

Annual Report



For the Fiscal Year Ending March 31, 2015

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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 that 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, 2014 to March 31, 2015.

2014/2015 Highlights

Internal Trade Ministers met during 2014/2015 to discuss improving and renegotiating the AIT. In November 2014, Ministers:

- Directed officials to undertake negotiations with the goal of ensuring that Canadians do not receive less favourable treatment than that offered to foreign interests.

In addition, the Annual General Meeting of the Internal Trade Secretariat Corporation (ITSC) was held via conference call in September 2014. The annual meeting of the ITSC Board of Directors to approve the budget plan took place in February 2015.

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, and set 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 2014/2015, progress under the Chapter included the following:

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.

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.

Parties agreed to use a process for entity status downgrades developed by Parties as a policy guideline for downgrades or changes to entity status.

Parties reviewed the Public Private Partnership (PPP) Information Note and agreed that it should continue as guidance document.

Parties shared progress regarding the electronic posting of contract award information.

The 14th protocol of amendment that came into effect on February 18, 2015 brought changes to Chapter Five, namely replacing “Article 1711(2)” with “Article 1713(2) in Paragraph 6 of Article 513 (Complaint Procedures - Provinces) and deleting “Interpretive Note No. 1” pertaining to Annex 502.1B (Services Covered by Chapter Five) from the Agreement on Internal Trade (AIT) and moving it to the AIT website.

Parties continued to discuss revising Article 506(7), regarding pre-qualification lists, and continue to work on revised text.

Parties undertook a review and update of the information available on the MARCAN website relating to tender notices for procurement opportunities.

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 2014/2015, 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.

The reconciliation of extra-provincial corporate registration and reporting requirements continues to be an issue under review by the Committee on Internal Trade.

Labour Mobility (Chapter Seven)

The following report presents the status of implementation of Chapter 7 (Labour Mobility) of the Agreement on Internal Trade (AIT). The Labour Mobility Coordinating Group (LMCG) guides implementation of Chapter 7 under the auspices of the Forum of Labour Market Ministers (FLMM).

Progress continued to be made in 2014-2015 on implementing Chapter 7 on 3 fronts: (1) developing tools for communication to increase awareness of Chapter 7, (2) communicating interpretations of Chapter 7 on the LMCG website, and (3) engaging with stakeholders. During this period, as required under Article 709, the LMCG also collected data and other information from stakeholders to prepare an assessment of the mobility of workers under the Chapter.

In response to the Forum of Labour Market Ministers' direction at their 2013 meeting to report on the status of implementation of Chapter 7 and propose further actions to improve mobility, the LMCG provided ministers in July 2014 with an overview of the current state of labour mobility in Canada, which took stock of the status of the implementation of Chapter 7 and highlighted opportunities to move forward collectively. The overview reported that Chapter 7 has a significant and positive impact on the state of labour mobility in Canada, including facilitating pro-active efforts on the part of regulatory authorities to achieve, where possible and practical, reconciliation of occupational standards and certification processes, and increased communication and collaboration among regulatory authorities to reduce barriers to labour mobility. It also stated that, while significant progress has been made, ongoing efforts are needed to address remaining barriers and to ensure no new barriers arise. Following presentation of this overview, it was decided that a public information document could serve to highlight progress and feature key benefits and obligations under Chapter 7. At this meeting, Ministers agreed on the need to provide Canadians with more information, including online, to help workers have their qualifications recognized anywhere in Canada.

As directed by FLMM Ministers, the LMCG began development of communication tools to increase awareness of Chapter 7. The LMCG prepared an information document, "*Labour*

Mobility at Work: Five Years of Progress and Success" (see: <http://www.flmm-lmcg.org/CMFiles/Documents/Labour%20Mobility%20at%20Work.pdf>), which was approved by Ministers at their November 21, 2014 meeting and then released publicly on the LMCG website and distributed to interested stakeholders. In addition, Ministers approved the LMCG's proposed communication approach. The LMCG is now working to implement a communication plan that will better facilitate the provision of labour mobility information to Canadians by providing accessible and transparent information through an enhanced website and new communication tools on topics such as notification procedures and certification practices.

Building on their commitment to ensure a consistent understanding and application of the Chapter, the LMCG is making progress on providing transparent information on notification procedures and certification practices. The LMCG is notably conducting work regarding information regulators could ask labour mobility applicants, and on guidelines and a checklist to assist them.

In 2014-2015, the LMCG continued to work on issues involving the interpretation and application of Chapter 7. Resolving differences in the application of the Chapter has been a crucial component of the group's work since the amendments in 2009. Currently, the LMCG has identified 41 issues, of which it has reached consensus on 37. FLMM Senior Officials have approved 32 of the consensus decisions recommended by the LMCG for approval, as required under the consensus-building process approved by Senior Officials in 2010.

The LMCG identified 9 of the consensus decisions to be communicated on the LMCG website. The wording for 3 of these consensus decisions was approved and added to the LMCG website to communicate them to the public. Language to communicate the remaining 6 consensus decisions is being finalized.

In light of the significance of the FLMM–LMCG website (<http://www.flmm-lmcg.org/>) as a tool for communication, FLMM Senior Officials directed the LMCG to review the language on its website and develop a more user-friendly version. During the winter 2015, Senior Officials approved the plain-language wording for the LMCG website and tasked the group to replace the current content with this revised version. The LMCG is currently implementing those changes, and work on the website will be continued as part of the LMCG communication plan.

To support efforts of regulatory authorities to reach compliance with the Chapter, the LMCG met with various consortia of regulatory authorities throughout 2014-2015, including counsellors and psychotherapists, registered psychiatric nurses, paramedics, agrologists, police schools and acupuncturists.

Another crucial aspect of stakeholder engagement involves participation in multi-stakeholder conferences to increase awareness of the Chapter and generate a dialogue with several regulatory authorities in the context of a group presentation and discussion. The LMCG

attended the Canadian Network of National Associations of Regulators (CNNAR) conference in October 2014 where it made a plenary presentation, “5 Years of Amended Chapter 7 – Taking Stock and Moving Forward.” In addition, the LMCG made a presentation to the Canadian Council of Directors of Apprenticeship (CCDA) meeting on November 26, 2014. This presentation outlined LMCG work and sought to establish a more active dialogue with the CCDA as part of the ongoing implementation of Chapter 7 in order to enhance collaboration between the CCDA and the LMCG.

The LMCG continues its commitment to review the process for posting exceptions to labour mobility and support a consistent approach. The exception process involves achieving dual objectives: justifying the imposition of additional material certification requirements due to a legitimate objective (e.g. public safety, consumer protection) and supporting transparency by informing transferring workers of circumstances where additional material certification requirements are needed. Currently, exceptions for 14 regulated occupations are posted. This is a relatively small number considering the hundreds of regulated occupations that exist in Canada. For further information on current exceptions please see: <http://www.flmm-lmcg.org/english/view.asp?x=916>. A detailed description of current exceptions is also provided in Annex A.

As required under Article 709, officials must produce an assessment of the effectiveness of Chapter 7, including an assessment of any unintended adverse consequences (UACs). To achieve this, the LMCG conducted its fourth evaluation survey with regulatory authorities in each jurisdiction. Data are currently being compiled and analyzed and will help LMCG identify any UACs and better understand challenges and successes of the implementation of Chapter 7. Additionally, some jurisdictions have initiated analysis of their own data, and this is informing engagement with their stakeholders on the effectiveness of Chapter 7.

To ensure that labour mobility efforts are aligned with broader priorities, the LMCG will continue to forge links with Internal Trade Representatives and the Internal Trade Secretariat. This will be particularly important given the current renewal of the Agreement on Internal Trade (AIT). Given the success of Chapter 7, the LMCG will provide support and information related to labour mobility as needed to assist in the negotiations to develop a new agreement.

The LMCG will also work with the FLMM’s Foreign Qualifications Recognition Working Group in recognition of the foundational role that labour mobility plays in improving the integration of internationally-trained workers in Canadian labour markets.

LMCG priorities going forward will be guided by future directions provided by Labour Market Ministers. As we move forward, the LMCG will work to ensure effective implementation of Chapter 7 of the AIT through outreach and communication, reconciliation of differences in occupational standards, engaging with key stakeholders, continuing the review of the

exceptions posting process to increase transparency, and support regulatory authorities in meeting their labour mobility obligations under Chapter 7.

Consumer-Related Measures and Standards (Chapter Eight)

Chapter Eight calls upon the Parties to report on and cooperate with respect to consumer protection measures. The Committee on Consumer Related Measures and Standards (CMC) established under Chapter 8, 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, and acting as a forum for discussions between the Parties on consumer-related measures.

In 2014/2015, progress under the Chapter included the following:

A meeting of Federal/Provincial/Territorial Deputy Ministers responsible for Consumer Affairs was held on September 17-18, 2014 in Toronto. Deputy Ministers approved the work of five working/research groups for the coming year covering: electronic commerce (new); payday lending; enforcement best practices; data sharing and complaints classification; and, consumer awareness.

The CMC Consumer Awareness Working Group published several updates to existing sections of the Canadian Consumer Handbook, including funerals, moving, timeshares, contracts and sustainable consumption. The Working Group also developed (and later published) a Web-based information product focused on debt management which was developed in collaboration with the Financial Consumer Agency of Canada and Credit Counselling Canada. An electronic quiz meant to help Canadians identify gaps in their consumer knowledge is also in development which will be shared through FPT online channels and social media.

Respecting payday lending regulation, the federal Governor in Council designated Prince Edward Island for the purposes of the criminal interest rate provisions of the Criminal Code, and that designation will come into force when the province brings its regulatory regime into force. The other provinces designated under the Criminal Code for these purposes are: Alberta, British Columbia, Manitoba, Nova Scotia, Ontario and Saskatchewan.

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

Agricultural and Food Goods (Chapter Nine)

Ministers of the Committee on Internal Trade previously approved the inclusion of an interpretive note to Article 902(2) to further clarify what could constitute measures relating to supply management systems. With the entry into force of the Fourteenth Protocol of Amendment (POA) in February 2015, the above note – now referred to as Interpretive Note No. 2 – becomes binding on the Parties under Article 1813(2) of the 2015 consolidated Agreement. In April 2014, Quebec filed notice to appeal a Panel decision regarding the ongoing dispute with Saskatchewan on dairy blends, dairy analogues and dairy alternatives. On January 26, 2015, the Appeal Panel issued its report in which it upheld the original Panel decision that called on Québec to repeal or amend measures under its *Food Products Act* that were determined to be non-compliant with the AIT. The Appeal Panel's full report can be found at the following link:

<http://www.ait-aci.ca/en/dispute/AIT%20Final%20appeal%20decision%20jan%2026.pdf>

Alcoholic Beverages (Chapter Ten)

The *Importation of Intoxicating Liquors Act* (IILA) was amended in 2012 to remove federal restrictions on the importation of wine for personal consumption across provincial borders. The Budget Implementation Act (2014), which received Royal Assent in June 2014, extended this personal use exemption to include the interprovincial shipment of beer and spirits. While federal restrictions have been removed, the authority to set limits on permitted quantities and means of importation still rests with the provinces.

Natural Resources Processing (Chapter Eleven)

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

In 2014-2015, the Working Group on Natural Resources did not meet.

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 was a key element in the COF plan to improve internal trade in 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 2014/2015.

Transportation (Chapter Fourteen)

Not available at time of publication

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 2014/2015. CCME continues to promote harmonization of approaches, thereby limiting real or perceived barriers to trade.

Institutional Provisions (Chapter Sixteen)

In 2014/2015, in providing administrative and operational support services related to various AIT initiatives, the Secretariat:

- Organized the Internal Trade Ministers' meeting, providing agendas, logistics, documentation, summary records and follow up action.
- Organized the Annual General Meeting and annual meeting to approve the budget of the ITSC, providing the agenda, documentation, minutes as well as follow up action.
- Organized three face-to-face meetings of Internal Trade Representatives (ITRs), and one meeting of the Procurement Negotiating Table (PNT), providing agendas, logistics, documentation, summary records, and follow up action.

- Organized conference calls for ITRs, the PNT providing agendas, documentation, summary records, and follow up action.
- Participated in conference calls on labour mobility issues of the Labour Mobility Coordinating Group (LMCG).
- Updated Panel Rosters and the List of Screeners.
- Regularly updated information on the AIT, MARCAN and REGISTREX websites.
- Supported an appellate panel hearing held on the decision of the dispute between Saskatchewan and Québec on Edible Oil Products, Dairy Blends and Dairy Analogues. The appellate panel report was issued on January 26, 2015. Prepared press releases and media advisories for disputes.
- Prepared the Annual Report of the Internal Trade Agreement for 2013-2014 and posted it on the AIT website.
- Received an average of 60,000 hits per month on the general AIT website; 46,000 on MARCAN, and 6,000 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. Parties remain committed to the ongoing review of AIT dispute resolution procedures to address issues related to timing, procedural fairness and consistency as well as enforcement relating to the Person-to-Government dispute resolution process.

Final Provisions (Chapter Eighteen)

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

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

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.

Reports issued in 2014/2015:

- In April 2014 Quebec served notice to appeal the Panel decision regarding measures in the Quebec Food Products Act and Regulation Respecting Food restrictions on the manufacture and sale of dairy analogues and blends. On October 27, 2014, the Appeal Panel hearing was held in Regina, Saskatchewan. On January 26, 2015, the Appeal Panel confirmed the original decision that Québec repeal or amend those Measures which that Panel determined to be non-compliant with the AIT.

Consultations continued during 2014/2015 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 July of 2013, Alberta, Saskatchewan, Nova Scotia, Newfoundland and Labrador and Ontario initiated consultations with British Columbia regarding requirements imposed by the College of Registered Nurses of British Columbia (CRNBC) on nurse practitioners certified by other Canadian jurisdictions seeking certification in BC.

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, the Ministerial Committee on Internal Trade, has the responsibility for implementing 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 (ITRs) are senior trade officials appointed by each Party to the AIT who meet regularly as a committee or in working groups to direct the work of implementing the AIT.

Board of Directors

Each Party to the AIT appoints a representative to serve on the Board of Directors for the ITSC to provide general guidance to the Managing Director in the administration and operation of the ITSC, a federally-established not-for-profit organization set up in 2006.

Internal Trade Secretariat Corporation

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 Acting Managing Director who reports to the Chair of the Board of Directors and to the Board of Directors.

Agreement on Internal Trade

For more detailed information, please visit the AIT website at www.ait-aci.ca.

GOALS, ACTIVITIES AND PERFORMANCE TARGETS 2014/2015

Goals	Activities	Performance Targets	
Goal 1: operational services: to provide efficient and effective support services to the Parties' ongoing implementation of the AIT	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 As requested, research, identify, evaluate and report on emerging issues Prepare protocols of amendment and revise the Consolidation of the Agreement accordingly Participate in and support meetings/calls of other AIT sectoral working groups as requested, subject to budgetary and operational constraints Provide support to Parties on any initiatives related to improving internal trade	For CIT, ITRs and Board, as well as committees/working groups, documentation to be available simultaneously in both official languages For CIT: • 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 For ITRs and Board: • 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 For all other committees/working groups: • 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 • Other support requests completed within agreed time frame	Mostly met Met Met Mostly Met Met Mostly Met Met

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

Goal 4: information services: to provide accurate and timely information management systems to Parties	Ensure timely preparation of chapter reviews and reports, as well as annual reports required by the AIT Undertake regular updates on the status of obligations by Party as well as updates of dispute tracking tables/charts	• Request for sectoral/chapter annual reports early March with deadline of mid-May • Translate all annual chapter reports and post on AIT web site as promptly as possible • Complete draft AIT Annual Report by June with prompt posting on AIT website • Call for submission of annual reports on incentives, regional economic development and procurement in April with deadline of September 30/December 31 respectively • Post new Art. 1800 agreements as received • Update lists of CIT, Deputy Ministers, ITRs, committees/working groups and other sectoral contact points as necessary	Mostly met Met Did not meet¹ Met None Received Met
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	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 Maintain documentation centre for materials related to the AIT; maintain the AIT, MARCAN and REGISTREX sites	• Respond to all inquiries promptly • Update web sites promptly upon receipt of new information filed with the Secretariat • Ongoing revision of websites to render more user-friendly to all stakeholders	Mostly met Met Mostly met

¹ As sectorial reports were received late, the final report was submitted in January of 2015
Agreement on Internal Trade Annual Report 2014/2015

Committee on Internal Trade (CIT)

(as of March 31, 2015)

Alberta

The Honourable Jim Prentice
Minister of International and
Intergovernmental Relations

British Columbia

The Honourable Theresa Wat
Minister of International Trade

Canada

The Honourable James Moore
Minister of Industry

Manitoba

The Honourable Kevin Chief
Minister of Entrepreneurship, Training
and Trade

New Brunswick

The Honourable Rick Doucet
Minister of Economic Development

Newfoundland and Labrador

The Honourable Darin King
Minister of Innovation, Business and
Rural Development

Northwest Territories

The Honourable David Ramsay
Minister of Industry, Tourism and
Investment

Nova Scotia

The Honourable Michel Samson
Minister of Economic and Rural
Development and Tourism

Ontario

The Honourable Brad Duguid (Chair)
Minister of Economic Development, Trade
and Employment

Prince Edward Island

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

Quebec

The Honourable Jacques Daoust
Minister of Finance and the Economy

Saskatchewan

The Honourable Jeremy Harrison
Minister Responsible for Trade

Yukon

The Honourable Currie Dixon
Minister of Economic Development

Nunavut (Observer Status)

The Honourable Peter Taptuna
Premier of Nunavut

Internal Trade Representatives (ITRs)

(as of March 31, 2015)

Alberta

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

British Columbia

Matthew Carnaghan
Manager, Internal Trade
Jobs, Tourism and Skills Training

Canada

Stephen Fertuck
Director of Internal Trade
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

Kevin Todd
Director
Industry, Tourism and Investment

Nova Scotia

Frazer Egerton
Senior Trade Policy Analyst, Trade Policy
Division - Investment & Trade
Economic and Rural Development and
Tourism

Ontario

Richard Caine (Chair)
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

Michael Berry
Senior Trade Analyst, Trade Policy
Executive Council - Intergovernmental
Affairs

Yukon

Perry Diamond
Senior Policy Advisor, Policy & Planning
Economic Development

Nunavut (Observer Status)

Jeff Mahon
Senior Advisor
Executive & Intergovernmental Affairs

Appendix A

INTERNAL TRADE SECRETARIAT CORPORATION

Financial Statements

For the year ended March 31, 2015

INTERNAL TRADE SECRETARIAT CORPORATION

Financial Statements

For the year ended March 31, 2015

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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 of the statement of financial position as at March 31, 2015 and the statements of operations and unrestricted net assets and of cash flows for the year ended March 31, 2015, 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 3 to the financial statement, the Internal Trade Secretariat Corporation does not capitalize and amortize its property and equipment. In this respect only, the financial statements are not in accordance with Canadian 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, 2015 and the results of its operations and its cash flows for the year ended March 31, 2015 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants

Winnipeg, Manitoba
June 25, 2015

INTERNAL TRADE SECRETARIAT CORPORATION

Statement of Financial Position

March 31	2015	2014
	\$	\$
Assets		
Current Assets		
Cash	456,898	328,911
Accounts receivable	60,767	4,951
Prepaid expenses	1,901	1,803
	<u>519,566</u>	<u>335,665</u>
Capital assets (Note 3)	<u>1</u>	<u>1</u>
	<u>519,567</u>	<u>335,666</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities (Note 2)	14,861	29,068
Federal Government surplus payable (Note 4)	156,631	36,257
	<u>171,492</u>	<u>65,325</u>
Net Assets		
Surplus		
Funds		
Federal Government (Note 4)	-	-
Provinces and Territories (Note 5)	220,753	143,019
Reserve funds - Contingency (Note 6)	125,000	125,000
Unrestricted	2,322	2,322
	<u>348,075</u>	<u>270,341</u>
	<u>519,567</u>	<u>335,666</u>

Approved on behalf of the Corporation:

INTERNAL TRADE SECRETARIAT CORPORATION

INTERNAL TRADE SECRETARIAT CORPORATION

Statement of Operations and Unrestricted Net Assets

For the year ended March 31	2015	2014
	\$	\$
Revenue		
Contributions		
Federal Government (Note 4)	180,869	301,243
Provinces and Territories (Note 5)	179,325	300,134
Dispute recoveries	92,280	-
Interest		
Federal Government (Note 4)	1,978	2,058
Provinces and Territories (Note 5)	3,522	3,167
	457,974	606,602
Expenses		
Personnel	199,104	180,918
Meetings and conferences	86,450	72,412
Rent (Note 7)	43,808	45,042
Translation	34,125	67,862
Professional services	26,965	34,043
Office expenses	25,722	23,238
Communications	13,766	14,251
Travel	13,207	10,833
Professional development	6,195	597
Goods and services tax, net	5,032	4,951
Computers and software	3,600	2,455
Symposium	-	150,000
	457,974	606,602
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

<u>For the year ended March 31</u>	<u>2015</u>	<u>2014</u>
	\$	\$
Cash Flows from Operating Activities		
Excess of revenue over expenses for the year	-	\$ -
Changes in non-cash working capital balances		
Accounts receivable	(55,816)	(1,469)
Prepaid expenses	(98)	1,681
Accounts payable and accrued liabilities	(14,207)	3,664
Federal government surplus payable	120,374	154
Surplus funds - Provinces and Territories	77,734	(15,486)
Decrease (increase) in cash and cash equivalents during the year	127,987	(11,456)
Cash and cash equivalents, beginning of year	328,911	340,367
<u>Cash and cash equivalents, end of year</u>	<u>456,898</u>	<u>328,911</u>

INTERNAL TRADE SECRETARIAT CORPORATION

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 3.

Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions receivable are recognized if the amount can be reasonably estimated and ultimate collection is reasonably assured.

Surplus Funds

The management board of the Corporation resolved on November 21, 2005 to change the existing policy with regards to deferred contributions. Beginning fiscal 2005/2006, unused funds are no longer considered to be deferred contributions, but will now be considered an internally restricted surplus fund for future use within the Corporation.

INTERNAL TRADE SECRETARIAT CORPORATION

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. Accounts Payable and Accrued Liabilities

	2015	2014
	\$	\$
Trade accounts payable	9,294	25,335
Vacation payable	1,841	1,841
Wages and source deductions payable	3,726	1,892
	14,861	29,068

3. Capital Assets

Capital assets are charged to expenditures in the year of purchase. During the year, there were \$1,550 of purchases (\$1,485 in 2014) 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 \$1,250 (\$940 in 2014), contribution revenue would have been increased by \$1,250 (\$940 in 2014), and capital assets and surplus funds on the balance sheet would each have increased by \$4,966 (\$4,667 in 2014).

The accompanying notes are an integral part of these financial statements.

INTERNAL TRADE SECRETARIAT CORPORATION

4. Surplus Funds - Federal Government

Based on a Funding Agreement (2010 - 2015) with the Federal Government, the Corporation is to receive contributions to cover 50% of eligible expenditures incurred during the year from the Federal Government. The details of contributions from the Federal Government for the year are as follows:

	2015	2014
	\$	\$
Surplus funds, beginning of year	-	-
Contributions for the year	337,500	337,500
	337,500	337,500
Required contributions		
50% of the eligible expenditures of \$365,694 (\$606,602 in 2014)	182,847	303,301
Deduct interest earned on advances from the Federal Government	(1,978)	(2,058)
Contributions recognized as revenue for the year	180,869	301,243
	156,631	36,257
Amounts requested to be repaid by the Federal Government (recorded as accounts payable)	(156,631)	(36,257)
Surplus funds, end of year	-	-

The accompanying notes are an integral part of these financial statements.

INTERNAL TRADE SECRETARIAT CORPORATION

5. Surplus Funds - Provinces and Territories

Based on the Agreement on Internal Trade, the Corporation is to receive contributions to cover 50% of eligible expenditures incurred during the year from the Provinces and Territories. The details of contributions from the Provinces and Territories for the year are as follows:

	2015	2014
	\$	\$
Surplus funds, beginning of year	143,019	158,505
Contributions for the year	257,059	284,648
	400,078	443,153
Required contributions		
50% of the eligible expenditures of \$365,694 (\$606,602 in 2014)	182,847	303,301
Deduct interest earned on advances from the Provinces and Territories	(3,522)	(3,167)
Contributions recognized as revenue for the year	179,325	300,134
Surplus funds, end of year	220,753	143,019

6. Reserve Funds - Contingency

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

	2015	2014
	\$	\$
Reserve funds, end of year	125,000	125,000

The accompanying notes are an integral part of these financial statements.

7. 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 2016.

8. Economic Dependence

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

9. 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.