

Annual Report 2008/2009



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INTERNAL TRADE
SECRETARIAT



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COMMERCE INTÉRIEUR

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Committee on Internal Trade

(as of March 31, 2009)

Alberta

The Honourable Ron Stevens
Minister of International and
Intergovernmental Relations

British Columbia

The Honourable Ida Chong
Minister of Small Business, Technology
and Economic Development and Minister
for the Asia-Pacific Initiative

Canada

The Honourable Tony Clement
Minister of Industry

Manitoba

The Honourable Andrew Swan
Minister of Competitiveness, Training and
Trade

New Brunswick

The Honourable Greg Byrne
Minister of Business New Brunswick

Newfoundland and Labrador

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

Northwest Territories

The Honourable Bob McLeod
Minister of Industry, Tourism and
Investment

Nova Scotia

The Honourable Murray Scott
Minister of Economic Development

Ontario

The Honourable Michael Bryant
Minister of Economic Development

Prince Edward Island

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

Quebec

The Honourable Raymond Bachand
Minister of Economic Development,
Innovation and Export Trade

Saskatchewan

The Honourable Bill Boyd
Minister of Intergovernmental Affairs

Yukon

The Honourable Jim Kenyon **(Chair)**
Minister of Economic Development

Nunavut (Observer Status)

The Honourable Peter Taptuna
Minister of Economic Development and
Transportation

Internal Trade Representatives

(as of March 31, 2009)

Alberta

Shawn Robbins
Director, Trade Policy
International and Intergovernmental
Relations

British Columbia

Guy Gensey
A/Director, Trade Initiatives, Economic
Competitiveness Division
Small Business, Technology and
Economic Development

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Industry Canada

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Intergovernmental Affairs

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Industry, Tourism and Investment

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Economic Development

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Trade Advisor
Innovation and Advanced Learning

Quebec

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Advisor, Commercial Policy
Economic Development, Innovation and
Export Trade

Saskatchewan

Robert Donald
Director, Trade Policy
Intergovernmental Affairs

Yukon

Richard Provan **(Chair)**
Senior Policy Advisor
Policy and Planning
Economic Development

Nunavut (Observer Status)

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

2008/2009 Highlights

At the Annual Meeting in Vancouver in June 2008, Ministers:

- Approved revisions to complaint procedures under AIT Chapter Five (procurement);
- Approved revisions to clarify AIT Chapter Six (investment);
- Approved the AIT Eighth Protocol of Amendment to implement changes to Chapters Five and Six;
- Commenced negotiations on accession to the AIT by the Government of Nunavut;
- Endorsed a report from Labour Market Ministers on proposed changes to AIT Chapter Seven (labour mobility);
- Reached consensus on a new dispute resolution enforcement mechanism;
- Endorsed an action plan on regulatory reform in the transportation sector;
- Received progress reports on implementation of the Trade, Investment and Labour Mobility Agreement (Alberta/British Columbia) and on negotiations between Ontario/Quebec regarding an economic partnership agreement.

At an interim meeting in Ottawa in December 2008, Ministers:

- Approved text of a revised Chapter Seventeen (dispute resolution procedures) to strengthen enforcement of AIT panel rulings by means of a more effective compliance process, provision of an appeals process as well as imposition of monetary penalties and suspension of dispute resolution privileges; text to be incorporated into the Tenth Protocol of Amendment;
- Approved text of the Ninth Protocol of Amendment to revise Chapter Seven (labour mobility) which provides for full compliance with AIT by regulated occupations by April 2009;
- Directed officials to finalize a draft AIT Energy text for approval at June CIT 2009;
- Urged Agriculture Ministers to complete a revised Chapter on Agriculture in 2009;
- Received a further progress report on an economic partnership agreement between Quebec and Ontario;
- In January 2009 **First Ministers** issued a Declaration on the AIT which endorsed the new Chapters on Labour Mobility and Dispute Resolution Procedures.

In September 2008, 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 March 2009.

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, 2008 to March 31, 2009.

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 2008/2009, progress under the Chapter included the following:

- 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, the question of whether real property falls within the scope and coverage of the AIT and the treatment of regional lottery corporations under AIT and whether these organizations are best listed as Crown Corporations. 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. Manitoba has finalized the details of its participation in the Tender Notice Exchange and Ontario is in the process of evaluating whether they will participate as well. 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.
- Manitoba continued to develop a flow chart to highlight the necessary steps for the revised Article 513 Complaint Procedures (Provinces).
- There was a continued examination of Appendix A of the MASH Annex which lists legislation applicable to the MASH sector. Work continued to determine the usefulness of Annex 502.4 (C1) in order to define which entities are covered under this annex.
- Parties agreed to revise Article 506(7), regarding pre-qualification lists, and continue to work on revised text.
- Continual updating of MARCAN (www.marcan.net), the website established by the Parties to the AIT and which provides Canadian businesses with information on the rules for public sector procurement and current procurement contacts as well as links to internet sites (including those of the Tender Notice Exchange) that may publish Canadian public sector tender notices.

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 constrained by restrictive government policies.

In 2008/2009, progress under the Chapter including the following:

- The Working Group on Investment (WGI) continued to collect the data required for reporting under the AIT Code of Conduct on Incentives.

- The WGI has reviewed the Alberta-British Columbia Trade, Investment and Labour Mobility Agreement (TILMA) to determine elements that might be imported into the AIT. Further analysis is required to determine options.
- REGISTREX, the Corporate Registration and Reporting Gateway continues to be maintained.

Labour Mobility (Chapter Seven)

Chapter Seven is intended to eliminate or reduce measures adopted or maintained by Parties that restrict or impair labour mobility in Canada, 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 Parties. The Forum of Labour Market Ministers (FLMM) is responsible for coordinating implementation at the national level and is supported by a standing committee of federal-provincial-territorial officials, the Labour Mobility Coordinating Group (LMCG).

In 2008/2009, progress under the Chapter included the following:

- Development of an amendment proposal for Chapter Seven: LMCG continued work undertaken in the previous year to revise Chapter Seven to strengthen and make it more effective. Labour mobility coordinators individually undertook consultations with government officials and regulatory authorities to identify issues to be resolved under the proposed changes.
- In July 2008, Premiers directed Trade Ministers to amend Chapter Seven by January 2009 with the amendments to be fully effective by April 2009 and recognition of qualifications among all the provinces and territories to become a reality by August 2009.
- Upon approval by FLMM, the new Chapter was endorsed by CIT Ministers at their meeting in December 2008 and likewise endorsed by First Ministers in a Declaration in January 2009. The new Chapter is expected to come into force in 2009 upon ratification by all Parties.
- Throughout the process of developing the revised Chapter on Labour Mobility, communications were maintained with the Canadian Council of Directors of Apprenticeship (CCDA), who is responsible for the Interprovincial Standards Red Seal Program.
- Continuing work with regulated occupations: Individual jurisdictions advised regulatory bodies and ministries of the obligations of the new Chapter. In order to ensure compliance with Chapter Seven by regulatory authorities, LMCG supported the efforts of consortia for nine professions which had been identified as high priority. LMCG also provided technical advice and assistance to other occupational consortia on a range of compliance-related

issues. For those occupations where issues were identified, LMCG officials attended meetings with occupational consortia and provided assistance.

- Communications-related activities: LMCG turned its efforts towards communication activities aimed at supporting the introduction and implementation of the new Labour Mobility Chapter. Through the year, various presentations to regulatory authorities and other stakeholders were made to increase awareness of the obligations under the new Chapter. To support communication initiatives, communication products, such as a backgrounder, implementation guidelines, a presentation deck and a list of frequently asked questions have been developed or are under preparation. All products are to be made readily available to workers, regulators and other stakeholders through publication on a Labour Mobility website to be developed.
- In order to comply with Article 708 of the revised Chapter and as part of an implementation strategy, LMCG has proposed a framework for filing notice to maintain measures that are inconsistent with the obligations of the Chapter in order to achieve a legitimate objective. A standardized form has been developed and is ready for use by Parties. The responsibility for determining the process by which a Party approves the maintenance of such measures rests with each individual jurisdiction. Posting of notices is scheduled to be on the AIT website.
- As is the case with Chapter Seventeen of the AIT, Labour Market Ministers considered that Parties will require a reasonable transition period in which to amend legislation and regulation, and have agreed to delay the filing of a complaint, on a Party to Party basis under Chapter Seventeen until after June 2010. Until then however, Parties agreed to receive and respond to any enquiries or complaints from workers.

Consumer-Related Measures and Standards (Chapter Eight)

Chapter Eight calls upon the Parties to report on and cooperate in the enforcement of consumer protection measures. As part of that agreement, the Committee on Consumer Related Measures and Standards (CMC), composed of 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 2008/2009, progress under the Chapter included the following:

- The CMC Identity Theft Working Group focused principally on improving public awareness. The Working Group distributed its popular Identity Theft Checklist to interested parties. Tens of thousands of copies of the checklist have been distributed in recent years. Working Group members continued to participate in the Fraud Prevention Forum.
- The CMC Consumer Credit Reporting Working Group is examining options and recommendations for the harmonization of consumer credit reporting legislation. The Working Group completed its analysis of the 2007 consultation, and considered a number of new issues. A second consultation was launched concerning retention periods for certain information and will close on May 29th, 2009.
- The CMC Alternative Consumer Credit Market Working Group continued to carry out exchanges of information among jurisdictions to support the development of provincial payday lending laws, as well as research on lower-cost alternatives, and other options, for consumers who use high-cost credit products. Research was also begun on the issue of regulating internet lenders. Several provinces have passed legislation (Manitoba, Nova Scotia, British Columbia, Saskatchewan, Ontario and New Brunswick) concerning payday loans with a view to regulating certain business practices in the sector. Other jurisdictions have carried out public consultations for the development of measures to protect consumers of payday loans in their jurisdictions (Prince Edward Island and Alberta).
- The CMC Consumer Awareness Working Group identified and established new objectives, and developed a one year work plan in January 2009. The objectives of the work plan are to: i) expand and sustain membership, ii) support CMC working groups, iii) assess information gaps, and iv) develop new information products. The Working Group also updated the Canadian Consumer Handbook for 2008/2009.
- The CMC Enforcement Best Practices Research Group completed its survey of CMC member enforcement branches, and reviewed enforcement practices used in other law enforcement agencies (domestic and international). Based on the survey findings, the research team identified three key areas for further exploration: i) the use of administrative monetary penalties in consumer law; ii) memoranda of understanding and other formal and informal intra- and inter- agency enforcement agreements; and iii) investigation and inspection best practices.

Agricultural and Food Goods (Chapter Nine)

The current scope and coverage of Chapter Nine (Agriculture and Food Goods) of the AIT is limited to technical barriers to internal trade, including five technical barriers with policy implications identified in October 1997 by the Federal-Provincial Agriculture Trade Policy Committee (FPATPC). These technical barriers are: colored margarine restrictions and other margarine standards; standards for dairy blends and imitation dairy products; fluid milk

standards and distribution; Ministerial Exemptions for bulk shipments of horticultural products including potatoes and apples; and absence of a Canada No. 1 small potato grade.

In August 2007, the Council of Federation (COF) directed Agricultural Ministers to:

“... undertake immediate work on an Agriculture and Food Goods Chapter and report back to the COF with a progress report on work by December 2007, with final wording to the COF at its next meeting. The completed Agriculture and Food Goods Chapter must include all technical measures, while ensuring that the new agreement does not interfere with Canada’s orderly marketing systems”

Throughout the 2008/09 fiscal year, the AIT Working Group on Chapter Nine continued working toward finalizing the Chapter’s text. With the aim of reflecting the direction provided by the COF - particularly in regards to addressing technical measures and Canada’s orderly marketing system - the draft text was reviewed by an independent legal advisor. Following this analysis, technical changes were made where deemed appropriate, in order to provide for further clarity and certainty in interpretation. Subject to the consensus of provincial, territorial and federal officials, it is the intent to present a revised text to Ministers at the earliest opportunity.

Alcoholic Beverages (Chapter Ten)

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

In 2008/2009, progress under the Chapter included the following:

- Status quo remains since last year’s report. The only new development to report at this time is that the Canadian Food Inspection Agency (CFIA) is in the process of defining an Icewine standard in Canadian legislation to permit the certification of Icewine in CFIA regulations as an interim measure until such standard can be captured in broader National Wine Standards legislation.
- Agriculture and Agri-Food Canada and the Canadian wine sector continue to explore options for a simpler approach to the establishment of NWS.

Natural Resources Processing (Chapter Eleven)

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

In 2008/2009, 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 report was presented to Ministers at their June 2008 CIT meeting. Two options were proposed: the first dealing solely with trade in energy goods and their transportation or transmission; the second, a broader option to extend coverage of the AIT to include trade in all energy goods and energy services as well as the production of energy goods. The CIT was unable to reach a consensus.

In August of 2008, Canada's Premiers under the COF directed trade ministers to develop an energy chapter based on a broad approach with the proviso that two Parties would not be bound by the chapter and therefore unable to benefit from it.

During the fiscal year 2008/2009, Alberta led the negotiations to develop a draft chapter for presentation to the Annual CIT meeting in 2009.

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 2008/2009.

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 2008/2009, 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 and, more recently, in 2008.
- 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 objective of Chapter Fifteen is to ensure that the environmental protection measures of the Parties 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 implementing and administering this Chapter. There were no major issues concerning implementation, outstanding obligations or disputes to report in 2008/2009. CCME continues to promote harmonization of approaches, thereby limiting real and perceived barriers to trade.

Institutional Provisions (Chapter Sixteen)

Throughout 2008/2009, the Secretariat's workload expanded to provide increased services related to various internal trade initiatives. In addition to organizing two CIT Meetings and the ITSC Annual General Meeting, the Secretariat organized several in-person meetings of Internal Trade Representatives (ITRs) in Ottawa and Winnipeg as well of the PNT, Dispute Resolution Working Group and the Energy Working Group in Toronto, Vancouver and Ottawa.

The Secretariat also organized more than 30 conference calls for ITRs and AIT Committees/Working Groups on Procurement, Dispute Resolution, Energy and Natural Resources, and participated in 20 conference calls on labour mobility and consumer measures issues under the AIT. Moreover, the Secretariat assisted in preparation of the AIT Eighth, Ninth and Tenth Protocols of Amendment.

During 2008/2009, the Secretariat responded to more than 200 enquiries from AIT Parties and the general public on various matters related to internal trade. Continuous updated information

was posted on the AIT, REGISTREX and MARCAN websites. The Secretariat also produced the AIT Annual Report for 2007/2008 and published CIT press releases and media advisories. The revised AIT consolidation (2009 Edition) was also drafted for eventual publication.

The Secretariat revised Chapter Seventeen Dispute Resolution Manuals (Government-to-Government and Person-to-Government Disputes), including the Panellist Manual and updated the Roster of Panellists and List of Screeners.

Dispute Resolution Procedures (Chapter Seventeen)

Chapter Seventeen features a formal dispute settlement mechanism to deal with complaints which is accessible to both governments and persons. Parties have been engaged in a full review of the AIT dispute resolution mechanism since August 2004, the purpose of which has been to address issues related to timing, fairness, certainty, consistency and enforcement.

Throughout 2008/2009, the Dispute Resolution Working Group laboured to finalize a draft text of a revised Chapter Seventeen to strengthen dispute resolution procedures for government-to-government disputes. At the June 2008 CIT Meeting Ministers reached consensus on elements of a new enforcement mechanism which provides for the use of monetary penalties to a maximum of \$ 5 million depending on the size of the jurisdiction. At their meeting in July Premiers endorsed the strengthened dispute resolution mechanism.

At the CIT Special meeting in December 2008, Ministers approved text of a revised Chapter Seventeen which will enforce all AIT panel rulings by means of a more effective compliance process, provision of an appeals process as well as imposition of monetary penalties and suspension of dispute resolution privileges. In a Declaration on January 16, 2009, First Ministers also endorsed the text of Chapter Seventeen as well as the Tenth Protocol of Amendment incorporating the revised text into the AIT. The changes will come into force upon the ratification of all Parties.

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 FPT 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.

British Columbia and Alberta continued their steps towards implementation of their bilateral agreement, the TILMA, announced in 2006; the Agreement will come into full force in April 2009. A revised Agreement on the Opening of Public Procurement for New Brunswick and Quebec entered partly into force in December 2008 with final effect by June 2009 replacing the earlier version of 1993. Ontario and Quebec continued bilateral negotiations to further reduce barriers to trade and labour mobility between the two provinces. In February 2009, New Brunswick and Nova Scotia announced their new Partnership Agreement on Regulation and the Economy (PARE).

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.

Detailed information on disputes since the inception of the AIT can be found at www.ait-aci.ca. During 2008/2009, there were no dispute panel reports.

In 2008/2009, AIT trade dispute activity included:

- With respect to federal Ministerial Exemptions for bulk shipments of apples, consultations on implementation of changes to federal policy are ongoing. In July 2006 a complaint was filed by the Quebec Association of Apple Packers (QAAP) against the Government of Canada over the inability of a Quebec apple packer to import apples from Nova Scotia. A similar complaint by Nova Scotia, on behalf of the Nova Scotia Fruit Growers Association, was also filed. Following a screener report and request for panel review by the QAAP in July 2007, an interim resolution of the matter was reached resulting in changes to federal policy. The request for panel review was subsequently withdrawn by the QAAP in November 2007.
- The CMC Cost of Credit Disclosure Working Group continued its efforts to reach a conclusion of the dispute. In March 2008, the federal Minister of Industry, with the concurrence of the Minister of Finance, proposed an approach to provincial consumer Ministers that would bring a conclusion to the dispute that arose in 2004 concerning the federal Cost of Borrowing (Banks) Regulations.
- With respect to implementation of the Panel Report on Colored Margarine (2005), in July 2008 the Government of Quebec announced a new Regulation which repealed the previous Regulation containing requirements on the colouring of margarine which the panel report had declared as inconsistent with obligations under the AIT.

- In August 2008 a screener denied a private company permission to commence proceedings against the federal government; in November 2007, the company had requested the Government of Saskatchewan to initiate consultations on its behalf with the Government of Canada regarding proposed regulatory changes to standards affecting production of cheese products in Canada.
- With respect to implementation of the Panel Report on Public Accounting (2005), legislation to amend the Quebec Professional Code and the Chartered Accountants Act in respect of Public Accountancy came into force in December 2008. CGAs (certified general accountants) and CMAs (certified management accountants) are now permitted to practice public accountancy under permits issued by their respective professional orders who determine the standards for the issue and holding of such permits. The Regulation respecting the public accountancy permit of the Order of CGAs in Québec was published as a draft regulation in the official Gazette of Québec in August 2008 and awaits government approval. Moreover, the Regulation respecting legal authorization to practise as a CMA outside Québec that gives access to the permit issued by the Order of CMAs in Quebec, will be published as a draft regulation in June 2009 in the official Gazette of Québec.

Organizational Structure

Committee on Internal Trade

Under the AIT, a committee of ministers, the Committee on Internal Trade (CIT), 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.

Internal Trade Representatives

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

Board of Directors

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

Internal Trade Secretariat

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

Agreement on Internal Trade Website

The following detailed information is available on the AIT website at www.ait-aci.ca.

Overview of the AIT

Consolidation of the AIT

Protocols of Amendment

News Releases

Government Procurement
(www.marcan.net)

Screener Reports

Dispute Panel Reports

Dispute Statistics

Annual Reports

Progress Reports

Corporate Registration
(www.registrex.ca)

INTERNAL TRADE SECRETARIAT CORPORATION

Financial Statements

For the year ended March 31, 2009

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Auditors' Report

To the Board of Directors of
Internal Trade Secretariat Corporation

We have audited the statement of financial position of Internal Trade Secretariat Corporation as at March 31, 2009 and the statement of operations and net assets for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, except for the effects of the failure to capitalize and amortize property and equipment as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Internal Trade Secretariat Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
April 16, 2009

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INTERNAL TRADE SECRETARIAT CORPORATION

Statement of Financial Position

March 31	2009	2008
	\$	\$
Assets		
Current Assets		
Cash	24,643	88,256
Short-term investments (Note 2)	329,201	378,208
GST receivable	1,792	2,598
Prepaid expenses	4,816	214
	<u>360,452</u>	<u>469,276</u>
Capital assets (Note 4)	1	1
	<u>360,453</u>	<u>469,277</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities (Note 3)	39,464	29,807
Federal Government surplus payable (Note 5)	21,846	-
	<u>61,310</u>	<u>29,807</u>
Net Assets		
Reserve funds - Federal Government (Note 5)	-	84,880
Reserve funds - Provinces and Territories (Note 6)	296,821	352,271
Unrestricted	2,322	2,319
	<u>299,143</u>	<u>439,470</u>
	<u>360,453</u>	<u>469,277</u>

Approved on behalf of the Corporation:

Executive Director

INTERNAL TRADE SECRETARIAT CORPORATION

Statement of Operations and Net Assets

For the year ended March 31	2009	2008
	\$	\$
Revenue		
Contributions		
Federal Government (Note 5)	233,250	221,555
Provinces and Territories (Note 6)	229,996	215,683
Interest		
Federal Government (Note 5)	4,490	9,139
Provinces and Territories (Note 6)	7,744	15,011
Other income	3	35
	475,483	461,423
Expenses		
Personnel		
Employees	284,664	240,838
Consultants	-	58,216
Rent (Note 8)	36,687	37,183
Office expenses	34,876	31,017
Meetings and conferences	32,487	23,755
Translation	21,530	11,816
Professional services	18,800	8,626
Communications	17,484	21,792
Travel	14,129	16,390
Computers and software	10,477	3,332
Goods and services tax, net	4,346	5,764
Professional development	-	2,656
	475,480	461,385
Excess of revenue over expenses for the year	3	38
Net assets, beginning of year	2,319	2,281
Net assets, end of year	2,322	2,319

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

March 31, 2009

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 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.

Contributions

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 reserve fund for future use within the organization.

Financial Instruments

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.

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.

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:

INTERNAL TRADE SECRETARIAT CORPORATION

Summary of Significant Accounting Policies

March 31, 2009

Financial Instruments (continued)

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

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

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

Use of Estimates

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

INTERNAL TRADE SECRETARIAT CORPORATION

Summary of Significant Accounting Policies

March 31, 2009

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the corporation, are as follows:

Financial Statement Concepts - CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de emphasizes the matching principle.

Financial Instruments - Disclosure and Presentation - On October 15, 2008 the CICA deferred indefinitely the requirement of not-for-profit organizations to implement new standards dealing with certain financial instrument disclosures and presentation. The Corporation elected to defer application of these standards.

Financial Statement Presentation by Not for Profit Organizations - Section 4400 has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenses. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Corporation is currently assessing the impact of the new standard.

Disclosure of Allocated Expenses by Not for Profit Organizations - This new Section 4470 establishes disclosure standards for not for profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The Corporation is currently assessing the impact of the new standard.

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

March 31, 2009

1. Status and Nature of Activities

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

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

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

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

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

2. Short-term Investments

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

	2009	2008
	\$	\$
RBC Premium Money Market Fund	329,201	378,208

3. Accounts Payable and Accrued Liabilities

	2009	2008
	\$	\$
Trade accounts payable	15,409	9,972
Vacation payable	16,208	12,595
Wages and source deductions payable	7,847	7,240
	39,464	29,807

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

March 31, 2009

4. Capital Assets

Capital assets are charged to expenditures in the year of purchase. During the year, there were purchases of \$7,090 (\$1,625 in 2008) that were expensed. Generally accepted accounting principles require that property and equipment be capitalized and amortized over their estimated useful life. The estimated useful life of the property and equipment components which include computers, furniture and office equipment is usually 5 years. If property and equipment had been capitalized and amortized over their estimated useful life of five years, the property and equipment expensed for the year would have been reduced by \$7,090 (\$1,625 in 2008), amortization expense would have been increased by \$4,998 (\$5,985 in 2008), contribution revenue would have been increased by \$4,998 (\$5,985 in 2008), and capital assets and reserve funds on the balance sheet would each have increased by \$8,721 (\$6,630 in 2008).

5. Reserve Funds - Federal Government

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

	2009	2008
	\$	\$
Reserve funds, beginning of year	84,880	131,061
Contributions received during the year	170,216	175,374
	255,096	306,435
Required contributions		
50% of the eligible expenditures of \$475,479 (\$461,387 in 2008)	237,740	230,694
Deduct interest earned on advances from the Federal Government	(4,490)	(9,139)
Contributions recognized as revenue for the year	233,250	221,555
Less amounts requested to be repaid by the Federal Government (recorded as accounts payable)	(21,846)	-
Reserve funds, end of year	-	84,880

INTERNAL TRADE SECRETARIAT CORPORATION

Notes to Financial Statements

March 31, 2009

6. Reserve 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:

	2009	2008
	\$	\$
Reserve funds, beginning of year	352,271	407,367
Contributions received during the year	174,546	160,587
	526,817	567,954
Required contributions		
50% of the eligible expenditures of \$475,479 (\$461,387 in 2008)	237,740	230,694
Deduct interest earned on advances from the Provinces and Territories	(7,744)	(15,011)
Contributions recognized as revenue for the year	229,996	215,683
Reserve funds, end of year	296,821	352,271

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.

8. Commitments

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

9. Economic Dependence

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