,408
Deduct interest earned on advances from the Provinces and Territories	(3,184)	(4,832)
Contributions recognized as revenue for the year	217,705	217,576
	166,005	168,156
Transferred from Federal Government for contingency reserve	-	10,252
Transferred to contingency reserve	(7,500)	-
Surplus funds, end of year	158,505	178,408

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.

	2013	2012
	\$	\$
Reserve funds, beginning of year	110,000	125,000
Transfer from surplus funds	15,000	-
Legal fees	-	(15,000)
Reserve funds, end of year	125,000	110,000

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

For the year ended March 31, 2013

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.

10. Financial Instrument Risk

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Corporation to credit risk consist primarily of accounts receivable. The Corporation is not exposed to significant credit risk as the receivables consist of amounts due from governments.

Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting financial obligations as they become due, and arises from the Corporation's management of working capital. The Corporation's policy is to ensure that it will have sufficient cash to allow it to meet its liabilities when they become due.