

**Standards
Council of Canada**



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The Honourable John Manley, P.C., M.P.
Minister of Industry
Ottawa, Canada

Mr. Minister:

The Standards Council of Canada, and the national system of volunteers and organizations it coordinates, is undergoing a restructuring similar to what is taking place in industry and government. This process is now well underway, resulting in the emergence of a new National Standards System, which is being equipped with innovative products and services to serve the country's needs in the areas of trade, technology, health and safety and the environment.

The new System is being linked more closely than ever before with national economic policy. The majority of standardization initiatives detailed on the following pages represent creative solutions to the challenges of the federal government's jobs and growth strategy. It is also moving to take advantage of the full potential of today's extraordinary information technology resources. The launch of SCC's World Wide Web site in 1995 represents the first step in a profound departure from old methods of standardization. The National Standards System will soon be accessible through a single electronic gateway. As a digital resource, it will be faster, more effective and more inclusive than before. And it will be open for business 24 hours a day – because trade and innovation don't stop when the sun goes down in North America.

Sound strategy and national collaboration are becoming the hallmarks of the Standards System. In 1995/96, collaborative efforts in standardization played a key role in increasing access to the Japanese construction materials market and helping Canadian trucking firms to meet strict substance abuse testing requirements in the United States. The volunteers of the National Standards System led an effort to develop the world's first set of international environmental management standards, while domestically, they produced such groundbreaking projects as a privacy code for the protection of personal information and the launch of an effort to develop a model code for the rehabilitation of urban infrastructures.

Perhaps most importantly, the new system is coming to embody one of the key principles of modern times – the need for continuous improvement. It is poised to keep pace with changing conditions internationally and changing needs nationally. This fact, more than any other, will ensure that Canada continues to achieve important successes through standardization in the years ahead.

Yours truly,

Richard Lafontaine
President

The Standards Council of Canada

The Standards Council of Canada (SCC) is a federal Crown corporation, reporting to Parliament through the Minister of Industry, with the mandate to foster and promote voluntary standardization.

SCC's governing Council comprises up to 57 representatives from public and private sector interests nation-wide. SCC is based in Ottawa.

Objectives

(from The Standards Council of Canada Strategic Plan – 1993/94 to 1998/99)

The objectives of SCC are:

- ◆ to provide clients with cost-effective and accessible products and services that respond to their needs;
- ◆ to provide leadership in the standards community, both domestically and internationally, by:
 - assisting industry and Canadians to obtain the best advantage from the use of standards in their domestic and international affairs,
 - representing Canada's interests in international standardization activities,
 - being a cost-effective facilitator for standards-setting and standardization within Canada,
 - coordinating standardization in Canada, by setting out policies and procedures for the development of National Standards of Canada, the accreditation of standards development organizations, certification organizations, calibration laboratories, testing laboratories, and quality systems registration organizations, and
 - facilitating trade between provinces in Canada by working to eliminate interprovincial trade barriers through the harmonization of standards;

◆ to serve as the federal government's focal point for voluntary standardization and to provide leadership in the federal government environment concerning standards and standardization;

◆ to support and be party to national initiatives, strategies and priorities;

◆ to promote and support the recognition of SCC accreditation in order to decrease the number of multiple assessments and audits within Canada;

◆ to promote and support the need for mutual recognition agreements between Canada and other countries;

◆ to foster a business and working climate which:

- allows management and staff to focus their energy and resources so that they can achieve results that meet client needs,
- clearly sets priorities and ensures that resources are being put to the best use by establishing an accountability framework,
- promotes and fosters trust by supporting open communications,
- celebrates success,

- ensures that Council members, managers and staff are accountable to clients and the public,
- encourages innovation in which the criteria for success are understood by all involved,
- encourages cooperation between employees and among programs, and
- gives management and staff access to the training needed to upgrade skills and develop expertise.

Mission

Assisting Canadian industry to be competitive and enhancing the quality of life for Canadians through standardization. This will be accomplished by providing leadership in:

◆ assisting Canadians to further Canada's economic and social well being through standardization;

◆ facilitating Canada's competitiveness and prosperity through standardization; and

◆ providing Canadians with a world-class standardization system.

A growing stake in standardization

Not long ago, a proposal to change a single digit in the text of an international standard caused a ripple of controversy around the world. The standard in question established the temperature at which laboratories perform certain types of measurements. The proposed change would have increased that temperature from 20 C to 23 C. To Canadian measurement scientists involved in international standardization, the situation was nothing short of alarming.

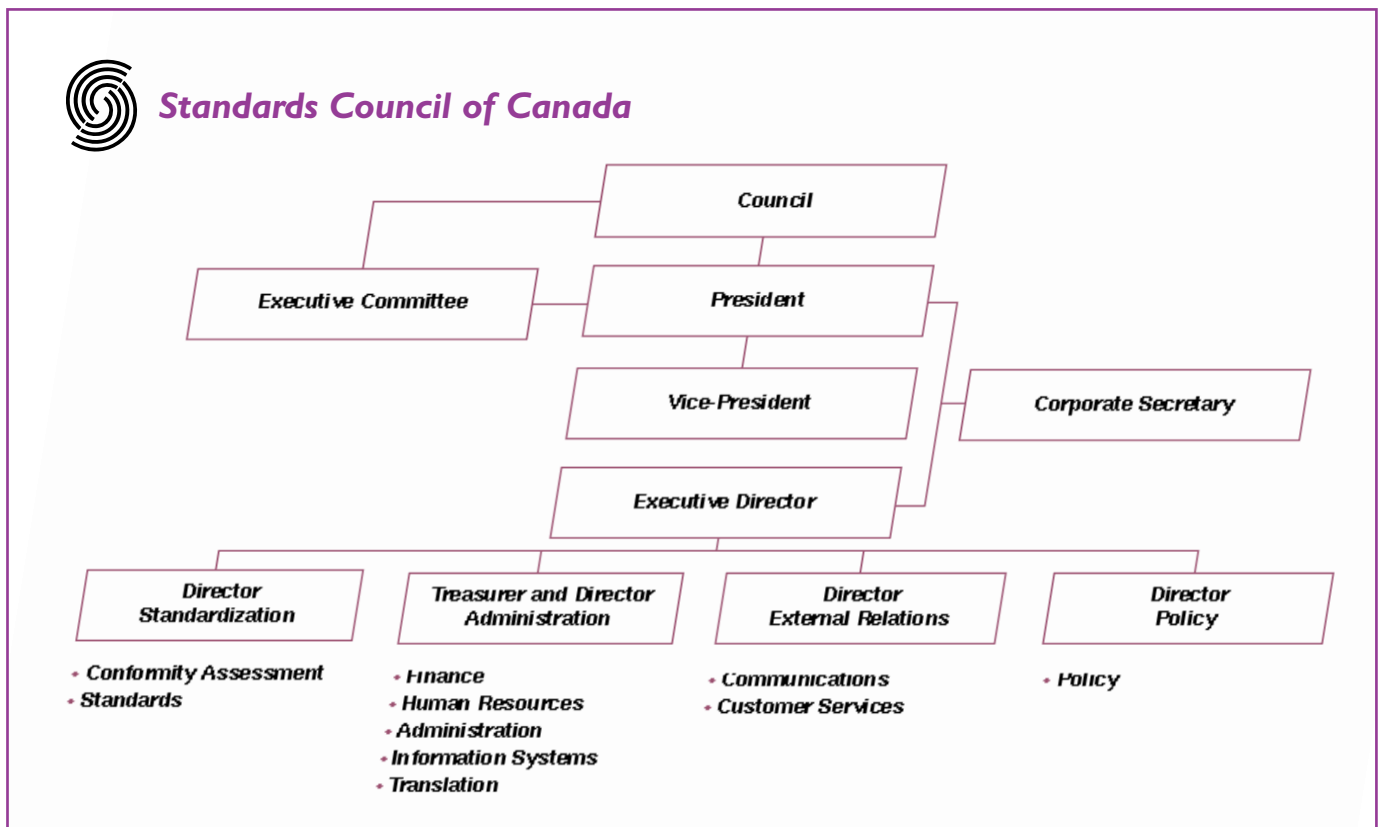
A subsequent impact analysis of the proposal backed up their concerns. Adjusting to the new standard would cost the Canadian automotive, aircraft and machinery industries at least \$275 million in the first year and \$50 million each subsequent year. Consumers would be on the hook for an additional \$18 million a year from increased costs for such staples as milk and gasoline. And these were just a few of the implications. Concerned Canadians mobilized, established a national position on the matter and were instrumental in defeating the proposal at the international level.

Issues such as this are at the heart of the standards-development process. For Canadians in all industries, and all walks of life, standardization carries major economic implications. Similarly, it has a significant impact on health, safety and competitiveness.

New realities

In 1995, the Standards Council of Canada (SCC) marked 25 years of service to the Canadian public. During that quarter century, the world's two foremost standards authorities – the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC) – developed or revised at least 12,000 standards in areas ranging from medical devices to coffee beans. Last year alone, almost 1,300 new editions of ISO and IEC standards were published, each one establishing parameters for some product, service or system, each one with potentially enormous trade implications.

The demand for standards to support trade and technology is exploding. The World Trade Organization (WTO), the Free Trade Area of the Americas (FTAA)



effort and the North American Free Trade Agreement (NAFTA) are but a few of the world's economic initiatives that call for nations to pursue common standards and methods for assessing conformity to standards.

As a result, the number of ISO and IEC committees, subcommittees and working groups developing standards expanded to some 3,750 by the close of 1995/96. Increasing emphasis has been placed on the development of standards for management systems, services and information technology.

The pace of standards development has also been affected. At the start of 1996, ISO and IEC implemented procedural changes aimed at reducing the development cycle for new international standards from seven years to three-and-a-half years.

Standardization is in a phase of extraordinary expansion and acceleration. Never before has there been so much opportunity for Canada to influence international methods and practices and to profit from this effort.

Strategies for a renewed National Standards System

In today's world, an effective standardization effort requires the support of a national infrastructure. This infrastructure must provide an effective means of influencing and monitoring standards development, the capability to determine conformity to published standards and easy access to strategic standards intelligence. In Canada, these services are provided by the National Standards System, which is coordinated by SCC, and comprises 233 organizations and 14,000 volunteers.

In 1995/96, SCC worked with its partners to ensure that the National Standards System keeps pace with changing world conditions and supports Canada's economic and trade strategies.

From the freeway ...

Trucks transport some \$100 billion in Canadian goods to the United States each year, or about 60 per cent of all U.S.-bound domestic exports. In 1995/96, SCC helped ensure that Canadian wheels will continue rolling south by assisting trucking firms to meet strict new U.S. safety regulations.

The regulations raised concerns in Canada because they required substance-abuse testing of drivers to be carried out by U.S. government-accredited laboratories. With the support of the government of Canada, as well as Canadian carriers and laboratories, SCC requested that U.S. officials also recognize test results from SCC-accredited labs. Authorities in Washington agreed in principle after reviewing SCC's laboratory accreditation program. Formal recognition of SCC-accredited laboratories is expected before the regulations come into force on July 1, 1996.

This recognition will mean that drug testing of Canadian truckers can be done in Canada, that carriers have a more convenient way to meet U.S. regulations, that Canadian laboratories have an opportunity to secure an important new source of revenue and, perhaps most importantly, that the big wheels keep rolling south with Canadian merchandise.

with support from Industry Canada. At the end of the fiscal year covered by this report, Bill C-4 was awaiting second reading in the House of Commons.

◆ SCC participated in a number of proposals for new initiatives that would support the federal government's microeconomic policy agenda, *Building a More Innovative Economy* (BMIE). These proposals included the development of an on-line Standards Information Service of Canada (SISC), which will increase the speed of the standards development process, open it up to more participants and provide strategic standards information to small and medium-sized enterprises.

◆ SCC helped the federal government integrate standardization into its science and technology strategy. The government's policy document *Science and Technology for the New Century*, released in March 1995, calls for Canada to "be at the forefront in the development and setting of international standards." It also calls on federal departments and agencies to work with clients and SCC to increase participation in international standards development.

◆ The modernization of SCC's mandate moved forward in 1995/96 with the introduction in Parliament of Bill C-4, *An Act to amend the Standards Council of Canada Act*. The legislation was developed following national consultations conducted by SCC President Richard Lafontaine,

◆ SCC moved ahead with the thrusts contained in its five-year strategic plan, established through extensive stakeholder consultation. A progress report for fiscal year 1995/96 can be found in the section entitled "What we promised..." on page 10.

Standards that work for Canada

Canada's ability to develop standards that meet national needs, and to influence international standards, is an important part of the country's trade effort.

For example, Canada's well-deserved reputation for leadership in building codes and lumber standards has been instrumental in winning over the Japanese building materials market. Canada now exports \$3 billion in building materials to that country – in part because the Japanese respect Canada's construction materials standards.

A commitment to international standards ensures that Canada stays in step with international methods and practices. It also gives Canadian firms heightened international exposure and profile, allows for the collection of strategic intelligence and provides a valuable opportunity for Canadians to network and establish business ties abroad.

In fiscal year 1995/96, SCC coordinated a "Team Canada" standards effort that saw some 4,000 Canadian volunteers take part in 522 ISO and IEC technical committees, subcommittees and working groups through corresponding Canadian advisory committees. A number of key international committees functioned

under Canadian leadership, including ISO Technical Committee 207 (TC 207), which focuses on environmental management, and ISO Technical Committee 176 (TC 176), which develops quality management standards.

Both committees were chaired by Canadians and their respective secretariats administered by the Canadian Standards Association (CSA) on behalf of SCC.

During the year, TC 207 made progress in the development of the ISO 14000 series, the world's first set of international environmental management standards. It is widely expected that these documents, once finalized, will form the basis for environmental improvements in all industries. As Canadian companies begin applying the standards to their operations, they will benefit from a solid base of Canadian expertise. What's more, Canada's high visibility in the project gives the country's environmental technologies and services sector a heightened profile in the global marketplace.

In the area of quality management, TC 176 continued to make improvements to the ISO 9000 series – arguably the most influential standards ever developed. By the beginning of fiscal year 1995/96, some 100,000 facilities in 86 countries had become registered to the standards. TC 176 has produced a strategic plan that will bring significant improvements to the ISO 9000 series, including making it more user-friendly and enhancing the link

between the capability of a company's quality system and confidence in the quality of the end product.

...to the information highway

In 1995, SCC spearheaded a project that will give Canadians easier, faster and more effective access to one of the country's most important resources – the National Standards System. Along with stakeholders in government and the private sector, SCC developed a blueprint for the Standards Information Service of Canada (SISC), an electronic resource to be available via the World Wide Web.

Over time SISC is expected to:

- ◆ transform the current standards development process to an electronic process, restrained in its speed and efficiency only by the limits of the latest information technology;
- ◆ enable small businesses, non-governmental organizations and their representatives to become more active in Canada's standardization effort;
- ◆ provide rapid access to the latest standards and market intelligence from within Canada and around the world; and
- ◆ provide a standards highway that allows Canadians to exchange information and access standards organizations.

Implementation and system trials of SISC are expected to be completed in 1998.

In addition to ISO's two management systems projects, Canada also took the lead in a number of industry-specific standards committees, supporting the country's trade interests in such important areas as pulp and paper, nickel, software quality, hydrogen energy technology and medical devices.

Adopting the international standards developed by these and other ISO and IEC committees can provide significant economic advantages for Canada. For example, a country that adopts IEC standards for electrical products can take part in the IEC System for Conformity Testing to Standards for Safety of Electrical Equipment (IECEE), giving its exporters a shortcut through the product approval process in other IECEE-participating countries, and providing consumers access to state-of-the-art products from offshore.

Last year, 50 per cent of standards approved by SCC as National Standards of Canada were adoptions or adaptations of ISO and IEC standards, including 30 IEC electrical product standards. SCC's participation in the IECEE has enabled Canadian companies to achieve product approval in a variety of important markets quickly and easily, using tests and certifications performed in Canada. To maximize the effectiveness of Canada's standardization effort in this sector, plans were developed during the year to more closely align CSA's *Canadian Electrical Code Part II* committees with the SCC Canadian subcommittees providing input into IEC electrical product standards.

While ISO and IEC work was a strategic priority for

SCC, a number of groundbreaking projects were also undertaken by the five Standards Development Organizations (SDOs) accredited by SCC.

From environmental vision...

In 1995/96, Canada led a global effort to develop the world's first set of international environmental management standards. Known as the ISO 14000 series, the standards will provide all types of organizations with the tools to raise their environmental performance through:

- ◆ the implementation of an environmental management system;
- ◆ auditing and third-party registration of environmental management systems;
- ◆ life cycle assessment of the environmental impact of products;
- ◆ effective, unambiguous and fair environmental labelling practices; and
- ◆ evaluation of the environmental performance of management systems and operations.

The first five standards in the series, and an environmental guide for standards developers, are scheduled to be published in the fall of 1996.

◆ **The Canadian Standards Association (CSA)** released its *Model Code for the Protection of Personal Information*, which was approved by SCC as a National Standard of Canada. This is the first time that private sector organizations in any country have collaborated with consumer advocates and government officials to create a national information protection standard.

◆ **The Canadian Gas Association (CGA)** concluded the development of a standard on connecting devices used for the refuelling of natural gas vehicles. This standard was developed as a bi-national Canada-U.S. standard, and is currently in use on North American vehicles. Japan has adopted the standard without changes, and accepts the CGA certification seal on this equipment without further evaluation.

◆ **The Canadian General Standards Board (CGSB)** issued a new edition of its National Standard of Canada on the certification of non-destructive testing personnel. CGSB's earlier work in this area prompted ISO to develop a standard on the same subject which was published in 1992.

◆ **The Bureau de normalisation du Québec (BNQ)** is heading up an effort to develop a model code for the rehabilitation of urban infrastructures – a project that responds to the urgent situation of aging cities in Canada and around the world.

◆ **Underwriters' Laboratories of Canada (ULC)** was chosen by a consortium of organizations concerned with thermal insulating systems to develop a set of consistent, practical and harmonized national standards for the field. The project will stress liaison with the American Society for Testing and Materials (ASTM) and ISO, promoting compatibility between Canadian and international products and practices.

National Standards of Canada such as these can play a valuable role in helping make Canada more competitive. Furthermore, voluntary standardization, with its high rate of compliance and shared costs, can also serve as an alternative to regulation. To this end, SCC took part in the development of a proposal to identify overlap between standards and regulatory activities and to promote greater reliance on the services provided by the National Standards System.

Conformity assessment – a question of confidence

To compete effectively in the global marketplace, Canadian companies need to be able to demonstrate to clients and regulators around the world that they conform to standards. They must be able to do so quickly, inexpensively and convincingly.

If Canada's export of construction materials to Japan is a success story based on standards, it is equally based on Canada's conformity assessment capabilities. During 1995/96, the Japanese cast an extraordinary vote of confidence for these abilities. For the first time, Canadian building materials manufacturers can have their products fire-tested in Canada to the requirements of the Japanese building code. Testing for conformity to Japanese fire standards should no longer

be a prohibitively expensive and complicated proposition for small Canadian companies.

To a large extent, this kind of confidence in Canada's conformity assessment capabilities is the result of SCC accreditation programs for testing, certification and registration organizations. In 1995/96, two key factors drove SCC's efforts to augment these programs. One was the imminent arrival of the ISO 14000 series of environmental management systems standards, and the anticipated need for Canadian companies to demonstrate conformity to its requirements through a process of third-party registration. The other was the increasing reliance of Canadian companies on ISO 9000 registration to access markets and win quality-conscious customers.

SCC set out to enhance the National Standards System's conformity assessment capabilities through a number of new initiatives:

◆ An accreditation program for ISO 14000 registrars was developed and is expected to be operational when the first standards in the series are published in the fall of 1996. Complementary accreditation programs for certifiers of environmental auditors and auditor training course suppliers will follow.

◆ In keeping with international practices, SCC began accrediting ISO 9000 registrars on a scoped basis. SCC-accredited registrars now operate in specific industry sectors.

...to environmental intelligence

By the time the first official ISO 14000 drafts were released in April 1995, SCC had received hundreds of enquiries from interested Canadians. Internationally, some companies involved in the development of the standards had already implemented the draft provisions and were seeking third-party registration.

As soon as the ISO 14000 drafts were released, SCC made them available to Canadians, keeping the country abreast of new developments through advertising, trade shows, the World Wide Web and the organization's newsmagazine, *CONSENSUS*. Early in 1996, SCC unveiled a diskette version of the draft standards, complete with hyperlinks and bookmarks.

SCC's ISO 14000 efforts, including the development of an accreditation program for auditors, are just one example of a continuing commitment to provide Canadians with the tools to use standardization strategically in an increasingly competitive global market.

◆ SCC obtained acceptance as an accreditation body under the QS-9000 scheme – the supplier quality program developed jointly by General Motors Corporation, Chrysler Corporation and Ford Motor Company. Suppliers may now satisfy the conformity assessment demands of the Big Three car manufacturers by using SCC-accredited registrars.

One of the reasons SCC's accreditation programs are respected internationally is that they are based on international criteria. In 1995/96, SCC continued to take part in the development and revision of these criteria, to ensure that Canadian needs are taken into account.

As a member of the International Auditor and Training Certification Association (IATCA), SCC participated in the development of the world's first set of international criteria for quality management systems auditors and auditor course suppliers. SCC also worked within the ISO Committee on Conformity Assessment (CASCO) on the development of a number of new guides, including two related to the accreditation of quality systems registrars.

To further enhance the international acceptance of its accreditation programs, SCC pursued mutual recognition agreements (MRAs) with key accrediting bodies in the United States, Mexico and the European Union, and took part in regional and international talks aimed at achieving mutual recognition of accreditation programs. A number of bilateral agreements with U.S. bodies are expected to be signed in 1996/97 (for more information, see "Develop mutual recognition ...", p. 12).

While SCC's accreditation programs provide benefits to Canadian exporters, they also have significant implications for trade, government efficiency, health and safety and environmental performance within Canada's borders.

The National Standards System is of service to industry, government and consumers. For example, SCC's accreditation program for certification organizations is accepted by electrical regulators in every province and territory. As a result, certifiers need only obtain a single accreditation to provide a national certification service to clients. Meanwhile, regulators are relieved of the burden and cost of operating their own recognition programs. The result is enhanced efficiency for governments, enhanced competitiveness for certifiers and value-added for industry.

In recent years, SCC has worked to foster a similar level of national cooperation in the area of laboratory accreditation. The 1995/96 fiscal year saw SCC build on a successful slate of collaborative initiatives aimed at developing a national laboratory accreditation infrastructure that meets the diverse needs of laboratories, industries and governments (for more information, see "Promote SCC's accreditation...", p. 12).

Giving Canadians the information edge

The standardization process provides a wealth of opportunity to benefit from one of today's most important commodities – strategic intelligence. Standardization is an information-intensive activity, and a meeting ground for many thousands of the world's foremost technical experts and innovators.

Little wonder that a recent survey by CSA found 43 per cent of standards-development committee members motivated by an interest in market intelligence and 39 per cent by a desire to network.

To maximize the intelligence-gathering value of Canada's standardization effort, SCC joined with a wide variety of stakeholders to develop a plan to put the country's standardization resources on-line, accessible through a single electronic gateway and navigable using powerful search engines. Known as the Standards Information Service of Canada (SISC), this vision of an electronic standards highway is expected to become a reality over the next two fiscal years.

As a first step towards SISC, SCC established an Internet World Wide Web site containing a variety of standards-related information as well as links to other relevant sites. For clients who have not yet acquired Web access, SCC also introduced an electronic bulletin board service (BBS) which requires little more than a computer and modem to be accessed.

Though SISC was still in its early development during 1995/96, SCC was already offering Canadians a world-class standards information and sales service that combined an extensive collection of documents and expertise with on-line databases and CD-ROM products. The 11,000 clients that called upon this service last year were able to benefit from a number of improvements in products and services. For example, ISO 14000 standards were made available at the Committee Draft stage to give clients a head start on planning for compliance,

and a diskette version of the draft standards was developed – a sign of things to come as SCC makes the shift to information technology products in the coming years (for more information, see “...to environmental intelligence”, p. 7).

A look ahead

As the demands of the global economy continue to mount in the years ahead, so too will the pressures to develop harmonized standards quickly and to integrate conformity assessment practices internationally.

The extraordinary need for standards in the information technology field has resulted in a trend towards the development of specifications by consortia outside of the traditional ISO/IEC framework. To cope with this situation, ISO is allowing these specifications to be submitted for approval as international standards using a fast-track procedure. Clearly, the need for strong intelligence-gathering capabilities and rapid response times is critical if Canada is to continue to effectively influence standards in the future. In this regard, exploitation of the information highway will be a cornerstone of the Canadian effort.

The scope of standardization also promises to continue growing. Management systems standards, non-existent at the international level only 10 years ago, are now one of the fastest-growing aspects of standardization. In 1996/97, ISO will decide whether to proceed with the development of occupational health and safety management systems standards. In addition, ISO's three-year strategic plan, which took effect at the beginning of 1996, calls for the organization to expand further into standards for services. This points to the need in Canada for a strategic, focused approach to standards development, based on a well-formulated national strategy.

Only a few years ago, almost all efforts to harmonize conformity assessment programs internationally took place within ISO, IEC or the International Laboratory Accreditation Conference (ILAC). Today there is a growing proliferation of international, regional and bilateral efforts underway to achieve this end. It is essential that Canada take part in these efforts to assure effective access to foreign markets.

What we promised and what we delivered in fiscal year 1995/96

In 1995/96, the Standards Council of Canada (SCC) entered the third year of a five-year strategic plan. The plan sets out specific objectives that support Canada's economic, trade and societal aspirations. While many of these objectives have already been achieved, the following section provides a brief report on key objectives that remain the focus of ongoing efforts.

Develop and maintain strategic alliances with international standards organizations.

Forging close ties with regional neighbors and key trading partners was a priority in 1995/96. Through these ties, SCC was able to advance the goal of compatible standards and standardization practices that support the seamless movement of goods across borders. SCC worked towards compatible standardization practices with:

- ◆ **the Pacific Rim**, through the Asia Pacific Laboratory Accreditation Cooperation (APLAC), the Pacific Accreditation Cooperation (PAC), the Pacific Area Standards Congress (PASC) and the Canada-Japan Mutual Recognition Agreement Building Products Standards Committee;
- ◆ **the Americas**, through its activities within the Free Trade of the Americas working group on standards

and technical barriers to trade, the North American Free Trade Agreement (NAFTA) Committee on Standards-Related Measures, the Pan American Standards Commission (COPANT) and the North American Calibration Cooperation (NACC);

- ◆ **Europe**, through the European Cooperation for the Accreditation of Laboratories (EAL) and the European Accreditation of Certification (EAC);
- ◆ **the world**, through the International Laboratory Accreditation Conference (ILAC), the International Auditor and Training Certification Association (IATCA), the International Accreditation Forum (IAF), the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC).

Move towards full cost recovery on products and services.

SCC's revenue is derived from federal government appropriations and the sale of products and services. In 1995, government appropriations represented 53 per cent of SCC's revenue, down from 80 per cent only a few years ago, reflecting a continuing shift away from reliance on government funding.

During the year, SCC's accreditation programs operated on a cost-recovery basis, while the sale of foreign and international standards generated profits of approximately \$835,000, which helped support other SCC programs.

As the major beneficiary of Canada's participation in

the development of international standards, industry was asked to shoulder a greater share of the costs for this work through a fee for participation in SCC's Canadian advisory committees to the International Organization for Standardization (ISO) and Canadian subcommittees to the International Electrotechnical Commission (IEC).

Future budgeting, planning and cost-recovery efforts will be assisted by the implementation of a computerized time- and cost-tracking system installed in 1995/96, which will result in increased transparency in pricing practices.

Provide leadership and play a more effective role internationally.

Canadian companies rely on SCC-accredited registrars, certification organizations and laboratories to demonstrate conformity to standards and win confidence in the global marketplace. During 1995/96, SCC took steps to enhance the international acceptance of its accreditation programs.

SCC represented Canada in the development of international guides and criteria that will serve as the basis of its accreditation programs and as a tool for fostering mutual confidence and acceptance among accrediting bodies worldwide. SCC took part in the development of new guides for accreditors, ISO 9000 registrars and certification organizations, as well as the revision of an existing guide for laboratories, jointly published by the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). In addition, SCC participated in the International Auditor and Training Certification Association (IATCA), which developed criteria for quality systems auditors and auditor training providers.

SCC helped advance the objective of mutual recognition among accrediting bodies through the International Accreditation Forum (IAF) and the ISO/IEC Committee on Quality System Assessment Recognition (QSAR). IAF developed a draft multilat-

eral recognition agreement during the year, which will be considered for approval by national accrediting bodies in 1996/97.

Under the auspices of SCC, some 4,000 Canadian volunteers participated in the development of international standards during the year. Canadians chaired 28 ISO and IEC committees, subcommittees and working groups and acted as secretaries for 26. On SCC's behalf, the Canadian Standards Association (CSA) continued to administer the secretariats of the committees responsible for maintaining the ISO 9000 series of quality management standards (TC 176) and developing the ISO 14000 series of environmental management standards (TC 207); both committees were also chaired by Canadians. A Canadian was named convenor of a working group focusing on software quality, and another was appointed chair of a subcommittee dealing with air quality. Canadians also occupied a number of ISO and IEC management positions, including: Vice-President (technical management) of ISO, Vice-President of the IECEE-CCB (Committee of Certification Bodies) and membership on the IEC Conformity Assessment Executive (CAE), IECEE-MC (Management Committee), ISO Council, IEC Committee of Action, IEC Finance Committee and IEC General Policy Committee.

Develop common business opportunities with Canadian Standards Development Organizations (SDOs).

Canadians are expected to benefit from improved access to standards as a result of a strong partnership between SCC and its accredited Standards Development Organizations (SDOs). Under a national sales agreement negotiated in 1995/96, SDOs may sell international standards, such as the ISO 9000 series, while SCC is permitted to sell standards developed by SDOs. This will give clients the convenience

of one-stop shopping for Canadian and international standards, as well as the opportunity to choose from among multiple vendors.

SCC continued to pursue common marketing opportunities with SDOs and to cooperate in areas such as the translation of standards.

Promote SCC's accreditation program for laboratories within Canada, and work to incorporate other similar recognition programs into its framework.

SCC is building a national laboratory accreditation infrastructure based on collaboration. For laboratories, this infrastructure reduces the need to undergo multiple assessments to satisfy different clients. For government, it provides an opportunity to realize savings by taking part in shared programs.

In 1995/96, SCC collaborated with the Canadian Association of Environmental Analytical Laboratories (CAEAL), the Department of National Defence (DND), Agriculture and Agri-Food Canada (AAFC), the National Research Council of Canada (NRC) and

the Canadian Laboratory Accreditation Programme for Unprocessed Milk (CLAPUM) to provide the country with a laboratory accreditation infrastructure that meets diverse national needs.

New collaborations were planned for the accreditation of laboratories involved in food testing, forensic science and the screening of race horses for prohibited drugs. Partners include the Canadian Society of Forensic Science (CSFS) and the Canadian Pari-Mutuel Agency (CPMA). The programs are expected to be operational in 1996/97.

Develop mutual recognition agreements (MRAs) with United States, Mexican and European Union standards organizations that will have a significant impact on Canada and Canadian industry.

SCC is committed to establishing the equivalence of its accreditation programs for conformity assessment organizations with similar programs operated in the United States, Mexico and Europe. The purpose is to provide enhanced acceptance of Canadian test reports, certifications and registrations in support of Canada's trade effort.

SCC made headway towards two agreements in the area of certification: a cooperative agreement with the U.S. Occupational Safety and Health Administration (OSHA) and an MRA with the American National Standards Institute (ANSI). SCC also pursued an MRA with ANSI and its affiliate, the Registrar Accreditation Board (RAB), in the area of ISO 9000 registration. SCC and Transport Canada (TC) negotiated with the U.S. Department of Health and Human Services (DHHS) to secure U.S. recognition of SCC-accredited substance-abuse testing laboratories. All of these agreements are expected to be finalized in

1996/97. Preliminary discussions also took place with ANSI on the possibility of an MRA in the area of environmental management systems registration.

SCC provided technical support to the federal government in its ongoing MRA negotiations with the European Union, and continued to work towards an MRA with the Mexican standards authority, the Dirección general de normas (DGN), in the area of laboratory accreditation.

As a member of the North American Calibration Cooperation (NACC), SCC continued to work towards an MRA that will recognize the equivalence of calibration laboratory accreditation programs throughout the continent, giving trading partners confidence that products are based on comparable measurements. This MRA is scheduled for completion in 1997/98.

Actively promote the importance of standards and standardization.

In response to the need for faster, more timely standards information, SCC's newsmagazine, *CONSENSUS*, doubled its frequency of publication from four to eight issues a year. It was also made available on the Internet World Wide Web.

SCC continued to reach out to Canadians through focused advertising efforts, industry trade shows and speaking engagements at such key events as the Globe '96 conference and the International Seminar on Standards for Global Connections.

Prepare and implement a comprehensive marketing plan for services offered by SCC.

In 1995/96, SCC established a corporate marketing approach and trained managers in marketing fundamentals. This training will be applied to the

development of corporate and divisional marketing plans for 1996/97.

Develop and carry out a strategy that increases the profile of SCC at senior management levels within industry and government.

By exploiting new technologies and actively pursuing partnerships with industry and government, SCC has increased its profile and raised awareness of the importance of taking a strategic approach to standardization.

In 1995/96, SCC established its own site on the World Wide Web, as well as an electronic bulletin board service (BBS) for clients not yet connected to the Internet.

In partnership with interested parties across the country, SCC produced a draft business plan for an on-line Standards Information Service of Canada (SISC) that will increase the speed of the standards development process, open it up to more participants and provide strategic standards information to small and medium-sized businesses. Implementation is expected to take two years.

SCC joined Industry Canada (IC) and Treasury Board Secretariat *(TBS) in developing a plan to promote the use of standards by regulators. The plan calls for a

review of areas in which standards and regulations overlap, a promotional effort and the establishment of a fund to support demonstration projects.

Under contract with the Department of Foreign Affairs and International Trade (DFAIT), SCC continued to operate the World Trade Organization/North American Free Trade Agreement (WTO/NAFTA) Enquiry Point, providing technical information on foreign markets to Canadian exporters. Signatories to the WTO and NAFTA send notifications of changing technical requirements within their markets to the Enquiry Point, and SCC relays these to Canadians who have indicated an interest.

Notifications received in 1995/96 dealt with such issues as changing energy efficiency standards in the United States and new certification rules for agricultural products destined for Mexico. The Enquiry Point also enables Canada to fulfil its own transparency obligations under the WTO and NAFTA by disseminating Canadian notifications abroad.

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.

Richard Lafontaine
President
May 10, 1996

Auditor's Report

To the Minister of Industry

I have audited the balance sheet of Standards Council of Canada as at March 31, 1996 and the statements of operations, equity of Canada and changes in financial position 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, 1996 and the results of its operations and the changes in its financial position 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.

Raymond Dubois, FCA
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Canada
May 10, 1996

Balance Sheet

As at March 31

	1996	1995
ASSETS		
Current		
Cash	\$ 680,367	\$ 689,102
Accounts receivable:		
Federal government departments	153,406	231,562
Other	1,107,491	802,717
Parliamentary appropriation receivable	523,000	763,000
Inventory of foreign standards	185,377	124,025
Prepaid expenses	<u>367,782</u>	<u>363,657</u>
	3,017,423	2,974,063
Capital assets (Note 3)	<u>389,441</u>	<u>359,136</u>
	<u>\$ 3,406,864</u>	<u>\$ 3,333,199</u>
 LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 888,426	\$ 957,564
Customer and other deposits	83,794	105,217
Deferred revenue	<u>105,941</u>	<u>81,404</u>
	1,078,161	1,144,185
Long-term		
Accrued employee severance benefits	<u>149,106</u>	<u>243,303</u>
	1,227,267	1,387,488
 EQUITY OF CANADA		
Equity of Canada	<u>2,179,597</u>	<u>1,945,711</u>
	<u>\$ 3,406,864</u>	<u>\$ 3,333,199</u>

Approved by the Council:

President

Executive Director

Statement of Operations

For the year ended March 31

	1996	1995
Revenue		
Sales of standards	\$ 2,881,457	\$ 2,490,675
Accreditation fees	1,357,519	1,167,728
WTO/NAFTA Enquiry Point	312,289	351,687
Interest income	38,355	37,002
Other	<u>54,965</u>	<u>114,563</u>
	<u>4,644,585</u>	<u>4,161,655</u>
Expenses		
Salaries and employee benefits	3,293,434	3,337,155
Direct cost of standards sold	1,514,608	1,209,266
Memberships in international organizations	1,334,202	1,248,328
Travel	912,981	879,023
Office accommodation	752,795	697,874
Publications and printing	528,074	457,785
Professional and special services	368,973	490,296
Telecommunications and postage	284,114	241,981
Amortization of capital assets	156,582	137,843
Office supplies	131,006	79,688
Exchange of national standards	89,348	58,111
Public relations	78,746	72,596
Rental of office equipment	74,158	78,504
Meetings	30,687	63,214
Other	<u>124,991</u>	<u>140,348</u>
	<u>9,674,699</u>	<u>9,192,012</u>
Excess of expenses over revenue	\$ <u>5,030,114</u>	\$ <u>5,030,357</u>

Statement of Changes in Financial Position

	For the year ended March 31	
	1996	1995
Operating activities		
Excess of expenses over revenue	\$ (5,030,114)	\$ (5,030,357)
Items not requiring an outlay of cash		
Amortization of capital assets	<u>156,582</u>	<u>137,843</u>
	(4,873,532)	(4,892,514)
Payment of accrued employee severance benefits	(94,197)	(82,228)
Changes in current liabilities and current assets other than cash	<u>(118,119)</u>	<u>(278,732)</u>
Cash applied to operating activities	(5,085,848)	(5,253,474)
Financing activities		
Parliamentary appropriation	5,264,000	5,423,000
Investing activities		
Additions to capital assets	<u>(186,887)</u>	<u>(119,007)</u>
(Decrease) increase in cash during the year	(8,735)	50,519
Cash at beginning of the year	<u>689,102</u>	<u>638,583</u>
Cash at end of the year	\$ <u>680,367</u>	\$ <u>689,102</u>

Statement of Equity of Canada

	For the year ended March 31	
	1996	1995
Balance at the beginning of the year	\$ 1,945,711	\$ 1,553,068
Parliamentary appropriation (Note 4)	<u>5,264,000</u>	<u>5,423,000</u>
	7,209,711	6,976,068
Excess of expenses over revenue	<u>(5,030,114)</u>	<u>(5,030,357)</u>
Balance at the end of the year	\$ <u>2,179,597</u>	\$ <u>1,945,711</u>

Notes to Financial Statements March 31, 1996

1. AUTHORITY, OBJECTS, AND PROGRAMMES

The Standards Council of Canada was created by Parliament as a corporation under the *Standards Council of Canada Act* in 1970 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 objects of the Council are to foster and promote voluntary standardization in fields relating to the construction, manufacture, production, quality, performance, and safety of buildings, structures, manufactured articles, and products and other goods, and to further international cooperation in the field of standards.

The Council's activities and programmes are centred around six broad areas:

- Accrediting organizations engaged in standards development and conformity assessment;
- representing Canada's interests internationally through membership in the International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC), the Pacific Area Standards Congress (PASC), and the Pan American Standards Commission (COPANT);
- coordinating and approving the development of National Standards of Canada;
- serving as the focal point for enquiries on the subject of standardization for both domestic and international activities and standards;
- fostering and promoting the understanding, benefits, and usage of standards in all aspects of economic activity both nationally and internationally;
- serving as the repository and focal point for national and international standards for distribution to Canadian industry.

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) Inventory

Inventory of foreign standards is valued at the lower of cost or replacement cost.

(c) Prepaid expenses

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

(d) Recoverable expenses

Recoveries of expenses in respect of an agreement for the operation of the WTO/NAFTA Enquiry Point are recognized as revenue at the time the expenses are incurred.

(e) Revenue and deferred revenue

Revenue is recorded on an accrual basis in the year in which it is earned. Amounts invoiced for accreditation services which have not been rendered are deferred and the revenue recorded as the services are provided.

(f) Parliamentary appropriation

Operating expenditures and the acquisition of capital assets are financed by a parliamentary appropriation which is credited to the equity of Canada in the year to which it applies.

(g) Employee severance benefits

Up to March 31, 1994, employees earned specified benefits payable on termination as provided for under Conditions of Employment. Benefits due to employees as of that date will be paid out over a five year period ending March 31, 1999, or upon an employee's termination if prior to March 31, 1999.

(h) 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

	1996	1995	1996	1995
	Cost	Accumulated amortization	Net book value	Net book value
Furniture	\$ 259,997	\$ 218,000	\$ 41,997	\$ 60,988
Equipment	919,917	690,431	229,486	191,163
Leasehold improvements	152,983	35,025	117,958	106,985
	\$ 1,332,897	\$ 943,456	\$ 389,441	\$ 359,136

4. PARLIAMENTARY APPROPRIATION

	1996	1995
Amount voted	\$ 5,264,000	\$ 5,426,000
Frozen allotment	—	3,000
Amount used	\$ 5,264,000	\$ 5,423,000

5. 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 \$410,810 for years one to five, and \$416,008 for years six to ten.

6. 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.

Financial Review

Total revenue, other than parliamentary appropriation, of \$4.6 million is 12% above the \$4.2 million recorded in FY 1994-95. *Sales of Standards* at \$2.9 million were up 16% from the previous years' level of \$2.5 million, continuing a trend of strong growth. Sales of the American Society of Mechanical Engineers' Boiler Pressure Vessel Code, issued every third year, generated sales of \$637,000. ISO 9000 series sales also comprise a significant proportion at \$582,000 or 21% of total standards sales. Sales of the drafts of the soon to be released ISO 14000 Environmental Management Systems standards contributed \$103,000. *Accreditation Fees* arising from conformity assessment activities in Certification, Quality Systems Registration, and Testing increased to \$1.4 million from \$1.2 million, reflecting growth in all three programmes as well as continuing efforts to increase the levels of cost recovery. *Parliamentary Appropriation* of \$5.3 million is \$159,000 below the level of the previous year reflecting ongoing government fiscal restraint and several federal budget measures which continue to reduce the appropriations of all departments, agencies and Crowns of the government. Parliamentary Appropriation accounted for 53% of all revenues down from 57% in FY 1994-95.

In total, expenses for FY 1995-96 were \$9.7 million, an increase of 5% from the FY 1994-95 total of \$9.2 million. *Salaries and Employee Benefits* declined marginally as salaries and benefits remained frozen and some positions were vacant for portions of the year. *Memberships in International Organizations* comprised of fees paid to ISO and IEC increased to \$1.3 million from \$1.2 million. This increase results solely from further weakening of the Canadian dollar against the Swiss franc, as 98% of these fees are paid in that currency. In fact actual fees, in Swiss francs, declined for IEC and remained the same for ISO. *Direct Cost of Standards Sold* increased to \$1.5 million from \$1.2 million reflecting the increase in sales revenue noted previously as well as a

decline in overall gross margin from 51% to 47%. This decline results from the sale of the Boiler Pressure Vessel Code which is sold at a very modest mark up over cost. *Travel, Office Accommodation, Publications and Printing, Telecommunications and Postage, Amortization of Capital Assets, Exchange of National Standards, and Public Relations*, all show marginal increases. For the most part, these increases are related to higher levels of activity in the Council's revenue-producing programmes and start up costs related to the Environmental Management Systems Registration Accreditation Programme. The relatively larger increase in *Office Supplies* results from the upgrade of all desktop computers to the Windows 95 operating system. *Professional and Special Services* declined to \$368,973 from \$490,296 due to reduced expenses in Certification, Testing, and Communications divisions. As well, certain one time costs from FY 1994-95, in particular the consultations undertaken in regard to the mandate of the SCC, were not repeated. The 51% reduction in *Meetings* can be traced to the increased use of teleconferencing and letter ballots. Marginal decreases in *Rental of Office Equipment* and *Other* are related to ongoing efforts to reduce overhead expenses wherever possible.

Total revenues, including *Parliamentary Appropriation*, exceeded expenditures by \$.2 million, down from the FY 1994-95 figure of \$.4 million. This modest surplus on operations was used primarily to fund the acquisition of capital assets, and to further reduce the SCC's outstanding liability for accrued employee severance benefits.

President Mr. R. Lafontaine Etobicoke, Ontario	Mr. G.C. Harkness Victoria, British Columbia	Dr. J.K. Reichert Winnipeg, Manitoba (resigned October 1995)	Mr. G.C. Harkness Victoria, British Columbia (Term expired June 1995)
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Mr. L.F. Dalton Charlottetown, Prince Edward Island	Mr. J. MacDonald Ottawa, Ontario	Mr. R. Wright Quebec, Quebec	Dr. J. Perrow Director, Standardization
Mr. D.F. Darrow Halifax, Nova Scotia	Mr. A. Métivier Quebec, Quebec	Executive Committee (EC)	Ms. S.E. Watson Corporate Secretary
Mr. W.A. Dauphinee Toronto, Ontario	Mr. R. Morier Sherbrooke, Quebec	President Mr. R. Lafontaine Standards Council of Canada	Mr. W. Yerex Director, Policy
Mr. A.R. Dunlop St. Andrews, Manitoba	Mr. R. Muzyk Toronto, Ontario	Vice-President Mr. R.C. Maheux Standards Council of Canada	
Mr. Y. Dupont Montreal, Quebec	Mr. R.A. Phillips Oakville, Ontario	Mr. G.A. Baril Pierrefonds, Quebec	
Mr. P. Fontaine Quebec, Quebec	Mr. H. Pomerleau St-Georges de Beauce, Quebec	Mr. W.A. Dauphinee Toronto, Ontario	
Mr. J. Girard Quebec, Quebec	Mr. W.S. Read St. John's, Newfoundland		