STANDARDS COUNCIL OF CANADA

Annual Report 1998–1999

*Providing leadership
in standardization*

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.

Table of Contents

How to reach us

The Standards Council of Canada

The 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.

The Standards Council also takes part in international conformity assessment activities to help ensure that Canadian conformity assessment procedures are recognized in foreign markets.

Standards information

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.

Providing leadership in standardization

Chair's report on the National Standards System

Gearing up for the 21st century

Linda A. Lusby

Canada's National Standards System is recognized around the world for its exceptional level of coordination and collaboration. In 1998, the Standards Council set out to build on these qualities through the development of a Canadian Standards Strategy. The strategy is scheduled for completion by the end of 1999. Once finalized, it will provide Canada with a master plan for standardization that focuses squarely on the country's foremost economic, societal and environmental issues (please see "Standards partnership develops national strategy" on page 6).

The Canadian Standards Strategy is being developed at a critical time. Never before have standards played such a prominent role in trade liberalization, commerce, regulatory reform and the advancement of societal interests. At the same time, economic globalization and shrinking product life cycles have placed unprecedented pressures on the organizations, processes and products of the standards world.

Standards have brought the global marketplace to Canada. The vast majority of new National Standards of Canada are adopted from or based on international standards. As a result, even companies that have no intention of venturing outside of Canada's borders are implementing international standards such as the influential ISO 9000 series to enhance competitiveness and improve processes. For companies active in foreign markets, standards

have much greater implications. The over 16,000 standards published by the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC) have become tantamount to rules of exporting.

Once those standards only dealt with the nuts and bolts of our industrial world – how big they should be, how strong, how resistant to the elements and how fire-proof. Today, the most prominent international standards have less to do with such concrete concerns, and more to do with management systems for improving quality and moderating environmental impact.

Even such fundamental issues as privacy and the protection of personal information are now being addressed through standardization. In 1998, a National Standard of Canada dealing with this issue became the basis for proposed national legislation. I had the honour of chairing an advisory group tasked by ISO with making a recommendation on whether there was a need for an international standard on the same subject. A decision was temporarily set aside, pending the outcome of discussions in other international forums – but the trend towards the use of standards to address societal concerns continues.

The heightened prominence of international standards has brought with it new issues related to conformity assessment – the means used to demonstrate conformity to standards. In fiscal year 1998-99, industry

"Once those standards only dealt with the nuts and bolts of our industrial world … Today, the most prominent international standards have less to do with such concrete concerns, and more to do with management systems for improving quality and moderating environmental impact."

looked to the Standards Council to establish greater compatibility among national conformity assessment practices, while consumer groups spoke of the need to preserve confidence in global marketplace products, services and systems.

The need for international conformity assessment solutions has led the Standards Council and counterpart bodies in other countries to work towards a global conformity assessment infrastructure. Through this effort, Canada's National Standards System is being linked to similar systems in other economies. The glue that binds these various systems takes the form of mutual and multilateral recognition agreements that establish the equivalence of conformity assessment regimes. This is a solution designed to reduce the need to duplicate tests, certifications and registrations, while preserving consumer confidence in the safety and integrity of products.

With issues such as these – and many others – dominating discussions surrounding a Canadian Standards Strategy, it is little wonder that the debate is lively and involved. And while the strategy is still some months away, there are some emerging themes.

One of these is the need for a more structured working relationship among key stakeholders. Trade negotiators need to work with regulators and standardization bodies on the development of mutual recognition agreements. Provincial officials need to work with federal officials to ensure consistency of standards practices. Industry needs to work with government to ensure that standards serve both industrial and public policy needs. Consumer groups must be at the table more often and be confident that their concerns will be heard. Many of the challenges facing the National Standards System can be addressed by ensuring that there are mechanisms and opportunities for the right people to collaborate on key issues. The Canadian Standards Strategy is expected to result in a stronger collaborative framework for standards activity.

Another theme is the need for standards education. Regulators need to know more about the role standards can play in regulatory reform. Industry, particularly small and medium-sized business, must be educated about the strategic implications of standards and conformity assessment. And Canadians who participate in the development of standards need to know how to be more effective in their work.

The question of resources must also be addressed. There is a need to re-examine the National Standards System to ensure that Canada has secure and adequate resources to support an effective and appropriate standards program.

The Canadian Standards Strategy is a collaborative national response to the changing nature of standardization. It will enhance Canada's ability to identify emerging issues quickly and to mount an effective national response.

The past year has been one of significant reassessment. The next will be one of strategic enhancement. The Canadian Standards Strategy will be the foundation for building a National Standards System geared up to meet the challenges of the 21st century.

"The past year has been one of significant reassessment. The next will be one of strategic enhancement."

Providing leadership in standardization

The standards infrastructure

Building strategically for the long term

Canada's standards infrastructure has important implications for the country's ability to access markets, capitalize on leading-edge technologies, apply best practices and pursue public policy objectives. In fiscal year 1998-99, the Standards Council of Canada undertook a number of infrastructure initiatives to ensure that the National Standards System is well positioned to serve the needs of Canadians. Many of these were made possible with funding from Industry Canada's Standards Initiatives Program.

The most comprehensive and important project was the launch of a process that will lead to the first Canadian Standards Strategy. This strategy will better define the country's standardization objectives and bring major stakeholders together to work towards them (please see "Standards partnership develops national strategy" on page 6).

4

People constitute the cornerstone of Canada's standards infrastructure. The Standards Council worked to enhance the effectiveness of the thousands of people who contribute to the operation of its programs and services, take part in the development of international standards, and assess organizations pursuing Standards Council accreditation.

As part of an ongoing recruitment, training, support, and recognition program, the Standards Council undertook a detailed survey of participants in the standardization process. Survey participants indicated that they needed more training, financial support and access to information.

The Standards Council continued to build its electronic resources through its Web site, SCC.CA. By the end of fiscal year 1998-99, the Standards Council's Web forums were receiving almost 4,000 hits a day. Members of standards development committees, advisory committees and accredited organizations use these forums to manage processes electronically, enhancing the speed and efficiency of the National Standards System (please see "Standards development" on page 7).

The Standards Council also continued to measure employee satisfaction and to implement organizational changes recommended in a previous fiscal year by an employee task force. A staff relations committee was created late in the year as a venue for the ongoing identification and resolution of workplace issues.

Approximately 100 people take part in committees that advise the Standards Council on virtually all aspects of its operations. In fiscal year 1998-99 the Standards Council reorganized its advisory committee structure to promote enhanced effectiveness and a stronger capacity to provide policy advice on the important issues of the day. In addition to the Provincial-Territorial Advisory Committee (PTAC) and Standards Development Organizations Advisory Committee (SDOAC), established in the *Standards Council of Canada Act,* the new structure includes the following committees:

- Advisory Committee on Standards (ACS);

- Advisory Committee on Conformity Assessment (ACCA);

"The Standards Council worked to enhance the effectiveness of the thousands of people who contribute to the operation of its programs and services, take part in the development of international standards, and assess organizations pursuing Standards Council accreditation."

- Advisory Committee on Trade (ACT);

- Canadian National Committee on the International Organization for Standardization (CNC/ISO);

- Canadian National Committee of the International Electrotechnical Commission (CNC/IEC); and

- Consumers and Public Interest Committee (CPIC).

An Appointments Committee, improved secretariat support and updated, standardized terms of reference will further enhance the effectiveness and efficiency of this committee structure.

The Standards Council continued to assist the federal government in ensuring that the standards infrastructure served trade interests. In 1998-99, the Standards Council supported the Department of Foreign Affairs and International Trade (DFAIT) in the negotiation of a mutual recognition agreement with the European Union. The agreement, signed in November 1998, reduces the need for re-testing and re-certification of products being traded between the two economies. The Standards Council and DFAIT will cooperate even more closely in the next round of World Trade Organization (WTO) negotiations and in the development of the Free Trade Agreement of the Americas (FTAA).

Customer satisfaction remained a top priority during the year. The Standards Council continued to build on two key programs that enhance its responsiveness to stakeholders and drive continuous improvement: a quality management system and a corporate marketing program. In fiscal year 1998-99, the Standards Council developed its most comprehensive corporate marketing plan to date. The plan focuses on relationship-building, greater emphasis on stakeholder needs, and raising awareness of key standardization issues among Canadians.

Taming the Year 2000 bug

Like many other organizations, the Standards Council has had to prepare for the Year 2000 problem – the possibility that its computers and other electronic systems may experience problems related to the arrival of the year 2000. Some older systems use only two digits to indicate the year, and may respond unpredictably to a year value of "00."

The Standards Council established an ad hoc task group in March 1998 to review its readiness and develop an action plan. By the end of fiscal year 1998-99, it had replaced almost all non-compliant systems and software. The few remaining systems, primarily legacy databases, will be replaced before the summer.

The Standards Council will complete the final steps in its preparations – the development of a contingency plan and an external audit of its Year 2000 readiness – by the end of May.

The Standards Council is also concerned with the readiness of other participants in the National Standards System. Early in 1999, it surveyed all of the organizations it has accredited in order to determine their Year 2000 readiness. While only a few organizations claimed to be Year 2000 compliant at the time of the survey, a majority expected to achieve compliance by the end of July 1999.

5

"The Standards Council continued to assist the federal government in ensuring that the standards infrastructure served trade interests."

Providing leadership in standardization

The standards infrastructure at a glance

◆ Year's highlights

✓ Development process for the first Canadian Standards Strategy is launched in August 1998.

✓ The Standards Council undertakes three key market research projects focusing on:

- volunteer needs;

- the standards information needs of businesses; and

- ISO 9000 and ISO 14000 implementation in the Canadian marketplace.

✓ The Standards Council reorganizes its advisory committee structure for greater responsiveness and effectiveness.

✓ The Standards Council assists in the development and implementation of a mutual recognition agreement with the European Union that eases trade between the two economies.

✓ The Standards Council develops its most comprehensive corporate marketing plan to date.

✓ Electronic forums enjoy steady growth.

6

◆ Spotlight

Standards partnership develops national strategy

The Standards Council of Canada is leading the development of a national strategy to provide guidance on the standardization measures and priorities necessary to enhance Canada's economic, societal, and environmental well being.

Funded through Industry Canada's Standards Initiatives Program, the Canadian Standards Strategy will serve as the nation's master plan for its standardization activities. It will mobilize the capacity of Canada's National Standards System to respond more effectively to the demands of the emerging global economy, and provide an informed basis for deciding on effort priorities.

The strategy will guide Canada's efforts to open up foreign markets by harmonizing standards and conformity assessment processes with major trading partners. It will respond to the needs of businesses to improve the efficiency of standards development and third-party conformity assessment processes.

The Strategy will also address concerns from consumer representatives, environmental groups and other public interests about effective input into standards work, particularly at the international level.

Finally, it will provide clear direction to the domestic standards community, help support government efforts to promote "smart" regulation, and enhance public-private partnerships.

A Stakeholders Advisory Council, which includes representatives from industry, government, non-governmental organizations, the National Standards System and the Standards Council, has been appointed to develop the Strategy. Completion is expected by the end of 1999.

Standards development

Leading the way, in Canada and internationally

In today's economy, leadership in the marketplace goes hand in hand with leadership in the development of standards. Active participation in the development of international standards enables countries to capitalize on leading-edge technologies, to influence the standards their industries must live by, to collect strategic intelligence on emerging trends and to safeguard the public interest.

The Standards Council of Canada maintains a leadership position within two of the world's foremost voluntary standards development bodies – the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC).
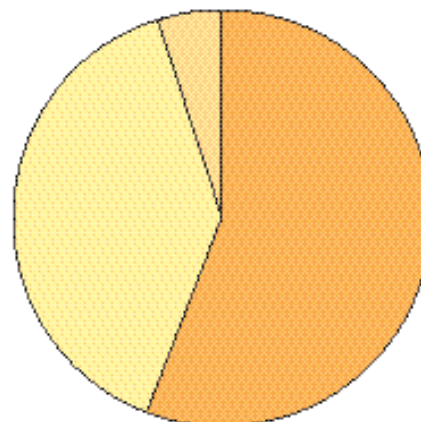
In 1998-99, Canadians held positions in influential management bodies that set the priorities for ISO and IEC, including ISO's Council and Technical Management Board and IEC's Council Board, Conformity Assessment Board and Committee of Action. Canadians also maintained a high profile in the committees that develop international standards. Canada provided the secretariats for 25 technical committees and subcommittees. In addition, 125 Canadians were appointed to chair committees and subcommittees or to act as convenors of working groups (please see table on page 8).

Canada's ability to mount a successful ISO and IEC effort is a direct result of the effectiveness of the country's National Standards System. The standards development component of this system includes four organizations accredited by the Standards Council to develop National Standards of Canada as well as several thousand individuals who take part in national and international standards development committees. These organizations and individuals are the country's greatest standardization asset.

In 1998-99, the Standards Council launched an effort to enhance the recruitment, training, support and recognition of people involved in standards development. It conducted a detailed survey of committee members to identify initiatives that might

An international influence

Canadians increasingly rely on international standards. Of the 103 National Standards of Canada approved by the Standards Council in 1998-99, 58 (56%) were adopted from or based on international standards.

Sources of National Standards of Canada

- International standards bodies (56%)
- Canadian standards developers (39%)
- CENELEC (European) (5%)

"The Standards Council of Canada maintains a leadership position within two of the world's foremost voluntary standards development bodies – the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC)."

7

A world leader

	ISO	IEC	JTC 1
Canadian Chairs (TCs and SCs)	18	8	1
Canadian Secretariats (TCs and SCs)	19	5	1
Canadian Convenors (WGs)	66	28	4

Canada plays a leading role in more than 150 of the technical committees (TCs), subcommittees (SCs) and working groups (WGs) that develop international standards for the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC) and the Joint Technical Committee on Information Technology (ISO/IEC JTC 1).

enhance their effectiveness (please see "The standards infrastructure" on page 4).

More and more of these individuals are making use of the Standards Council's 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 process and significantly reducing the time and effort required to take part. A number of Standards Council committees contributing to ISO and IEC managed their work program electronically, as did committees of all four Canadian standards development organizations and Treasury Board of Canada Secretariat. The forums are the most frequently accessed part of SCC.CA, the Standards Council's Web site.

The Standards Council worked with accredited standards development organizations, as well as a variety of partners in industry and government, to maintain a prominent role for Canada within ISO and IEC. On the Standards Council's behalf, Canadian organizations provided secretariats for committees and subcommittees active in such areas as quality and environmental management, software engineering, fire hazard testing, hydrogen technologies, hydraulic turbines, and pulp and paper.

Hard work at the international level has paid off. Canada is often chosen to lead or participate in high-profile standards initiatives. For example,

Canada's leadership in alternative fuels standardization was a factor in IEC's decision to establish a technical committee on fuel-cell technology, which will help develop the market for this innovative new technology. A Canadian company, Ballard Power Systems, is an international leader in the area, and Canada is expected to play an influential role in this committee.
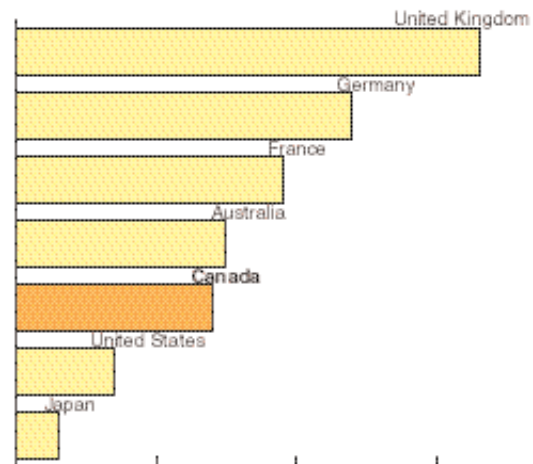
Working together, the partners of the National Standards System are ensuring that the Canadian marketplace is closely aligned with the international marketplace and with Canada's major trading partners. To this end, Canada continued to integrate its national and international standards effort and to collaborate with standards developers in the United States and other key export markets.

More than half of the National Standards of Canada approved by the Standards Council in 1998-99 were adopted from or based on international standards. This international orientation means that Canadian industry is well positioned to develop products that succeed in global markets.

Dollars and sense

Canada's influence in international standards bodies far exceeds its economic clout. As this graph shows, Canada holds more ISO secretariats, relative to the size of its economy, than either the United States or Japan.

United Kingdom
Germany
France
Australia
Canada
United States
Japan

Secretariats and convenorships per $10 billion GDP
Figures for 1998 (Source: Organisation for Economic Co-operation and Development online statistics, http://www.oecd.org/std/gdp.htm)

Standards development at a glance

◆ Year's highlights

✓ ISO begins to revise the influential ISO 9000 and ISO 14000 standards to ensure greater compatibility.

✓ An advisory group headed by Standards Council Chair Linda Lusby finds it is too soon to decide whether ISO should develop international standards for the protection of privacy.

✓ Participants in IEC standards development gather in Toronto for the first-ever Canadian IEC Forum.

✓ The Standards Council surveys participants in standards committees and other individuals contributing to the organization's work to learn more about their background, motivation and needs.

✓ The Standards Council's magazine, *CONSEN-SUS*, observes World Standards Day, October 14, with a series of articles on the theme "Standards in daily life."

◆ Spotlight

Canada leads the effort to update ISO 9000 and ISO 14000

The best-known and most influential standards ever developed by the International Organization for Standardization (ISO) are those that make up the ISO 9000 quality management systems series. A closely related family of standards, the ISO 14000 environmental management systems series, is also growing steadily in influence.

ISO is now in the process of revising the key ISO 9000 series standards to make them more effective, easier to understand and apply in all industry sectors, and more compatible with the ISO 14000 series standards. The new ISO 9000 family will include fewer standards, and will feature a common management system auditing standard.

Through the Standards Council of Canada, Canadians are playing a leading role in this revision process. Canadians chair both TC 176, the technical committee responsible for ISO 9000, and TC 207, the technical committee responsible for ISO 14000. The Standards Council also holds the secretariats of both committees, which are operated and funded by CSA International.

Canadian users of the standards are getting a chance to have their say in the revisions through participation in Standards Council Canadian advisory committees. In addition, during 1998-99, the Standards Council conducted a survey of Canadian companies' experiences with the standards. The survey questions included such issues as why companies chose to register or not, the strengths and weaknesses of the registration process, the effect of registration, and improvements that could be made to the standards and the registration process.

9

"Working together, the partners of the National Standards System are ensuring that the Canadian marketplace is closely aligned with the international marketplace and with Canada's major trading partners."

Providing leadership in standardization

Accreditation

Thinking globally, acting nationally

The global marketplace is built on confidence – confidence that a Thai-made plug will fit a Canadian socket, that a Brazilian solvent has the composition demanded by its German user, or that a South African data-entry firm will consistently perform to the requirements of its U.S. client. Perhaps the single biggest benefit of the National Standards System is the confidence it contributes to Canada's exports in the global marketplace. Standards Council accreditation programs form the basis for this confidence.

By the end of 1998-99, some 255 organizations had been accredited by the Standards Council to help Canadian companies demonstrate that their products, services or systems conform to standards – a process known as conformity assessment. 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.

Of all these programs, laboratory accreditation is the largest, with 214 facilities accredited by the end of 1998-99. Partnership has been the cornerstone of this program.

For example, in 1998-99, the Standards Council entered into an agreement with the Communications Security Establishment on a program to accredit laboratories that test the effectiveness of information technology security products. The program is expected to provide enhanced peace of mind to Canadian users of these products while enabling Canadian producers to enjoy stronger acceptance in global markets (please see "Agreement to lead to new confidence in computer security products" on page 12).

The Standards Council also launched a good laboratory practice (GLP) accreditation program together with Health Canada's Pest Management Regulatory Agency (PMRA). The Standards Council has become the compliance monitoring agency for GLP in support of the PMRA program. The program follows GLP guidelines produced by the Organisation for Economic Co-operation and Development (OECD) and is expected to help Canadian research facilities market their services worldwide. Initial interest in this new program was strong and the first recognition certificate is expected to be issued early in 1999-2000.

The Standards Council's accreditation programs continued to support Canadian implementation of the ISO 9000 series of quality management systems (QMS) standards and the newer ISO 14000 environmental management systems (EMS) standards.

In 1998-99, the Standards Council began working with Health Canada to extend its registrar accreditation program in order to enable medical device manufacturers to comply with new federal regulations. These regulations will require certain medical devices to be manufactured under a quality system that conforms to new sector-specific international standards based on the ISO 9000 family of standards. The program will enable accredited registrars to recognize manufacturers that conform to these requirements. Registered manufacturers will, in the future, also be able to take advantage of a recently

10

"By the end of 1998-99, some 255 organizations had been accredited by the Standards Council to help Canadian companies demonstrate that their products, services or systems conform to standards – a process known as conformity assessment."

negotiated mutual recognition agreement with the European Union to gain easier access to an important export market.
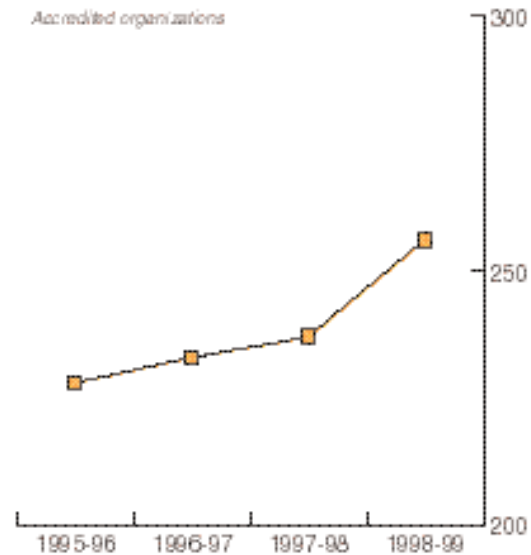
Other milestones during the year included:

- the accreditation of four ISO 14000 registration organizations, bringing the total accredited to five;

- the first accreditation of an organization that provides training to quality management systems auditors;

- initial work on the quality management systems registration needs of the telecommunications industry (TL 9000);

- initial work on the recognition of EMS registration organizations wishing to provide registration services in the field of sustainable forest management; and

- ongoing leadership within the International Accreditation Forum (IAF) and the Pacific Accreditation Cooperation (PAC), two international coalitions of accreditation bodies that are working to achieve international recognition of ISO 9000 registrations.

The Standards Council's accreditation program for product certification organizations enjoyed strong growth during the year. Five new certification organizations were accredited, bringing the total to 19. This accreditation program gives regulators a trusted and cost-effective means of achieving their public policy objectives, while enabling manufacturers to effectively demonstrate compliance with regulations in Canada and abroad.

The Standards Council undertook a number of initiatives intended to make it more efficient and less costly to achieve accreditation. For example, a significant number of testing laboratories are now taking advantage of the Standards Council's Web site forums to exchange information required to achieve and maintain accreditation.

A growing resource

A growing number of Standards Council-accredited organizations provide Canadian industry with the means to demonstrate conformity to standards.

1 1

Thanks to ongoing collaboration between the Standards Council and its accreditation partners in other countries, ISO 9000 registrars with more than one accreditation are saving time and money through joint audit activities. In addition, the Standards Council and the Bureau de normalisation du Québec (BNQ) are developing an approach whereby a single assessment will allow laboratories to qualify for both Standards Council accreditation and BNQ recognition.

<div style="background:#fce8c8;">

Accreditation at a glance

</div>

◆ Year's highlights

✓ The Standards Council helps information technology security companies market their products internationally by launching an accreditation program in partnership with the Communications Security Establishment.

✓ The Standards Council launches a good laboratory practice compliance monitoring program in partnership with Health Canada's Pest Management Regulatory Agency.

✓ The Standards Council begins work on ISO 9000 registrar accreditation programs for the medical devices and telecommunications sectors and an ISO 14000 registrar accreditation program for sustainable forest management.

✓ The Standards Council and the Bureau de normalisation du Québec (BNQ) sign an agreement allowing laboratories to qualify for both BNQ recognition and Standards Council accreditation with a single assessment.

✓ The accreditation program for quality management system auditor training course providers accredits its first participant, Accademia Qualitas.

✓ The Standards Council undertakes joint audits with counterpart bodies in other countries, saving ISO 9000 registrars time and money in the maintenance of their accreditations.

◆ Spotlight

Agreement to lead to new confidence in computer security products

A new accreditation agreement is expected to lead to greater confidence in the ability of information technology (IT) security products to protect sensitive data from loss, alteration or disclosure.

The agreement between the Standards Council and the Communications Security Establishment (CSE), a federal government agency that delivers IT security solutions to the Canadian government, creates an accreditation program to recognize laboratories that test the conformity of IT products to security standards.

The Standards Council will accredit laboratories while CSE will certify products on the basis of tests performed against the Common Criteria – an internationally-recognized IT security standard devised by CSE and its partners in the United States, the United Kingdom, Germany, France and the Netherlands. The accreditation program will also accommodate other testing using a variety of information technology security standards.

Certification will provide greater assurance that sensitive data is adequately and appropriately protected. The availability of certification is also expected to expand international markets for the Canadian IT industry.

1 2

"The Standards Council undertook a number of initiatives intended to make it more efficient and less costly to achieve accreditation."

Information services

Putting the Web to work

If Canadian companies are going to win in global markets, they first need to know the rules of play. Increasingly, those rules are articulated in voluntary standards and technical regulations, which apply to everything from the performance of a product to the quality system used in its design and manufacture. The Standards Council of Canada is committed to serving the information needs of Canadian companies in this area.
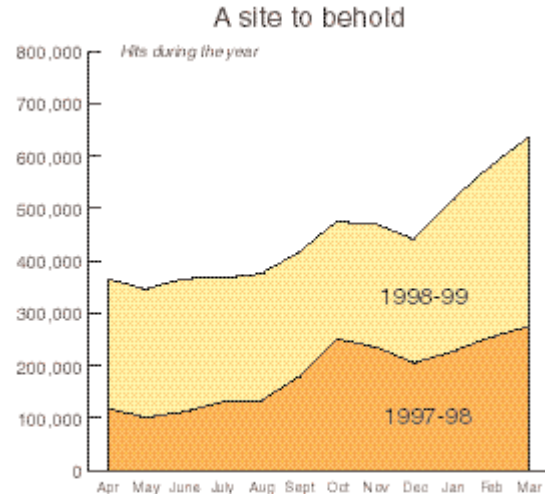
In 1998-99, the Standards Council focused its information efforts on more effective use of the World Wide Web. The Standards Council's own Web site, known as SCC.CA (http://www.scc.ca), was redesigned for greater ease of use. An e-commerce capability was added, providing the Standards Council with the means to introduce information products and services that customers can purchase on the Web.

SCC.CA brings a variety of standards resources together on a single Web site, including searchable databases of information on Canadian, foreign and international standards and regulatory amendments from around the world. The site received some 3.1 million hits in 1998-99, the most popular destination being the forums used by members of standards development committees.

The year saw the launch of an important new Web-based product for exporters. In 1998-99, the Standards Council put the WTO/NAFTA Enquiry Point on the Web with *Export Alert!,* a service that automatically issues an e-mail alert to subscribers whenever foreign governments are proposing changes to their technical requirements (please see "Unique Canadian service alerts businesses before product rules change" on page 15). Canada's Enquiry Point is believed to be the first in the world to use the Web in this way – and in fact, is known internationally for its high quality of service. During the year, Enquiry Point staff received a number of requests to provide instruction to developing countries, and took part in training sessions in Guatemala and Geneva.

The Standards Council also used the Web to help make its Information and Research Service more accessible. This service enables Canadians to obtain assistance from knowledgeable information officers located in one of the world's most comprehensive standards-related technical document centres. During the year, some 18 per cent of enquiries received by information officers came via the

A site to behold

The Standards Council's Web site is an electronic gateway to standards information for Canadians. The site enjoyed a steady increase in traffic in 1998-99.

"SCC.CA brings a variety of standards resources together on a single Web site, including searchable databases of information on Canadian, foreign and international standards and regulatory amendments from around the world."

Providing leadership in standardization

Internet, up from virtually none only two years ago. The most common enquiries concerned the ISO 9000 series of quality management systems standards, Standards Council-accredited testing and certification organizations and information technology standards and draft standards.
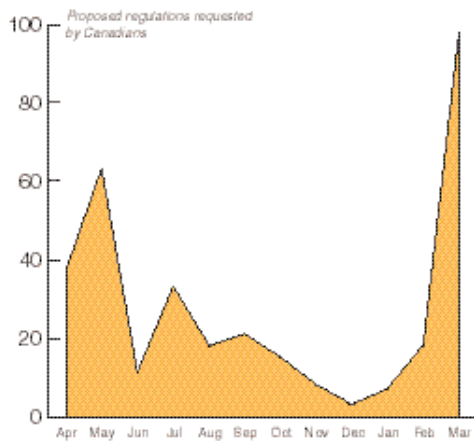
Canadians can also purchase standards over the Web. Fiscal year 1998-99 marked the first full year of a five-year contract with IHS Canada under which the company's Global Info Centre Canada operates the Standards Council's standards sales service. Global provides a one-stop shop for standards, specifications and other technical publications. The Global Info Centre offers a variety of convenient ways to order standards including an online Internet ordering system.

The Standards Council also continued to operate an active external communications program including publishing *CONSENSUS* magazine, Canada's national magazine of standardization. A key issue published during the year covered the impressive growth of the Standards Council's laboratory accreditation program. The issue was distributed through the Standards Council's accredited laboratories, through assessors and at special events. And of course, all issues of *CONSENSUS* are accessible and searchable on the Web.
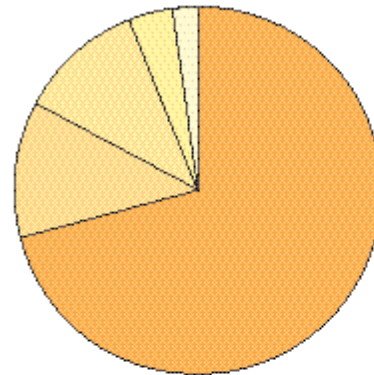
1 4

Information, please

Source of enquiry

- Canadian industry (71%)
- Federal and provincial governments and non-govermental organizations (12%)
- Industry outside of Canada (11%)
- Consumers (4%)
- Educational institutions (2%)

Almost three-quarters of the information and research enquiries received by the Standards Council in 1998-99 were from Canadian industry. Industry outside of Canada represented a small but growing source of enquiries.

WTO/NAFTA enquiries

Proposed regulations requested by Canadians

100
80
60
40
20
0

Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar

The WTO/NAFTA Enquiry Point provides Canadians with access to draft regulatory measures in Canada and in foreign markets. A dramatic year-end growth in enquiries coincides with the launch of *Export Alert!*

"The most common enquiries concerned the ISO 9000 series of quality management systems standards, Standards Council-accredited testing and certification organizations and information technology standards and draft standards."

Information services at a glance

◆ **Year's highlights**

✓ The Standards Council launches *Export Alert!,* a unique e-mail notification service for exporters.

✓ The Standards Council's Web site is redesigned for ease of use, and receives 3.1 million hits.

✓ IHS Canada's Global Information Centre becomes the exclusive distributor of ISO and IEC standards on behalf of the Standards Council.

✓ The Information and Research Service records 7,388 enquiries.

✓ The Standards Council posts 21 of its policy documents on the Web site for easy access.

✓ A special issue of *CONSENSUS* magazine promotes new program specialty areas in the Program for the Accreditation of Laboratories – Canada (PALCAN).

✓ Market research identifies timeliness, Web capabilities, e-mail notification services and strategic intelligence as key customer needs.

◆ **Spotlight**

Unique Canadian service alerts businesses before product rules change

Canadian companies can now stay a step ahead of changing government requirements using *Export Alert!,* a unique Internet-based service offered by the Standards Council of Canada (http://www.scc.ca).

Export Alert! is a free pilot service that automatically e-mails companies when governments in any of 134 World Trade Organization (WTO) member countries – including Canada – are proposing changes to the rules that govern products and services.

Subscribers choose from among 41 fields of interest that they want to track. They are then notified by e-mail whenever a government is proposing a change to a technical regulation, conformity assessment regime or mandatory standard. Subscribers can also use the service to obtain full regulatory texts and relay comments back to government officials.

Export Alert! is uniquely credible and timely because it uses the official notifications required of governments under the WTO and the North American Free Trade Agreement (NAFTA). These notifications are issued before changes are actually implemented, and are open to public comment.

The most frequently notified areas include telecommunications, agriculture, food technology, health care technology, environment and health protection, construction materials and building, and road vehicle engineering.

1 5

Providing leadership in standardization

Report on the Strategic Plan

"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."

In 1998-99, the Standards Council of Canada embarked on an ambitious three-year plan intended to position the organization and the National Standards System to respond to the challenges of the new millennium. The basis for the Standards Council's Strategic Plan 1998-2001 is a statement of intent, above, that expresses the organization's guiding principles.

Good progress was made during the year on many of the key action items of the plan, including the development of a Canadian Standards Strategy (please see "Standards partnership develops national strategy" on page 6). Some action items were set aside as it became clear that they would be addressed on a more comprehensive basis by the Canadian Standards Strategy itself. These items fall primarily in the areas of communications, strategic participation and knowledge management. The Standards Council expects to review both its strategic plan and its funding allocations in light of the new Standards Strategy.

Several items were delayed as the Standards Council made funding applications to Industry Canada's Standards Initiatives Program. The additional resources provided under this program will significantly enhance the effectiveness of several action items in the plan.

The following pages contain a progress report on the specific strategic thrusts and action plan elements of the Strategic Plan 1998-2001.

Committed to excellence

❖ **To design and establish excellence indicators and establish targets by June 1998.**

The Standards Council has established six high-level performance indicators covering its major operating groups. These include customer relations, human resources, financial targets, media effectiveness and international participation. Reporting on performance will take place semi-annually.

Providing leadership in standardization

❖ **To identify, prioritize and enhance the current relationships with other parties and establish common understandings on mutual expectations and results by June 2000.**

This item will be addressed in 1999-2000 in conjunction with the development of the Canadian Standards Strategy.

❖ **To develop, communicate and implement a Canadian Standards Strategy by June 1999.**

In August 1998 the Standards Council brought together a Stakeholders Advisory Committee to begin developing a Canadian Standards Strategy to govern the activities of the National Standards System. The Strategy is intended to provide 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. Stakeholders include representatives of government, non-governmental organizations, the standardization community and industry. The plan is scheduled for completion by the end of 1999 (please see "Standards partnership develops national strategy" on page 6).

1 6

❖ **To promote collaboration among federal, provincial and territorial governments in standards matters.**

Canadian governments need to collaborate closely on standardization matters to effectively address economic and regulatory issues. The Standards Council provides the framework for this collaboration through its Provincial-Territorial Advisory Committee (PTAC) and Standards Development Organization Advisory Committee (SDOAC). During 1999-2000, these committees will develop workplans that will identify ways to enhance this collaboration.

❖ **To develop and implement an alternative funding strategy for international work and to promote increased industry participation by December 1998.**

Economic globalization has led to a significant increase in the volume of regional and international standardization activity. This has taxed Canadian resources devoted to standardization, requiring the Standards Council to re-examine the way standards work is funded. Funding support from Industry Canada's Standards Initiatives Program will allow the Standards Council to address this item in 1999-2000.

❖ **To review and establish a strategy for international and regional forums and mutual recognition agreements (MRAs) by January 1999.**

The Standards Council of Canada has been working in partnership with the Department of Foreign Affairs and International Trade to reduce trade barriers posed by differing standards and conformity assessment regimes in other countries (for details of one such effort, please see page 5). Two important elements of this effort have been participation in regional standardization efforts and the negotiation of MRAs. The Standards Council intends to develop a strategy that will ensure that these activities are responsive to Canadian needs. The strategy will proceed with funding support from Industry Canada's Standards Initiatives Program, with a revised completion date of December 1999.

Effective relationships

❖ **To determine the needs and levels of participation of non-governmental organizations, industry and government by December 1998 and develop and implement an action plan to address those needs and levels by June 1999.**

The Standards Council is working to ensure that the concerns of all Canadian stakeholders are factored into the development of international standards. The issue of inclusiveness and participation is a central theme of the Canadian Standards Strategy project, and will be addressed by the strategy when it is launched in 2000.

❖ **To identify the current satisfaction rating of volunteers by September 1998 and to set annual targets for improvement.**

Early in 1998-99 the Standards Council finalized research into the needs of Canadians who contribute to the development of international standards (please see "The standards infrastructure" on page 4). Further research into the needs and support mechanisms required by these individuals will be conducted in 1999 with the support of Industry Canada's Standards Initiatives Program. This research will be channelled into a volunteer recruitment, training, support and recognition plan, which will include mechanisms to evaluate and address volunteer satisfaction.

❖ **To develop and implement an action plan in response to the employee survey.**

The Standards Council of Canada conducts annual surveys to monitor employee satisfaction and address related issues. During 1998-99, an Employee Task Force was created to address key employee satisfaction issues, many of which were being implemented by year end under the guidance of a Staff Relations Committee.

1 7

Providing leadership in standardization

❖ **To achieve an employee satisfaction rating of 3.25 by 2001 with interim targets set annually.**

The Standards Council measures employee satisfaction using a five-point scale. The organization has been working towards enhancing this rating using data obtained from annual surveys (see previous item). A survey conducted late in 1998 returned a satisfaction rating of 2.44.

Strategic action

❖ **To develop processes to review operations and update the Strategic Plan annually by December 1998.**

The Standards Council struck a task group of staff and Council members to oversee a Strategic Plan review process. The first review was undertaken in 1998 (for more on the results of the review, please see the next item). Future reviews will be undertaken annually or more often as appropriate.

❖ **To identify and allocate the resources to meet the objectives of the Strategic Plan.**

The first Strategic Plan review (see previous item) examined the costs associated with plan elements and concluded that resources are not available to support all objectives. The Standards Council subsequently applied for funding from Industry Canada's Standards Initiatives Program, which will make it possible to implement several items. Remaining items are being prioritized and resource requirements are being reviewed on an ongoing basis under the review process.

❖ **To enhance the ability to identify and respond to key issues and challenges in a strategic, proactive manner by June 1999.**

As standards play an increasingly important role in trade and technology there is a growing need to track emerging standardization issues and to determine their implications for the Canadian economy. The Standards Council is committed to enhancing its ability to collect and analyze strategic intelligence. In 1998-99, the Standards

1 8

Council's policy unit began implementing a small-scale prototype of an internal Web-based information provision system. Further progress is expected on this item within the context of the Canadian Standards Strategy discussions.

❖ **To continue the implementation of the Standards Information Service of Canada (SISC) and have it fully operational by March 2000.**

The World Wide Web is bringing revolutionary enhancements to the way that standards are developed and disseminated. This year marked the first full year of operation of the SISC, now known as SCC.CA. The original specifications for the site were implemented during the year, and the site is the focus of ongoing improvements (please see "Information services" on page 13).

❖ **To determine the appropriate numbers and levels of participation in strategic committees by December 1998.**

The number of standards development initiatives and committees open to Canadian participation is growing substantially. A strategic approach to the selection of, and participation in, these committees is more critical than ever before. The Canadian Standards Strategy, scheduled for completion by the end of 1999, is expected to deal extensively with coordination, communication and the strategic selection of participation opportunities. The Strategy will provide explicit guidance for the Standards Council on this issue.

❖ **To develop and implement a volunteer recruitment, training, support and recognition plan by March 1999.**

The Standards Council coordinates the work of almost 3,000 individuals who contribute to the development of international standards, as well as 250 others who assist in the operation of accreditation programs. A satisfaction survey and needs assessment of these individuals was conducted in May 1998. Further research will take place in 1999-2000, supported by Industry

Canada's Standards Initiatives Program. This research will form the basis for a volunteer recruitment, training, support and recognition plan.

❖ **To plan and implement a system for information gathering and analysis and intelligence dissemination by April 1999.**

Although this item has been postponed as an action item due to resource limitations, it is anticipated that the Canadian Standards Strategy will provide extensive recommendations on information sharing and knowledge management mechanisms.

❖ **To evaluate and improve the effectiveness of all Council advisory committees by June 1998.**

The Standards Council is in the process of reorganizing its advisory committee structure to enhance the level of policy advice available to the organization. In 1998, a task group was appointed to determine the new committee structure, revise the existing standardized terms of reference and establish membership matrices. Early in 1999-2000, an appointments committee will work with Standards Council stakeholders to ensure effective representation on the committees (please see "The standards infrastructure" on page 4).

❖ **To position the Standards Council as the leader for standardization in Canada by June 1999.**

The Standards Council is leading the development of a Canadian Standards Strategy with a tentative launch date in the first half of 2000. The Standards Council also developed a comprehensive marketing plan during the year that will help to raise its profile in 1999-2000. In addition, the Standards Council will lead a National Standards System marketing initiative in 1999-2000 with support from Industry Canada's Standards Initiatives Program.

Quality of service

❖ **To achieve a customer satisfaction rating of 3.25 by 2001 with interim targets set annually.**

The Standards Council recently began a regular program of customer satisfaction surveys. Satisfaction is rated on a scale of 1 to 5. The goal is to use customer feedback to increase the overall satisfaction rating to 3.25 from the current level of 2.67. This objective has been included in the Standards Council's performance indicator program (please see "Committed to excellence" on page 16).

❖ **To achieve ISO 9001 registration/recognition by June 1999, and to achieve ISO 14001 registration/recognition by June 2000.**

The Standards Council's quality management program continues to contribute to continuous improvement within the organization. However, ISO 9001 and 14001 implementation and formal registration have been put on hold pending completion of other aspects of the Strategic Plan.

❖ **To identify "best in the world" organizations to benchmark by June 1998, and to implement benchmarking by December 1998.**

Because of the major investment required to undertake a formal benchmarking program, this item was reconsidered during the year. The Standards Council intends to implement a scaled-down approach, using existing comparative data, by mid-1999.

1 9

Corporate governance and structure

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

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 by provision of the *Standards Council of Canada Act.* Other advisory committees have been struck by Council to assist in such matters as standards development, certification and testing, and quality and environmental management systems.

20

Council members, 1998-1999

Chair: Linda Lusby Assistant Dean for Environmental Science, Acadia University

Vice-Chair: vacant

Members:

Alan Downe Chair, Provincial/Territorial Advisory Committee
Executive Director, Regulatory Reform Secretariat, Government of the Northwest Territories (membership began Jan. 1999)

André Fleury International Representative, International Brotherhood of Boilermakers

Philippe Fontaine Vice-Chair, Provincial/Territorial Advisory Committee

Gregg Hook Assistant Deputy Minister, Alberta Public Works, Supply and Services, Property and Supply Management (membership ended Dec. 1998)

John Kean Chair, Standards Development Organizations Advisory Committee
Special Advisor, Canadian Standards Association

Hans Konow President and CEO, Canadian Electricity Association

Hugh Krentz President, Canadian Institute of Steel Construction

Lise Lachapelle President and CEO, Canadian Pulp and Paper Association

Phil Saunders Vice-President, Commercial Relations, Nortel Networks Corporation

Marcia Schaefer President, ARIIS Image & Information Systems Inc.

Irene Seiferling Past-Chair, Consumers' Association of Canada

Heather Shannon Vice-President, McLean Budden Limited

Andrei Sulzenko Assistant Deputy Minister, Industry and Science Policy, Industry Canada

Stephen Van Houten Executive Vice-President and CEO, Toronto Real Estate Board

Corporate Secretary: Sandra Watson

Staff

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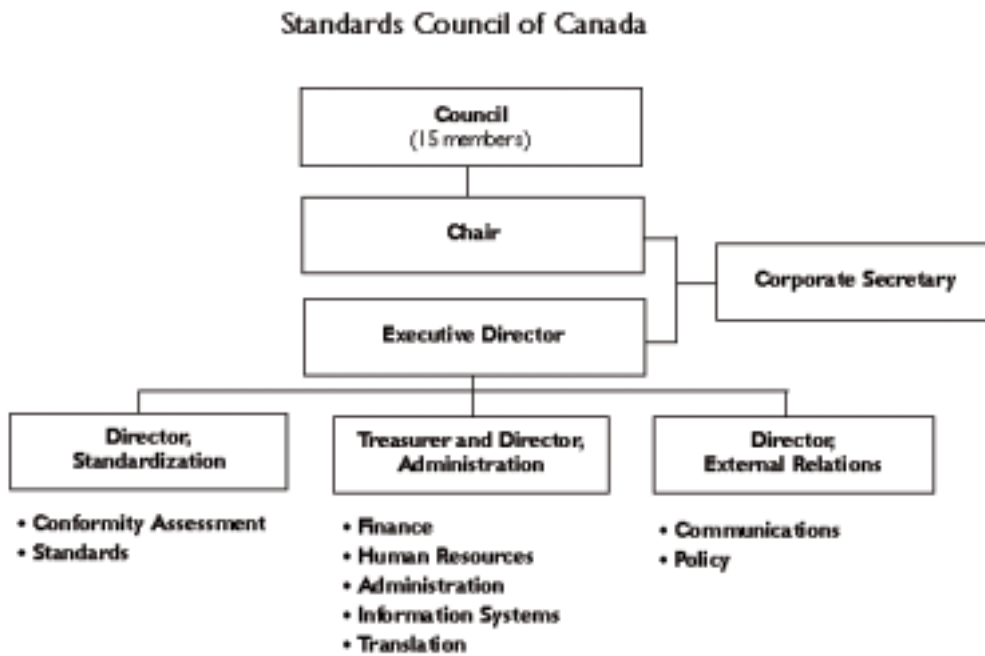
Staff Directors:

Michael McSweeney Executive Director
(until October 1998)

Larry Moore Director, External Relations
(until January 1999)

Rick Parsons Treasurer and Director, Administration

Dr. Jack Perrow Director, Standardization

Don Wilson Deputy Director, Standardization

Standards Council of Canada

2 1

Corporate governance statement

The Standards Council has established a Corporate Governance Committee, composed of five Council members, to examine corporate governance issues and to make recommendations on these matters to the Council.

The terms of reference for this Committee include responsibility for:

- setting the objectives of the Executive Director;

- reviewing and assessing the performance of the Executive Director;

- defining the responsibilities of the Chair and of the Executive Director;

- developing and monitoring a code of ethics;

- reviewing the Council's committee structure and the terms of reference of Council committees;

- reviewing the performance of the Council, its members and its committees on the basis of established criteria;

- reviewing the methods and processes by which the Council fulfils its duties and responsibilities;

- receiving and considering any significant concern of individual Council members;

- ensuring an appropriate corporate governance statement is included in the Council's Annual Report; and

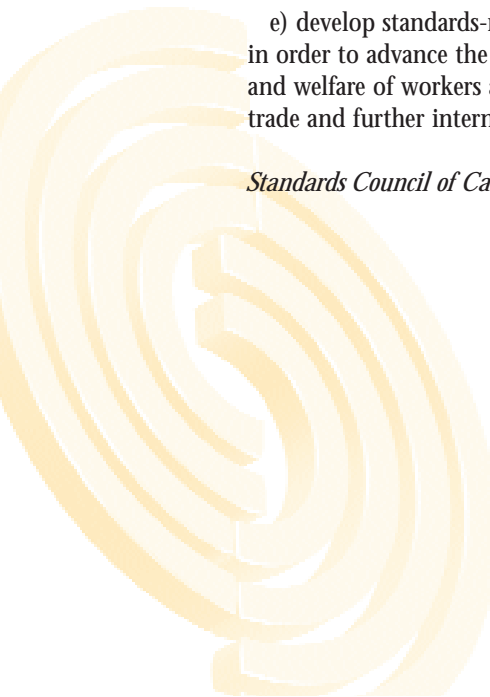- recommending changes to the Council's by-laws.

2 2

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 cooperation 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 cooperation in relation to standardization.

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

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 7, 1999

Auditor's Report

To the Minister of Industry

I have audited the balance sheet of the Standards Council of Canada as at March 31, 1999 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, 1999 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, after giving retroactive effect to the change in accounting for parliamentary appropriations to finance depreciable capital assets and the change in accounting for annual accreditation fees as explained in Note 3 to the financial statements, 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 7, 1999

23

Providing leadership in standardization

Balance Sheet

	As at March 31	
	1999	**1998**
		(Restated - Note 3)
ASSETS		
Current		
Cash	$ 569,941	$ 759,653
Accounts receivable:		
Federal government departments and agencies	573,597	597,514
Other	1,276,385	1,308,359
Parliamentary appropriation receivable	54,000	156,000
Inventory of foreign standards	—	54,500
Prepaid expenses	359,567	273,388
	2,833,490	3,149,414
Capital assets (Note 4)	828,756	952,384
	$ 3,662,246	$ 4,101,798
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 649,543	$ 916,095
Accrued employee entitlements	96,340	249,992
Deferred accreditation fees	467,596	320,575
	1,213,479	1,486,662
Long term		
Deferred revenue related		
to capital assets (Note 5)	529,026	549,420
Deferred government funding (Note 6)	299,730	402,964
	2,042,235	2,439,046
EQUITY OF CANADA		
Equity of Canada	1,620,011	1,662,752
	$ 3,662,246	$ 4,101,798

The accompanying notes form an integral part of these financial statements

Approved by the Council:

_____
The Chair

_____
Executive Director

2 4

Statement of Operations and Equity of Canada

	For the year ended March 31	
	1999	1998
		(Restated - Note 3)
REVENUE		
Royalties from sales of standards (Note 8)	$ **533,060**	$ —
Sales of standards (Note 8)	**—**	1,808,928
Accreditation fees	**2,337,497**	2,031,315
Standards Initiatives Program funding	**635,902**	866,391
WTO/NAFTA Enquiry Point	**296,864**	274,692
Other	**107,319**	102,401
	3,910,642	5,083,727
EXPENSES		
Salaries and employee benefits	**3,949,943**	3,825,546
Memberships in international organizations	**1,203,341**	1,039,118
Professional and special services	**954,148**	1,216,919
Travel	**839,781**	1,172,502
Office accommodation	**764,491**	753,323
Amortization of capital assets	**360,460**	266,629
Publications and printing	**313,284**	408,392
Telecommunications and postage	**243,873**	274,054
Public relations	**83,711**	80,199
Office supplies	**80,466**	109,773
Meetings	**74,962**	68,777
Rental of office equipment	**50,675**	62,088
Direct cost of standards sold (Note 8)	**—**	863,448
Other	**141,482**	148,382
	9,060,617	10,289,150
Net loss before government funding	**(5,149,975)**	(5,205,423)
Government funding		
Parliamentary appropriation for operating expenses	**4,938,161**	4,957,547
Amortization of deferred government funding	**169,073**	159,878
	5,107,234	5,117,425
Net loss	**(42,741)**	(87,998)
Equity of Canada at the beginning of the year		
As previously stated	**2,386,291**	2,376,092
Changes in accounting policy (Note 3)	**(723,539)**	(625,342)
As restated	**1,662,752**	1,750,750
Equity of Canada at the end of the year	**$ 1,620,011**	$ 1,662,752

The accompanying notes form an integral part of these financial statements

25

Providing leadership in standardization

Statement of Cash Flows

	For the year ended March 31	
	1999	1998
		(Restated - Note 3)
Operating activities		
Net loss	**$ (42,741)**	$ (87,998)
Adjustment for non-cash items		
Amortization of capital assets	**360,460**	266,629
Amortization of deferred revenue related to capital assets	**(191,387)**	(106,751)
Amortization of deferred government funding	**(169,073)**	(159,878)
	(42,741)	(87,998)
Changes in current liabilities and current		
assets other than cash	**(146,971)**	98,933
Cash flows from operating activities	**(189,712)**	10,935
Investing activities		
Additions to capital assets	**(236,832)**	(451,964)
Financing activities		
Funding for acquisition of capital assets		
Standards Initiative Program	**170,993**	298,511
Parliamentary appropriation	**65,839**	153,453
	236,832	451,964
Increase (decrease) in cash during the year	**(189,712)**	10,935
Cash at the beginning of the year	**759,653**	748,718
Cash at the end of the year	**$ 569,941**	$ 759,653

2 6

The accompanying notes form an integral part of these financial statements

Notes to Financial Statements, March 31, 1999

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 cooperation in relation to standardization.

In carrying out its mandate, the SCC 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) Inventory of foreign standards

Inventory of foreign standards is valued at the lower of cost and net realizable value. In the current year, the opening inventory was written down to zero and a corresponding amount was charged to publications and printing expense.

(b) Prepaid expenses

Annual membership fees paid to ISO and IEC for periods extending beyond the fiscal year are recorded as prepaid expenses.

(c) 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

(d) Accrued employee entitlements

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

(e) 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 expenses are incurred.

(f) Parliamentary appropriations

The Government of Canada provides funding to the Council. The portion of the parliamentary appropriation used to purchase depreciable capital assets is deferred 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.

27

Providing leadership in standardization

(g) 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. CHANGES IN ACCOUNTING POLICY
(a) Parliamentary appropriation
Effective April 1, 1998, the portion of the parliamentary appropriation used to purchase depreciable capital assets is recorded as deferred government funding on the balance sheet and is amortized on the same basis and over the same periods as the related capital assets. In 1997-98, this amount was recorded on the statement of operations; in prior years, it was recorded as an increase in equity of Canada. This change in accounting policy has been applied retroactively and the financial statements of prior years have been restated. The effect of this change in accounting policy is a reduction in equity of Canada and an increase in deferred government funding on the balance sheet of $299,730 (1998 - $402,964), and a decrease in net loss for the year of $103,234 (1998 - $6,425).

(b) Annual accreditation fees
Annual accreditation fees are invoiced, in advance, on the anniversary date of the initial accreditation. In the past, these fees were recorded as revenue in the year in which they were invoiced. Effective April 1, 1998, annual accreditation fees are recorded as revenue in the period for which they apply. This change in accounting policy has been applied retroactively and the financial statements of the prior years have been restated. The effect of this change in accounting policy is a reduction in equity of Canada and an increase in deferred accreditation fees on the balance sheet of $467,596 (1998 - $320,575) and an increase in net loss for the year of $147,021 (1998 - $104,622).

4. CAPITAL ASSETS

| | | 1999 | | 1998 |
	Cost	Accumulated amortization	Net book value	Net book value
Furniture	$ 262,664	$ 257,058	$ 5,606	$ 15,709
Equipment	2,090,946	1,334,155	756,791	853,442
Leasehold improvements	160,910	94,551	66,359	83,233
	$2,514,520	$1,685,764	$ 828,756	$ 952,384

5. DEFERRED REVENUE RELATED TO CAPITAL ASSETS
In 1997, 1998 and 1999, 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 period are as follows:

	1999	1998
Balance at beginning of year	$ 549,420	$ 357,660
Add amounts received to acquire capital assets	170,993	298,511
Less amounts amortized to revenue	191,387	106,751
Balance at end of year	$ 529,026	$ 549,420

6. 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:

	1999	1998
Balance at beginning of year as restated	$ 402,964	$ 409,389
Add appropriations used to acquire depreciable capital assets	65,839	153,453
Less amortization	169,073	159,878
Balance at end of year	$ 299,730	$ 402,964

7. 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.

8. 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.

9. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Council, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

10. LEASE COMMITMENT

The Council is leasing office space for a ten-year term which expires in May 2002. The future minimum annual rental under this agreement, exclusive of operating and realty tax expense, is $416,008.

11. 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.

12. COMPARATIVE FIGURES

Certain of the 1998 comparative figures have been reclassified to conform to the current year's presentation.

Providing leadership in standardization