

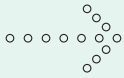


Standards Council of Canada
Conseil canadien des normes

Partners *in progress*

**Annual Report
2001 – 2002**





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Message from the Chair



Partnership has always been an essential part of standardization. Standards can only be developed and applied when people and organizations are willing to work together to resolve their differences and figure out how to achieve their mutual objectives.

The importance of partnership has been clear to the Standards Council since this organization was established more than 30 years ago. It's been especially prominent in the last four years, in the development and implementation of the Canadian Standards Strategy, our roadmap for Canada's standardization priorities.

This year in particular, the notion of partnership has been front and centre in nearly all of our activities.

Its most visible manifestation was the National Standards System Conference held in March, 2002. Taking as its theme "Partners in Progress", the Conference brought together more than 250 standards stakeholders to share ideas and experiences, and to plot the future course of standardization in Canada. One message came through loud and clear: only by working together can Canadian businesses, governments, consumers, environmental groups and non-governmental organizations ensure that standardization continues to serve the social and economic needs of Canadians.

Participants credited the event with giving them a renewed sense of enthusiasm, new ideas and a strong resolve to maintain the momentum they had established in their brief time together. Perhaps the most important outcome, however, was the sense the Conference provided that the System really is a system — an integrated body of partners working together towards a common set of goals. Several attendees told us that the Conference was their first glimpse of just how broad — and at the same time, how integrated — the National Standards System really is.

That system consists of a wide variety of partnerships. One of the most important of these is the Standards Council's relationship with the thousands of volunteers who take part in standards development and conformity assessment activities. Their contribution was celebrated during the Conference with the first presentation of an expanded suite of Standards Council of Canada Awards. These Awards, part of a comprehensive volunteer recruitment, training and recognition program, commemorate the important contribution that Canadian individuals and organizations make to standardization in Canada and around the world.

Thanks to the efforts of these people and organizations, Canada enjoys an influential position in regional and international standards forums. This year, we worked to increase that profile by agreeing to play host to several

major international standardization events over the next few years.

Our many partnerships with foreign and international bodies benefit Canada by opening markets to our goods and services. They also benefit our partners in the developing world. The Standards Council is playing an increasingly active role in supporting the creation of standardization infrastructures in developing countries. This year, for example, we worked with other Canadian organizations to help establish a laboratory accreditation system as part of a safe drinking water initiative for Latin America and the Caribbean.

As a federal Crown corporation, we work closely with the other departments and agencies reporting to the Minister of Industry, and with the rest of the federal government. The government's recently-announced Innovation Strategy provides us with an opportunity and an obligation to further strengthen this partnership. Our role will be to highlight the important part played by standardization in the development and success of innovative new technologies, and in providing an alternative to regulation.

The federal government also provides a significant proportion of the Standards Council's funding. Early in 2001–2002, Treasury Board Secretariat approved an increase in the Standards Council's base appropriation. This expanded resource base will make it possible for us to meet our increased commitments under the Canadian Standards Strategy, including our enhanced schedule of international hostings. This funding commitment demonstrates the federal government's recognition of the importance of standardization and of the Standards Council's effectiveness in advancing Canada's standardization priorities.

To conclude on a personal note, I was deeply honoured to be invited this year to serve as Chair of the Standards Council of Canada. Having been a member of Council since 1977, I am well aware that this appointment is both a great privilege and a great responsibility. I am very pleased to have this opportunity to contribute to the advancement of standardization in Canada.

A handwritten signature in black ink, appearing to read "Hugh Krentz".

Hugh A. Krentz



Message from the Executive Director



One of the great virtues of an Annual Report is the opportunity that it provides for an organization to review what it has accomplished over the course of a year. As we assembled this year's Annual Report, I was once again reminded of how much the Standards Council of Canada has been able to achieve over the last twelve months.

Like most years, 2001–2002 was not without its challenges. This was the second year of implementation of the Canadian Standards Strategy: a year in which our focus moved from planning to setting those plans in motion. The ever-increasing role of standardization in international trade produced a corresponding increase in demand for our services. Canadians expressed growing awareness and concern over regulatory reforms, including those involving standards-based solutions.

Compared to most other government agencies, we have a small staff (about 85 people) and a small budget (approximately \$12 million). But our impact and the importance of our work cannot be measured by those numbers. As the pages that follow will show, during fiscal year 2001–2002, the Standards Council of Canada was a productive and influential force on a variety of fronts.

Among the factors that contribute to our ability to accomplish so much is access to the resources of the National Standards System—the network of people and organizations that carry out the development and application of standards in Canada.

The Standards Council has accredited more than 350 organizations that deliver a variety of standards-related services. And our accreditation programs are delivered in cooperation with a growing body of public and private sector organizations. Our clients are also our partners, since it is through them that most of the work of the National Standards System is accomplished.

Our dedicated and professional staff also influences the efficiency and effectiveness of the Standards Council. Our job classification and performance management systems are intended to ensure that we offer a workplace environment that's competitive with both the public and private sectors.

Another contributing factor is our ongoing commitment to cost recovery in our accreditation programs. Overall, approximately 94 per cent of our direct and indirect costs are now being recovered through accreditation fees. We have worked closely with our clients to ensure that they understand and accept our fee structure. Our success can be gauged by both the increasing number of accredited organizations and the satisfaction ratings in our client surveys.

We have instituted a two-year cycle for our customer satisfaction surveys, ensuring regular input from our

accredited organizations, standards development volunteers, Web site visitors and information services clients on their experience with the Standards Council. This will help us to identify strengths and weaknesses in our customer service and continually improve the service that we provide to Canadians.

Continuous improvement is also the focus of our corporate quality system. This year saw a renewal of the system, as key documents were reviewed and updated to ensure their accuracy, their effectiveness and their consistency with the latest version of the ISO 9000 standards.

We are able to respond effectively to the many demands placed on our organization due to our comprehensive planning and reporting system. At every level, from the corporation as a whole through our committee structure down to each individual employee, we have developed workplans that feature realistic objectives and clear performance measurements. This helps to ensure clear expectations of what can and must be done, and a rational allocation of resources.

Those resources were enriched this year, thanks to an increased Parliamentary appropriation. An expanded staff complement has improved our capacity to achieve our corporate objectives, particularly those related to the implementation of the Canadian Standards Strategy. We will also be able to increase Canada's profile in the world of standardization by hosting more meetings, conferences and other events in this country.

We have increased our focus on policy development and strategic planning. This provides a rational, consistent and forward-thinking basis for our participation in international initiatives, ensuring that time and money are efficiently invested in this increasingly important arena.

Looking ahead, we can anticipate an increasingly important role for the Standards Council in areas such as trade, the environment, health and safety, and innovation. I am confident that our organization has established the structures and mechanisms it will need to respond to this growing challenge.

Peter Clark



Corporate profile

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 CARRIES OUT A VARIETY OF FUNCTIONS INTENDED TO ENSURE THE EFFECTIVE AND COORDINATED OPERATION OF STANDARDIZATION IN CANADA. IT ALSO REPRESENTS CANADA'S INTERESTS IN STANDARDS-RELATED MATTERS IN FOREIGN AND INTERNATIONAL FORUMS.

MANDATE

The Standards Council takes its mandate from the *Standards Council of Canada Act*, its governing legislation:

The mandate of the 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.

HISTORY

In 1964, the federal government conducted a comprehensive review of standards activity in Canada. The study identified a number of deficiencies in the country's approach to standardization, including coordination and long-term planning, support from industry and

government, and Canadian involvement in international standardization. The government responded by establishing the Standards Council of Canada through the *Standards Council of Canada Act*, which received Royal Assent in 1970.

In 1973, the Standards Council accredited four standards development organizations, three of which are still active participants in the National Standards System. In 1980, the first certification organization was accredited, followed a year later by the first two laboratories. The first three quality management systems registration bodies earned their accreditation in 1993, followed in later years by environmental management systems registration bodies and auditor course providers and certifiers.

The Standards Council also set to work establishing a higher profile for



Council members, 2001–2002

Chair:

Hugh Krentz

Chairman and CEO, Canadian Steel Construction Council; Executive Director, Steel Structures Education Foundation

Philippe Fontaine

Consultant in standardization and certification

Jacques Girard

Chair, Standards Development Organizations Advisory Committee; Director of Standardization and Certification, Bureau de normalisation du Québec (BNQ)

Hans Konow

President and CEO, Canadian Electricity Association

Suzanne Morin

Senior Counsel, Regulatory Law, Bell Canada

James Reichert

President and CEO, Science Council of British Columbia

Phil Saunders

Director, Technology Policy and Regulations, Information Technology Association of Canada; private communications consultant

Mark Schnell

Chair, Provincial/Territorial Advisory Committee; Business Development Manager, Saskatchewan Economic Development Corporation

Irene Seiferling

Senior Associate, H.J. Linnen Associates

Andrei Sulzenko

Senior Assistant Deputy Minister, Policy Sector, Industry Canada

Céline Trépanier

President, Export Concept (stepped down during the year)

Caroline Vallée

Manager, Consumer and Industrial Markets Practice, KPMG Consulting (stepped down during the year)

Stephen Van Houten

Consultant

Yuen Pau Woo

Vice-President Research and Chief Economist, Asia Pacific Foundation of Canada

Canada in international standards body such as the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). By 1972, Canada held a seat on ISO's governing Council, and in 1988, a Canadian was elected ISO President.

Our information efforts began in 1973, with the publication of our first booklet. We started selling standards in 1976, and in 1977, created what is now the Information and Research Service.

An extensive public consultation led to a major revision of the *Standards Council of Canada Act* in 1996. Our governing Council was reduced from 57 members to 15. The scope of our activities was expanded to address the environment, information technology, natural resources and service sectors. The amendments also authorized us to sign recognition agreements with our foreign counterparts and advise the federal government on standards-related aspects of international trade agreements.

The amendments were followed by the development of the Canadian Standards Strategy. Launched in March 2000, the Strategy provides

direction and leadership on how to use standardization to advance the social and economic well being of Canadians. Its recommendations continue to underpin our plans and strategies.

STRUCTURE

Council

The organization's governing Council is appointed by the federal government, and reports to Parliament through the Minister of Industry. It consists of up to 15 members: a Chair, a Vice-Chair, one member from the federal government, one member from the Council's Standards Development Organizations Advisory Committee, two members from the Council's Provincial-Territorial Advisory Committee and nine others from the private sector, including non-governmental organizations.

Advisory Committees

The Standards Council's advisory committees ensure that Council has access to a wide variety of advice, information and viewpoints.

Two of these committees, the Provincial-Territorial Advisory Committee and the Standards Development Organizations Advisory Committee, are established in the *Standards Council of Canada Act*. The rest have been created by Council.

Advisory Committee on Conformity Assessment (ACCA)

ACCA provides guidance and support to the Standards Council's accreditation programs for conformity assessment organizations, and the national and international guides, standards, programs and activities connected with them. The committee's membership includes representatives of regulatory authorities, the federal government, industry, conformity assessment bodies and the Consumer and Public Interest Committee. The Canadian advisory committee to CASCO, ISO's committee on conformity assessment, reports to ACCA.

Advisory Committee on Standards (ACS)

ACS looks at issues related to national, regional and international standards development. It encourages broad participation in standards development and the widespread use

of the National Standards System. It also oversees the Standards Council's accreditation program for standards development organizations. The committee's membership includes representatives of standards development organizations, regulators, the federal government, industry, the Canadian National Committees on ISO and IEC, and the Consumer and Public Interest Committee.

Advisory Committee on Trade (ACT)

ACT looks at issues related to interprovincial and international trade, including trade agreements such as the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO). The committee's membership includes representatives of conformity assessment bodies, the federal government, industry and several other Council advisory committees. The Canadian advisory committee to DEVCO, ISO's committee on developing country matters, reports to ACT.

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

CNC/IEC serves as the Canadian IEC member body and oversees the work of the 113 Canadian committees that provide Canadian input to IEC's technical work. The committee is closely aligned with national work through its membership structure. Its members include representatives of industry, standards development organizations, the federal government, electrical safety regulators, the Consumer and Public Interest Committee and the Provincial-Territorial Advisory Committee.

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

CNC/ISO proposes Canadian contributions to ISO's governance committees and oversees the work of the 315 committees that provide

Canadian input to ISO's technical work. The committee's membership includes representatives of industry, standards development organizations, the federal government, the Consumer and Public Interest Committee and the Provincial-Territorial Advisory Committee.

Consumer and Public Interest Committee (CPIC)

CPIC looks at consumer and social issues such as health, safety and the environment. The committee's membership includes representatives of consumers, environmental organizations, labour, the academic community, occupational health and safety organizations, standards development organizations and the federal government. The Canadian advisory committee to COPOLCO, ISO's committee on consumer policy, reports to CPIC.

Provincial-Territorial Advisory Committee (PTAC)

PTAC looks at standardization issues from the perspective of provincial and territorial governments. It promotes cooperation and communications between the provinces, the territories and the Standards Council, and provincial and territorial participation in the National Standards System. The committee's membership consists of a representative of each provincial and territorial government.

Standards Development Organizations Advisory Committee (SDOAC)

SDOAC looks at standardization issues from the perspective of the standards development organizations accredited by the Standards Council. It also promotes cooperation and communications between the Standards Council and the standards development organizations. The committee's membership consists of representatives appointed by each accredited standards development organization.

Corporate governance

The Standards Council has established a number of processes and structures to ensure that the organization is directed and managed effectively.

Council

The governing Council (see description, page 5) has overall responsibility for the direction and management of the Standards Council. Council members are not remunerated, but volunteer their time and services.

The roles and responsibilities of Council include:

- carrying out the responsibilities assigned by the *Standards Council of Canada Act*;

Characteristics of Council members

The Corporate Governance Committee has prepared a skills profile to assist in the selection of future appointees to Council. The profile recommends that the proposed Council members should have:

- experience in the executive direction of a national or regional industry or business-related association; an organization representing public interests, such as consumers, labor, the environment or academics; or the operation of a commercial business in a key economic sector;
- experience in international relations and global trends that affect standardization;
- financial literacy and an understanding of corporate governance concepts and processes;
- awareness of federal-provincial activities with respect to standards and regulations;
- superior capacity in communicating effectively with a relevant constituency and transmitting those views to the Council; and
- recognition by peers as a strategic leader in his or her field, and respect in the community for commitment, discretion and trustworthiness.



- assuming responsibility for the stewardship of the organization;
- examining its public policy objectives and periodically reviewing the legislated mandate to ensure its continued relevance;
- ensuring that it communicates effectively with the Crown, other stakeholders and the public;
- ensuring that the Council functions independently;
- reviewing and approving strategic and corporate plans, budgets, audited financial statements, approval of accreditations, and proposals for major operational matters;
- participating with the Executive Director in the development of strategic plans;
- assessing, through the Corporate Governance Committee, its effectiveness as a Council and initiating renewal of the Council; and
- assuming responsibility for governance matters.

Corporate Governance Committee

The Corporate Governance Committee oversees and improves the functioning of the Council and its advisory committees. During 2001–2002, the Corporate Governance Committee:

- developed a skills profile for future appointees (see, page 6) to ensure an appropriate mix of expertise that reflects the current needs and strategic direction of the organization;
- reviewed potential candidates for nomination to Council;
- discussed the orientation process and established a training approach for new Council members;
- reviewed the Auditor General's recommendations on corporate governance and identified opportunities for increased communications with the Minister's office, particularly in corporate planning and appointments to Council;
- reviewed how Council fulfills its duties and responsibilities, including

the communication process between Council and management;

- reviewed the function of the Council's committee structure and terms of reference for advisory committees; and
- reviewed the objectives and the performance of the Executive Director.

Audit Committee

The Audit Committee oversees the financial management of the organization. During 2001–2002, the committee:

- reviewed the audited financial statements, annual budget and five-year operational plan;
- conducted a quarterly review of financial statements and expenses;
- reviewed corporate priorities involving more significant funding, including the hosting of several high-profile international meetings; and
- approved the contracting of an internal auditor.

Appointments Committee

The Appointments Committee reviews and recommends nominations for advisory committee membership. It includes a mix of Council members and staff to bring a balance of views and interests on prospective nominees to the table.

Staff

The strategies and policies established by Council are implemented by a staff of some 85 people, based in the corporate offices in Ottawa.

Executive Director:

Peter Clark

Administration Branch

Treasurer and Director, Administration:

Rick Parsons

Administration Branch provides administrative and management services to the Standards Council. Its functions include finance, administration, human resources, information systems and translation.

Conformity Assessment Branch

Director: Don Wilson

Conformity Assessment Branch operates the Standards Council's accreditation programs for conformity assessment bodies, including testing and calibration laboratories, certification bodies, quality and environmental management systems registration bodies, and auditor course providers and certifiers.

Corporate Services Branch

Director: Sandra Watson

Corporate Services Branch provides secretariat support to Council and its advisory committees. It also coordinates the corporate planning and reporting processes, and provides marketing and communications services for the organization.

Intergovernmental Affairs and Trade Branch

Director: Elva Nilsen

Intergovernmental Affairs and Trade Branch conducts standards policy research, promotes the use of standards systems by governments and regulators, and coordinates the Standards Council's activities in support of international trade. It also operates the Information and Research Service, the Technical Document Centre and the WTO/NAFTA Enquiry Point.

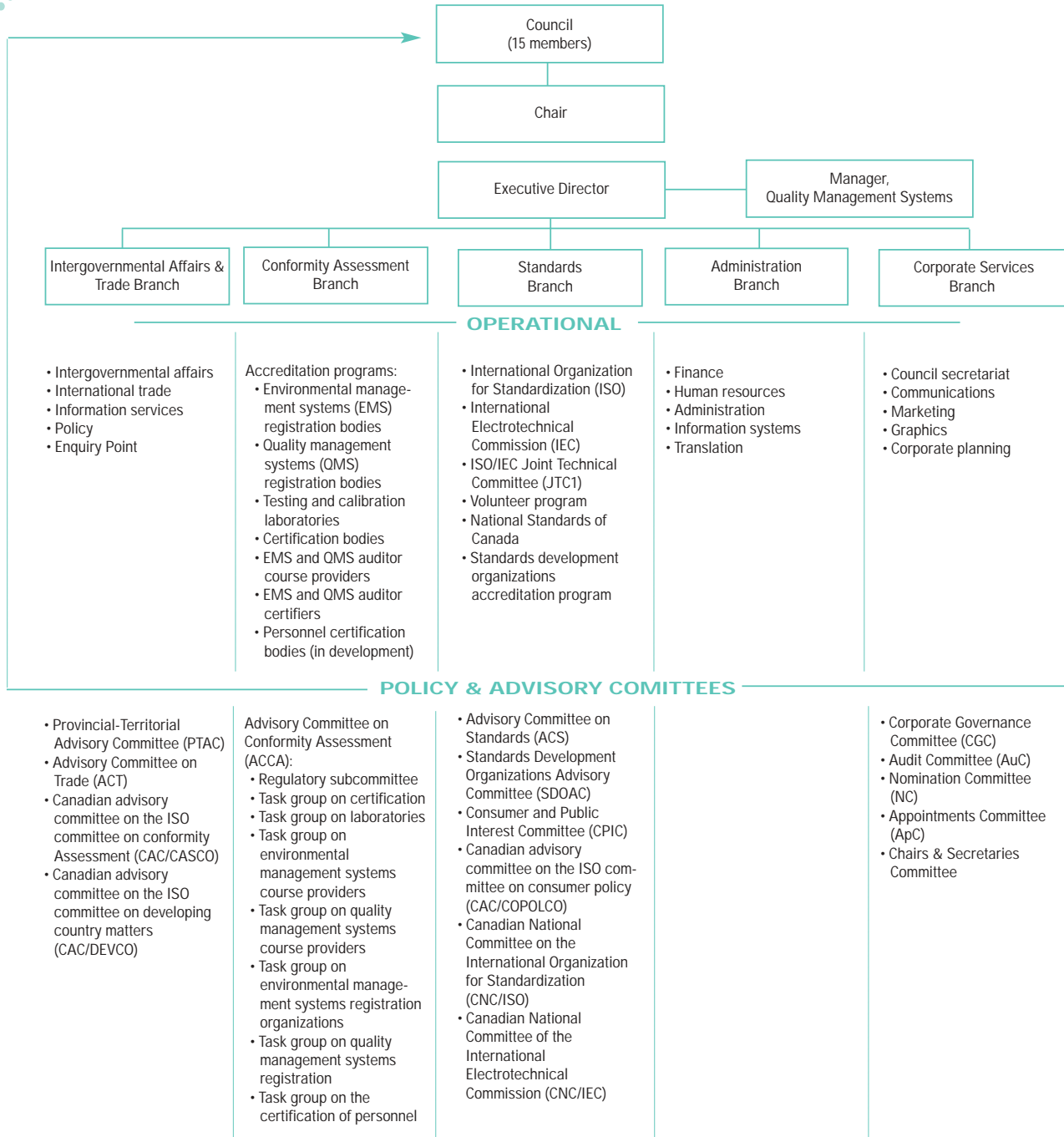
Standards Branch

Director: Kevin McKinley

Standards Branch manages Canada's participation in ISO, IEC and regional standards bodies, and operates the volunteer program. It also validates National Standards of Canada and manages the accreditation program for Canadian standards development organizations.



Corporate, Council and Committee Structure





Linking with the world

The Standards Council works closely with its counterparts in the Americas, the Pacific Rim and around the world. Here are just a few of the organizations we're members of.

International	Regional
Standards development and coordination	
<ul style="list-style-type: none"> • International Organization for Standardization (ISO) • International Electrotechnical Commission (IEC) 	<ul style="list-style-type: none"> • Pacific Area Standards Congress (PASC) • Pan American Standards Commission (COPANT) • IEC Asia-Pacific Steering Group
Conformity assessment	
<ul style="list-style-type: none"> • International Laboratory Accreditation Cooperation (ILAC) • International Accreditation Forum (IAF) 	<ul style="list-style-type: none"> • Asia Pacific Laboratory Accreditation Cooperation (APLAC) • Interamerican Accreditation Cooperation (IAAC) • North American Calibration Committee (NACC) • Pacific Accreditation Cooperation (PAC)

Activities

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

Standards development

The Standards Council accredits organizations that develop standards in Canada. (Accreditation is the verification that an organization has the competence necessary to carry out a specific function. The Standards Council's accreditation programs are based on internationally recognized guides and standards.)

Accredited standards developers may submit their standards for approval as National Standards of Canada. This designation indicates that a standard is *the* official Canadian standard on a particular subject. It also shows that the development process met certain specified criteria. National Standards of Canada may be developed in Canada or adopted, with or without changes, from international standards.

Internationally, the Standards Council manages Canada's participation in ISO and IEC, two of the world's most important voluntary standardization bodies, and in regional standards organizations. 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 six types of conformity assessment organizations:

- product certification bodies;
- testing and calibration laboratories;
- quality management systems registration bodies;
- environmental management systems registration bodies;
- auditor course providers; and
- auditor certifiers.

The Standards Council is also a member of a number of organizations that are developing agreements to ensure the international acceptance of conformity assessment results.

Policy and information

The Standards Council advises federal, provincial and territorial governments, industry organizations and non-governmental bodies on standards and conformity assessment related aspects of trade and regulatory policy. Our focus is to encourage governments and industries to make greater use of the National Standards System in regulatory activities and trade agreements.

We offer Canadians the latest and most comprehensive information on standards, technical regulations and conformity assessment in Canada and around the world through our Web site and our Information and Research Service. We also serve as Canada's World Trade Organization and North American Free Trade Agreement (WTO/NAFTA) Enquiry Point.



Operating environment



THE CONTEXT IN WHICH THE STANDARDS COUNCIL OF CANADA OPERATES HAS CHANGED SIGNIFICANTLY OVER ITS 30-YEAR HISTORY. WHEN THE STANDARDS COUNCIL WAS ESTABLISHED, MUCH OF OUR FOCUS WAS ON CANADIAN STANDARDS THAT DEALT WITH QUANTIFIABLE TECHNICAL ASPECTS OF PRODUCTS, COMPONENTS OR MATERIALS. STANDARDS WERE OFTEN DESIGNED TO KEEP FOREIGN PRODUCTS OUT OF DOMESTIC MARKETS. STANDARDIZATION WAS PRIMARILY THE CONCERN OF ENGINEERS, CONSUMER ADVOCATES AND PRODUCT SAFETY REGULATORS.

Today, standardization is experiencing both a **growing importance** and a **changing focus**. Standards and conformity assessment issues are emerging as important elements in trade agreements and as facilitators for economic growth and technology diffusion. They are also playing a growing role in health, safety and environmental issues.

Governments are moving to reduce administrative costs and regulatory burden while still protecting public safety, meeting market needs, and continuing to demonstrate strong regulatory control. Industry associations are taking on a greater role in self-regulation.

The Standards Council leads a **changing National Standards System**. In the coming years, the Standards Council and its partners will deal increasingly with de facto temporary standards and those developed and used by consortia and

industry sectors. We will also have to address changes in the ways in which conformity assessment tools such as self-declaration of conformity are applied.

A host of **new participants** is joining the National Standards System. The range and nature of individuals and organizations that contribute to our work is changing. As environmental pressures increase and the population ages, and as privacy, health and safety issues become more important to Canadians, more sectors and organizations are playing an active role in standardization.

The Standards Council must also lead the National Standards System in the **implementation of the Canadian Standards Strategy**. The Strategy provides guidance on the standardization measures and priorities necessary to enhance Canada's social, environmental and economic well being, and forms the heart of our work plan. While the

Strategy outlines effective responses to the changing standardization environment, its ambitious nature poses a challenge to the Standards Council's finite resources.

Each of the Standards Council's business lines also faces its own particular challenges.

Standards development

In some sectors, particularly rapidly evolving ones, standards development often takes place outside the formal standards system. The Standards Council needs to promote its services to emerging industries and look for opportunities to get involved in areas that we have not traditionally served.

Regional organizations can often exert greater influence at the international level than can individual countries. Canada must contribute to increased coordination and effectiveness in the regional bodies to which it belongs, in order to ensure that ISO and IEC's

work programs meet the needs of all regions. Ensuring that international standards reflect North American technology will also encourage the adoption of this technology by developing countries.

The industries that provide funding and technical expertise to the National Standards System are rationalizing their operations and becoming more flexible in order to stay competitive. They expect the same of us.

Social concerns such as the aging population, climate change and service industry standards are placing new demands on industry and society. The National Standards System must deal with these new areas responsibly and effectively, even when these efforts run counter to improved responsiveness and market-driven solutions. Drawing in participants and financial support for social policy related initiatives also poses new challenges.

Standardization will be a vital element in the effective development and widespread adoption of new and emerging technologies such as biotechnology, fuel cells and genetically modified organisms. New standardization needs in the services sector will also have to be recognized and identified.

The Standards Council's volunteer base is aging. More than 75 per cent of participants have been volunteering for more than 10 years; some have been volunteering for longer than the Standards Council has existed. As this group retires, there is a lack of new volunteers to take their place. The Volunteer Program must bring new enthusiasm and reinforcements into the standards process.

Conformity assessment

The regionalization of trade continues to pose a challenge to Canadian exporters. This trend may also affect the efforts of the Standards Council and its partners to establish recognition agreements that span the entire globe.

The Standards Council has a number of competitors when it comes to offering accreditation services. Conformity assessment bodies are beginning to look for ways to reduce the number of accreditation bodies they need to deal with. The Standards Council must respond by continuing to meet and exceed its clients' needs and expectations in order to ensure that we retain their support.

Over the past few years, we have established relationships with a number of regulators, including Health Canada, Agriculture and Agri-food Canada and the Ontario Ministry of the Environment. Events such as recent drinking-water safety incidents pose both a challenge and an opportunity: they can lead to a negative perception about regulatory reform, but they also offer a chance to open a dialogue with governments and the public about how standardization can help protect public health and safety.

This growing role for standardization provides new business opportunities for the Standards Council. It also highlights the need to develop new programs in a timely way and to find ways to promote them to clients, regulators and the public.

Partnerships with other organizations have been invaluable to the Standards Council's conformity assessment programs. As the range of our activities increases, however, we will need to ensure that we and our partners offer the same high level of service.

The value of Standards Council accreditation lies in our use of international standards and guides, helping to promote foreign acceptance of accredited conformity assessment bodies' results. As new international requirements are developed, we need to seamlessly incorporate these into our current programs.

Policy and information

Standardization has become a complex enterprise. The links between standards development, conformity assessment, government policy and regulation, trade considerations and social concerns are growing more numerous. To pursue our mandate effectively, we need strong policy development mechanisms. This will require responsive policy frameworks, environmental scanning and an intimate familiarity with national, regional and international standardization trends and developments.

The Standards Council and its clients, including governments, small businesses, exporters, importers and academics, rely on current and accurate information as the basis for business decisions, legislative options and research projects. The Standards Council's information services must continue to meet the changing demands of our expanding client base.

Communication and cooperation with the Standards Council's many partners will be crucial to its continued success. Governments, industry associations, consumer groups and non-governmental organizations are not only clients of our information services, they also provide information and advice on a multitude of standardization topics.



Corporate operations



Objectives

Canadian Standards Strategy implementation proposals:

- Engage developing countries in standardization
- Promote the use of the National Standards System
- Make standards and conformity assessment a full part of the public policy debate
- Use quality and environmental management systems standards to achieve public policy objectives
- Communicate the value of environmental management standards

Corporate Plan objectives:

- Maintain and update the Standards Council's quality management system
- Promote the use of electronic tools as information exchange vehicles for Council, the advisory committees and other National Standards System partners
- Improve Council and advisory committee effectiveness

During 2001–2002, the Standards Council continued its efforts to lead the National Standards System, promote Canadian expertise and solutions abroad, and improve the efficiency and effectiveness of its own operations.

One example of its approach to all three of these objectives was the National Standards System Conference, held March 25 through 27 in Mont Sainte-Anne, Quebec. More than 250 standards stakeholders from across Canada and around the world gathered to discuss issues,

priorities and solutions, and to advance the cause of standardization in Canada.

The schedule of Conference events included committee meetings, workshops, plenary sessions and social gatherings. The line-up was designed to promote awareness of the extent of the National Standards System and its broad variety of participants, and to provide opportunities for education and networking.

The Conference received a high approval rating. Attendees reported that it had improved their knowledge and awareness of the National

Standards System and of standardization in general.

It also demonstrated the commitment of the System's membership. To help defray the expense of holding such an event, we invited our corporate partners to sponsor the Conference. They responded by providing three times the sponsorship money we had anticipated in our budget.

The Conference was just one example of an expanded schedule of events hosted by the Standards Council. Meetings, conferences and workshops play an important role in the work of regional and international



Bringing the world to Canada

The Standards Council plays host to a variety of regional and international standardization meetings over the course of a year. Here are a few of the events we hosted during 2001–2002:

June 2001: ISO subcommittee on offshore petroleum and natural gas structures (TC 67/SC 7), St. John's; ISO subcommittee on animal feeds (TC 34/SC 10), Toronto

August 2001: ISO technical committee on terminology (TC 37), Toronto

September 2001: ISO subcommittee on fire safety engineering (TC 92/SC 4), Ottawa; ISO technical committee on thermal performance and energy use (TC 163), Ottawa; IEC technical committee on maritime navigation and radiocommunication equipment (TC 80), St. John's

October 2001: ISO subcommittee on archives and records management (TC 46/SC 11), Montreal; ISO subcommittee on terminology of information and documentation (TC 46/SC 3), Ottawa; ISO/IEC joint subcommittee on data management and interchange (JTC 1/SC 32), Victoria; ISO/IEC joint subcommittee on cards and personal identification (JTC 1/SC 17), Ottawa

Over the next few years, we're planning to increase the number and prominence of the meetings we host. Here are a few of the major upcoming events:

May 2002: Pan American Standards Commission (COPANT), Toronto

November 2002: Asia-Pacific Laboratory Accreditation Cooperation (APLAC), Vancouver

May 2003: ISO Networking Conference, Ottawa

October 2003: IEC annual general meeting, Montreal

Early 2004: Pacific Area Standards Congress (PASC), location to be determined

2005: ISO consumer policy committee (COPOLCO), location to be determined

standardization bodies. We intend to advance Canada's standing in these bodies — and to increase Canadians' awareness of them and their work — by increasing the number of meetings and events that we host.

Since the 1990s, Canada's hostings have tended to be modest. The Standards Council has decided that that needs to change. During 2001–2002, we prepared a strategy that will help us to decide which meetings and conferences should be held in Canada. By applying that strategy, we've decided to host a number of high-profile regional and international events (see "Bringing the world to Canada", this page).

We're also providing greater support to developing countries'

standardization efforts. Less developed countries face a number of impediments to becoming full partners in the international standardization system, including a lack of technical expertise, the expense of establishing a standardization infrastructure, and the cost of participating in international gatherings.

We're working closely with partners such as the Department of Foreign Affairs and International Trade and the Canadian International Development Agency, and taking a more active role in ISO's committee on developing country matters (DEVCO).

This work helps the countries receiving our assistance, and helps Canada. Our involvement in development efforts creates new markets for Canadian technology and wider recognition of Canadian expertise.

One such project involves the Standards Council, the Canadian Association for Environmental Analytical Laboratories (CAEAL), and the Pan American Health Organization (PAHO). Together, we are developing an accreditation system for laboratories that test drinking water in Latin America and the Caribbean. During 2001–2002, we laid the groundwork for this project, which will begin in earnest in the new fiscal year.

We've sponsored the participation of countries such as Costa Rica and Tunisia in meetings of ISO committees, joined Malaysia in proposing a new ISO project, and provided technical assistance to the Czech Republic, the Congo and Mexico. We plan to provide seminars at the May, 2002 meeting of the Pan American Standards Commission (COPANT) in Toronto.

Our ability to support standardization at home and represent Canada abroad depends on our ability to operate efficiently. During 2001–2002, the Standards Council continued to refine the management of its operations.

Performance measurement has become an important element in the way organizations evaluate themselves and report to stakeholders. The Standards Council has integrated performance measurement principles into its personal and operational planning systems. Reports on this year's performance indicators appear in the pages that follow.



Performance indicator: Employee performance ratings

Under the Standards Council's performance management program, employees and their managers develop a series of performance objectives for the year. These become the basis of the employee's performance rating.

	Target, 2001–2002	Actual	Target, 2002–2003
<ul style="list-style-type: none"> Percentage of employees receiving a satisfactory or better performance rating 	greater than 90 per cent	92.4 per cent	90 per cent

The high percentage of satisfactory or better performance ratings indicates that Standards Council staff are capable of establishing and achieving realistic targets, and that they perform at a consistently high level.

One of our key performance indicators is the satisfaction of our customers. Customer surveys help us to refine our programs and determine how to serve our customers better. This year, we surveyed standards development volunteers and the clients of our laboratory accreditation program. Overall, the results were positive.

We also closely monitor our success in achieving the objectives established in documents such as the Canadian Standards Strategy, the Strategic Plan, the Corporate Plan and our branch and committee workplans.

Planning and reporting extends down to the individual employee level. All of our employees and managers develop performance objectives for the year, and then monitor their progress towards them.

Documenting, planning, monitoring and reporting are important elements in the Standards Council's quality management system. Besides ensuring consistency and continuous improvement in our operations, an effective quality manual is a requirement of several of the mutual recognition agreements that we have signed. During 2001–2002, we reviewed and updated our quality system to ensure that it accurately described all of our procedures and was consistent with the latest quality management standards. We also conducted internal audits of our standards development and laboratory accreditation operations, and prepared

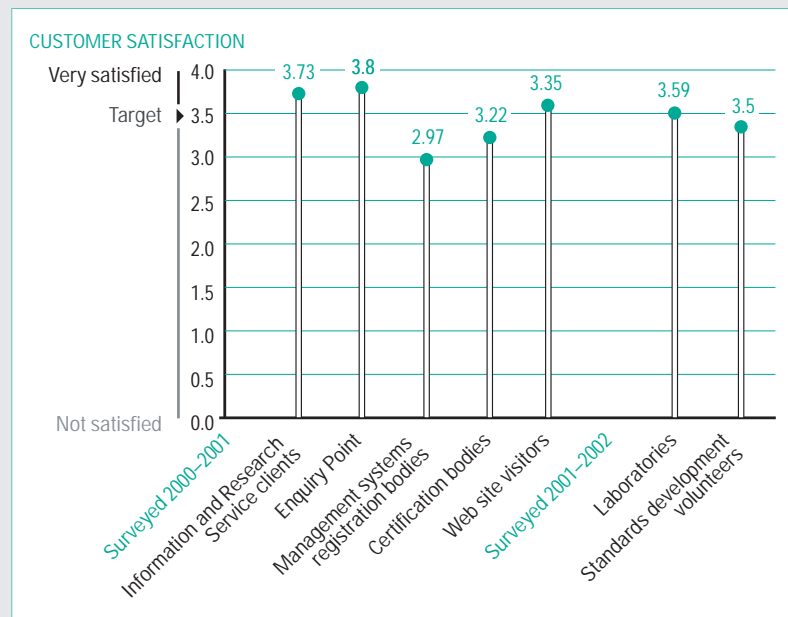
for an upcoming external audit (see page 23 for details).

Linked to the quality manual are more than 100 procedural documents (known informally as "CAN-Ps", after

their identification numbers) that we've developed for our programs and activities. During 2001–2002, staff launched a concerted effort to compile and review all of them. By year-end, an almost complete

Performance indicator: Customer satisfaction

The satisfaction of our customers is measured through surveys conducted on a rotating two-year schedule. Satisfaction is measured on a scale of 0 to 5, with 0 representing "not satisfied" and 5 representing "very satisfied".



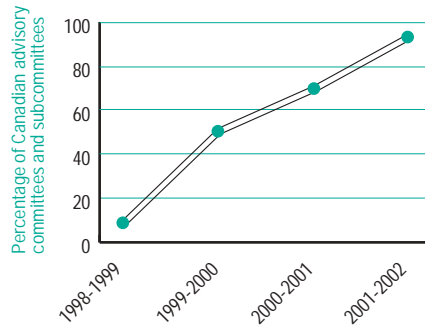
Customer satisfaction levels should not be compared between programs, because they can be affected by variables such as sample size, clients' expectations, the cost of our services to the client, and the effort required by the client to achieve accreditation (where applicable). Our focus for the new fiscal year will be on achieving a 10 per cent improvement over each business line's current satisfaction levels.





Growing use of electronic communications

The Standards Council is making increasing use of on-line forums for document sharing and communications. In addition to the standards development committees shown here, the forums are also used by advisory bodies, staff, and the clients of our accreditation programs.



collection of CAN-Ps had been assembled, and revision work on a number of the most influential documents was well under way.

An important objective of the quality system is to improve efficiency. One of the ways we've done that is to delegate responsibility for the approval of laboratory accreditation and National Standards of Canada from Council to staff directors. This speeds up the process and gives Council more time to work on other issues. Council continues to monitor these approvals in order to ensure that they're carried out according to our procedures.

We're also using new technology to work more efficiently. Computers and the Internet have significantly changed how standardization operates. On-line forums, for example, have decreased the expense associated with standards development by reducing the cost of printing, postage and travel.

The Standards Council has embraced the possibilities offered by these new technologies. Nearly all of our committees now use on-line forums for discussions and document sharing. We're working to increase usability and improve the user interface to make our forums easier to use. We've

even turned this system into a revenue source by providing hosting services to other organizations and agencies.

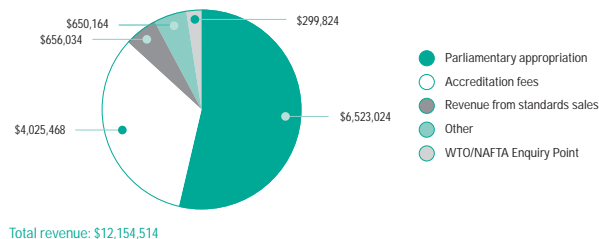
Finding new sources of revenue is important. The increasing impact of standardization on global trade, the demand of standards stakeholders for a much more proactive and coordinated approach by the Standards Council and the implementation of the Canadian Standards Strategy have strained our resources.

Despite our efforts to efficiently use existing funds and develop new revenue sources, it has become clear in recent years that the Standards

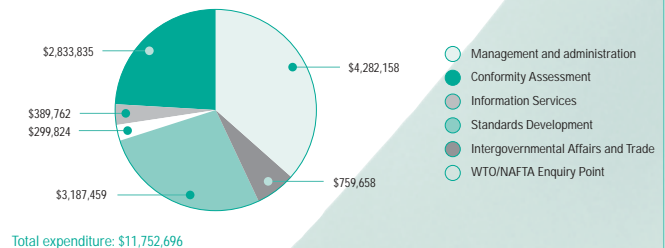


Financial highlights

REVENUES



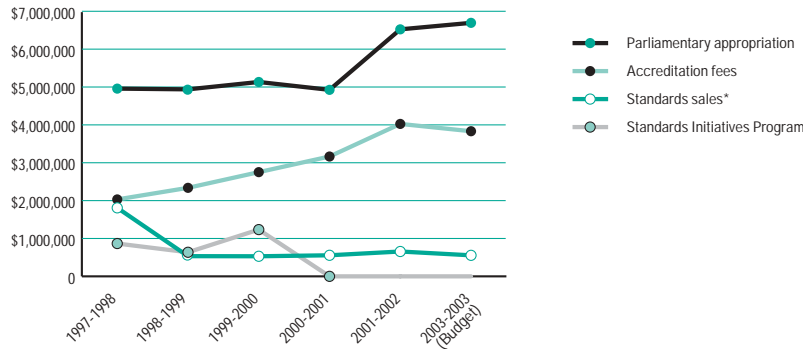
EXPENDITURES





Major revenue sources, 1997 – 2003

The Standards Council's major revenue sources are the funds provided by the federal government and fees from our accreditation programs. We also receive royalties from the Canadian sale of ISO and IEC standards. Between 1997 and 2000, we received additional special-projects funding under the government's Standards Initiatives Program.



* The Standards Sales Service, formerly an in-house operation, was outsourced beginning in 1998-99. The figures for that year and later years are net royalty payments.

Council needs additional funding to meet all of its commitments. In April 2001, Treasury Board announced that it had granted the Standards Council's request for an increase of \$1.7 million in its annual appropriation.

The additional funds are being used to implement the Canadian Standards Strategy, support the expanded schedule of international hostings, enable us to conduct more in-depth policy work, provide increased support to Canada's international

standards development efforts, and strengthen our staff resources.

In addition to being the Standards Council's principal contributor, the federal government is an important partner in our efforts to support and promote standardization. We work closely with Industry Canada, our parent agency, and with the Department of Foreign Affairs and International Trade. Other departments participate in our accreditation programs or provide expertise to those programs and to

our international standards efforts. The federal Innovation Strategy, launched in February 2002, will provide us with an opportunity to strengthen and expand those partnerships as we spread our message about the important role standardization plays in innovation and trade.

Performance indicator: Net income/loss versus overall budget

As a federal Crown corporation, the Standards Council is expected to operate within its approved budget, producing neither excessive surpluses nor excessive deficits.

	Target, 2001-2002	Actual	Target, 2002-2003
• Net income or loss as a percentage of total budget	1.5 percent	3.5 per cent	1.5 percent

Revenues were generally stronger than anticipated in the budget. Accreditation fees and royalties from the sale of standards exceeded expectations by 15 and 35 per cent, respectively. Expenses, on the other hand, were held to within 2 per cent of budget. The surplus of \$402 thousand for the year helped to restore our working capital to the targeted level of two months' operational expenditure requirements.





Standards development

Objectives

Canadian Standards Strategy implementation proposals:

- Ensure that standards development processes support social policy objectives
- Connect emerging industries to standardization activity
- Make standards and conformity assessment a full part of the public policy debate
- Employ innovative funding mechanisms
- Take leadership in developing international standards for electronic commerce
- Examine and evaluate management systems standards
- Establish a broader mandate for Canadian committees working at the international technical level
- Create and maintain a framework for developing national positions
- Develop, implement and maintain processes for setting priorities for standardization activities in the areas of health, safety, the environment and other social issues

- Develop and maintain the capacity for standards-related policy development, analysis and dissemination
- Generate strategic sectoral participation
- Facilitate consumer input to the North American Free Trade Agreement (NAFTA)

Corporate Plan objectives:

- Implement the volunteer recruitment, training and recognition program
- Provide influence and leadership through international and regional standards positions held by Canada
- Provide improved support to Canadian advisory committees, to international secretariats held by Canada, and to Canadians appointed as international chairs and convenors
- Develop new approaches to bring independent or new programs under the National Standards System
- Implement the accreditation program for standards development organizations



The overall objective of the Standards Council's standards development work is to ensure that standards developed at both the national and international levels serve the needs of all Canadians.

Doing so will require effective coordination of Canada's standards development efforts. One way we've

advanced this coordination is through a forum for Canadian advisory committee chairs that we held in December 2001. The participants shared and learned from their colleagues' experiences, and discussed a new set of performance indicators that will assist in deciding which Canadian committees will maintain participating status in their counterpart international committees.

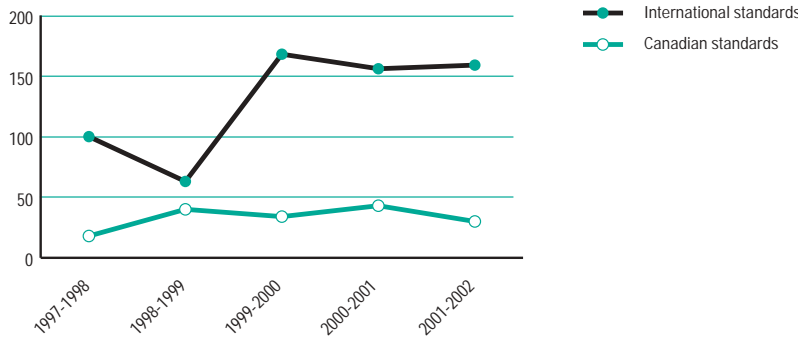
Effective performance at one level requires keeping the other in mind. The knowledge and experience acquired at the national level can be brought to bear at ISO and IEC, ensuring that Canadian priorities and perspectives become an element in the international debate.

One area in which we're applying this approach is in the development of



Aligning Canada with the world

The proportion of National Standards of Canada based on international or regional standards continues to increase. This trend ensures that Canadian goods and services will be accepted in foreign markets.



standards for electronic commerce. Standards are going to be crucial to the effective implementation and widespread acceptance of e-commerce around the world. They're required on the technical front, in areas such as connectivity and security, and on the policy and administration front, in areas such as dispute resolution and privacy protection.

Last year, the Standards Council helped organize a national open forum on e-commerce standardization. One of the results of

that forum was the establishment of a 25-member Canadian business team that will identify strategies and priorities for e-commerce standardization. We are contributing to the work under way in other forums, including the European standards body CEN, and working closely with the Canadian Standards Association (CSA) and the Bureau de normalisation du Québec (BNQ) as they begin the development of standards for business-to-consumer e-commerce.

If Canada is able to develop effective national standards for e-commerce, we will have a head start in the discussions taking place in ISO, IEC, and other regional and international forums. That will help to ensure that the standards they develop will be compatible with Canadian solutions and technology. That, in turn, will enable Canadians to provide the products that a global marketplace relying on those standards will demand.

Performance indicator: Participation in international standards development

The strength of Canada's participation in international standards development can be measured:

- by the number of people participating in the Canadian committees that develop positions on proposed ISO and IEC standards,
- by the number of Canadians attending meetings of international standards development committees and working groups, and
- by the number of international technical committees and working groups headed by Canadians.

	Target, 2001-2002	Actual	Target, 2002-2003
• Total membership in Canadian advisory committees and subcommittees	more than 4,000 people	4,192 people	more than 4,000 people
• Number of Canadian delegates to international standards committee meetings	576 people	417 people	510 people
• Number of international positions held by Canadians in ISO and IEC	more than 160 positions	135 positions	140 positions

The number of delegates attending international meetings was affected by the economic downturn and by the terrorist attacks of September 11.

The target figure for international positions was found to have been based on a mistaken estimate of the number of current positions. We've revised our target accordingly, and anticipate that expanded outreach efforts will increase this number in the future.





Performance indicator: ISO voting record

Canada's influence in ISO and IEC depends on our willingness to vote on standards submitted to member bodies for their approval. Our intention is to be among the top three member bodies in both organizations in terms of the percentage of eligible ballots on which we submit a vote.

	Target, 2001–2002	Actual	Target, 2002–2003
• Ranking within ISO member bodies	1st, 2nd or 3rd place	3rd place	1st, 2nd or 3rd place

Canada's third-place standing is a significant improvement over our position in earlier years.

Bringing proven solutions to the international table is just one way in which Canada, through the Standards Council, is a leader in the management and the technical work of ISO and IEC. More than 4,000 Canadians serve on hundreds of policy and management committees in both organizations. More than 130 of those act as chairs, secretaries or convenors for technical committees, subcommittees and working groups.

This leading role will continue in the new fiscal year. Canada has been elected to ISO's governing Council for 2002–2003, and we have nominated a Canadian for the presidency of IEC.

The Standards Council is working to build alliances with Canada's trading partners through regional standards bodies, in order to increase the influence of the Americas and the Pacific Rim in ISO and IEC. By establishing common positions among their members, regional bodies can help to ensure that individual countries' needs and priorities receive increased international attention.

Our efforts to enhance regional cooperation are assisted by the leading role played by Canada in these bodies. The president of COPANT, for example, is Linda Lusby, a Canadian and former Chair of the Standards Council.

Along with the Department of Foreign Affairs and International Trade and Industry Canada, we are

looking at ways for consumer organizations in the Americas to work more closely and more effectively together.

In another example of regional coordination, Canada, the U.S. and Mexico have been working closely together for some time to develop common positions in IEC. During 2001–2002, we laid the groundwork for a more formal structure, the Electrotechnical Cooperation of the Americas, which will be set up in the new fiscal year.

Regional cooperation also played a part in the work of IEC's global relevance task force, which examined how IEC could promote its standards around the world through the acceptance of a diversity of technologies and approaches. The task force, spearheaded by Canada, presented its report to IEC Council this year.

Standards work at the international level is increasingly guiding work at the national level. The Standards Council encourages Canadian standards development organizations to adopt or adapt international standards. In 2001–2002, 84 per cent of the 189 National Standards of Canada that we approved were based on international standards. This is well above our target of 75 per cent.

At both the national and international levels, standards are increasingly being proposed as responses to social issues, including the environment, health, safety and privacy. The Standards Council is responding to this trend in a number of ways. Several of our advisory committees are revising the criteria and procedures for the development and approval of National Standards of Canada. The new version will include social policy considerations. We have also developed a priority-setting mechanism for standardization initiatives in social areas.

The widening scope of subject areas is affecting our relationship with the volunteers who are the lifeblood of the Standards Council's international standardization efforts. We need to increase our efforts to recruit new volunteers and to train and acknowledge those we already have.

Our Volunteer Program kicked into high gear in 2001–2002. A number of training workshops were developed during the year. The first of these, introducing the Standards Council and the National Standards System, debuted at the National Standards System Conference. We also published a recruitment brochure outlining volunteer opportunities in the National Standards System, and have dedicated a special section on our Web site to the program.

Another aspect of the Volunteer Program is the Standards Council of Canada Awards. These are presented in recognition of the important contributions made by volunteers to Canada's standardization effort.

Since 1969, the Standards Council has honoured its most outstanding volunteers with the Jean P. Carrière Award. One award doesn't do justice to the full scope of their efforts, however, so the program has been enriched with the creation of seven new awards recognizing the variety of ways in which people and organizations support standardization.

The new awards were presented for the first time at the National Standards System Conference in March. During the ceremony, we also honoured Roy Phillips, the namesake of one of the new awards and one of

Canada's foremost contributors to international standardization.

In addition to our own awards ceremony, two of our volunteers, Graham Bagnell and Jock Sherry, were among those saluted by the federal government during a special volunteer recognition ceremony on Parliament Hill, in honour of National Volunteer Week and the International Year of the Volunteer.

Standards development is an expensive undertaking. While the Standards Council provides some financial support for Canadian participation in international standardization, additional funding is needed to ensure that Canada can effectively represent itself. The Council's Advisory Committee on

Standards has established a task force that is examining this issue, and will offer an assessment of the situation and proposals for action in the new fiscal year.

The 2001 Standards Council of Canada Awards

Jean P. Carrière Award

Presented for distinguished service to Canadian standardization

Margaret Soper

Roy A. Phillips Award

Presented for outstanding contributions to international standardization

Reginald Shaughnessy

Corporate Commitment Award

Presented to a corporation, organization, or consumer group

Directorate of Quality Assurance, Department of National Defence

Leadership Award

Presented to the chair or convener of an advisory or technical committee

John Dunn

Distinguished Service Award

Presented to the secretary of an advisory or technical committee

Ahmad Hussein

Award of Excellence

Presented to a committee member

Leonard Adrian

Dedicated Service Award

Presented to a Standards Council employee

Jane Legault

Special Achievement Award

Presented to a committee

There were no nominees for the Special Achievement Award this year.





Conformity assessment

Objectives

Canadian Standards Strategy implementation proposals:

- Strengthen Canada's metrological infrastructure
- Make standards and conformity assessment a full part of the public policy debate
- Promote the use of quality and environmental management systems
- Examine and evaluate management systems standards

Corporate Plan objectives:

- Negotiate and implement recognition agreements with foreign and international accreditation bodies
- Rationalize and harmonize accreditation practices between programs

- Negotiate and implement accreditation partnerships with stakeholders from the public and private sectors and with non-governmental organizations
- Adopt and implement internationally recognized practices
- Where international guidance documents do not exist, develop guidance documentation based on internationally recognized approaches
- Incorporate developments and improvements to international criteria, procedures and guidelines into conformity assessment programs
- Participate in the development of international conformity assessment standards and guides
- Participate in the international peer review process for recognition agreements



For many years, the main objective of the Standards Council's accreditation programs was to back up claims about the conformity to standards of products and services. That focus has expanded to include providing Canadian businesses with access to foreign market opportunities. The ultimate goal of this effort is a global conformity assessment regime in which a product has to be tested or certified only once in order to be accepted in all markets.

There are a number of ways to assess our progress. One of them is simply

to count the number of organizations accredited by the Standards Council, and the growth in this number. It's a good indicator of the value of accreditation as perceived by our clients and, indirectly, by *their* clients.

By the end of 2001–2002, over 375 organizations had received accreditation, with 100 applications in progress. That's an increase of 16 per cent over the previous year.

Another indicator is the number of new or expanded accreditation programs, which reflects a demand for accreditation in new fields. During 2001–2002, we granted the first

accreditation under our program for proficiency testing providers. Proficiency testing is the use of inter-laboratory comparisons to determine the performance of individual laboratories.

We also carried out development work on an accreditation program that will combine the current programs for organizations that train and certify quality and environmental management systems auditors into a new certification of persons program. It's based on a new international standard for the accreditation of organizations that certify people's

skills and qualifications (ISO/IEC 17024, *General requirements for bodies operating certification schemes for persons*). The expanded program is expected to launch early in the new fiscal year.

The success of our accreditation programs can also be assessed by their financial and operational performance.

We continue to examine the fee structures of our accreditation programs in order to ensure that they are equitable, competitive and cost-effective. We discuss any proposed changes with our clients. A new fee structure is presently in the works for our programs for management systems registration bodies, and is expected to take effect midway through the new fiscal year.

Various trade agreements require foreign conformity assessment bodies to have the same access to Standards Council accreditation as Canadian ones. In April 2001, the government extended our mandate to allow us to offer our services to clients in all of the countries of the Americas, including Cuba, and all member countries of the Asia-Pacific Economic Cooperation. This was in addition to a previous extension covering much of Europe. We're seeking a further extension to cover all member countries of the World Trade Organization (WTO), which

should become effective in the new fiscal year.

One of the great strengths of our conformity assessment accreditation programs is that they are based on internationally recognized guides and standards. This helps to ensure that the results produced by accredited Canadian conformity assessment bodies will be accepted by foreign customers and regulators.

We take those rules very seriously. The effectiveness of our accreditation programs was highlighted this year when we imposed the first-ever suspension of accreditation under our program for quality management systems registration bodies. The body in question undertook significant corrective action to address the problems indicated in our review of their accreditation, and by August had resumed its former good standing.

But the Standards Council doesn't just follow the rules. We also help make them, by participating in forums such as ISO's committee on conformity assessment (CASCO), the International Accreditation Forum (IAF) and the Pacific Accreditation Cooperation (PAC). For example, we are the convenor of a CASCO working group that is revising ISO/IEC Guide 60, *Code of good practice for conformity assessment*. This document establishes common

international guidelines for all forms of conformity assessment.

As noted above, the long-term objective of our programs is the development of a global conformity assessment regime. Some such systems already exist in certain sectors, most notably under the auspices of the IEC, but in most fields, this goal is still a long way off.

In the meantime, one of the most effective ways to ensure foreign acceptance of conformity assessment results is through mutual recognition agreements. Under these agreements, participants pledge to recognize their partners' procedures as equivalent to their own. That makes it easier for businesses to sell their goods and services overseas without having to undergo costly and time-consuming reassessments.

The Standards Council is involved in a variety of agreements that are already in place or are under development. We provide advice or support to the federal government in government-to-government agreements, including Canada's participation in the WTO, NAFTA, the Asia Pacific Economic Cooperation (APEC) and agreements with the European Union, the European Free Trade Association and Switzerland.

Number of accredited organizations continues to grow

	Number at beginning of year	New accreditations	Withdrawals of accreditation	Number at year end	Pending at year end
• Testing and calibration laboratories	278	63	13	328	90
• Certification bodies	21	2	1	22	3
• ISO 9000 registration bodies	16	1	0	17	3
• ISO 14000 registration bodies	7	0	0	7	3
• Auditor course providers	1	0	0	1	0
• Auditor certifiers	1	0	0	1	1
Total	324			376	





Performance indicator: Cost recovery

The Standards Council is determined to operate its accreditation programs on a full cost recovery basis, so that the costs of operating the programs are fully covered by the revenues from accreditation fees.

Program	Target, 2001–2002	Actual	Target, 2002–2003
• Certification bodies	92 per cent cost recovery	93 per cent	100 per cent cost recovery
• Testing and calibration laboratories		90 per cent	

Overhead expenses for the laboratory accreditation program were slightly higher than forecast. Over the long run, the new fee structure implemented at the beginning of 2001–2002 is expected to bring about greater cost recovery.

Cost recovery targets were not established for the accreditation programs for quality and environmental management systems registration bodies programs. Actual cost recovery rates were 114 per cent and 55 per cent, respectively.

We're also the Canadian signatory to a number of voluntary agreements developed by organizations such as IAF and PAC. One condition of membership in these agreements is that participants must undergo evaluations of their procedures by their peers. Standards Council staff are often participants in these reviews. From time to time, we're also the object of them. Representatives of IAF and PAC, for example, are scheduled to review our conformity assessment accreditation programs early in the new fiscal year. This review is required in order for us to be eligible to sign forthcoming recognition agreements on product certification and environmental management systems, and to remain a part of their agreements on quality management systems.

In our view, the most effective way to ensure worldwide recognition of conformity assessment results is to work at the global level. In some sectors, however, global agreements are still some way off. To serve the interests of Canadians, we still need to develop agreements at the country-to-country level. Early this year, we signed a recognition agreement with the U.S. National Cooperation for Laboratory Accreditation (NACLA) that is intended to provide clients of accredited Canadian laboratories with greater access to the U.S. market.

We were also one of two Canadian signatories to a new agreement between the national metrology institutes and accreditation systems of Canada, the U.S. and Mexico, establishing the North American Calibration Committee. The committee will provide a forum to harmonize calibration laboratory accreditation systems and develop mutual confidence in the measurements made by accredited laboratories.

In all, the Standards Council is a participant in more than 20 bilateral, regional and international agreements (a complete list is available on our Web site). It has become clear that establishing and maintaining these agreements requires a great deal of time and effort. The Standards Council's Intergovernmental Affairs and Trade Branch has developed strategies and guidance documents that will help us to make decisions about which agreements we're going to participate in. The strategies consider existing agreements, social and trade priorities, and other objectives in order to ensure that any new arrangements are as effective and beneficial as possible. Applying them should help us to better manage the agreements that we are involved in.

While opening trade opportunities has become an important goal of our accreditation programs, we haven't

forgotten the important contribution that conformity assessment can make to achieving other objectives, including the protection of health, safety and the environment.

Standards and conformity assessment have been part of the regulatory system for electrical products for decades. Now other agencies are coming to realize that making accreditation an element in regulatory initiatives, through partnerships with the Standards Council, can increase compliance while maintaining or improving public safety and reducing the cost to government.

For example, Standards Council accreditation is now part of the federal regulatory system for medical devices. As of January 2003, certain types of devices will have to be manufactured under an ISO 9000-based quality management system in order to be sold in Canada. The Standards Council, in partnership with Health Canada's Therapeutic Products Programme, is qualifying accredited management systems registration bodies to register manufacturers to the applicable standards. The first two qualifications under the system were granted this year.



Performance indicator: Response times, laboratory accreditation program

Laboratories that apply for Standards Council accreditation do so because such recognition is crucial to their business success. To provide quality customer service, we need to be able to respond to their requests quickly and efficiently.

	Target, 2001–2002	Actual (average)	Target, 2002–2003
• Time to process a new application for accreditation	210 days	256 days	New indicators to be established
• Time to process a renewal of accreditation	120 days	140 days	
• Time to process a scope extension	180 days	123 days	
• Time to handle complaints against the program:			
- acknowledge the complaint within...	48 hours	7 days	
- close the complaint within	60 days	7 days	
• Time to handle complaints against clients of the program:			
- acknowledge the complaint within...	48 hours	37 days	
- close the complaint within	120 days	32 days	

While timely response is an important element in service quality, the time required to complete some procedures depends on factors outside our control. As a result, targets like these are not necessarily suitable indicators of the quality of service that we provide. New and more reliable indicators will be established for the new fiscal year.

Standards and conformity assessment are also playing a part in the organic foods industry. The National Standard of Canada for organic agriculture, approved by the Standards Council in 1999, provides a meaningful definition for “organic” and serves as the basis for certification programs that will allow Canadian organic products to be sold in foreign markets.

The Standards Council operates an accreditation program for organizations that certify producers to the requirements of the standard. That program got a boost in June 2001, when the Minister of Agriculture and Agri-Foods announced that his department would help to cover the cost of accreditation. The first accreditation under the program took place in January 2002.

There are a number of other organizations in Canada that operate accreditation programs for “organic” certifiers. We’ve invited them to incorporate their programs into our own.

The Standards Council also operates an accreditation program for bodies that register sustainable forest

management systems, based on a National Standard of Canada. We’re working with the Ontario Ministry of Natural Resources to develop an agreement that would link the Ministry’s Independent Forestry Audit initiative and our own program.

Another area of environmental concern is managing greenhouse gases, which are emissions suspected of having a role in climate change. Canada’s environmental commitments will likely require a system for monitoring and reporting the quantity of greenhouse gases produced in this country. The Standards Council believes that any such verification program should make use of international standards and guides. We are working closely with ISO, Environment Canada and Natural Resources Canada to help promote greater awareness of standardization-based solutions.

One of the challenges facing the effort to incorporate standardization into regulatory regimes is public perception. There is concern in some quarters that alternative forms of regulation pose a risk to public health and safety. This concern is particularly acute in the wake of

incidents such as the bacterial contamination of the drinking water system in Walkerton, Ontario, in May 2000.

Greater awareness of the National Standards System can be effective in dispelling this perception. It can even turn skeptics into supporters. During the public inquiry into the Walkerton tragedy, for example, the Ontario Medical Association (OMA) advocated making laboratory accreditation an element in water quality monitoring, but recommended establishing a new body separate from the existing laboratory accreditation system. Together with our accreditation partner, the Canadian Association for Environmental Analytical Laboratories (CAEAL), we contacted the OMA to discuss our programs. By the end of the year, they were considering partnering with us in an accreditation program for medical laboratories.

The Walkerton inquiry provided other opportunities to increase public awareness of standardization. During the inquiry, the Standards Council, CAEAL and the Canadian Council of Independent Laboratories presented a paper on the role of accreditation in



verifying laboratory competence. The Standards Council also responded to the inquiry Commissioner's request for comments on future directions, stressing the effectiveness of a standards-based accreditation system.

Another challenge arose in February, when police in Hamilton, Ontario searched the premises of an accredited laboratory as part of an investigation into allegations of forgery. Because of this investigation, the laboratory asked to have its accreditation withdrawn. The incident provided another opportunity to raise public awareness of the system, the role of accreditation, and the Standards Council's accreditation criteria.

While incorporating conformity assessment into regulatory initiatives, or as an alternative to regulation, has the potential to save taxpayers money, such programs can be costly to establish and maintain. The Standards Council is examining the effect the growth of these programs will have on its financial situation, and is considering whether additional funding will be required.

Partnerships with the National Standards System can also improve the effectiveness of industry-based conformity assessment or self-regulation initiatives. The Standards Council is encouraging industry associations to bring their own efforts, such as food safety programs, into the system. We've also offered to lend our expertise to the International Olympic Committee's drive to establish an accreditation system for laboratories that test athletes for performance-enhancing drugs. Other areas where new or expanded accreditation programs are being considered include Hazard Analysis and Critical Control Point (HACCP), a food safety system which involves identifying and monitoring the points in a process where serious problems are most likely to arise.

New features on the Standards Council's Web site (www.scc.ca)

- Frequently Asked Questions (FAQ) section
- "Standards: A Guided Tour" — an interactive presentation introducing the Standards Council and the National Standards System
- A new section on the volunteer program
- A new section on the Standards Council's trade and policy initiatives
- "Colour Your World with Standards", a colouring and activity book that introduces youngsters to the world of standards and standardization

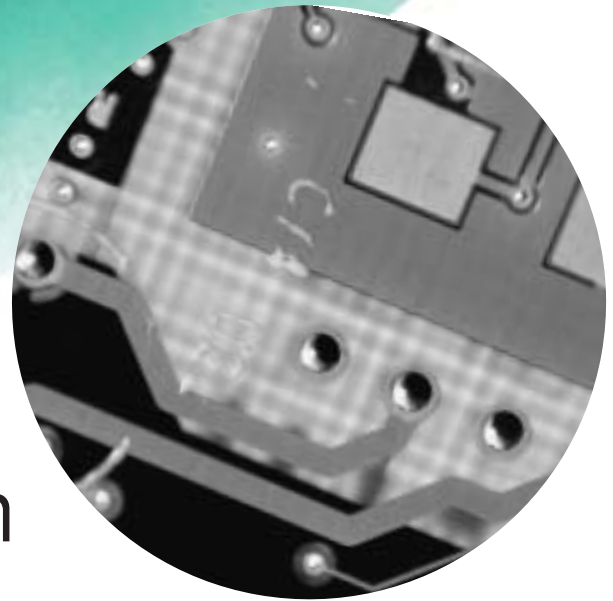
Former interface



New interface, launched January 2002



Policy and information



Objectives

Canadian Standards Strategy implementation proposals:

- Create and maintain a framework for developing national positions
- Develop and maintain the capacity for standards-related policy development, analysis and dissemination
- Promote the use of the National Standards System
- Move toward a global accreditation regime
- Make standards and conformity assessment a full part of the public policy debate
- Identify and make available to stakeholders the objectives and strategies underlying trade-related mutual recognition agreements

- Provide support for the Agreement on Internal Trade
- Generate strategic sectoral participation

Corporate Plan objectives:

- Maintain the Enquiry Point, *Export Alert!*, the Standards Information and Research Service and the Technical Document Centre
- Build stronger relationships with partners and customers
- Ensure electronic dissemination of more relevant and targeted information products and services

In recent years, it's become clear that the Standards Council needs to do more than simply provide nuts and bolts information, such as which standard applies to which product. We also need to develop our capacity to collect, analyze and disseminate information related to standards in a strategic and policy context.

The focus for much of this effort is the policy unit in our Inter-governmental Affairs and Trade Branch. The unit, which was established during the previous fiscal

year and reached full strength during 2001–2002, has developed a number of policy papers and priority setting mechanisms intended to sharpen the organization's policy and strategic approaches. These included documents on principles to be considered when developing recognition agreements, a framework for hosting standardization related events, and a strategic approach to participation in international conformity assessment agreements. The group also contributes significantly to the Standards

Council's participation in international forums such as IAF.

The Standards Council remains Canada's foremost source for standards information. In 2001–2002, our Information and Research Service handled over 5,400 requests for information from industry, governments and the general public. About 87 per cent of these are from Canadian companies, with almost two-thirds coming from small and medium-sized businesses.

Performance indicator: Standards collections in electronic format



Electronic (i.e., CD-ROM or online) versions of standards offer faster, easier access and greater timeliness. Our goal is to provide our entire Canadian, foreign and international standards collection in electronic formats.

	Target, 2001–2002	Actual	Target, 2002–2003
• Percentage of collection available in electronic formats	100 per cent	90 per cent	100 per cent

Eighteen out of twenty standards collections are now available in electronic format. The other two are expected to be available shortly.

In addition to responding to specific queries, the service can provide long term or in depth research on standards-related topics. Our clients this year included the Solicitor General's department and Industry Canada.

Our Technical Document Centre features Canada's most complete collection of Canadian, foreign and international standards, along with a variety of other documents related to standards and regulation. We're in the process of updating our inventory software to provide quicker and easier access to the more than 450,000 documents that make up the collection. Maintaining such an extensive library can be costly. Fortunately, since we're the Canadian member body of ISO, half of our foreign counterparts have agreed to provide us with their collections at no cost.

NAFTA and the WTO both require signatories to operate Enquiry Points that share information on proposed changes to government regulations. The Standards Council operates Canada's Enquiry Point on behalf of the Department of Foreign Affairs and International Trade.

One of the services offered by the Enquiry Point is *Export Alert!*, the only automated e-mail notification system of its kind in the world. This year, the Enquiry Point introduced several refinements that had been requested by *Export Alert!* subscribers, including HTML formatting, an option to track regulatory proposals by country and easier access to the

full text of proposed regulatory changes.

The service, intended mainly for use by Canadian exporters, became an export itself this year. A U.S. version debuted in October, using the Standards Council's hardware and software. We're also marketing the service to other Enquiry Points. To help Latin American countries fulfill their own WTO obligations, we've developed a Spanish version, *¡Alerta al Exportador!*, which has already been picked up by Bolivia.

We are developing a number of specialized information products that will help businesses and industries that need particular types of standards information. These include:

- an introductory guide to federal and provincial product safety legislation;
- *RegWatch*, a database of standards referenced in federal legislation; and
- *Standards Alert!*, an *Export Alert!*-style notification system for new and revised Canadian and international standards.

All of these products are expected to become available early in the new fiscal year.

Another source of standards information is the Standards Council's Web site. Traffic on the site has grown to an average of over 200,000 page visits per month.

Some of the most popular sites on the Web are "portals": sites that allow visitors to sift through a vast array of information to focus only on the

topics of interest to them. The Standards Council is in the process of adding a portal for the National Standards System to its site. The portal will allow users to explore the System in a way that reflects their particular needs, interests and level of awareness. By year-end, an external consultant had completed a review of internal user needs, and was poised to begin an external user survey. The Web portal is expected to be in place late in 2002.

In the meantime, we've launched a redesigned version of the existing site, giving it a more professional image and making it easier to use. A number of technical measures were also undertaken to improve the site's performance.

We also continued to add new resources to the site. Additions this year included new sections on the Standards Council's trade and policy initiatives, the Volunteer Program, and frequently asked questions (FAQs).

In addition to providing specific, targeted information to standards stakeholders, the Standards Council also works to build a more general awareness of standardization and of the services we provide among Canadians. Our priority targets in this area include exporters, small and medium-sized businesses, and emerging industries. We have developed a number of informative promotional items aimed at this audience.



Performance indicator: Increase in *Export Alert!* subscribers

Export Alert! offers a valuable service to Canadian exporters by forewarning them of changes in regulations that affect their products. Our goal is to ensure that Canadian businesses that could benefit from the service are aware of and subscribe to it.

	Target, 2001–2002	Actual	Target, 2002–2003
• Increase in number of subscribers during 2001–2002	5 per cent	62 per cent	8 per cent

As a result of improvements to the service and several marketing initiatives, the number of *Export Alert!* subscribers increased significantly more than expected.

Trade shows provide an important opportunity to build awareness of the Standards Council and the National Standards System. This year, we participated in:

- Ontario Environmental Management and Compliance (April 2001, Toronto);
- the American Society for Quality’s annual conference (May 2001, Charlotte, North Carolina);
- National Conference of Standards Laboratories International (July 2001, Washington DC);
- the Canadian Manufacturers and Exporters annual conference and

trade show (September 2001, Montreal);

- Industry Canada’s SME (small and medium sized enterprises) Info Fairs (October 2001, London, Ontario; October 2001, Maniwaki, Quebec; November 2001, Edmonton); and
- Globe 2002 (March 2002, Vancouver).

Canada’s business media provide another important means of sharing information about standardization. Since 1998, the Standards Council has contributed a bimonthly standards column to *Hazardous Materials Management* magazine. Topics covered

in the column during 2001—2002 included the work of ISO’s technical committee on environmental management, new standards in the ISO 14000 series, the role of standards in the struggle against terrorism, and a new Canadian standard for the classification of hazardous household waste.

New information products

Released in 2001–2002

- “IGAT Insider”, an electronic newsletter about the work of the Intergovernmental Affairs and Trade Branch, published three times a year
- “Colour Your World with Standards”, a colouring and activity book that introduces youngsters to the world of standards and standardization

In development (to be released in 2002–2003)

- *RegWatch*, a database of standards referenced in federal legislation
- *Consumer Product Safety Legislation in Canada: An Introductory Guide*
- *Standards Alert!*, an e-mail notification service on new and revised Canadian and international standards





Management discussion and analysis

Operations

Standards have become one of the critical underpinnings of global trade and competitiveness. They help firms acquire new technologies, build competitive advantage and win market leadership. They also help Canadians safeguard environmental and social priorities.

The Standards Council of Canada and the National Standards System must continue to respond to external influences that will create new opportunities and challenges for their programs and services. The cost-recovery nature of its conformity assessment programs means that the Standards Council must respond to the markets within which its clients operate. Management needs to be realistic about what programs and services the organization should offer, based on the needs and expectations of clients and potential clients.

(For key considerations see table on page 30.)

Finance

Our total revenue from sources other than our parliamentary appropriation was \$5.4 million in 2001–2002. This is 23 per cent higher than the \$4.4 million recorded in 2000–2001. With the exception of a slight decline in **WTO/NAFTA enquiry point** operations, all other revenue categories advanced significantly. The increase in **other revenues** is attributed to registration fees and sponsorship for the NSS Conference held in March 2002, and to electronic web-forum hosting activities. Of particular note is the rise in **conformity assessment accreditation fee** revenues.

Royalties from standards sales, at \$656 thousand, is up 18 per cent from the previous year's level of \$556 thousand. Royalties from IHS, our exclusive Canadian sales agent, declined slightly, reflecting a shift in clients' preference from paper copies of standards to electronic versions. On the other hand, both ISO and IEC have launched web stores featuring electronic standards that

customers can download immediately. As well, licensing agreements to provide network access to standards and standards collections continue to show steady growth. As a result of both of these factors, royalties received from ISO and IEC pursuant to rules governing our membership have, in percentage terms, grown substantially over the last year.

Conformity assessment accreditation fee revenues in the certification body, quality and environmental management systems registration body, and testing and calibration laboratory programs increased to \$4 million from \$3.2 million, a 27 per cent jump. Each of the programs recorded increases in revenue, moving the Standards Council further along in its goal to operate these programs on a full cost recovery basis. Increases are largely attributable to a larger client base as well as increased client activity. A revised fee structure was implemented in the laboratory accreditation program as of April 1, 2001, in order to more closely match revenues and expenditures.



Key considerations

Some of the key considerations affecting the Standards Council of Canada and the National Standards System are listed in the following table.

Consideration:	Opportunities:	Challenges:
Regulation and the National Standards System (NSS)	<ul style="list-style-type: none"> Standardization can play a key role in reducing regulatory burden. Governments are looking for viable alternatives to regulations, while still protecting the public safety. The NSS is ideally suited to address this. 	<ul style="list-style-type: none"> Engaging governments in standardization Implementing new programs in the absence of significant additional resources to support them Developing new programs in a timely way Quantifying the cost savings to regulators achieved by standardization
The Canadian Standards Strategy	<ul style="list-style-type: none"> The Strategy has been well received by NSS stakeholders. This has led to demand for an ongoing national approach after the current Strategy is fully implemented 	<ul style="list-style-type: none"> Identifying and obtaining the additional resources required to support an ongoing national approach
Participation in regional and international standardization forums	<ul style="list-style-type: none"> Our participation in these forums reduces trade barriers and makes standardization a priority for exporters. Canada's NSS is often cited as a model to be emulated. As a result, we are asked to assist in developing similar systems in other countries. 	<ul style="list-style-type: none"> Financial and human resource costs associated with relationship development and Canadian representation Communicating the value-added aspect of this participation to our clients
Accredited bodies are reducing the number of accreditations they obtain	<ul style="list-style-type: none"> We are one of the few "one-stop" accreditation bodies in the world, offering services to labs, certification bodies and registration bodies. 	<ul style="list-style-type: none"> Number of accreditation competitors, many of which operate internationally Need to recognize and meet our clients' needs and expectations Increased cost to remaining clients if accreditation revenues are reduced
Social policy initiatives	<ul style="list-style-type: none"> More than 15,000 people volunteer in the NSS, many on committees that work on important standards enhancing Canadians' quality of life. Canada is a standardization model for the world, and through its efforts internationally is assisting developing countries in their own social policy standardization efforts. 	<ul style="list-style-type: none"> Insufficient financial support for social policy related initiatives Engaging granting agencies in programs that assist developing countries, and getting financial commitment from them to assist in operating the programs

Our **Parliamentary appropriation** of \$6.5 million is \$1.6 million above the level of the previous year, reflecting the approval of an additional and ongoing adjustment to the Standards Council's base appropriation. The additional funding arose from a program integrity review, focused on ensuring that the corporation had the necessary resources to meet its mandate. The additional funding was used to increase staff resources, to implement the Canadian Standards

Strategy, and to invest in critical infrastructure. Our Parliamentary appropriation supported 55 per cent of our operating and capital expenditures, up from 51 per cent in FY 2001–2002.

In total, **expenses** for 2001–2002 were \$11.8 million, an increase of 23 per cent from the 2000–2001 total of \$9.5 million. On a program basis, expenses for all major areas increased, resulting from the ongoing implementation of the Canadian

Standards Strategy and increased levels of activity in conformity assessment. These increases were supported both by higher revenues and the increased Parliamentary appropriation.

On a functional basis, salaries and employee benefits increased, as positions which had remained vacant through much of the previous year were filled and new staff resources were added. Travel, though increased from the previous year, was significantly below budget as a result of the events of September 11, 2001. As well, vacant positions were not fully staffed until September, also resulting in lower than anticipated activity. Professional and special services expenditures were significantly above budget, due to late staffing activities that required us to

use outside contractors to fulfill obligations that were to have been completed by staff. A reduction in office accommodation expense reflects the first full year's impact of the move to new premises, which resulted in a \$230 thousand annual reduction over the cost of our previous premises. The substantial increase in meetings expenses results from the National Standards System Conference, which was a key element of the Canadian Standards Strategy. Office supplies expenses were higher due to the equipping of new staff, an upgrade to our productivity software, and the

acquisition of electronic forms software.

Total revenues and funding exceeded expenditures by \$402 thousand, up from the previous year's deficit of \$11 thousand. This surplus on operations funded the acquisition of capital assets, and helped to restore the Standards Council's working capital to a level equivalent to two month's operational requirements.



Financial overview 1997 - 2003

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003 (Budget)
Revenue						
Accreditation fees	\$ 2,031,315	\$ 2,337,497	\$ 2,751,778	\$ 3,164,349	\$ 4,025,468	\$ 3,832,300
Revenue from standards sales ¹	1,808,928	533,060	530,107	556,012	656,034	555,000
WTO/NAFTA Enquiry Point	274,692	296,864	304,027	309,050	299,824	251,800
Standards Initiatives Program funding	866,391	635,902	1,234,714	0	0	0
Parliamentary appropriation	4,957,547	4,938,161	5,132,924	4,925,095	6,523,024	6,694,500
Other	262,279	276,392	534,623	554,590	650,164	898,600
	\$ 10,201,152	\$ 9,017,876	\$ 10,488,173	\$ 9,509,096	\$ 12,154,514	\$ 12,232,200
Expenses						
Conformity Assessment	2,045,266	1,972,299	2,589,880	2,497,893	2,833,835	2,968,800
Standards sales ¹	1,291,025	50,715	0	0	0	0
Information Services	409,812	390,926	419,732	375,411	389,762	476,950
WTO/NAFTA Enquiry Point	274,691	296,866	304,027	309,050	299,824	251,800
Standards Development	2,459,437	2,705,012	2,690,307	2,481,359	3,187,459	3,539,200
Intergovernmental Affairs and Trade	598,552	535,504	697,285	538,060	759,658	945,900
Management and administration	3,210,367	3,109,295	3,769,330	3,317,982	4,282,158	4,049,550
	\$ 10,289,150	\$ 9,060,617	\$ 10,470,561	\$ 9,519,755	\$ 11,752,696	\$ 12,232,200
Net income (loss)	\$ (87,998)	\$ (42,741)	\$ 17,612	\$ (10,659)	\$ 401,818	\$ 0

¹ The Standards Sales Service, formerly an in-house operation, was outsourced beginning in 1998-99. The figures for that year and later years are net royalty payments.



Financial statements

Report of management's responsibility

Allan Rock, 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 Canadian generally accepted accounting principles appropriate to Council's operations. Financial information presented throughout the Annual Report is consistent with the financial statements. 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 Canadian 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 representatives to review the annual financial statements and reports on them to the Council.

Hugh Krentz
Chair

May 17, 2002

Auditor's Report

To the Minister of Industry

I have audited the balance sheet of the Standards Council of Canada as at March 31, 2002 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 Canadian 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, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

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

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

Ottawa, Canada
May 17, 2002

BALANCE SHEET

As at March 31	2002	2001
ASSETS		
Current		
Cash	\$ 1,197,022	\$ 1,231,494
Accounts receivable:		
Federal government departments and agencies	201,553	273,919
Other	1,194,942	1,216,245
Parliamentary appropriation receivable	1,356,221	310,000
Prepaid expenses	831,762	356,222
	4,781,500	3,387,880
Capital assets (Note 3)	1,206,790	1,123,926
	\$ 5,988,290	\$ 4,511,806
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,417,546	\$ 635,564
Accrued employee entitlements	65,282	54,772
Deferred accreditation fees	1,269,890	1,070,580
	2,752,718	1,760,916
Long term		
Deferred revenue related to capital assets (Note 4)	24,227	124,856
Deferred government funding (Note 5)	825,293	622,806
Deferred revenue - Tenant improvement allowance (Note 6)	357,270	376,264
	1,206,790	1,123,926
	3,959,508	2,884,842
EQUITY OF CANADA		
Equity of Canada	2,028,782	1,626,964
	\$ 5,988,290	\$ 4,511,806

Commitments (Note 10)

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

Approved by the Council:



The Chair



Executive Director

STATEMENT OF OPERATIONS AND EQUITY OF CANADA

For the year ended March 31	2002	2001
Revenue		
Conformity Assessment accreditation fees	\$ 4,025,468	\$ 3,164,349
Royalties from sales of standards (Note 8)	656,034	556,012
WTO/NAFTA Enquiry Point	299,824	309,050
Other	436,464	357,731
	5,417,790	4,387,142
Expenses (Note 9)		
Conformity Assessment	2,833,835	2,497,893
Information Services	389,762	375,411
WTO/NAFTA Enquiry Point	299,824	309,050
Standards Development	3,187,459	2,481,359
Intergovernmental Affairs and Trade	759,658	538,060
Management and Administrative Services	4,282,158	3,317,982
	11,752,696	9,519,755
Net loss before government funding	(6,334,906)	(5,132,613)
Government funding		
Parliamentary appropriation for operating expenses	6,523,024	4,925,095
Amortization of deferred government funding	213,700	196,859
	6,736,724	5,121,954
Net Income (Loss)	401,818	(10,659)
Equity of Canada at the beginning of the year	1,626,964	1,637,623
Equity of Canada at the end of the year	\$ 2,028,782	\$ 1,626,964

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

STATEMENT OF CASH FLOWS

For the year ended March 31	2002	2001
Operating activities		
Net Income (Loss)	\$ 401,818	\$ (10,659)
Adjustment for non-cash items		
Amortization of capital assets	340,898	404,396
Amortization of deferred revenue related to capital assets	(100,629)	(189,549)
Amortization of deferred government funding	(213,700)	(196,859)
Amortization of tenant improvement allowance	(26,569)	(17,988)
	401,818	(10,659)
Changes in current liabilities and current assets other than cash	(436,290)	522,480
Cash flows (used in) provided by operating activities	(34,472)	511,821
Investing activities		
Additions to capital assets	(423,762)	(915,158)
Financing activities		
Funding for acquisition of capital assets		
Parliamentary appropriation	416,187	520,905
Tenant improvement allowance	7,575	394,253
	423,762	915,158
(Decrease) Increase in cash during the year	(34,472)	511,821
Cash at the beginning of the year	1,231,494	719,673
Cash at the end of the year	\$ 1,197,022	\$ 1,231,494

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



Notes to Financial Statements, March 31, 2002

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 standardization-related aspects of international trade and mutual recognition agreements;
- working with international and foreign standards bodies to develop standardization agreements that facilitate trade;
- fostering and promoting an understanding of the benefits and usage of standards and conformity assessment;
- collecting and distributing information on standards activities; and
- operating Canada's North American Free Trade Agreement and World Trade Organization enquiry points on behalf of the federal government.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Capital assets

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

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

(b) Revenues

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

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

(c) Parliamentary appropriations

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

(d) Pension plan

Employees of the Council participate in the Public Service Superannuation Plan administered by the Government of Canada. The Council's contribution to the plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change over time depending on the experience of the Plan. These contributions represent the total pension obligations of the Council and are charged to operations on a current basis. The Council is not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

3. CAPITAL ASSETS

	2002		2001	
	Cost	Accumulated amortization	Net book value	Net book value
Furniture	\$ 264,550	\$ 84,004	\$ 180,546	\$ 188,051
Equipment	1,596,980	1,093,290	503,690	430,086
Leasehold improvements	584,138	61,584	522,554	505,789
	\$ 2,445,668	\$ 1,238,878	\$ 1,206,790	\$ 1,123,926

4. DEFERRED REVENUE RELATED TO CAPITAL ASSETS

The Council was awarded contracts by Industry Canada to manage various standards initiatives. Some of the contracts required the acquisition of capital assets. Amounts received pursuant to these contracts have been recorded as deferred revenue and are amortized to income on the same basis as the related capital assets.

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

	2002	2001
Balance at beginning of year	\$ 124,856	\$ 314,405
Less amounts amortized to revenue	100,629	189,549
Balance at end of year	\$ 24,227	\$ 124,856

5. DEFERRED GOVERNMENT FUNDING

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

Changes in the deferred government funding balance are as follows:

	2002	2001
Balance at beginning of year	\$ 622,806	\$ 298,760
Add appropriations used to acquire depreciable capital assets	416,187	520,905
Less amortization	213,700	196,859
Balance at end of year	\$ 825,293	\$ 622,806

6. DEFERRED REVENUE - TENANT IMPROVEMENT ALLOWANCE

The Council has received funds from the landlord to pay the cost of tenant improvements made to the office space it leases. These funds have been recorded as deferred revenue and are being amortized to income over the duration of the lease.

Changes made to the balance of this account are as follows:

	2002	2001
Balance at beginning of year	\$ 376,264	—
Add amount received from the landlord	7,575	\$ 394,253
Less amortization	26,569	17,989
Balance at end of year	\$ 357,270	\$ 376,264

7. FINANCIAL INSTRUMENTS

Accounts receivable and accounts payable are incurred in the normal course of business. All are due on demand and are 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. EXPENSES

	2002	2001
Salaries and employee benefits	\$ 5,273,478	\$ 4,176,542
Travel	1,717,487	1,334,433
Professional and special services	1,487,746	924,817
Memberships in international organizations	951,427	955,487
Office accommodation	600,863	658,737
Meetings	349,516	72,121
Amortization of capital assets	340,898	404,396
Publications and printing	268,980	332,700
Office supplies	255,999	151,609
Telecommunications and postage	122,441	143,673
Public relations	111,371	89,480
Rental of office equipment	71,036	57,170
Other	201,454	218,590
	<u>\$ 11,752,696</u>	<u>\$ 9,519,755</u>

During the year, the Public Service Superannuation Plan required the Council to contribute at a rate of 2.14 times the employees' contribution (2001-2.14). The employer's contribution to the plan during the year was \$514,196 (2001-\$359,629).

10. COMMITMENTS

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

Starting in:	July 2002	\$ 309,723
	July 2005	\$ 328,769
	June 2008	\$ 331,799
	July 2010	\$ 350,845

11. RELATED PARTY TRANSACTIONS

The Council is a component of the Government of Canada reporting entity and is therefore related to all departments, agencies, and Crown corporations. The Council enters into transactions with these entities in the normal course of business, under the same terms and conditions that apply to unrelated parties.