



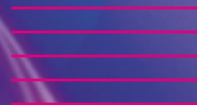
STANDARDS COUNCIL  
OF CANADA



ANNUAL REPORT  
1999 - 2000



*Canada's voice  
in the standards world*



Canada

**Committed to excellence and to Canada's goal of enhancing competitiveness and social well-being, we will provide leadership in national and international standardization, through effective relationships, strategic action and quality of service.**

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national  
**standards**  
system

# The Standards Council of Canada



**T**he Standards Council of Canada is a federal Crown corporation that oversees Canada's National Standards System.

Standardization is the development and application of standards — publications that establish accepted practices, technical requirements and terminologies for products, services and systems. Standards help to ensure better, safer and more efficient methods and products, and are an essential element of technology, innovation and trade.

The Standards Council's work falls into three principal areas.

## Standards development

The Standards Council accredits organizations that develop standards in Canada. It also approves the standards developed by those organizations as National Standards of Canada.

Internationally, the Standards Council coordinates Canada's participation in the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC), two of the world's most important voluntary standardization bodies. It also encourages the adoption and application of international standards in Canada.

## Conformity assessment

Conformity assessment is the practice of determining whether a product, service or system meets the requirements of a particular standard. The Standards Council accredits organizations that perform this function, including certification organizations, testing and calibration laboratories,

ISO 9000 quality management systems (QMS) registrars, ISO 14000 environmental management systems (EMS) registrars, and QMS and EMS auditor trainers and certifiers.

## Intergovernmental affairs and trade

The Standards Council advises federal, provincial and territorial governments on standards-related aspects of trade policy and regulatory reform. It also takes part in international mutual recognition activities to help ensure that Canadian exports of goods and services are accepted in foreign markets.

The Standards Council offers the latest and most comprehensive information on standards, technical regulations and conformity assessment in Canada and around the world. It also serves as Canada's World Trade Organization/North American Free Trade Agreement (WTO/NAFTA) Enquiry Point.

# Strengthening the foundation

*Linda Lusby, Chair*



**O**n March 29, 2000, I joined Industry Minister John Manley and almost a thousand other Canadians in eight cities linked together by satellite. Decision makers from every corner of the country and every sector of the economy gathered to celebrate what is perhaps the most impor-

tant milestone for Canada's National Standards System since the creation of the Standards Council of Canada thirty years ago.

Together we unveiled the country's first-ever Canadian Standards Strategy — a plan that provides Canada with the basis for a new, more collaborative and more strategic approach to its standardization activities.

The timing of the strategy's release — in the last days of fiscal year 1999-2000 — was appropriate. Not only does the strategy represent the beginning of a new era for standardization in Canada, but it can also be seen as the culmination of a year's work by the Standards Council of Canada and the people and organizations of the National Standards System.

The Canadian Standards Strategy is the blueprint for the future structure of standardization activity in Canada. During 1999-2000, the Standards Council worked to establish a solid foundation for that structure.

The strategy recognizes that Canada's future prosperity depends on our ability to effectively participate in the development and application of international standards. In 1999-2000, we continued to

build and strengthen Canada's international profile through our leadership in the technical, policy and management bodies of the world's two foremost standards development organizations, the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). Canada initiated or participated in a number of significant new ISO and IEC work items, including new initiatives dealing with privacy and consumer activism.

Our international activity was not confined to ISO and IEC, however. A significant proportion of Canada's trading activity involves partners in the Americas or the Pacific Rim. The Standards Council has therefore worked to establish Canada as a leading member of a number of regional standards forums, including the Pan-American Standards Commission (COPANT) and the Pacific Area Standards Congress (PASC). For example, this year I had the privilege of serving on PASC's Steering Committee, which serves as the liaison between that body and the Asia-Pacific Economic Cooperation (APEC).

International and regional standards bodies provide the means to harmonize requirements across national boundaries, but this in itself is not sufficient to ensure a free flow of goods and services. Trading partners also need to ensure the compatibility of their conformity assessment regimes to avoid the costly duplication of testing, certification or registration procedures. The Standards Council addressed this issue by participating in the negotiation and implementation of a number of mutual recognition agreements (MRAs) with its foreign counterparts. We also advised other government bodies on the standards-related aspects of trade agreements such as the North American Free Trade Agreement (NAFTA) and the World Trade

Organization (WTO), and assisted in their implementation.

The strategy also advocates promoting greater awareness and use of standards in Canada's public and private sectors. During 1999-2000, the Standards Council brought together members of the National Standards System to begin a coordinated marketing effort intended to help bring about this greater awareness.

Governments across Canada are seeking alternatives to traditional regulatory practices. Voluntary standards and conformity assessment systems can be effective as part of this effort. Through its accreditation programs, the Standards Council is making the resources of the National Standards System available to governments. As just one example, a proposed new agreement with Health Canada, developed this year, makes ISO 9000 registrars accredited by the Standards Council an important component in a new regulatory system for medical devices.

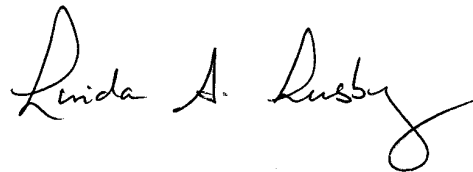
Another important element of the strategy is the need to increase the effectiveness of, and level of participation in, standards activities. That will require bringing new participants into the system and providing more information and better tools to those who are already a part of it. During 1999-2000, the Standards Council established the foundation for a training program that will bring new vigour to standards and conformity assessment efforts in Canada. The training program parallels one being developed within ISO. Coordination of the Canadian and ISO efforts will ensure that participants are well equipped to participate effectively both nationally and internationally.

The Standards Council's advisory committee structure gives business, non-governmental organizations, consumers and government the opportunity to provide us with the benefit of their advice and guidance. This year we undertook a comprehensive effort to renew that structure, including the development of business plans and objectives that support accountability and effectiveness.

As I noted when I presented the Canadian Standards Strategy to Minister Manley, the document is the culmination of many months of collaborative effort. Individuals from all sectors of the economy contributed their vision, expertise and dedication to develop both this excellent action plan and the strengthened foundation on which it will be implemented. I would be remiss if I did not extend my sincerest thanks to my fellow Council members, the dedicated staff of the Standards Council, members of the Stakeholders' Advisory Council and all those individuals who took part.

Minister Manley pointed out in his remarks at our launch celebration that we have not reached the end of our work, but only the beginning. The challenge now is to build on the strong foundation that this year's work has established, and to maintain the momentum and creativity that produced the strategy. I invite all interested Canadians to join the Standards Council to help transform the good ideas of the Canadian Standards Strategy into solid results.

We have the foundation and the blueprint — now it's time to start building.



# Building for the new economy

*Peter Clark, Executive Director*



A review of the Canadian Standards Strategy provides some insight into the emerging challenges that face the Standards Council of Canada and the National Standards System that it oversees. Standards have come of age in many ways, forming the basis for trade

agreements, becoming strategic tools for exporters, and expanding into new areas of social concern such as privacy, an aging population and environmental management.

Increasingly, Canadian industry is looking to the Standards Council for rapid, well-formulated and cost-effective solutions that support Canadian competitiveness. Regulators are calling for a new level of assurance that voluntary measures can serve public policy needs in an effective and trustworthy manner. Canadians from all walks of life are submitting voluntary standardization to increased scrutiny as standards are developed in such contentious fields as sustainable development and genetically modified foods. More and more groups are demanding to become a part of the standards process. These are welcome developments, but they bring with them heightened expectations and increased pressures.

In fiscal year 1999-2000, the Standards Council took a number of important steps to build its capability to manage the country's standards infrastructure in this dynamic new environment. Perhaps the most visible of these was a corporate restructuring that organizes the Standards Council's operations around key emerging standardization issues.

Central to the new corporate structure is an Intergovernmental Affairs and Trade Branch, which

will enable the Standards Council to better support government economic initiatives and take a more strategic approach to its participation in regional standardization initiatives.

The organization's standards development and conformity assessment functions, once part of the same branch, are now separate. This structure more accurately reflects the unique dual role played by the Standards Council — as the country's national conformity assessment accreditation body on the one hand, and as the country's voice at the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC) on the other.

Less visible than the reorganization but equally important has been the development of a more focused and results-oriented approach to corporate planning. Standards Council divisions developed the organization's first comprehensive set of business plans, and staff was provided with business plan training. A performance measurement system was integrated into the organization's corporate plan to enable better assessment of progress towards stated objectives.

Planning for the future means understanding the external environment and evaluating current practices within that context. During fiscal year 1999-2000, two important research and planning initiatives were undertaken with funding assistance from Industry Canada's Standards Initiatives Program (SIP). One focused on the need for a better approach to the development of mutual recognition agreements, while the other looked at the Standards Council's process for determining priorities for participating in international standards work. These projects will result in better coordination with our stakeholders and a more effective process for determining Canadian standards priorities.

The Standards Council also developed a methodology for customer satisfaction research, with field work to be undertaken in fiscal year 2000-2001. The results of this research will contribute to continuous improvement and an enhanced customer orientation.

The idea that people are an organization's most important resource is a well-accepted fact today. For the Standards Council, this is truer than for most organizations. The Standards Council's staff of approximately 70 is but the nucleus of an extended family that includes thousands of individuals who take part in standards development committees, help operate the Standards Council's accreditation programs and provide advice to the organization on policy matters.

In fiscal year 1999-2000 the Standards Council undertook planning for a recruitment, training, support and recognition program for standards development participants. The program is intended to ensure that the National Standards System is equipped with the best expertise representing a broad cross-section of Canadian interests; that participants have the right training, the right information and the right tools; and that the exceptional contribution made by these participants is recognized and rewarded. The Canadian Standards Strategy calls for the full implementation of this program in the years ahead.

The Standards Council's own internal human resources were also a priority during the year. Efforts focused on the development of new job evaluation, compensation and performance management systems that will provide internal job relativity, combined with an approach to compensation that enables the Standards Council to attract and retain exceptional performers.

To achieve their full potential, people must have the tools to do their jobs effectively. Among the most useful tools provided by the Standards Council are its Web-based discussion forums. These provide a fast, easy-to-use and cost-effective way of sharing documents and carrying on discussions among users spread out across the breadth of Canada, or even around the world. A wide variety of groups, including national and international standards development committees, Canadian standards development organi-

zations, Standards Council advisory committees, and even some external bodies are now taking advantage of these services.

Many of the Standards Council's document sharing, discussion, approval and voting procedures are now conducted through these forums. During 1999-2000, the number of committees using the system increased by more than six times, and the number of individuals registered on the system more than tripled. About half of the Standards Council's more than 550 standards and policy development committees, and a third of its 2,500-plus committee membership, are now on-line.

Yet another theme of the past year has been a renewed emphasis on marketing and communications. The implementation of the Canadian Standards Strategy will require a strong commitment from a broad spectrum of interests. With the assistance of SIP funding, the Standards Council undertook a communications campaign for the National Standards System, which culminated in the national launch of the Canadian Standards Strategy. The work was carried out in partnership with other organizations of the National Standards System. The tools, practices and relationships resulting from this experience are expected to set the stage for ongoing coordinated efforts in the years ahead.

Finally, the Standards Council's Web site ([www.scc.ca](http://www.scc.ca)) underwent the first stages of a redesign. The new site, featuring improved navigation, better search capabilities and a friendlier interface, is expected to be implemented early in fiscal year 2000-2001.

In the upcoming year, the Standards Council will embark on a new strategic planning cycle. With the guidance of the Canadian Standards Strategy, and with help from the new structures and tools put in place over the past year, I am optimistic that the Standards Council is well positioned to give Canadians a National Standards System that meets and exceeds their expectations.



# The Canadian Standards Strategy

## *A new era for standardization in Canada*

**O**n December 31, 1999, the world marked an important milestone: the end of the 1900s and the arrival of the year 2000. Three months later, the Standards Council of Canada and the National Standards System celebrated another new beginning with the launch of the Canadian Standards Strategy.

The new strategy is a standards action plan intended to turn the challenges of the new economy into opportunities. While Canada's National Standards System has always been one of the most effective standards infrastructures in the world, it has become clear in recent years that we need new approaches to effectively respond to the needs of Canadians in a new economy. The emergence of a global marketplace with global standards, the increasingly fluid and fast-paced technological landscape, a growing debate over societal concerns such as food safety, the environment and privacy — all of these trends have made standardization more complex and more critical than ever before.

### **On the international front**

The strategy recognizes that to succeed in a global marketplace, Canada must be a player in the rapidly growing global standardization arena. It therefore sets out strategic thrusts and implementation proposals intended to equip the country to:

- influence the formation and evolution of global standards that are important to Canada;
- improve access to existing and new markets for Canadian goods and services; and
- build competitive advantage through technology and information transfer and global market intelligence.

In short, the Canadian Standards Strategy is intended to focus Canada's standards effort squarely on the country's vital trade sectors and most pressing societal concerns. One of the ways it does so is by challenging traditional approaches to standardization.

For example, much standards development work now goes on within committees that have a specific technical focus. One drawback to this approach is that it may disconnect the standards work from broader industrial and public policy issues, which tend to be dealt with at a sectoral level. The strategy therefore suggests methods for adding a sectoral layer of activity to the current standards system.

The strategy also addresses the fact that international and regional standards activity is expanding more quickly than can be accommodated within current resources, and that a stronger degree of prioritization and analysis is required to effectively manage Canada's participation.

It's no secret that the lion's share of Canadian exports are destined for a handful of countries — with the United States leading the pack. Where appropriate, the strategy emphasizes harmonizing Canada's standards with key trading partners, thus enabling manufacturers to build to a single standard for export to all their key markets.

The strategy also calls for a global accreditation regime, intended to enable companies to perform a single test, certification or registration procedure in order to satisfy authorities in multiple markets. The dual emphasis on standards harmonization and a globalized accreditation regime promises significant trade liberalization benefits.



## On the domestic front

While Canadians now live in a global marketplace, we still work, shop and play in our own, very Canadian communities. The strategy therefore contains a domestic component that will help:

- meet the needs of an evolving regulatory and policy environment;
- represent fully the broadening range of standardization stakeholders; and
- communicate effectively the role and benefits of standardization and conformity assessment practices.

Some of the world's best ideas fail because people simply don't understand them, or worse, don't know about them. The Canadian Standards Strategy calls for a strengthened, partnership-based communications effort that will help Canadians learn about and better manage standardization issues.

The strategy recognizes the need to make standards and conformity assessment a full part of the public policy debate. The use of standards as a regulatory complement can help reduce regulatory burden, conserve public funds, and align Canadian industries with international methods and practices. In this respect, the strategy contains implementation proposals that include the development of new priority-setting processes for standardization in public policy areas, an examination of alternative conformity assessment practices, and support for the *Agreement on Internal Trade*.

The Canadian Standards Strategy goes well beyond economic considerations. Emerging concerns such as genetically modified foods, the electronic marketplace and the aging population have captured the public imagination and have become increasingly prominent standards issues. The strategy points out the significant emphasis placed on societal issues within the Standards Council's mandate, and calls for societal criteria to become a key factor in determining standards effort priorities.

## Strengthening the foundation

The Canadian Standards Strategy sets out an ambitious agenda for the National Standards System. Delivering on this agenda requires significant infrastructure enhancement. This means enhanced support to the 15,000 individuals who contribute their time and expertise to the system. It means new mechanisms and forums to develop sound strategies within the context of a rapidly changing environment. It means new and innovative funding mechanisms. And perhaps most importantly, it means engaging a much broader spectrum of stakeholder groups to effectively forge consensus around the new issues confronting Canadians.

A number of interesting implementation proposals have been advanced to address the need for standards infrastructure renewal, including a new framework for developing national positions on standards issues, establishment of a standards Web portal, implementation of a volunteer program, and an effort to better connect emerging industries to standardization activity.

Over the next year, the Standards Council of Canada and its partners in the National Standards System will begin the challenging task of turning the strategic thrusts and implementation proposals of the Canadian Standards Strategy into reality.

A document containing the complete Canadian Standards Strategy and implementation proposals is available on request from the Standards Council (please see contact information on the inside front cover) or from the Standards Council's Web site at <http://www.scc.ca>.

# Standards development

*National action with an international focus*

**T**he global marketplace, and the international standards that support it, are the key to Canada's future prosperity and well-being. Not only do standards provide the common ground that makes international trade possible, they are also becoming an important means of addressing societal issues. To prosper, Canada must be a leader in both the development and the application of international standards.

Through the Standards Council, Canada has played a leadership role in two of the world's foremost standards development bodies: the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC).

In 1999-2000, Canadians held positions in influential management bodies that set the priorities for ISO and IEC, including ISO's Council and Technical Management Board and IEC's Council Board, Conformity Assessment Board and Committee of Action.

Canadians also maintained a high profile in these bodies' policy development committees and in the technical committees that develop international standards. For example, the Canadian chairs of ISO's technical committees on quality management (TC 176) and environmental management (TC 207) are leading the current effort to revise the ISO 9000 series of quality management standards and the ISO 14000 series of environmental management standards. Canada also plays a leading role in new technical committees and working groups

dealing with emerging technological issues, including climate change, hydrogen energy technology, the measurement of human exposure to electric and magnetic fields, and electronic commerce.

Canada's leadership is evident in the incorporation of Canadian standards and technology into international standards. For example, a Canadian-developed system for more easily anchoring child restraints in automobiles is the basis of the new ISOFIX system recently adopted by ISO and now being implemented by manufacturers.

Canada's important role in these international forums is due to the efforts of some 3,000 Canadians who actively participate in the work of over 400 international technical committees, sub-committees and working groups. In 1999-2000, the Standards Council undertook a number of initiatives to nurture, expand and enhance this important resource.

One of these was the Canadian Forum for International Standardization (C-FIST '99), which took place in November 1999 in Cornwall, Ontario. This three-day event brought together about 140 participants to discuss current changes in standardization affecting Canadian participation at the national, regional and international levels. The sessions provided participants with an opportunity to discuss critical issues and learn from prominent speakers in industry, government and standardization.

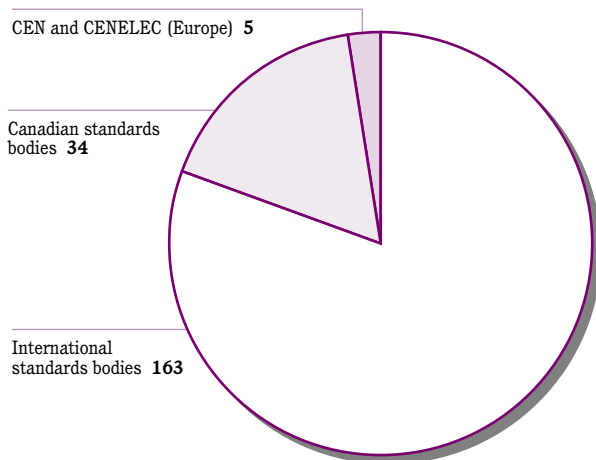
Another was the recognition of outstanding contributions to standardization through the presentation of the 1998 and 1999 Jean P. Carrière Awards to R. Conrad Maheux and John E. Kean respectively. The Carrière Award recognizes distinguished service to national and international standardization, and is named in honour of the late Brigadier-General Jean P. Carrière, the President of the Standards Council from October 1971 to December 1977. Sadly, Mr. Maheux passed away a few months later, but the award has helped to ensure that his lifelong contribution to standardization in Canada will be remembered for years to come.

The Standards Council is providing standards development participants with the tools they need to contribute effectively, including Web-based electronic standards development forums. These forums enable committee members to review and comment on draft standards and other documents electronically, increasing the efficiency of the

### **National standards with an international flavour**

The alignment of Canadian standards with international ones helps Canadian manufacturers to sell their products in the global market and increases choices for Canadian consumers. Of the 202 National Standards of Canada approved by the Standards Council in 1999-2000, 168 (83%) were adopted from or based on regional or international standards.

**Number of standards**



process and significantly reducing the time, effort and investment required to take part. They are used at both the national and international levels. For example, international working groups and task groups under ISO's TC 176 have used these electronic forums to develop and finalize the Year 2000 revisions of the ISO 9000 series.

In addition to coordinating Canadian input into international standards forums, the Standards Council is charged with overseeing the effective implementation of international standards in Canada. Two of the most influential series of international standards are ISO 9000 and ISO 14000. In 1999-2000, the Standards Council, with funding from Industry Canada, oversaw the analysis of a major national survey of Canadian experiences with ISO 9000 and ISO 14000. The results of the survey, the broadest and most representative ever conducted in this country, are to be published in 2000.

Even standards activities at the national level are taking on an international flavour. The creation of Nunavut in April 1999 meant that various government departments and Crown corporations required a standard code for identifying the new territory. While the new code would be mainly for use inside Canada, it also had international implications. The Standards Council therefore recommended that the new code should conform to an ISO standard for country and country subdivision codes. In May 1999, the Standards Council convened a meeting of interested parties, who settled on "NU" as the new code. This decision was then reported to the international maintenance agency responsible for keeping track of country codes.

Canada's national standards are becoming increasingly aligned with foreign and international standards, ensuring that Canadian industry is positioned to develop products that succeed in global markets. In 1999-2000, 168 of the 202 National Standards of Canada approved by the Standards Council were adopted from or based on regional or international standards.

Reflecting this trend, Canada's work on national, regional and international standards is becoming more closely aligned. During the year, the Standards Council's Canadian National Committee of IEC and CSA International prepared a plan to integrate the committees that develop Canadian electrical standards with those that provide Canadian input to IEC. The integration is expected to begin in 2000-2001.

Access to foreign markets was an underlying theme in most national standards development and implementation work during the year. For example, by providing a consistent national definition for "organic agriculture", a new National Standard of Canada on the subject will help Canadian growers and exporters to qualify for recognition under European Union regulations for organic products. The requirements of a National Standard of Canada on the protection of personal information are an important element of proposed new federal privacy legislation (Bill C-6, passed by the House of Commons and before the Senate at the time this Annual Report was written). The passage of these provisions into law will help Canadian businesses to offer their services to clients in countries with similar privacy-protection requirements.

The future course of standards development work at both the national and international levels will be significantly affected by the launch at year-end of the Canadian Standards Strategy. The strategy reinforces the importance of international standards to Canada, and calls for a focused and prioritized international standards effort. It calls for the development of mechanisms to guide standardization activities in emerging social and economic areas, and to increase responsiveness, participation and partnerships in standardization.

### **An international leader**

Canada plays an influential role in international standardization. In addition to providing chairs and secretaries for the technical committees listed below, Canadians lead over 100 subcommittees and working groups of the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC) and their Joint Technical Committee on Information Technology (ISO/IEC JTC 1).

As this table shows, Canada focuses its leadership efforts in areas related to Canadian trade priorities such as natural resource industries, ISO 9000 and 14000, and new technologies.

| Technical committee  | Canadian chair | Canadian secretary |
|--|----------------|--------------------|
| <b>ISO</b>   |                |                    |
| Paper, Board and Pulps (TC 6)  | •              | •                  |
| Dentistry (TC 106)   | •              |                    |
| Nickel and Nickel Alloys (TC 155)  | •              | •                  |
| Timber Structures (TC 165)   | •              | •                  |
| Quality Management and Quality Assurance (TC 176)  | •              | •                  |
| Animal (Mammal) Traps (TC 191)   | •              | •                  |
| Hydrogen Technologies (TC 197)   | •              | •                  |
| Environmental Management (TC 207)  | •              | •                  |
| Geosynthetics (TC 221)   | •              |                    |
| <b>IEC</b>   |                |                    |
| Hydraulic Turbines (TC 4)  | •              | •                  |
| Overhead Electrical Conductors (TC 7)  | •              |                    |
| High-Voltage Testing Techniques (TC 42)  |                | •                  |
| Tools for Live Working (TC 78)   |                | •                  |
| Fire Hazard Testing (TC 89)  |                | •                  |
| Electrical Insulation Systems (TC 98)  | •              |                    |
| Fuel Cell Technologies (TC 105)  |                | •                  |
| Testing Instrumentation and Methods for Measuring Electric and Magnetic Fields Associated With Human Exposure (TC 106) |                | •                  |

# Conformity assessment

*Building confidence, in Canada and abroad*

**C**onfidence — the buyer's confidence in the seller, and the seller's in the buyer — is an essential element in any marketplace. It's especially important to a global marketplace in which the parties involved may be half a world apart, and where the consequences of a sale may affect many more people than just the buyer and seller.

International standards help to provide that confidence — the assurance that components will work together, that a product won't harm its user, that the manufacturer can effectively manage the effect of its activities on the environment, or that a service will be delivered in a consistent fashion. By independently verifying that goods, services or systems conform to those standards, third-party conformity assessment provides further confidence. And by verifying the capabilities of organizations that provide conformity assessment services, accreditation programs such as those operated by the Standards Council of Canada foster greater confidence still.

The Standards Council operates accreditation programs for organizations involved in testing, calibration, certification, registration of ISO 9000 quality and ISO 14000 environmental management systems, auditor training, and auditor certification. By the end of 1999-2000, the Standards Council had accredited some 287 such organizations.

Of all these programs, laboratory accreditation is the largest, with 243 facilities accredited by the end of 1999-2000.

The Standards Council's laboratory accreditation program responds to Canada's trade priorities and societal concerns by offering accreditation in a variety of program specialty areas. Several of these carried out their first accreditations during the year, including specialty areas for:

- **forensics**, which covers such areas of forensic science as DNA testing, toxicology, chemical and trace evidence analysis, and questioned document, firearms and tool marks examination;
- **information technology security evaluation and testing**, which covers security-related hardware and software;
- **recognition of good laboratory practices (GLP)**, based on guidelines developed by the Organization for Economic Cooperation and Development (OECD); and
- **research test method development and evaluation**, which covers the development of non-routine testing methods.

The Standards Council undertook a number of initiatives intended to make its laboratory accreditation program more efficient and more responsive to customer needs. During the year, more than 100 people received training as technical assessors. This increased the pool of experts available to perform assessments, reducing waiting time for laboratories seeking accreditation.

Efforts to balance the cost of delivering services and the fees charged to clients continued, with recovery of direct and indirect costs reaching approximately 80 per cent during the year. The program is expected to achieve full cost recovery during the next fiscal year.

One of the most important advantages of accreditation is that it can permit international recognition of accredited labs' testing results. This allows both labs and their clients to offer goods and services to customers around the world. During 1999-2000, the Standards Council took a number of steps that are intended to increase the acceptance of Canadian lab results in the years to come.

One of these was the adoption of ISO/IEC 17025, an international standard for laboratory accreditation, as the basis of its program, replacing ISO/IEC Guide 25. The Standards Council is also moving from a four-year reassessment cycle to a two-year cycle. The more frequent reassessments will ensure greater confidence in test results, and are also in line with international requirements. Finally, the Standards Council is in the process of becoming a signatory to a mutual recognition agreement developed by the Asia Pacific Laboratory Accreditation Co-operation (APLAC), a move which will provide Canadians with easier access to this growing market.

International recognition is also an important element of the Standards Council's accreditation programs for the ISO 9000 series of quality management systems (QMS) standards and ISO 14000 environmental management systems (EMS) standards.

In 1999-2000, the Standards Council conducted the first accreditation under its program for EMS auditor certification organizations. The assessment of the first applicant for accreditation under the QMS auditor certification organization program was underway at year-end.

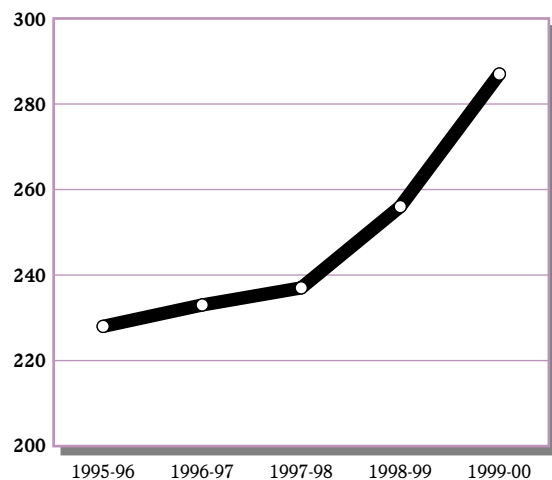
A number of industries have developed sector-specific applications of ISO 9000 and ISO 14000. These are generally based on the ISO standards, with additional requirements that meet the needs of a given industry. The Standards Council is involved in several of these sectoral initiatives in order to ensure that its accredited registrars will be able to offer a full range of registration services to their clients.

During 1999-2000, the Standards Council took part in a pilot program to accredit QMS registrars to provide registration under TL 9000, a sector-specific application of ISO 9000 developed by the telecommunications industry. By year-end, one registrar had been accredited under this program.

### *A growing resource*

A growing number of Standards Council accredited conformity assessment organizations enables Canadian industry to demonstrate its conformity to standards to clients and regulators in Canada and internationally.

Number of accredited organizations at year-end



The Standards Council also worked with Health Canada to finalize an extension of its ISO 9000 registrar accreditation program that will enable medical device manufacturers to comply with new federal regulations. These regulations will require certain devices to be produced under a registered quality system that conforms to ISO 13485 or ISO 13488, two standards providing specific guidance for the application of ISO 9000 to this industry.

On the environmental side, the Standards Council launched a new accreditation initiative intended to contribute to sustainable forest management (SFM). Under this initiative, the Standards Council will accredit EMS registrars to register forest companies that conform to CSA International's National Standard of Canada for forest management. The standard describes requirements for an ISO 14000-style SFM system.

The Standards Council's role in the accreditation of product certification organizations came under media scrutiny during 1999-2000. A nationally televised public affairs program reported that it had tested 11 smoke alarms, and had found that some of them failed to meet the requirements of the applicable National Standard of Canada.

Subsequent retesting, conducted in the presence of Health Canada, the Standards Council and a number of fire and health officials, found that a representative sample of smoke alarms did meet the requirements of the standard. The incident reconfirmed the effectiveness of the National Standards System in protecting the health and safety of Canadians, and the system's responsiveness to public concerns.

# Intergovernmental affairs and trade

*Helping governments and exporters to use standards effectively*

Standards and conformity assessment systems are becoming increasingly important elements in government initiatives in areas such as trade and regulation. Trade agreements at the global, regional and binational levels now routinely include provisions on the harmonization of standards and conformity assessment procedures. Regulatory reform initiatives often incorporate standards as an alternative to traditional regulation and enforcement mechanisms.

To provide a coordinated and comprehensive approach to this growing challenge, the Standards Council in 1999-2000 established a new Intergovernmental Affairs and Trade Branch. The new Branch deals with standards issues related to intergovernmental affairs and trade, information and research, and policy. It also works closely with Industry Canada and the Department of Foreign Affairs and International Trade to develop coordinated positions on standards-related issues in trade initiatives.

Standards can facilitate international trade by providing trading partners with the tools to reconcile differences in their product safety regimes. For example, standards provide the basis for mutual recognition agreements (MRAs), in which participating jurisdictions agree to accept the results of testing or certification procedures performed by recognized foreign conformity assessment bodies.

In 1999-2000, the Standards Council undertook the implementation of the electrical safety annex of an MRA between Canada and the European Union. Canada has also signed a similar agreement with Switzerland, and is expected to sign a third with the European Free Trade Association (EFTA) in 2000.

The Standards Council has provided Canadian conformity assessment bodies with assistance in meeting the electrical safety requirements of all of these MRAs. This has included chairing implementation committees, hosting information seminars, working with regulatory authorities, and providing interpretation and clarification of the agreements.

Besides taking part in the implementation of government-to-government agreements, the Standards Council participates directly in agreements with foreign accreditation bodies. For example, during 1999-2000, the Standards Council began exploring the possibility of an MRA with the European Cooperation for Accreditation (EA).

The Standards Council also plays a key role in a number of international and regional forums that have developed or are in the process of developing such agreements. These forums include the International Accreditation Forum (IAF), the International Laboratory Accreditation Cooperation (ILAC), the Pacific Accreditation Cooperation (PAC), the Asia Pacific Laboratory Accreditation Cooperation (APLAC), the North American Calibration Cooperation (NACC) and the



International Auditor Training and Certification Association (IATCA).

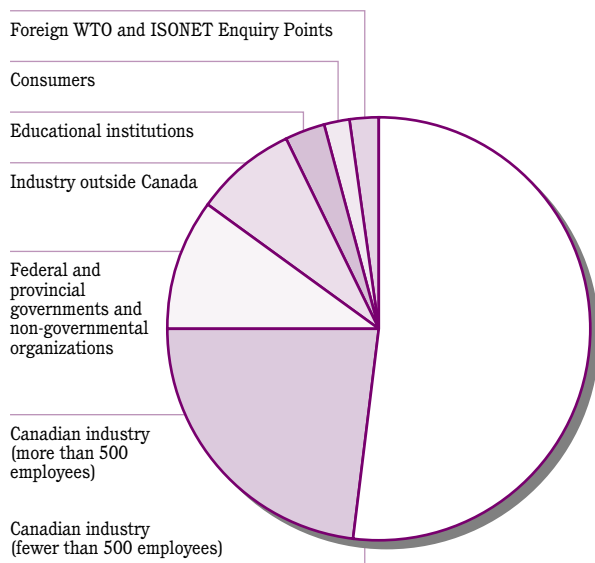
In addition to being a member of these bodies, the Standards Council is an influential leader and facilitator for their activities. In July 1999, the Standards Council hosted a PAC plenary meeting in Vancouver. PAC's vice-chair is a Standards Council staff member.

The ultimate goal of such agreements is the development of a single, globally recognized conformity assessment regime, usually described as "one standard, one test, one mark". Such a regime is already being put into effect in one industry in the form of IECEx, an international certification system for electrical equipment for use in explosive atmospheres. A Canadian is the vice-chair of IECEx, making Canada, through the Standards Council, both a participant and a leader in the scheme.

### Information, please

Canadian industry is the heaviest user of the Standards Council's Information and Research Service. Three-quarters of the information and research enquiries received in 1999-2000 were from this sector.

#### Source of enquiry



In another example of international leadership, the Standards Council organized an international workshop on privacy in conjunction with the 21<sup>st</sup> annual international meeting of data protection and privacy commissioners, which took place in Hong Kong in September 1999. The workshop was intended to explore the possibilities for and implications of an international standard for the use and protection of personal data. It is expected that much of the future work in this area will take place in Europe, where the European Committee for Standardization (CEN) is pursuing a standard to help implement a European directive on the protection of personal information. Through the active work of the Standards Council in this area, all ISO member bodies are now being encouraged to participate in CEN's work.

The Standards Council also adopted a more active role in the International Organization for Standardization's Committee on Developing Country Matters (ISO/DEVCO). By supporting the participation of developing countries in international standardization, Canada will help these countries to meet their international trade obligations and build long-term relationships that will open up new markets for Canadian exports.

In order to take advantage of these and other standards-related enhancements to international trade, Canadian exporters must have access to information on foreign standards and conformity assessment regimes. The Standards Council provides this through its Information and Research Service and its WTO/NAFTA Enquiry Point.

The Information and Research Service houses Canada's most comprehensive standards reference centre. The service is in the process of moving from a paper-based collection to an electronic one, ensuring faster, easier access and more up-to-date information. Approximately 40 per cent of the collection was transferred to electronic formats during the course of the year.

The service's customers are moving in a similar direction. The number of enquiries received by electronic means (e-mail or messages relayed from

the Standards Council's Web site) increased by 78 per cent in 1999-2000 over the previous fiscal year.

The Web site itself has become an important standards information resource for Canadians. Usage nearly doubled over the course of the year, and by the end of the year, the number of "hits" (file requests) per month exceeded half a million. A major redesign of the Web site, underway at the end of the fiscal year, is expected to increase its user-friendliness and appeal.

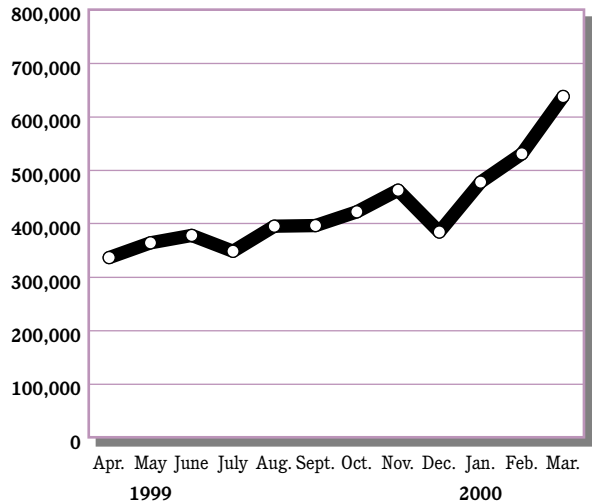
The Internet has become a key component of another information offering, the WTO/NAFTA Enquiry Point. Through its *Export Alert!* service, the Enquiry Point automatically issues an e-mail alert to subscribers whenever foreign governments are proposing changes to their technical requirements. Since its launch in February 1999, *Export Alert!* has enlisted over 700 subscribers. The service has also led to a significant increase in the number of requests for more detailed information on proposed changes. Over 900 such enquiries were received in 1999-2000, a threefold increase from the previous year.

Similar Alert! services in other areas are now being considered.

### ***A site to behold***

The number of "hits" (file requests) per month to the Standards Council's Web site (<http://www.scc.ca>) nearly doubled during 1999-2000.

**Total number of hits**



# Assessing our performance

## *Report on the Strategic Plan*

**C**ommitted to excellence and to Canada's goal of enhancing competitiveness and social well-being, we will provide leadership in national and international standardization, through effective relationships, strategic action and quality of service.

As the Standards Council moves into the 2000-2001 fiscal year, it nears the end of an ambitious planning cycle captured in its *Strategic Plan 1998-2001* (available on the Standards Council's Web site at <http://www.scc.ca>). Following is a brief summary of progress made against the specific objectives set out in the plan.

### Committed to excellence

As reported below, the Standards Council established **excellence indicators and targets** in areas such as customer relations, human resources, financial targets, media effectiveness and international participation. Reporting on performance will take place semi-annually.

### Providing leadership in standardization

The Standards Council launched the **Canadian Standards Strategy** and accompanying implementation proposals on March 29, 2000. The document provides guidance on standardization measures and priorities to Canadian governments, industry and consumers that will enhance Canadian competitiveness and promote Canada's social and economic well-being in the global economy.

**Collaboration among federal, provincial and territorial governments in standards matters** has been enhanced through the Provincial-Territorial Advisory Committee (PTAC). The Standards Council also participated in the federal Interdepartmental Standards Committee and the

Industry Portfolio Office, and has renewed its commitment to build strong relationships with Industry Canada and the Department of Foreign Affairs and International Trade.

In 1999-2000 the Standards Council led a major research study into **alternative funding strategies for international standardization work** and will carry this research forward with stakeholder consultations in the coming year. Similarly, it has begun a strategic review of **international and regional forums and mutual recognition agreements (MRAs)** with the support of PTAC.

### Effective relationships

1999-2000 saw a major review of the Standards Council's Advisory Committee structure, with the primary objective of **determining the needs and levels of participation of non-governmental organizations (NGOs), industry and government**. This effort will continue with an emphasis on sectoral input to the Standards Council's stewardship of the National Standards System (NSS).

Since participants from industry, government and NGOs are the core of the NSS, the Standards Council has established a comprehensive support program that will **identify satisfaction ratings of participants and set annual targets for improvement**.

Within the Standards Council, a strong human resource support focus includes **an action plan in response to periodic employee surveys** and the continuing operation of a Staff Relations Committee.

### Strategic action

The Standards Council has established processes to **review operations and the Strategic Plan** on

an annual basis and continues to take steps to **identify and allocate the resources to meet the objectives of the Strategic Plan**. The fiscal environment changed in 1999-2000 with the ending of the federal government's Standards Initiatives Program.

The Standards Council's **ability to identify and respond to key issues and challenges in a strategic, proactive manner** was enhanced in 1999-2000 by the establishment of an Intergovernmental Affairs and Trade Branch that will take on a number of strategic policy challenges.

The Standards Council's role as an information source for the NSS continues to be enhanced through the development of the **Standards Information Service of Canada (SISC)**, made available through the Internet at <http://www.scc.ca>.

Both the reorganization and the review of international participation have contributed to efforts to **determine the appropriate numbers and levels of participation in strategic committees**. The **identification, orientation and recognition plan**, as mentioned above, has been put in place to support this participation.

The positioning of the Standards Council as the leader of standardization in Canada was enhanced by the launch of the Canadian Standards Strategy. This role has been further strengthened by substantive plans to implement a system for information gathering and analysis and intelligence dissemination using the Web as a primary vehicle, and by the above-mentioned **evaluation of the effectiveness of all Council Advisory Committees**.

## Quality of service

The Standards Council continues to measure its overall performance through **customer satisfaction ratings** and surveys, and in 1999-2000 neared the completion of its movement towards **ISO 9001 registration/recognition**.

In 1999-2000 the Standards Council began the implementation of new planning and performance

measurement systems at the individual, business unit, Advisory Committee and Council levels.

As mentioned above, the Standards Council has moved to a **human resource** performance measurement and incentive program. This system will be linked to a new **Business Plan** approach, used at the divisional/operational unit level, to merge budget and strategic planning cycles with end-of-year performance reviews. In similar fashion, the Council's **Advisory Committees** began in 1999-2000 to establish and submit business plans to Council itself, to set objectives and assist in measuring performance.

Finally, in 1999-2000, the Standards Council established six critical performance indicators covering major areas of operation. While these will be refined as time goes on, mid-year progress (year-end figures were not available at the time of publication) was as follows:

- **Customer satisfaction rating**, with a target of 3.25 on a scale of 1 – 5, has been delayed until a new customer survey can be launched.
- **Customer response and media effectiveness**, as measured by Web site page requests, customer contacts and media contacts handled, exceeded targets by more than 35 per cent.
- **Staff stability**, measured as turnover rate and job vacancy time, met or exceeded targets in turnover rate, and exceeded targets in vacancy time by 50 per cent.
- **Canadian participation** in international standards development committees, as measured by total membership, number of delegates and number of subcommittees chaired by Canadians, met or exceeded targets.
- Under **QMS Registrar Accreditation**, the targets chosen were in compliance with national and international standards and levels of surveillance activity. These targets were met.
- The targets for the **Certification and Testing Organization** programs were based on revenue targets (20 per cent short of target at mid-year) and accreditation time (on target).

# Structure

The Standards Council of Canada is a Crown corporation reporting to Parliament through the Minister of Industry.

## Our mandate

The mandate of the Standards Council is to promote efficient and effective voluntary standardization in Canada, where standardization is not expressly provided for by law and, in particular, to

- a) promote the participation of Canadians in voluntary standards activities,
- b) promote public-private sector co-operation in relation to voluntary standardization in Canada,
- c) coordinate and oversee the efforts of the persons and organizations involved in the National Standards System,
- d) foster quality, performance and technological innovation in Canadian goods and services through standards-related activities, and
- e) develop standards-related strategies and long-term objectives,

in order to advance the national economy, support sustainable development, benefit the health, safety and welfare of workers and the public, assist and protect consumers, facilitate domestic and international trade, and further international co-operation in relation to standardization.

*Standards Council of Canada Act (1996, c. 24)*

## Council

The organization's governing Council consists of a Chair, a Vice-Chair, one member each from the federal government and Council's Standards Development Organizations Advisory Committee (SDOAC), two from Council's Provincial-Territorial Advisory Committee (PTAC) and nine others from the private sector, including non-governmental organizations (NGOs). Both PTAC and SDOAC are established in the *Standards Council of Canada Act*.

Other advisory committees have been created by Council to assist in such matters as standards development, conformity assessment, trade and consumers and the public interest.

## Council members, 1999-2000

- **Chair: Linda Lusby** Associate Professor of Environmental Science, Acadia University
- **Vice-Chair: Hugh Krentz** President, Canadian Institute of Steel Construction (appointed March 2000)

### Members:

- **Alan Downe** Chair, Provincial/Territorial Advisory Committee, Executive Director, Regulatory Reform Secretariat, Government of the Northwest Territories
- **Philippe Fontaine** Vice-Chair, Provincial/Territorial Advisory Committee
- **Hans Konow** President and CEO, Canadian Electricity Association
- **Phil Saunders** Vice-President, Commercial Relations, Nortel Networks Corporation
- **Irene Seiferling** Past Chair, Consumers' Association of Canada
- **Andrei Sulzenko** Assistant Deputy Minister, Industry and Science Policy, Industry Canada
- **Stephen Van Houten** Executive Vice-President and CEO, Toronto Real Estate Board

*The following Council members' terms ended in 1999-2000:*

- **André Fleury** International Representative, International Brotherhood of Boilermakers
- **Lise Lachapelle** President and CEO, Canadian Pulp and Paper Association
- **Marcia Schaefer** President, ARIIS Image & Information Systems Inc.
- **Heather Shannon** Vice-President, McLean Budden
- **John Kean** Special Advisor, CSA International

*The following new members were appointed to Council in 1999-2000:*

- **Jacques Girard** Director of Standardization and Certification, Bureau de normalisation du Québec (BNQ)
- **Suzanne Morin** Senior Counsel, Regulatory Law, Bell Canada
- **James Reichert** President and CEO, Science Council of British Columbia
- **Céline Trépanier** President, Export Concept
- **Caroline Vallée** Manager, Performance Improvement, KPMG Management Consulting
- **Yuen Pau Woo** Vice-President Research and Chief Economist, Asia Pacific Foundation of Canada

## Staff

The strategies and policies established by Council are implemented by a staff of approximately 70, located in the corporate offices in Ottawa. The staff is organized into branches and divisions with specific program responsibilities, as illustrated in the organizational chart below.

### Staff Directors

- **Peter Clark** Executive Director
- **Kevin McKinley** Director, Standards
- **Elva Nilsen** Director, Intergovernmental Affairs and Trade
- **Rick Parsons** Treasurer and Director, Administration

- **Dr. Jack Perrow** Director, Standards (retired September 1999)
- **Andrew Shepherd** Corporate Secretary and Director, Corporate Services (Acting)
- **Sandra Watson** Corporate Secretary and Director, Corporate Services
- **Don Wilson** Director, Conformity Assessment

## Corporate governance statement

In 1999-2000 the Council, with the participation of the Corporate Governance Committee, directed the restructuring of the Advisory Committees. New mandates, Terms of Reference and balanced membership matrices were created to ensure that the committees will provide timely and comprehensive guidance to Council on all relevant issues. The new structure will undergo an effectiveness review in the coming year.

As part of its formal oversight responsibilities, the Council participated in a training and consulting session on Corporate Governance sponsored by the Conference Board of Canada. Council also developed and submitted a formal response to the Special Examination of the Auditor General.

Other areas of focus included the responsibilities and duties of the Chair and Executive Director, corporate communications policies and staff performance assessment approaches.

Standards Council of Canada



## Report of Management's Responsibility

The Honourable John Manley, P.C., M.P.

Minister of Industry

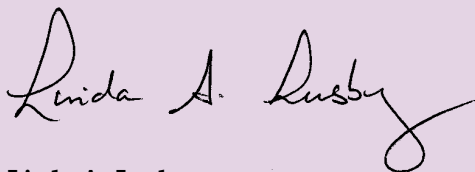
Mr. Minister,

The accompanying financial statements and all information in the Annual Report are the responsibility of the Council and its officers. The financial statements were prepared by management in conformity with generally accepted accounting principles appropriate to Council's operations. The non-financial information provided in the Annual Report has been selected on the basis of its relevance to Council's objectives.

Council maintains a system of financial and management controls and procedures designed to provide reasonable assurance that the transactions undertaken by the Council are appropriately authorized, that assets are safeguarded and that financial records are properly maintained to provide reliable financial statements. These controls and procedures are also designed to provide reasonable assurance that transactions are in accordance with the Council's objectives and within its mandate as stated in the *Standards Council of Canada Act*.

The Auditor General annually provides an independent, objective review of the financial records to determine if the financial statements report fairly the operating results and financial position of the Council in accordance with generally accepted accounting principles.

Council, through its Audit Committee, is responsible for reviewing management's financial and reporting practices in order to satisfy itself that these responsibilities are properly discharged by management. The Audit Committee, comprised solely of Council members, meets with management and the Auditor General to review the annual financial statements and reports on them to the Council.



**Linda A. Lusby**  
Chair, Standards Council of Canada

May 5, 2000

## Auditor's Report

To the Minister of Industry

I have audited the balance sheet of the Standards Council of Canada as at March 31, 2000 and the statements of operations and equity of Canada and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2000 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Council that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Standards Council of Canada Act* and the by-laws of the Council.



**Richard Flageole, FCA**  
Assistant Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
May 5, 2000

## BALANCE SHEET

|  | <u>As at March 31</u> |                     |
|--|-----------------------|---------------------|
|  | <u>2000</u>           | <u>1999</u>         |
| <b><u>ASSETS</u></b>                                   |                       |                     |
| <b>Current</b>   |                       |                     |
| Cash   | \$ 719,673            | \$ 569,941          |
| Accounts receivable:                                   |                       |                     |
| Federal government departments and agencies            | 1,036,173             | 573,597             |
| Other  | 1,071,647             | 1,276,385           |
| Parliamentary appropriation receivable                 | 47,000                | 54,000              |
| Prepaid expenses                                       | <u>327,259</u>        | <u>359,567</u>      |
|  | 3,201,752             | 2,833,490           |
| <b>Capital assets (Note 3)</b>                         | <u>613,165</u>        | <u>828,756</u>      |
|  | <u>\$ 3,814,917</u>   | <u>\$ 3,662,246</u> |
| <b><u>LIABILITIES</u></b>                              |                       |                     |
| <b>Current</b>   |                       |                     |
| Accounts payable and accrued liabilities               | \$ 916,439            | \$ 649,543          |
| Accrued employee entitlements                          | 74,605                | 96,340              |
| Deferred accreditation fees                            | <u>573,085</u>        | <u>467,596</u>      |
|  | 1,564,129             | 1,213,479           |
| <b>Long term</b>                                       |                       |                     |
| Deferred revenue related<br>to capital assets (Note 4) | 314,405               | 529,026             |
| Deferred government funding (Note 5)                   | <u>298,760</u>        | <u>299,730</u>      |
|  | 2,177,294             | 2,042,235           |
| <b><u>EQUITY OF CANADA</u></b>                         |                       |                     |
| Equity of Canada                                       | <u>1,637,623</u>      | <u>1,620,011</u>    |
|  | <u>\$ 3,814,917</u>   | <u>\$ 3,662,246</u> |

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

Approved by the Council:

  
Linda A. Rusby  
The Chair

  
Executive Director



## STATEMENT OF OPERATIONS AND EQUITY OF CANADA

For the year ended March 31

|   | <u>2000</u>         | <u>1999</u>         |
|---|---------------------|---------------------|
| <b>Revenue</b>  |                     |                     |
| Accreditation fees                                    | \$ 2,751,778        | \$ 2,337,497        |
| Standards Initiatives Program funding                 | 1,449,335           | 635,902             |
| Royalties from sales of standards (Note 7)            | 530,107             | 533,060             |
| WTO/NAFTA Enquiry Point                               | 304,027             | 296,864             |
| Other   | 121,956             | 107,319             |
|   | <u>5,157,203</u>    | <u>3,910,642</u>    |
| <b>Expenses</b>                                       |                     |                     |
| Salaries and employee benefits                        | 3,737,445           | 3,949,943           |
| Professional and special services                     | 1,843,372           | 954,148             |
| Travel  | 1,380,879           | 839,781             |
| Memberships in international organizations            | 1,062,170           | 1,203,341           |
| Office accommodation                                  | 828,911             | 764,491             |
| Publications and printing                             | 457,278             | 313,284             |
| Amortization of capital assets                        | 412,667             | 360,460             |
| Telecommunications and postage                        | 191,071             | 243,873             |
| Meetings  | 135,108             | 74,962              |
| Office supplies                                       | 101,945             | 80,466              |
| Public relations                                      | 87,630              | 83,711              |
| Rental of office equipment                            | 48,111              | 50,675              |
| Other   | 183,974             | 141,482             |
|   | <u>10,470,561</u>   | <u>9,060,617</u>    |
| <b>Net loss before government funding</b>             | <u>(5,313,358)</u>  | <u>(5,149,975)</u>  |
| <b>Government funding</b>                             |                     |                     |
| Parliamentary appropriation<br>for operating expenses | 5,132,924           | 4,938,161           |
| Amortization of deferred government funding           | 198,046             | 169,073             |
|   | <u>5,330,970</u>    | <u>5,107,234</u>    |
| <b>Net Income (Loss)</b>                              | <b>17,612</b>       | <b>(42,741)</b>     |
| Equity of Canada at the beginning of the year         | <u>1,620,011</u>    | <u>1,662,752</u>    |
| <b>Equity of Canada at the end of the year</b>        | <u>\$ 1,637,623</u> | <u>\$ 1,620,011</u> |

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

## STATEMENT OF CASH FLOWS

For the year ended March 31

|  | <u>2000</u>       | <u>1999</u>       |
|--|-------------------|-------------------|
| <b><u>Operating activities</u></b>                                   |                   |                   |
| Net Income (Loss)  | \$ 17,612         | \$ (42,741)       |
| Adjustment for non-cash items  |                   |                   |
| Amortization of capital assets                                       | 412,667           | 360,460           |
| Amortization of deferred revenue<br>related to capital assets        | (214,621)         | (191,387)         |
| Amortization of deferred government funding                          | (198,046)         | (169,073)         |
|  | <u>17,612</u>     | <u>(42,741)</u>   |
| Changes in current liabilities and current<br>assets other than cash | <u>132,120</u>    | <u>(146,971)</u>  |
| Cash flows from operating activities                                 | <u>149,732</u>    | <u>(189,712)</u>  |
| <b><u>Investing activities</u></b>                                   |                   |                   |
| Additions to capital assets  | <u>(197,076)</u>  | <u>(236,832)</u>  |
| <b><u>Financing activities</u></b>                                   |                   |                   |
| Funding for acquisition of capital assets                            |                   |                   |
| Parliamentary appropriation  | 197,076           | 65,839            |
| Standards Initiatives Program  | —                 | 170,993           |
|  | <u>197,076</u>    | <u>236,832</u>    |
| Increase (decrease) in cash during the year                          | <u>149,732</u>    | <u>(189,712)</u>  |
| Cash at the beginning of the year                                    | <u>569,941</u>    | <u>759,653</u>    |
| Cash at the end of the year  | <u>\$ 719,673</u> | <u>\$ 569,941</u> |

*The accompanying notes form an integral part of these financial statements.*

# Notes to Financial Statements, March 31, 2000

## 1. AUTHORITY, OBJECTS, AND PROGRAMS

The Standards Council of Canada was created by Parliament as a corporation under the *Standards Council of Canada Act* in 1970 (revised, 1996) to be the national coordinating body for voluntary standardization. The Council is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

The mandate of the Council is to promote voluntary standardization in Canada, where standardization is not expressly provided for by law, in order to advance the national economy, support sustainable development, benefit the health, safety and welfare of workers and the public, assist and protect consumers, facilitate domestic and international trade, and further international co-operation in relation to standardization.

In carrying out its mandate, the Standards Council performs the following activities:

- Accrediting organizations engaged in standards development and conformity assessment;
- representing Canada's interests regionally and internationally through membership in the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), the Pacific Area Standards Congress, the Pan American Standards Commission, the International Laboratory Accreditation Cooperation, the Pacific Accreditation Cooperation, the Inter-American Accreditation Cooperation and the International Accreditation Forum;
- overseeing and coordinating Canada's participation in international standardization work;
- approving National Standards of Canada;
- providing advice and assistance to the Government of Canada in the negotiation of standards-related aspects of international trade and mutual recognition agreements;
- working with international and foreign standards bodies to develop standardization agreements that facilitate trade;
- fostering and promoting an understanding of the benefits and usage of standards and conformity assessment;
- collecting and distributing information on standards activities; and
- operating Canada's North American Free Trade Agreement and World Trade Organization enquiry points on behalf of the federal government.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over the estimated useful life of the assets as follows:

|                        |                   |
|------------------------|-------------------|
| Furniture              | 5 years           |
| Equipment              | 4 years           |
| Leasehold improvements | term of the lease |

### (b) Accrued employee entitlements

Accrued employee entitlements include salaries, vacation pay, and other benefits.

### (c) Revenues

Revenues from royalties from sales of standards, accreditation fees, and Standards Initiatives Program funding are recorded on an accrual basis in the year in which they are earned.

Recoveries of expenses in respect of an agreement for the operation of the World Trade Organization/North American Free Trade Agreement (WTO/NAFTA) Enquiry Point are recognized as revenue at the time the related expenses are incurred.

#### (d) Parliamentary appropriations

The Government of Canada provides funding to the Council. The portion of the parliamentary appropriation used to purchase depreciable capital assets is recorded as deferred government funding and amortized on the same basis and over the same periods as the related capital assets. The portion of the appropriation related to operations is recorded in the statement of operations in the year for which it was approved.

#### (e) Pension plan

Employees participate in the Public Service Superannuation Plan administered by the Government of Canada. The Council's contributions to the plan are limited to matching the employee's contributions for current service. These contributions are expensed during the year in which services are rendered and represent the total pension obligations of the Council.

### 3. CAPITAL ASSETS

|                        | 2000                |                          | 1999              |
|------------------------|---------------------|--------------------------|-------------------|
|                        | Cost                | Accumulated amortization | Net book value    |
| Furniture              | \$ 262,663          | \$ 259,516               | \$ 3,147          |
| Equipment              | 2,263,251           | 1,659,943                | 603,308           |
| Leasehold improvements | 160,910             | 154,200                  | 6,710             |
|                        | <u>\$ 2,686,824</u> | <u>\$ 2,073,659</u>      | <u>\$ 613,165</u> |
|                        |                     |                          | <u>\$ 828,756</u> |

### 4. DEFERRED REVENUE RELATED TO CAPITAL ASSETS

For the period 1996-2000, the Council was awarded various contracts under the Industry Canada Standards Initiatives Program. Some of the contracts required the acquisition of capital assets for the delivery of services over an estimated period of four years. Amounts received pursuant to these contracts have been recorded as deferred revenue and are amortized to income on the same basis as the related capital assets.

Changes in the deferred revenue related to capital assets balance for the year are as follows:

|  | 2000              | 1999              |
|--|-------------------|-------------------|
| Balance at beginning of year                   | \$ 529,026        | \$ 549,420        |
| Add amounts received to acquire capital assets | —                 | 170,993           |
| Less amounts amortized to revenue              | <u>214,621</u>    | <u>191,387</u>    |
| Balance at end of year                         | <u>\$ 314,405</u> | <u>\$ 529,026</u> |

### 5. DEFERRED GOVERNMENT FUNDING

Deferred government funding represents the unamortized portion of parliamentary appropriations used to purchase depreciable capital assets.

Changes in the deferred government funding balance are as follows:

|   | 2000              | 1999              |
|---|-------------------|-------------------|
| Balance at beginning of year                                  | \$ 299,730        | \$ 402,964        |
| Add appropriations used to acquire depreciable capital assets | 197,076           | 65,839            |
| Less amortization   | <u>198,046</u>    | <u>169,073</u>    |
| Balance at end of year  | <u>\$ 298,760</u> | <u>\$ 299,730</u> |

## 6. FINANCIAL INSTRUMENTS

Accounts receivable and accounts payable are incurred in the normal course of business. All are due on demand and non-interest bearing. The carrying amounts of each approximate fair values because of their short maturity. There are no concentrations of accounts receivable with any one customer and, accordingly, no significant credit risk exists. At March 31, 2000, the Council had entered into foreign exchange contracts to purchase, on September 25, 2000, 482,240 Swiss Francs to pay the second half of its year 2000 membership dues to ISO and IEC. The prevailing rate of exchange in effect at the time of this transaction was \$.926.

## 7. ROYALTIES FROM SALES OF STANDARDS

As of April 1, 1998 the Council has outsourced the operation of the Standards Sales Service to an independent agent, for a five-year renewable term. The agreement requires the payment of royalties to the Council based on a revenue sharing of net sales, with an annual guaranteed minimum payment.

## 8. LEASE COMMITMENT

The Council has entered into an agreement to lease office space for a fifteen-year term commencing in July 2000. The future minimum annual rentals under this agreement, exclusive of operating expense and property tax, are as follows:

|             |           |
|-------------|-----------|
| Year 1      | \$198,991 |
| Years 2-5   | \$280,929 |
| Years 6-10  | \$299,975 |
| Years 11-15 | \$319,021 |

## 9. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, the Council is related in terms of common ownership to all Government of Canada created departments, agencies, and Crown corporations. The Council enters into transactions with these entities in the normal course of business.